



# Irvine Ranch Water District

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
IRVINE, CALIFORNIA



# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2012

Irvine Ranch Water District  
Irvine, California

## Board of Directors

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Paul A. Cook, General Manager

## Prepared by:

Irvine Ranch Water District

Finance Department

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**IRVINE RANCH WATER DISTRICT**







December 10, 2012

The Board of Directors,  
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared a Comprehensive Annual Financial Report of IRWD for the fiscal year ended June 30, 2012. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

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

The District's basic financial statements have been audited by Mayer Hoffman McCann, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2012 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

# Profile of Irvine Ranch Water District

## Overview

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

The District serves a 181 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County, including those canyon areas added to the District as part of the District's consolidation with Santiago County Water District in 2006 and the Orange Park Acres area added to the District as part of its acquisition of Orange Park Acres Mutual Water Company in 2008. Extending from the Pacific Coast to the top of the foothills of East Orange County, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated population served is 330,000 through approximately 103,000 water and over 90,000 sewer service connections. The number of service connections has increased by 20% over the last ten years. Daytime population surges to over 500,000, reflecting the District's strong employment base.

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

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

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## Our People

IRWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The members of the Board each have varied professional backgrounds which, coupled with an average tenure for the Board members of approximately 18 years. The District has consistently been on the leading edge of new initiatives in

resource management such as water recycling, urban runoff management and water conservation, and in financial management by implementing practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

The District employs nearly 300 professional staff members who are responsible for daily operations and implementing short and long-term strategic objectives set forth by the Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of the employees is approximately 13 years. An aggressive succession planning program at all levels of the organization has been developed to ensure long-term workforce stability. In FY 2011-12, the District performed extensive studies of the District's pension and medical plans to evaluate the most cost efficient plan for employees and the District.

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

In FY 2011-12, the District appointed Paul Cook as General Manager to oversee the day-to-day operations. In addition, the District hired Cheryl Clary as Executive Director of Finance and Administrative Services in November 2012.

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## Our Services

The District is functionally organized into four core service areas:

### *Drinking or "Potable" Water System*

For many years, the District received virtually all of its drinking water from imported sources. To minimize its dependency on imported water, the District in 1979 began to develop a series of local wells known as the Dyer Road Wellfield that pump high quality groundwater from the Orange County Groundwater Basin. In addition, the District operates wells in the Lake Forest area, which is outside of the current main groundwater basin boundaries. In FY 2011-12, the largest component of the District's water supply was local groundwater, which accounted for 50% of the total supply. Groundwater typically is less expensive and more reliable because it does not have to be transported over hundreds of miles into Southern California and subsequently treated.

The District purchased 22% of its water supply in FY 2011-12 from the Metropolitan Water District, the region's wholesale water supplier. This water is imported from the Colorado River, which is transported 242

miles through deserts and over mountain ranges to Southern California, and from the Delta, which is transported approximately 400 miles from Northern California.

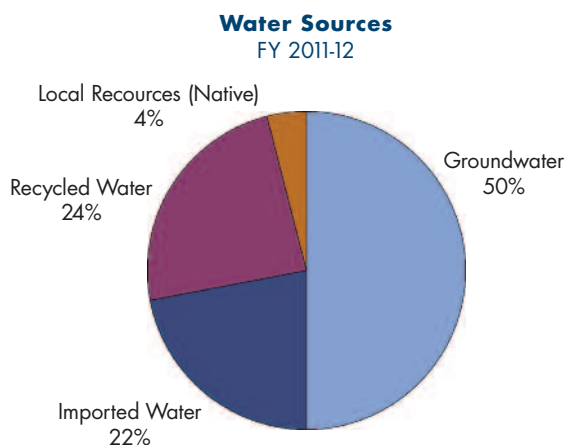
### *Recycled Water System*

The District's philosophy is that water is too valuable to be used just once, and that by treating wastewater to provide water for irrigation and industrial purposes, the District reduces its reliance on the more expensive imported water. Wastewater from the community is collected and treated to State Health Department standards at the Michelson Water Recycling Plant and the Los Alisos Water Recycling Plant, which have the combined capacity to produce nearly 25 million gallons of recycled water per day. Once treated, all of the recycled water is used in the system, which in FY 2011-12 accounted for approximately 24% of the District's total water supply. Approximately 80% of all business and community landscaping (parks,

school grounds, golf courses, street medians, etc.) in the District's service area is irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's ultimate goal is to recycle all its wastewater and have recycled water as 25% of its total water supply. This increase in recycled water supply will also provide a substantial portion of the water needed for future growth and redevelopment.

The District operates a number of wells and reservoirs that collect local water for non-potable uses, including Irvine Lake, a 25,000 acre-feet reservoir which receives stream flow (native water) coming from the Santiago Creek watershed. This water is used primarily in the foothills area of the District for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has 5,000 acre feet of recycled water storage capacity in the San Joaquin Reservoir and is currently evaluating additional recycled water storage projects.

When viewing District-wide water consumption from all systems, groundwater provides 50% of the District's consolidated water demand with recycled water and imported water providing 24% and 22%, respectively, and native water from captured storm water flow supplying the remaining 4%.



## Wastewater Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, wastewater lift stations, and siphons that convey wastewater to two owned treatment plants. In FY 2011-12, the District treated approximately 85.2% of its wastewater, while the bulk of the remainder of the wastewater collected by the District is diverted to the Orange County Sanitation District treatment facilities. In the future, expansion of the District's wastewater treatment capabilities will serve the growing population within the District, as well as provide additional treatment capacity for the existing District. This expansion is discussed in more detail in the Major Initiatives section of this document.

## Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff, and conducts various projects and programs as part of an effort to protect the quality of water within the San Diego Creek watershed. In the early 1990s, the District voluntarily reconstructed wetlands at the San Joaquin Marsh and Wildlife Sanctuary where natural biological processes remove a substantial amount of the pollutant load from San Diego Creek before it reaches environmentally sensitive Upper Newport Bay. In light of this success, the District obtained special legislation allowing it to add urban runoff treatment to its services, and will partially finance, construct and operate a regional urban runoff treatment project known as the Natural Treatment System. The Natural Treatment System consists of 12 wetlands treatment sites located throughout the District's service area with three more currently under construction. The District has various mechanisms in place to fund the operation of this system, and is continuing to work with federal and state legislators to procure additional funding to offset capital expenditures.

## Our Financial Plan

The District's operating budget for FY 2011-12 was \$107.5 million. The approved FY 2012-13 budget increased by 3.35% to \$111.1 million.

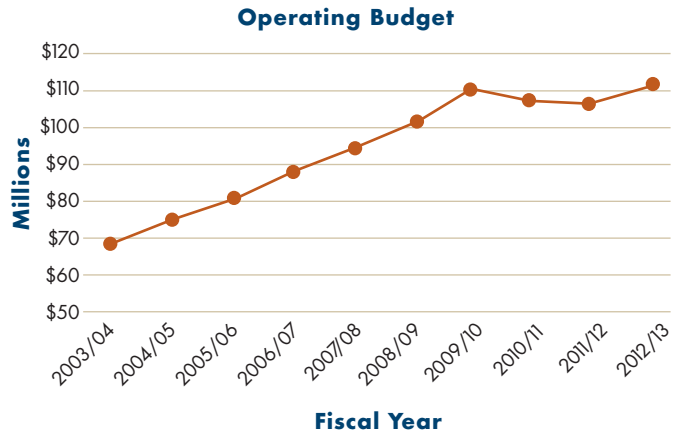
In addition to the operating budget, the District has a capital budget based upon new and replacement infrastructure needs. A \$64.4 million capital budget for FY 2012-13 was adopted by the Board, although many of the capital budget projects extend beyond just one fiscal year. The District's capital program currently includes more than 500 active and planned projects with expenditures estimated total more than \$600 million over the next 20 years.

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

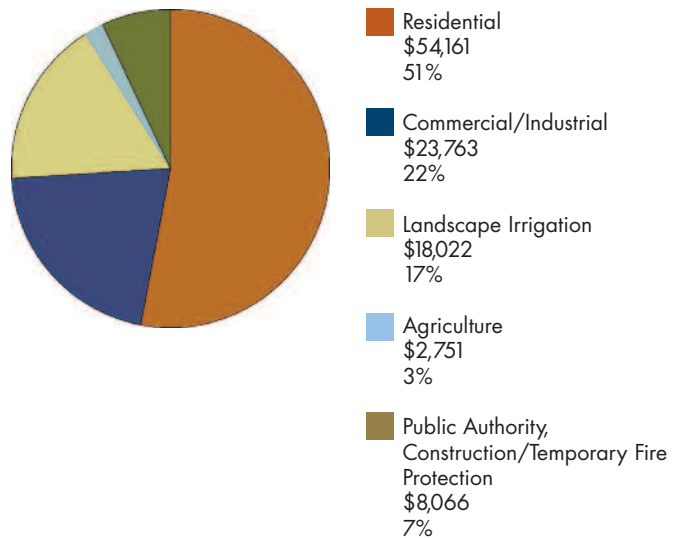
## Our User Rates & Charges

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

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



**Customer Base: FY 2011-12**  
Water & Sewer Operating Revenue  
(in thousands)



## Water Rates

The District's rate structure for water use is separated into a commodity charge component and a service charge component. The commodity charge reflects the melded cost of the District's water supplies while the service charges fund the remaining fixed operational expenses of the District. For FY 2011-12, the District's water service charge was \$8.75 per month for an average residential customer. This monthly service charge also includes a user enhancement component of \$0.31 per month, which is intended to fund the capital costs to update the existing infrastructure.

The commodity charge is a five-tiered rate structure based on an allocation of water, that

promotes conservation. A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer's needs and property characteristics, giving consideration to factors such as number of occupants, type or classification of use, size

## Sewer Rates

The District's sewer rates are also among the lowest in Orange County with a monthly service charge of \$16.90 in FY 2011-12 for a typical residential customer that covers collection, treatment and disposal of wastewater. This monthly service charge also includes a user replacement component of \$4.65 per month, which is intended to fund the capital

## Historic Rate Trends

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2011-12. The District raised rates in each of the last twelve years due largely to increased costs for wholesale supplies and services for both water and sewer.

of lot or irrigated area, and evapotranspiration rate for the billing period, and other consistently applied criteria. Water customers in the first two tiers pay rates that are among the lowest in Orange County; approximately 85% of the District's customers keep their water usage in the first two tiers. The chart below illustrates the five-tier structure.

**FY 2011-12 Residential Rate Structure – Potable Water (Commodity Charge)\***

Tier	Percent of Estimated Customer Need	Cost per ccf**
Low Volume	0 – 40%	\$0.91
Base Rate	41 – 100%	\$1.22
Inefficient	101 - 150%	\$2.50
Excessive	151 – 200%	\$4.32
Wasteful	201% +	\$9.48

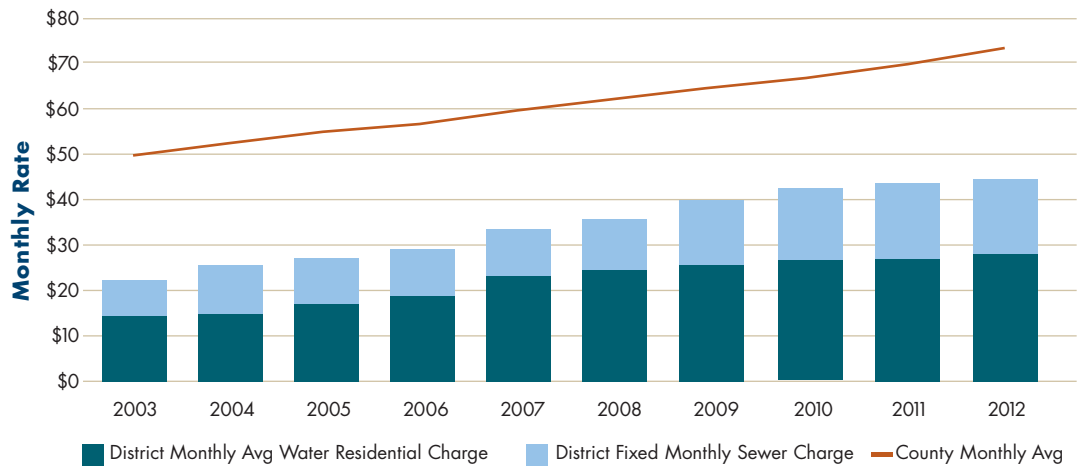
\*This is the rate for the Irvine area. The customers of the former Orange Park Acres Mutual Water Company and Los Alisos Water District are on a separate rate structure until the buy-in to the District's capital program is completed.

\*\*One ccf (100 cubic feet) = 748 gallons

costs to replace and refurbish the existing system. This component is projected to grow annually. In addition, this monthly service charge includes a user enhancement component of \$0.31 per month, which is intended to fund the capital costs to upgrade the existing infrastructure.



### Monthly Residential Customer Charges



### The District has completed five consolidations over the last fifteen years -

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

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

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

In FY2011-12, the District made significant fire flow improvements to recently annexed areas.



## Factors Affecting Financial Condition

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

### *Local Economy*

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

During FY 2011-12, the District continued to expand its operating facilities to accommodate more than 1,340 new service connections constructed within District boundaries. There remains a sizable portion of land to be developed, including the Northern Sphere of Irvine, East Orange and property from two de-commissioned military bases.

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

decade from \$10.6 billion in 2000 to more than \$35.0 billion in 2012, indicating local economic strength.

The State of California's financial condition impacted local governments such as cities, counties and special districts. In 1992, special districts were subjected to legislation that shifted substantial amounts of property tax revenue to the State. The State took this approach again in response to its budget crisis, taking more than \$9.6 million in local tax revenue from the District during FY 2005-06, and took a similar amount of those local tax revenues during FY 2004-05. In response, the District chose to raise both property taxes and connection fees to offset state revenue losses which had been dedicated to annual debt service payments. The District's local tax revenue returned to normal levels in FY 2007-08 and the District's local tax revenue has continued to grow, reaching nearly \$27 million in FY 2011-12. In FY 2009-10, the State exercised its suspension provision of proposition 1A and borrowed approximately \$2 million of that from the District, with the obligation required to be repaid within three years with





interest. Under Proposition 1A, the State can only exercise its borrowing right again one more time between now and 2019.

## *Financial Planning & Budgeting*

### **Short-Term**

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

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

### **Long-Term**

Meeting the goals of reliable, cost effective long-term water and wastewater service requires substantial planning for both capital improvements and changing operating conditions. The District's Capital Improvement Program anticipates the need for expanded treatment facilities as well as replacement of existing facilities as they wear out. The District staff identifies future infrastructure requirements in advance of needs to ensure that the necessary funding for those projects is in place.

The District regularly updates its water and wastewater master plans using computer modeling that factors in such variables as future development, construction costs, growth rates, inflation, redevelopment, and other items. The District's master plans contemplate the future demands and facility needs for water and sewer treatment systems.

## **Real Property Investments**

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

At this time, the District has an interest in five properties with a book value of \$49.5 million and a weighted average return (on original cost) for FY 2011-12 of 10.66%.

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

Diversification of the District's water supply and wastewater treatment options are major objectives of the District's master plans. Those objectives are discussed in more detail in the *Major Initiatives* section of this introduction.

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

The original funding source for the Replacement Fund was a fixed component of water and sewer rates. User rate contributions were discontinued in 1992 after providing approximately \$25 million to the Replacement Fund over a 15 year period. The initial objective of the Replacement Fund is to fund 30% of future infrastructure replacement costs. Currently the Replacement Fund is contributing more than 30%. After assess-

ing the District's long-term replacement funding needs, the Board voted to add \$2.65 to the sewer monthly fixed charge for FY 2006-07. The funding needs are assessed annually using our long-term financial planning models. The Board has considered and assessed an increase of the replacement/enhancement fees to both water and sewer monthly fixed charges annually. For FY 2008-09, the user replacement/enhancement fees were \$3.75 per month. For FY 2010-11, the user replacement/enhancement fees increased to \$4.80 per month. For FY 2011-12, the user replacement/enhancement fees increased to \$6.10 per month. For FY2012-13, the user replacement/enhancement fees were increased once more to \$6.80 per month.

In 1996, the District engaged an independent consultant to assist in developing a replacement fund model that would match projected water and sewer infrastructure replacement needs to future funding requirements.

General funding goals were refined and future replacement costs were projected annually for the next 50 years. This replacement model is updated periodically, most recently during 2005. The replacement fund model was augmented in FY 2006-07 by integrating it with a broader cash flow model which considers both capital and operating expenses, which continues to be further enhanced to meet the District's planning needs. The industry-leading models enable staff and the Board to project future user rate requirements necessary to meet both new and replacement capital needs as well as ongoing operation and maintenance costs.

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

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## Cash Management Policies and Practices

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

For FY 2011-12, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of less than 12 months. These securities included U.S. government agency notes, the State-managed Local Agency Investment

Fund, local government bonds, and a mutual fund of U.S. Treasury securities. Starting in March 2008, the Board expanded the Investment Policy, permitting investments in municipalities with ratings of AA or better in either auction rate securities or variable rate demand bonds. A complete discussion of the District's investments in FY 2011-12 is included in Note 2 to the Basic Financial Statements. The annual return on all of the District's cash investments in FY 2011-12 was approximately 0.44%. When real estate investments are included, the weighted average rate of return was 1.95%.

At June 30, 2012, the District's cash assets totaled approximately \$336.5 million. These cash balances are allocated to various restricted funds including the District's Replacement Fund, New Capital Fund, Bond Reserve, Construction, Debt Service and others.



## **IRWD Joint Powers Agency**

### IRWD Joint Powers Agency

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

After expiration of bond call protection provisions in 1998, the JPA refunded the tax-exempt bonds through the issuance of two series (Issue 1 and Issue II) of taxable refunding bonds. The investment securities pledged to the tax-exempt bonds are now pledged to the repayment of the taxable refunding bonds, and are held separately by a trustee. However, under the taxable refunding structure, the JPA was required by tax law considerations to retain beneficial ownership of approximately 3% of the principal and interest of the investment securities, and thus it receives these excess monies after the scheduled debt service payments. The excess revenues received in 2011-2012 were about \$4.0 million.

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

The JPA refunding bonds and underlying investment securities have \$638.5 and \$679.6 million par amounts, respectively, outstanding as June 30, 2012, and the bonds and securities will mature in 2014. The District has no legal obligation to use any of its own funds to pay debt service on the JPA bonds. While the District is required to report the underlying investment securities as part of its Cash and Investments, these securities, with the exception of the District's 3% ownership interest and net savings from the Issue II Refunding, are pledged to debt service on the bonds and are not available for the District's use. Of the \$1.0 billion in total cash and investments reported in the District's consolidated financial statements, only \$336.5 million was generally available to the District as of June 30, 2012 primarily for capital needs.

On September 12, 2012, the JPA issued \$257,355,000 of Taxable Refunding Bonds, Issue 1, Series 2012 (Series 2012 Bonds), which were used to refund all the outstanding Irvine Ranch Water District Joint Powers of Agency Taxable Refunding Bonds, Issue 1 and pay the costs of issuance of the Series 2012 Bonds.

## Debt Management Policies and Practices

The District has strived to minimize the cost of its long-term debt. In 1984, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal.

The District has primarily used a combination of variable rate General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2012, there were nine outstanding general obligation bond issues with a balance of \$374.8 million in variable rate mode and \$175.0 million in fixed rate mode, and one outstanding COPs issue with a balance of \$77.2 million in fixed rate mode. The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt. The District's all-in average cost of debt for FY 2011-12 was 2.12%.

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

Since a significant amount of the District's outstanding debt is in a variable rate mode, the Board of Directors has taken certain actions to manage and mitigate interest rate

risk. First, the Board adopted a policy to maintain a target amount of investment assets equal to at least 75% of the outstanding unhedged variable rate debt. In addition, in FY 2003-04, the District began an interest rate swap program under which \$130 million notional amount of LIBOR-based fixed payer swaps were executed. These interest rate swaps have allowed the District to limit the risk exposure on approximately \$194 million\* (or 51.7%) of its variable rate debt to about 4.01%. (\*Assumes a historical ratio for tax-exempt (SIFMA) versus 1-month LIBOR of 67 %.)

During FY 2010-11, the District issued \$175 million of new general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act and available to issuers in 2009 and 2010, are taxable bonds for which the Treasury Department makes subsidy payments to issuers equaling 35% of the interest costs. The District's BABs issue has a rating of "AAA" from Fitch, a "AAA" rating from Standard and Poor's and a "Aa1" rating from Moody's. Also during FY 2010-11, the District's 2008-B variable rate demand obligation G.O. issues were refunded and re-issued as SIFMA-based Index Tender Notes (ITNs). Interest rates for the ITNs are set periodically at a spread to the SIFMA variable rate municipal index. In FY 2011-12 the District replaced letters of credit for its Series 1989, 1991, and 1993 issues from Bank of America with letters of credit from Bank of New York Mellon, due to cost efficiencies and pending concerns regarding credit ratings.

## Risk Management

The District utilizes a combination of self-insurance and third party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first \$50,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims and \$125,000 per occurrence

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



# Major Initiatives

The District's major initiatives during FY 2011-12 included the continuing programs to secure water supplies, as well as expanding wastewater treatment capacity and diverting wastewater flows, water education programs, and the continuing implementation of the Water Conservation Program, particularly in light of imported water reductions in 2012 and potential further reductions in the future.

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## Water Supply Reliability

### *Groundwater Program*

The District's Water Resources Master Plan for a reliable water supply mix includes developing sufficient groundwater production capacity to pump to the Basin Production Percentage (BPP) set by the Orange County Water District (OCWD). Currently, the District has the ability to produce approximately 28,000 acre feet per year (AFY) of clear groundwater that requires no treatment, other than disinfection, from the Dyer Road Well Field. The District is in the processing of replacing the OPA Well which will produce another 900 acre-feet of clear groundwater. The District also produces 13,000 AFY of groundwater that requires treatment at its Deep Aquifer Treatment System (DATS) which removes organic color and the Irvine Desalter Project (IDP) which removes salts and nitrates. In addition, IRWD is currently constructing the Wells 21 & 22 Desalter Project which will provide an additional 6,300 AF per year of groundwater of local supply to the District. The District recently completed Lake Forest Well #2 which produces approximately 300 AF per year that is not subject to the OCWD restrictions or charges. IRWD is also currently constructing Well 52 to investigate additional groundwater production capability in the south west Irvine portion of the District. The District continuously looks for new opportunities to improve its groundwater production capabilities.

### *Well 21 and 22 Treatment Project*

The Wells 21 and 22 Treatment Project is a groundwater recovery project that will allow IRWD to serve an additional 6,300 AF per year of groundwater from the Irvine Sub-basin. The plant will reduce nitrate and total dissolved solids to levels that comply with

national primary and secondary drinking water standards. The project will consist of two wells, an advanced reverse osmosis treatment plant, a raw water pipeline that delivers water from the wells to the treatment plant, and a product water pipeline that delivers treated water from the treatment plant to IRWD's distribution system. The project is in the final stages of construction and is anticipated to be online in December 2012.

### *Water Banking*

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

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

To operate its water bank, the District has entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. Unlike other existing Kern County water banking arrangements, the District's partnership program with Rosedale has provided long-term equity ownership of water banking capacity rather than typical contract or lease arrangements employed by most other agencies.

To date 30,000 AF of water has been recharged at the District's water banking facilities. It is anticipated that an additional 6,400 AF will be recharged by the end of 2012. The majority of this water was made available through a 28-year Exchange Agreement that the District has with the Buena Vista Water Storage District in Kern County (BVWSD). The terms of the Exchange Agreement will require that half of this water be returned to BVWSD within 5 years with the balance of the water being available to the District for its use.

Seven groundwater wells that will be used to recover water from the water bank have been constructed on the District's water banking properties. The wellheads and pipelines that will convey water from these wells to the Cross Valley Canal are currently being completed and will be fully operational in November 2012. Until then, the District's water can be recovered from the water bank through exchanges for water already flowing in the California Aqueduct. The District is currently preparing an Environmental Impact Report (EIR) for the construction and operation of recovery wells on additional lands purchased in 2010. This EIR is expected to be circulated for public review in the Spring of 2013. The construction of these additional wells would begin in 2014.

#### ***Baker Treatment Plant***

The District is finalizing the engineering design for the Baker Water Treatment Plant (WTP) project, which is anticipated to be

complete in December 2012. The Baker WTP is anticipated to be online and operational in the summer of 2015. The Baker WTP will produce approximately 28 million gallons per day of drinking water and will be capable of treating untreated import water from Metropolitan Water District of Southern California and local untreated water from Irvine Lake. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the Baker WTP will be owned and operated by the District, partial capacity in the plant is being purchased by four other water agencies located in Southern Orange County. The Baker WTP will provide an operational source of supply to the project participants and, in the event of a short-term water shortage emergency, will provide regional water reliability to other neighboring Southern Orange County water agencies. The project construction cost is estimated at approximately \$78 million, with IRWD responsible for approximately 24% of the total cost.

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

The Irvine Ranch Water District (IRWD) is in the process converting the Syphon Reservoir into a recycled water storage facility. Syphon Reservoir, located in the northern portion of the City of Irvine, is a sixty-year-old irrigation reservoir historically used by the Irvine Company for agricultural purposes. IRWD purchased the Syphon Reservoir in January 2010. Plans are underway to convert the reservoir into 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 dependency on imported water from MWD used to supplement the recycled water system. The existing Syphon Reservoir will be integrated into the recycled water system by June 2013.

The District is also completing a feasibility study to increase storage capability in Syphon Reservoir from its current 500 acre feet up to potentially 5,000 acre feet. By providing additional storage, this project will allow the District to recycle more of the wastewater flows to the MWRP and reduce the District's

dependence on imported water supplies. An expansion of Syphon Reservoir to 5,000 AF would allow recycling 100% of the wastewater flows tributary to MWRP and eliminate IRWD's need to supplement the recycled water system with imported water event in dry years.

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## Expanded Wastewater Treatment Options and System Reliability

IRWD is continuing its program to increase the reliability of the wastewater system by diversifying treatment options and increasing the reliability of critical sewage collections facilities. The goals of the program are to collect wastewater in the most cost effective method available, create a high quality and reliable recycled water supply for irrigation and industrial uses, and minimize environmental impacts and risks. Sewage collected throughout the District is treated at four locations: the Michelson Water Recycling Plant (MWRP), the Los Alisos Water Recycling Plant (LAWRP), at the Santa Margarita Water District's (SMWD) Chiquita Water Reclamation Plant, and at the Orange County Sanitation District (OCSD) facility in Fountain Valley. The District owns and operates the Michelson and Los Alisos treatment facilities, and owns capacity in the SMWD and OCSD facilities based on its tributary flows.

The District has implemented strategic capital facilities to optimize wastewater treatment capability, improve operational efficiencies, support planned maintenance, and minimize the impacts of unexpected emergencies. Examples of these efforts include the construction of the Harvard Avenue Trunk Sewer (HATS) diversion project which was completed during FY 2007-08. The HATS project, which cost the District approximately \$9.6 million, is projected to save the District at least \$20 million by diverting more wastewater to the Michelson Plant so that more water may be recycled.

To further improve operational flexibility, the construction of additional diversion structures, pipelines, and the expansion of treatment capacity will have to be completed. The

two plants operated by IRWD currently have capacities of 18 and 7.5 million gallons per day (mgd), with a collective capacity of 25.5 mgd. Ultimately, the capacity for these treatment facilities is planned to be 33 and 7.5 mgd, with a collective capacity of 40.5 mgd. Expanding existing infrastructure for wastewater treatment has four primary benefits including:

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

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

In addition to the projects identified above, the District has evaluated alternative approaches to handling its wastewater solids. The evaluation of the alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by



OCSD, included consideration of many factors such as costs and potential community impacts. IRWD is in the final design process and expects to go to bid in late November 2012 for new capital facilities to be constructed at the MWRP to dewater, digest, and dry to allow safe reuse of solids from this facility,

which are estimated to cost in excess of \$130 million. The treatment process will reduce the District's cost. The construction of solids handling facilities at the MWRP would not begin until the current expansion of the MWRP is complete in early 2013 and is anticipated to be completed in 2016.

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## Community Education and Outreach

The District has a long history of commitment to community education and outreach and recognizes the significant impact lifelong water education can have on a community including improved water use efficiency and environmental protection. Today, these programs provide a key Best Management Practice under the California Urban Water Conservation Council's memorandum of understanding dedicated to increasing efficient water use statewide. From our student water and science education programs to our Always Water Smart Resident Tours, the District's dedication to community education is considerable.

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

For educators who prefer to do the teaching themselves, the District provides several options. Project WET (Water Education for Teachers) is a one-day water science and education workshop featuring comprehensive water science and education training, curriculum and activity guide, and resources. The program facilitates and promotes awareness, appreciation, knowledge, and stewardship of

water resources through the dissemination of classroom-ready teaching aids and the establishment of internationally sponsored Project WET programs.

The District San Joaquin Marsh Campus, which houses the IRWD Learning Center and Visitors Center, is the embodiment of the District's dedication to lifelong water education. The location of the Campus at the San Joaquin Marsh and Wildlife Sanctuary provides a wide variety educational venues and teaching opportunities utilizing the District's Natural Treatment System, the Butterfly Garden, and the San Diego Creek. The Learning Center is a dedicated facility for water education in our community. The Center features two state-of-the-art classrooms and a patio that can be utilized as an outdoor learning facility. Throughout the year the Center houses not only the District's education programs but also our resident tours, community events, and Project WET teacher training classes. The Visitor's Center at the historic Irvine Ranch Marsh House provides informative self-guided tours on the District's environmental and conservation efforts and is open to the public from 8 a.m. to 4 p.m. seven days a week.

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

## Water Conservation Program Implementation

The District strives to be a leader in the innovation and implementation of conservation measures by promoting the most efficient use of water both on a per capita and per acre basis. IRWD led the use of recycled water starting in the late 1960s and presently serves over 4,700 sites with more than 22,500 acre feet of recycled water annually – currently 24% of the District’s total water supply. The District’s allocation-based rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water. This structure, which IRWD updated in 2009, is recognized as a model for other agencies to emulate.

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

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

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

During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as high efficiency clothes washers, toilets and irrigation equipment.

Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, the District provides reliable, high quality water to its customers at the lowest possible cost.

# Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2011. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

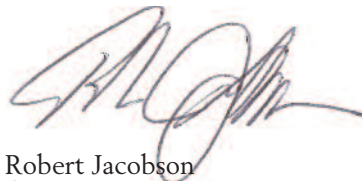
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Staff would like to acknowledge the IRWD Board of Directors for their unfailing support and for maintaining the highest standards of professionalism in the management of the District's operations and finances. We would also like to thank the dedicated employees of the District for their commitment to providing high quality service to the District's customers. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all staff that assisted and contributed to the preparation of this report.

Respectfully submitted,



Paul A. Cook  
General Manager



Robert Jacobson  
Acting Director of Finance

# Irvine Ranch Water District List of Principal Officials

## **Board of Directors:**

President and Director

Mary Aileen Matheis

Vice President and Director

John B. Withers

Director

Steven E. LaMar

Director

Douglas J. Reinhart

Director

Peer A. Swan

## **Executive Management:**

General Manager

Paul A. Cook

Executive Director of Water Operations

Dave Pedersen

Executive Director of Engineering & Planning

Kevin Burton

Executive Director of Water Resources & Policy

Gregory Heiertz

Director of Human Resources

Janet Wells

Director of Wastewater Operations

Wayne Posey

Director of Water Resources

Paul Weghorst

Director of Public Affairs

Beth Beeman

Director of Administrative Services

Tony Mossbarger

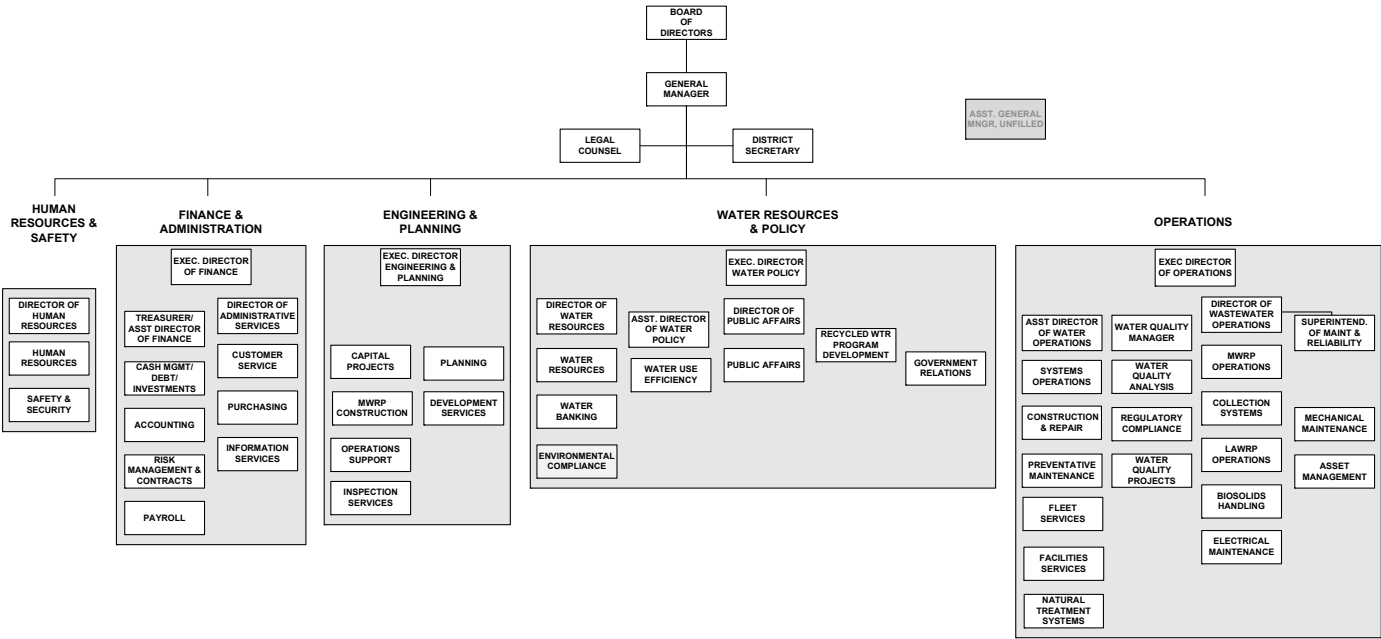
Acting Director of Finance and Treasurer

Robert Jacobson

# Irvine Ranch Water District Organizational Chart

(By Function)

Fiscal Year 2011-12 – Revised Effective January 1, 2012



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irvine Ranch Water District  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director







# Financial Section

Irvine Ranch Water District  
Financial Statements  
Fiscal Year ended June 30, 2012



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Board of Directors  
Irvine Ranch Water District

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying basic financial statements of the Irvine Ranch Water District (District) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative data has been derived from the financial statements of the District for the year ended June 30, 2011 and, in our report dated December 8, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Ranch Water District as of June 30, 2012, and the changes in financial position and cash flows of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 regarding 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.

Board of Directors  
Irvine Ranch Water District  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Irvine Ranch Water District's basic financial statements. The supplementary combining schedules identified in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Irvine Ranch Water District's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman Melam P.C.*

Irvine, California  
December 3, 2012

## 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, 2012. Please read it in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

### Financial Highlights

- Total assets exceeded total liabilities by \$1,348.0 million (net assets). Of this amount, \$943.1 million was for invested in capital assets, net of related debt, \$203.4 million was restricted for water services and operation, and \$201.5 million was restricted for sewer services and operation.
- Total revenues including capital contribution increased by \$7.8 million or 3.7 percent primarily due to an increase of \$7.6 million in the capital grants and reimbursements from the Federal, State and local agencies.
- Total expenses increased by \$8.3 million or 4.1 percent primarily due to increases in non-operating expenses relating to the disposal of projects.
- Capital assets increased by \$78.5 million or 5.5 percent primarily due to increases in several major capital projects. The District is continuing its aggressive capital plan, particularly in light of the current favorable bidding environment as a result of the general economic downturn.
- Total debt decreased by \$56.1 million or 4.2 percent primarily due to principal maturities of \$64.8 million.

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

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

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

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

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

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

## Management's Discussion and Analysis (Continued)

The *supplementary information* that is presented immediately following the notes to the basic financial statements includes combining schedule of net assets for water subfunds and sewer subfunds at the end of the fiscal year.

### Financial Analysis of the District

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

### Net Assets

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

*Condensed Statement of Net Assets as of June 30,*

<b>Table 1</b>				
<b>Net Assets</b>				
<b>(in millions)</b>				
	<b>2012</b>	<b>2011</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>Assets</b>				
Current and other assets	\$ 384.1	\$ 415.7	\$ (31.6)	-7.6%
Capital assets, net	1,508.8	1,430.3	78.5	5.5%
Other noncurrent assets	835.9	917.0	81.1	-8.8%
Total assets	2,728.8	2,763.0	(34.2)	-1.2%
<b>Liabilities</b>				
Current and other liabilities	99.0	97.7	1.3	1.3%
Long-term liabilities	1,281.8	1,323.7	(41.9)	-3.2%
Total liabilities	1,380.8	1,421.4	(40.6)	-2.9%
<b>Net Assets</b>				
Invested in capital assets, net of related debt	943.1	900.6	42.5	4.72%
Restricted for water services	203.4	234.3	(30.9)	-13.2%
Restricted for sewer services	201.5	206.7	(5.2)	-2.5%
Total net assets	\$ 1,348.0	\$ 1,341.6	\$ 6.4	0.5%

## Management's Discussion and Analysis (Continued)

As shown in Table 1, the District's total assets decreased \$34.2 million or 1.2 percent, primarily due to an increase use of the District's capital funds in the amount of \$19.2 million. In addition, the decrease in the District's total assets was due to decreases in the receivables / deposits from the Orange County Sanitation District in the amount of \$10.4 million or 23 percent from \$45.6 million in the prior fiscal year to \$35.2 million in the current fiscal year.

The District's total liabilities decreased \$40.6 million or 2.9 percent, primarily due to principal maturities of \$64.8 million and amortization of deferred refunding charge of \$10.5 million.

Net assets at end of the current fiscal year increased from \$1,341.6 million to \$1,348.0 million compared to the prior fiscal year, indicating approximately a 0.5 percent positive growth in the District's overall financial condition. Net assets consist of the portion invested in capital assets net of related debt and restricted net assets. Net assets invested in capital assets net of related debt is the difference between capital assets net of accumulated depreciation/amortization and the liabilities attributable to the acquisition, construction, or improvement of those assets. Net assets invested in capital assets net of related debt was \$943.1 million or 70.0 percent of total net assets. This was an increase of \$42.5 million or 4.72 percent from the prior fiscal year. Restricted net assets for water services were \$203.4 million or 15.1 percent of total net assets. Restricted net assets for sewer services were \$201.5 million or 14.9 percent of total net assets. Those restricted net assets are externally restricted by a creditor such as through debt covenants or restricted by law or enabling legislation.

## Management's Discussion and Analysis (Continued)

### Activities and Changes in Net Assets

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

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

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

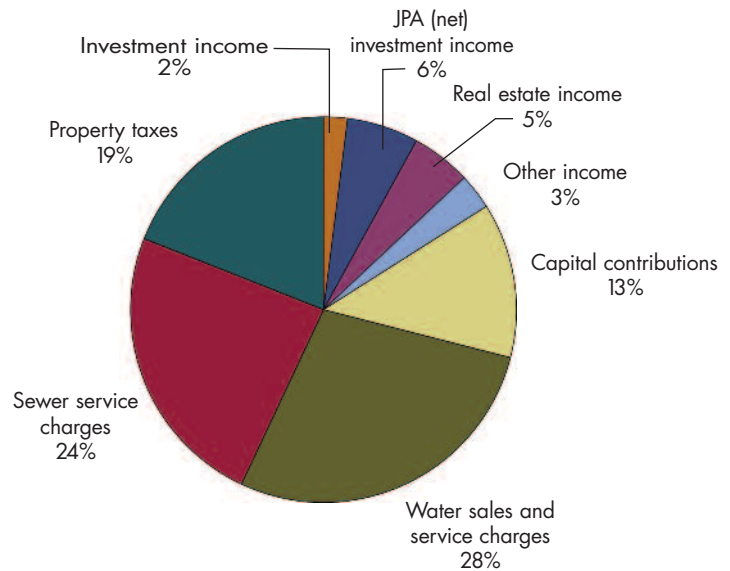
	2012	2011	Increase/(Decrease)	
			Amount	Percentage
<b>Operating revenues</b>				
Water sales and service charges	\$ 57.6	\$ 54.8	\$ 2.8	5.1%
Sewer sales and service charges	49.2	45.4	3.8	8.4%
Total operating revenues	<u>106.8</u>	<u>100.2</u>	<u>6.6</u>	<u>6.6%</u>
<b>Non-operating revenues</b>				
Property taxes	38.0	38.6	(0.6)	-1.6%
Investment income	3.1	2.6	0.5	19.2%
Increase (decrease) in fair value of investments	(23.5)	(20.2)	(3.3)	16.3%
JPA investment income	51.5	53.7	(2.2)	-4.1%
Real estate income	11.0	9.7	1.3	13.4%
Other income	6.1	8.0	(1.9)	-23.8%
Total non-operating revenues	<u>86.2</u>	<u>92.4</u>	<u>(6.2)</u>	<u>-6.7%</u>
Total revenues	<u>193.0</u>	<u>192.6</u>	<u>0.4</u>	<u>0.2%</u>
<b>Operating expenses</b>				
Water services expenses	57.2	58.2	(1.0)	-1.7%
Sewer services expense	40.8	40.0	0.8	2.0%
Depreciation	41.3	43.6	(2.3)	-5.3%
Total operating expenses	<u>139.3</u>	<u>141.8</u>	<u>(2.5)</u>	<u>-1.8%</u>
<b>Non-operating expenses</b>				
Interest expense	16.9	14.2	2.7	19.0%
JPA interest expense	39.6	41.3	(1.7)	-4.1%
Real estate expense	6.0	6.0	-	0.0%
Other expense	10.7	0.9	9.8	1088.9%
Total non-operating expenses	<u>73.2</u>	<u>62.4</u>	<u>10.8</u>	<u>17.3%</u>
Total expenses	<u>212.5</u>	<u>204.2</u>	<u>8.3</u>	<u>4.1%</u>
Income/(loss) before capital contributions	(19.5)	(11.6)	(7.9)	68.1%
Capital contributions	25.9	18.5	7.4	40.0%
Change in Net Assets	6.4	6.9	(0.5)	-7.2%
Beginning Net Assets	1,341.6	1,334.7	6.9	0.5%
<b>Ending Net Assets</b>	<b><u>\$ 1,348.0</u></b>	<b><u>\$ 1,341.6</u></b>	<b><u>\$ 6.4</u></b>	<b><u>0.5%</u></b>

## Management's Discussion and Analysis (Continued)

### Revenue:

As shown in Table 2, operating revenues, comprising 59.6 percent of total revenues, increased by \$6.6 million or 6.6 percent. The increase in the operating revenue was primarily attributable to an increase in water (treated, untreated and recycled) consumption of 4,874.0 acre-feet or 6.3 percent from 76,776.1 acre-feet in the prior fiscal year to 81,650.1 acre-feet in the current fiscal year. In addition, the increase was due to overall customer growth in the District's service areas. The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2012, excluding the change in the fair market value of investments. JPA investment income and interest expense are consolidated in the graph to simplify the presentation.

**Sources of Revenue for Fiscal Year Ended June 30, 2012**  
(excluding change in fair market value of investments)



Net non-operating revenues, net of JPA interest expense, accounted for 26.0 percent of total revenue for the fiscal year ended June 30, 2012, and decreased by \$4.5 million or 8.8 percent, primarily due to changes in fair value of the District's investments of \$3.3 million or 16.3 percent.

Capital contributions accounted for the remaining \$25.9 million or 14.4 percent of total revenues for the fiscal year ended June 30, 2012. Capital contributions increased by \$7.4 million or 40.0 percent, primarily due to an increase of \$7.6 million or 230.3 percent in capital grants and reimbursements from the Federal, State and local agencies.



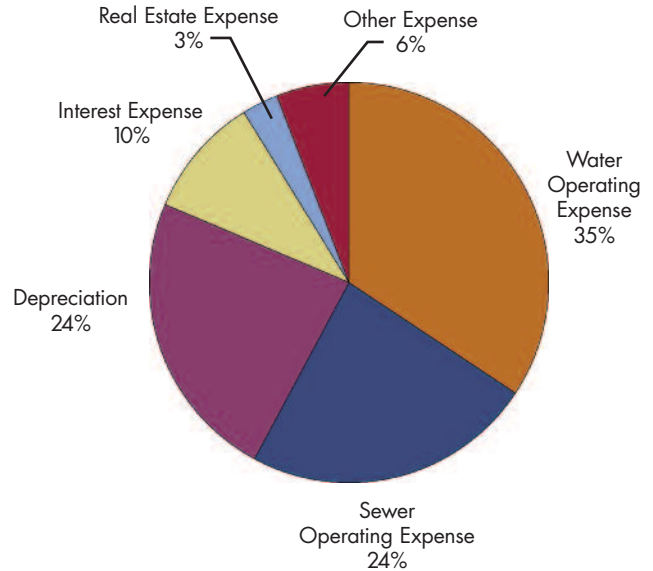
## Management's Discussion and Analysis (Continued)

### Expenses:

As shown in Table 2, operating expenses before depreciation comprise 70.4 percent of the total operating expenses and decreased by \$0.2 million or 0.2 percent. Water expenses decreased by \$1.0 million or 1.7 percent primarily due to the use of native water stored in the Irvine Lake. Sewer expenses increased by \$0.8 million or 2.0 percent primarily due to the cost of handling, treatment, and disposal of wastewater solids residuals to the OCSD Wastewater System. Non-operating expenses increased by \$10.8 million or 17.3 percent primarily due to an increase of \$10.3 million in disposal of various types of projects.

Combined operating and non-operating revenues before capital contributions were \$153.4 million, which was \$19.5 million less than combined operating and non-operating expenses.

Functional Expenses for Fiscal Year Ended June 30, 2012



## Management's Discussion and Analysis (Continued)

### Capital Assets

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

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

	2012	2011	Increase/(Decrease)	
			Amount	Percentage
Waterworks in service	\$ 813.7	\$ 774.4	\$ 39.3	5.1%
Sewer plant in service	922.0	896.7	25.3	2.8%
Less: accumulated depreciation	(551.2)	(511.9)	(39.3)	7.7%
Land and water rights	66.1	59.5	6.6	11.1%
Construction in progress	258.2	211.6	46.6	22.0%
Total	<u>\$ 1,508.8</u>	<u>\$ 1,430.3</u>	<u>\$ 78.5</u>	<u>5.5%</u>

Capital assets, net of depreciation increased \$78.5 million or 5.5% from \$1,430.3 million in the prior fiscal year to \$1,508.8 million in the current fiscal year. The increase is because the District is continuing its aggressive capital plan, particularly in light of the current favorable bidding environment as a result of the general economic downturn.

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

Total projects transferred from Construction in Progress to Capital Assets during the fiscal year ended June 30, 2012 were \$80.8 million. Among the more significant projects transferred were (in millions):

Asset Optimization-Sand Canyon Development	\$ 8.0
Water Resources Development	7.2
NTS: Cienega Filtration Project	6.6
Jeffery & RR Grade Separation DW Relocation	3.4
Tustin Legacy Well 1 Site Acquisition & Drilling	3.3
Lake Forest Woods Area Sewer Rehabilitation	3.3
Destruction and Replacement of IRWD Well 78	3.2

## Management's Discussion and Analysis (Continued)

### Debt Administration

As shown below in Table 4, as of June 30, 2012, the District had total debt outstanding of \$1,273.1 million, which was a decrease of \$56.1 million, or 4.2 percent from the prior fiscal year. The decrease was primarily due to principal maturities of \$64.8 million and amortization of deferred refunding charge of \$10.5 million.

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

	2012	2011	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$ 548.5	\$ 562.1	\$ (13.6)	-2.4%
Joint Powers Agency bonds	638.5	676.4	(37.9)	-5.6%
Certificates of participation	83.6	88.0	(4.4)	-5.0%
Notes payable	2.5	2.7	(0.2)	-7.4%
Total	<u>\$ 1,273.1</u>	<u>\$ 1,329.2</u>	<u>\$ (56.1)</u>	<u>-4.2%</u>

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

Fitch Ratings:	AAA
Moody's:	Aa1
Standard and Poor's:	AAA

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

### Contacting the District's Financial Management

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

**Irvine Ranch Water District**  
Statement of Net Assets  
June 30, 2012  
(with comparative data for June 30, 2011)  
(amounts expressed in thousands)

	2012	2011
<b>ASSETS:</b>		
Current Assets:		
Cash and Investments (note 2)	\$ 240,893	\$ 283,134
Receivables:		
Customer accounts receivable	6,538	5,955
Interest receivable	376	620
Joint Powers Agency (JPA) interest receivable	19,009	19,848
Notes receivable, current portion	11	11
Allen-McColloch Pipeline receivable, current portion (note 8)	492	457
Due from other agencies (note 17)	35,179	45,575
Other receivables	8,575	6,098
Total receivables	70,180	78,564
Other Current Assets:		
Inventories (note 4)	2,233	1,803
Prepaid items and deposits	40,294	22,352
JPA investment program, current portion (note 2)	30,462	29,861
Total other current assets	72,989	54,016
Total current assets	384,062	415,714
Noncurrent Assets:		
Capital Assets (note 5):		
Waterworks in service	813,675	774,411
Sewer plant in service	922,018	896,679
Subtotal	1,735,693	1,671,090
Less accumulated depreciation	(551,207)	(511,848)
Total capital assets being depreciated, net	1,184,486	1,159,242
Land and Water Rights	66,162	59,495
Construction in progress	258,177	211,602
Total capital assets, net	1,508,825	1,430,339
Other Noncurrent Assets:		
Debt service cash and investments (note 2)	68,949	123,107
Unamortized debt issuance expense	2,407	2,690
Notes receivable, net of current portion	137	149
Allen-McColloch Pipeline receivable, net (note 8)	2,384	2,876
JPA investment program, net of current portion (note 2)	649,130	702,863
Real estate investments (note 7)	48,325	41,360
Net pension asset (note 14)	11,605	11,283
Deferred outflow (note 3)	52,959	32,654
Total other noncurrent assets	835,896	916,982
Total noncurrent assets	2,344,721	2,347,321
<b>TOTAL ASSETS</b>	<b>2,728,783</b>	<b>2,763,035</b>

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Net Assets  
June 30, 2012  
(with comparative data for June 30, 2011)  
(amounts expressed in thousands)  
(Continued)

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Account payable and accrued expenses	24,968	28,105
Customer deposits and advance payments	449	1,444
Accrued interest:		
General obligation bonds	1,685	1,588
JPA revenue bonds	8,554	9,265
Other accrued interest payable	2,474	2,519
Current portion of long-term liabilities:		
General obligation bonds (note 9)	14,206	10,401
Certificates of participation (note 9)	4,917	4,427
JPA revenue bonds (note 9)	39,904	37,894
Notes payable (note 9)	254	253
Other long term liabilities (note 9)	1,090	1,211
Deferred revenue (note 10)	525	594
Total current liabilities	<u>99,026</u>	<u>97,701</u>
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	534,343	551,650
Certificates of participation, net of current portion (note 9)	78,698	83,616
JPA revenue bonds, net of current portion (note 9)	598,618	638,521
Notes payable, net of current portion (note 9)	2,240	2,494
Other long term liabilities (note 9)	3,305	2,864
Deferred revenue, net of current portion (note 10)	9,425	9,950
Net OPEB obligation (note 15)	2,210	1,984
Swap liability (note 3)	52,959	32,654
Total long-term liabilities	<u>1,281,798</u>	<u>1,323,733</u>
TOTAL LIABILITIES	<u>1,380,824</u>	<u>1,421,434</u>
NET ASSETS (note 13):		
Invested in capital assets, net of related debt	943,114	900,605
Restricted for water services	203,372	234,261
Restricted for sewer services	201,473	206,735
TOTAL NET ASSETS	<u>\$ 1,347,959</u>	<u>\$ 1,341,601</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2012  
(with comparative data for the Fiscal Year Ended June 30, 2011)  
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Water sales and service charges	\$ 57,558	\$ 54,796
Sewer sales and service charges	49,234	45,375
Total operating revenues	<u>106,792</u>	<u>100,171</u>
OPERATING EXPENSES:		
Water:		
Water services	40,593	42,383
General and administrative	14,453	13,663
Customer accounts	2,142	2,242
Sewer:		
Sewer services	26,817	30,787
General and administrative	12,729	7,669
Customer accounts	1,332	1,495
Depreciation	41,378	43,592
Total operating expenses	<u>139,444</u>	<u>141,831</u>
Operating income (loss)	<u>(32,652)</u>	<u>(41,660)</u>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	38,062	38,679
Investment income	3,132	2,599
Increase (decrease) in fair value of investments	(23,586)	(20,172)
JPA investment income	51,530	53,708
Real estate income	11,039	9,719
Other income	6,141	7,987
Interest expense	(16,924)	(14,174)
JPA interest expense	(39,603)	(41,264)
Real estate expense	(6,016)	(6,004)
Other expenses	(10,713)	(989)
Total nonoperating revenues (expenses)	<u>13,062</u>	<u>30,089</u>
Income (loss) before capital contributions	(19,590)	(11,571)
CAPITAL CONTRIBUTIONS:		
Donated facilities	6,037	4,620
Connection fees	9,030	10,572
Other	10,881	3,314
Increase (decrease) in net assets	<u>6,358</u>	<u>6,935</u>
NET ASSETS AT BEGINNING OF YEAR	1,341,601	1,334,666
NET ASSETS AT END OF YEAR	<u>\$ 1,347,959</u>	<u>\$ 1,341,601</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2012  
(with comparative data for the Fiscal Year Ended June 30, 2011)  
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 102,143	\$ 110,148
Swap collateral deposits	(27,946)	(985)
Return of swap collateral deposits	8,636	-
Cash paid to suppliers of goods and services	(49,497)	(47,560)
Cash paid for employees services	(39,141)	(41,690)
Net cash provided by (used for) operating activities	<u>(5,805)</u>	<u>19,913</u>
Cash flows from noncapital financing activities:		
Property tax receipts	36,165	36,729
Net cash provided by noncapital financing	<u>36,165</u>	<u>36,729</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(115,930)	(103,713)
Proceeds from issuance of long-term debt	53,540	276,666
Principal payments on long-term liabilities	(118,294)	(142,338)
Interest and Issuance Costs on Long Term Liabilities	(47,917)	(46,882)
Developer connection fees and related receipts	19,911	13,886
Net cash provided by (used for) capital and related financing activities	<u>(208,690)</u>	<u>(2,381)</u>
Cash flows from investing activities:		
Investment earnings	53,266	55,890
Investment earnings in real estate	5,023	5,452
Proceeds from sale or maturity of investments	228,936	373,471
Purchases of investments	(223,899)	(411,673)
Acquisition of real estate	(6,965)	-
Collections on notes receivable	13	451
Additions (reductions) to notes receivable	457	(11)
Net cash provided by (used for) investing activities	<u>56,831</u>	<u>23,580</u>
Net increase (decrease) in cash and cash equivalents	(121,499)	77,841
Cash and cash equivalents at beginning of year (as restated)	<u>311,081</u>	<u>233,240</u>
Cash and cash equivalents at end of year	<u>\$ 189,582</u>	<u>311,081</u>

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2012  
(with comparative data for the Fiscal Year June 30, 2011)  
(amounts expressed in thousands)  
(Continued)

	<u>2012</u>	<u>2011</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$ 240,893	\$ 283,134
JPA investment program, current portion	30,462	29,861
Debt service cash and investments	68,949	123,107
JPA investment program, net of current portion	<u>649,130</u>	<u>702,863</u>
Subtotal	989,434	1,138,965
Less long-term investments	<u>(799,852)</u>	<u>(827,884)</u>
Cash and cash equivalents at end of year	<u>\$ 189,582</u>	<u>\$ 311,081</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (32,652)	\$ (41,660)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	6,141	7,987
Other nonoperating expenses	(10,713)	(989)
(Gain) loss on disposition of capital assets	3,503	(206)
Depreciation	41,378	43,592
(Increase) decrease in customer receivables	(583)	(319)
(Increase) decrease in other receivables	(2,477)	2,445
(Increase) decrease in inventories	(430)	4,163
(Increase) decrease in prepaid expenses and other assets	(5,160)	958
(Increase) decrease in net pension asset	(322)	(6,468)
Increase (decrease) in accounts payable and accrued expenses	(3,138)	10,331
Increase (decrease) in customer deposits and advance payments	(995)	1,271
Increase (decrease) in compensated absences	11	(93)
Increase (decrease) in unearned revenue	(594)	(1,407)
Increase (decrease) in net OPEB obligation	<u>226</u>	<u>308</u>
Net cash provided by (used for) operating activities	<u>\$ (5,805)</u>	<u>\$ 19,913</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$6,037	\$4,620
Unrealized gain (loss) on investments	<u>(23,586)</u>	<u>(20,172)</u>
Total noncash investing, capital and financing activities	<u>\$ (17,549)</u>	<u>\$ (15,552)</u>

See accompanying notes to the basic financial statements.



**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

Description of the Reporting Entity

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

Irvine Ranch Water District IDs and PAs:

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

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

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

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

The Irvine Ranch Water District Water Service Corporation, (Continued) – The Corporation’s bylaws mandate that the members of the District’s Board of Directors shall constitute the Corporation’s five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

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

The Irvine Ranch Water District Joint Powers Agency (JPA) – The JPA was formed pursuant to a joint powers agreement, dated December 22, 1986, and amended as of January 1, 1988, between the District and the Community Facilities District of the Irvine Ranch Water District. The agreement remains in effect until December 31, 2011 or until all bonds or other indebtedness issued has been retired. The JPA is governed by a Commission consisting of the five members of the Board of Directors of the District. The District selects the management of the JPA, is able to significantly influence operations and has full accountability for fiscal affairs. The JPA’s financial data and transactions are included in Improvement Districts identified in the accompanying Supplementary Information schedules as 300 and 400. The JPA does not issue separate financial statements.

Bardeen Partners, Inc. – In March of 1991, the District formed a 501(c)(4) corporation for the purpose of accounting for the financial data and transactions of the District’s real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District’s Board of Directors. The District accounts for the Corporation’s activities in Improvement Districts identified in the accompanying Supplementary Information schedules as 801 through 804. Bardeen Partners does not issue separate financial statements.

Irvine Ranch Water District Improvement Corporation – In August of 1986, the District formed a 501(c)(4) corporation for the purpose of financing water, sewer and other public improvements. The Corporation’s only transactions are related to the debt service payments on the outstanding 1986 Certificates of Participation which were refunded by the Irvine Ranch Water District Service Corporation Certificates of Refunding Series 2010. Five District Board of Directors are required to be the five members of the Corporation’s Board of Directors. The District accounts for the Corporation’s activities in several Improvement Districts. The Irvine Ranch Water District Improvement Corporation does not issue separate financial statements.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

(b) Basic Financial Statements

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

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

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

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

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

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

(d) Property Taxes

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

The property tax calendar is as follows:

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

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

(e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash and cash equivalents as of July 1, 2010 has been increased by \$182,544 to include the restricted portion of LAIF balances.

(f) Investments

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

(g) Real Estate Investments

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

(h) Inventory and Prepaid Items

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

(i) Capital Assets

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

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

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

(j) Unamortized Debt Issuance Expense

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

(k) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Earned vacation pay to a maximum of 320 hours (or more with written approval of the General Manager) and 50% of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

(k) Compensated Absences (Continued)

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

(l) Comparative Financial Statements and Reclassifications

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

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows (in thousands):

Cash and investments	\$	240,893
Debt service cash and investments		68,949
Subtotal		309,842
JPA investment program, current portion		30,462
JPA investment program		649,130
Subtotal JPA investments*		679,592
Total cash and investments	\$	989,434

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

Cash and investments as of June 30, 2012 consist of the following (in thousands):

Cash on hand	\$	3
Deposits with financial institutions		(3,094)
Investments		992,525
Total cash and investments	\$	989,434

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(2) Cash and Investments (Continued)

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

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

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

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

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

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



Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Disclosures Relating to Interest Rate Risk

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>			
		<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37-60 Months</u>	<u>More Than 60 Months</u>
Federal agency securities	\$ 120,259	-	120,259	-	-
Local agency bonds	3,850	3,850	-	-	-
Local Agency Investment Fund	184,250	184,250	-	-	-
Money market funds	4,574	4,574	-	-	-
JPA cash and investments:					
Federal agency securities	425,185	14,742	410,443	-	-
Investment contract	254,407	15,720	238,687	-	-
<b>Total</b>	<b>\$ 992,525</b>	<b>223,136</b>	<b>769,389</b>	<b>-</b>	<b>-</b>

In March and April 2008, the Board of Directors approved variable rate demand notes (VRDN) of California municipal issuers as authorized investments, subject to specified criteria that included such factors as ratings, maturity, redemption notices, and certain issuers. This Board-approved criteria was designed to maintain adequate safety and liquidity while achieving moderately higher yields. Purchases of VRDNs are based on the underlying credit of the issuers and their ability to restructure the transactions within a reasonable period of time. At June 30, 2012, the District's investment portfolio held \$3.85 million of VRDNs with a yield of 0.22%. A summary of the VRDN securities is shown in the following table, accompanied by a general discussion of the VRDN market.

<u>Issuer Rating (1)</u>	<u>Issuer</u>	<u>Par Amount (in thousands)</u>	<u>Yield</u>
AA-/VMIG2/NR	West Basin Wtr	\$ 3,850	0.220%
<b>Total</b>		<b>\$ 3,850</b>	

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

A VRDN is a debt instrument with a long-term maturity that has a periodic interest rate component reset by a remarketing agent, usually on a daily or weekly basis. The periodic interest rate set by the marketing agent generally is based on current market conditions for similar short-term securities. An owner of VRDNs has the right to tender the notes at par plus accrued interest at each reset date. The bonds are then resold by the remarketing agent or purchased by a bank that has a liquidity facility agreement with the issuer of the debt.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>			<u>Not Rated</u>
			<u>AAA</u>	<u>Between AA- and AA+</u>	<u>A</u>	
Federal Agency Securities	\$ 120,259	N/A		120,259		
Local Agency Bonds	3,850	N/A		3,850		
Local Agency Investment Fund	184,250	N/A				184,250
Money Market Funds	4,574	N/A			4,574	
JPA cash and investments:						
Money Market Funds	-	N/A				
Federal Agency Securities	425,185	N/A		425,185		
Investment Contract	254,407	N/A				254,407
<b>Total</b>	<b>\$ 992,525</b>		<b>-</b>	<b>549,294</b>	<b>4,574</b>	<b>438,657</b>

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$465,243
AIG	Investment contract	254,407

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk, (Continued)

The credit rating of AIG at June 30, 2012 is Baa1/A-/BBB. As a result of the financial crisis in the banking and insurance industries in late 2008, AIG received funding of approximately \$182 billion from the US Government to provide sufficient liquidity to fund its operations. The lack of liquidity and need for government intervention resulted in the downgrade in credit ratings for the parent company as reflected above. The AIG investment contract is the only investment security in the trust estate of the Taxable Refunding Bond Issue #1 issued by the Irvine Ranch Water District Joint Powers Agency in February 1998. These bonds are secured solely by the trust estate, and there is no recourse to the District for the payment of principal and interest due on the bonds.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(3) Interest Rate Swap Agreements

On September 8, 2003, the District's Board of Directors approved Resolution 2003-36, which established a policy regarding the use of interest rate swap transactions. The policy provides that interest rate swap transactions will be designed to enhance the relationship between risk and return with respect to an investment or a program of investments entered into by the District; and/or to reduce the amount or duration of payment, rate, spread, or similar risk; and/or result in a lower cost of borrowing when used in combination with bonds or other indebtedness of the District. Pursuant to the policy, the Board of Directors authorizes general parameters for interest rate swap transactions while the Finance and Personnel Committee structures specific transactions within the Board-authorized parameters. The Treasurer, with the concurrence of the Chairman of the Finance and Personnel Committee, is authorized to enter into interest rate swap transactions that are within all authorized parameters. The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, including the schedule and credit support annex, is used as the form of contract with interest rate swap counterparties.

As of June 30, 2012, the notional amount and fair value balance of the District's interest rate swaps is \$130.0 million and \$(53.0) million, respectively. All outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). For the year ended June 30, 2012, the change in fair market value of the fixed payer interest rate swaps was \$(21.5) million.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(3) Interest Rate Swap Agreements (Continued)

The fair value of the swap agreements at June 30, 2012 is calculated using a zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are then discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The District's fixed payer swaps were executed in 2004, and became effective in 2006 and 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2012, along with the credit rating of the associated counterparty:

Current Year Active Interest Rate Swaps (in thousands):

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(3) Interest Rate Swap Agreements (Continued)

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 (\$15,000,000). The amount of the collateral posted shall be the amount of the mark-to-market value plus outstanding swap accrual amounts in excess of (\$15,000,000). As of June 30, 2012, the mark-to-market value of the total interest rate swaps with Citibank N.A. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of \$26,653,463, and the mark-to-market value of the total interest rate swaps with Merrill Lynch Capital Services, Inc. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of \$7,970,000. The collateral funds are held in separate trust accounts and earn interest at the Federal Funds Effective Rate (0.09% as of June 30, 2012).

*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's current swap agreements include netting arrangements in the event it enters into more than one swap transaction with the counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

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

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

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(3) Interest Rate Swap Agreements (Continued)

*Collateral requirements:* All of the District's interest rate swaps include provisions that require the District to post collateral in the event its credit rating falls below A as issued by Fitch Ratings and Standard & Poor's or A2 as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no additional collateral has been posted at June 30, 2012, other than the collateral posted as a result of the mark-to-market valuations at June 30, 2012.

(4) Inventories

Inventories at June 30, 2012 consisted of the following (in thousands):

Untreated water	\$	560
Material and supplies		<u>1,673</u>
Total	\$	<u><u>2,233</u></u>

Inventories consist of available water and materials and supplies included in warehouse facilities. Although rain water provides an available inventory for meeting customer demands, the District has traditionally not placed a price on this available source until it is used. Available water included in inventory consists of water that is banked, which includes 8,953 acre feet valued at \$560,407.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2012 is as follows (in thousands):

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets,				
Land Leasehold	\$4,860			4,860
Buildings and Structures	593,875	18,018	(670)	611,223
Transmissions and Distributions	850,469	47,369	(1,376)	896,462
Machinery and Equipment	221,886	2,319	(1,057)	223,148
Sub-total	<u>1,671,090</u>	<u>67,706</u>	<u>(3,103)</u>	<u>1,735,693</u>
Less: Accumulated depreciation:				
Land Leasehold	(583)	(97)		(680)
Buildings and Structures	(178,549)	(14,102)	311	(192,340)
Transmissions and Distributions	(249,521)	(19,134)	651	(268,004)
Machinery and Equipment	(83,195)	(8,045)	1,057	(90,183)
Sub-total	<u>(511,848)</u>	<u>(41,378)</u>	<u>2,019</u>	<u>(551,207)</u>
Total capital assets, being depreciated, net	1,159,242	26,328	(1,084)	1,184,486
Capital assets, not being depreciated:				
Land and Easement	57,295	9,084	(2,417)	63,962
Water Rights	2,200			2,200
Construction In Progress	211,602	127,411	(80,836)	258,177
Total capital assets, net	<u>\$1,430,339</u>	<u>162,823</u>	<u>(84,337)</u>	<u>1,508,825</u>



Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(6) Capitalized Amounts

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

The amount of administrative and general expenses and net interest costs capitalized to construction-in-progress for the year ended June 30, 2012 is as follows (in thousands):

Administrative and general expenses, capitalized	\$ 8,298
Interest expenses, capitalized*	4,179
	<u>\$12,477</u>

\* The total amount of interest cost incurred for the year ended June 30, 2012 (both the amounts expensed and the amounts capitalized) was \$60,707, including \$39,603 of interest on JPA Bonds.

(7) Real Estate Investments

Real estate investments are as follows at June 30, 2012 (in thousands):

Wood Canyon Villas, L.P.	\$ 6,478
Sycamore Canyon Apartments (net of accumulated depreciation of \$22,699)	21,168
Irvine Technology Center (net of accumulated depreciation of \$1,351)	4,341
Waterworks Way Business Park (net of accumulated depreciation of \$647)	8,328
Sand Canyon Office Property (net of accumulated depreciation of \$9)	<u>8,010</u>
Total	<u>\$ 48,325</u>

Included in real estate investments are two apartment projects and two commercial office buildings. The District, through Bardeen Partners, Inc., an affiliated entity, is the sole limited partner in Wood Canyon Villas, L.P., a California limited partnership (Wood Canyon), and the sole owner of both Sycamore Canyon Apartments and a commercial office building (Irvine Technology Center). Separate of Bardeen Partners, Inc., the District is the sole owner of a commercial office building (Waterworks Way Business Park and Sand Canyon 1 Offices Property).

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(7) Real Estate Investments, (Continued)

Wood Canyon completed construction of a 230-unit apartment complex in May 1993. The complex is located in Orange County, California, and was 98% occupied at June 30, 2012. The Wood Canyon partnership agreement entitles the District to a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (initially \$6,000,000). For the year ended June 30, 2012, the District earned \$1,066,949 as preferred return income. The District's capital contributions and preferred return are guaranteed by the principals of the general partner who have also agreed to provide an irrevocable stand-by letter of credit, up to a maximum of \$750,000, to the extent the general partner's unrecovered contribution account falls below 12.5% of the District's unrecovered contribution account.

In December 1992, the District acquired a 450-unit apartment complex (original cost, \$34,093,000) in Orange County, California known as Sycamore Canyon Apartments. The complex was 96% occupied at June 30, 2012. The Sycamore Canyon Apartments Renovation Project began in June 2005, and included the addition of a clubhouse and fitness center to the existing leasing office, construction of a central maintenance shop and interior upgrades to the apartment units. The project was completed in November 2007 for a total cost of \$9.6 million.

In July 2003, the District completed construction of a 41,000 square foot for-lease office building located in Irvine, California known as the Irvine Technology Center. Costs for the project were \$5,534,276 and the building was 100% occupied as of June 30, 2012.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a Specific Facilities requirement of the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project were \$8,983,395. As of June 30, 2012, the building was 89% occupied.

In April 2012, the District completed construction of a 16,350 square foot for lease office building located in Irvine, California known as the Sand Canyon Office Property. Cost for the project was \$8,662,924 and the building was 74% occupied as of June 30, 2012.

Net real estate income as of June 30, 2012 was as follows (in thousands):

Real estate income	\$ 11,039
Real estate expense	(4,303)
Depreciation	(1,713)
	\$ 5,023

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(8) Allen-McColloch Pipeline

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

In accordance with the sale agreement, the District will receive a total of \$45,788,202 over 37 years, all amounts representing the District's ownership of approximately 42% of the pipeline project. In addition to the initial cash payment, the District has received \$42,467,887 in payments under the agreement of which \$638,412 was received for the fiscal year ended June 30, 2012. The District's receivable at June 30, 2012 of \$2,875,820 has been presented net of deferred imputed interest of \$444,496.

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

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 is as follows (in thousands):

	Balance at <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>	Due within <u>one year</u>	Due in more <u>than one year</u>
<b>General Obligation Bonds:</b>						
1988 Series A	\$4,700	-	(4,700)	-	-	-
1989 C Consolidated	7,300	-	(2,300)	5,000	2,400	2,600
1991 Consolidated	7,500	-	(1,100)	6,400	1,100	5,300
1993 C Consolidated	37,500	-	-	37,500	-	37,500
1995 Consolidated	21,700	-	(1,800)	19,900	1,800	18,100
2008A Refunding	58,800	-	(1,200)	57,600	1,200	56,400
2009A Consolidated	75,000	-	-	75,000	2,500	72,500
2009B Consolidated	75,000	-	-	75,000	2,500	72,500
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	60,545	-	(1,470)	59,075	1,655	57,420
2011A-2 Refunding	40,370	-	(985)	39,385	1,105	38,280
Unamortized Deferred Loss on Refunding	(1,364)	-	53	(1,311)	(54)	(1,257)
<b>Total General Obligation Bonds</b>	<u>562,051</u>	<u>-</u>	<u>(13,502)</u>	<u>548,549</u>	<u>14,206</u>	<u>534,343</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities (Continued)

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Due within one year	Due in more than one year
<b>JPA Revenue Bonds:</b>						
1998 Taxable Refunding No. 1	260,935	-	(14,160)	246,775	15,250	231,525
1998 Taxable Refunding No. 2	13,115	-	(13,115)	-	-	-
2010 Taxable Refunding No. 2	427,200	-	(19,770)	407,430	33,805	373,625
Unamortized Amounts	<u>(24,835)</u>	-	<u>9,152</u>	<u>(15,683)</u>	<u>(9,151)</u>	<u>(6,532)</u>
Total JPA Revenue Bonds	<u>676,415</u>	<u>-</u>	<u>(37,893)</u>	<u>638,522</u>	<u>39,904</u>	<u>598,618</u>
<b>Certificates of Participation:</b>						
2010 Refunding Certificates	81,400	-	(4,210)	77,190	4,700	72,490
Unamortized Premium	7,456	-	(361)	7,095	361	6,734
Unamortized Deferred Loss on Refunding	<u>(813)</u>	<u>-</u>	<u>143</u>	<u>(670)</u>	<u>(144)</u>	<u>(526)</u>
Total Certificates	<u>88,043</u>	<u>-</u>	<u>(4,428)</u>	<u>83,615</u>	<u>4,917</u>	<u>78,698</u>
Notes Payable	<u>2,747</u>	<u>-</u>	<u>(253)</u>	<u>2,494</u>	<u>254</u>	<u>2,240</u>
<b>Other Long-Term Liabilities:</b>						
Compensated Absences	3,078	2,881	(2,870)	3,089	1,003	2,086
Other Long-Term Liabilities	<u>997</u>	<u>53,539</u>	<u>(53,230)</u>	<u>1,306</u>	<u>87</u>	<u>1,219</u>
Total Other Long-Term Liabilities	<u>4,075</u>	<u>56,420</u>	<u>(56,100)</u>	<u>4,395</u>	<u>1,090</u>	<u>3,305</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$1,333,331</u></b>	<b><u>56,420</u></b>	<b><u>(112,176)</u></b>	<b><u>1,277,575</u></b>	<b><u>60,371</u></b>	<b><u>1,217,204</u></b>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

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

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Pledged Revenue</u>	<u>Final Maturity Date</u>	<u>Principal Payment Range</u>	<u>Interest Rates</u>
General Obligation Bonds:						
1988 Series A	June 2, 1988	20,000	(1)(3)	November 1, 2013	\$300-1,400	Variable
1989 Consolidated	June 1, 1989	35,000	(1)(3)	June 1, 2015	100-2,500	Variable
1991 Consolidated	August 1, 1991	19,100	(1)(3)	August 1, 2016	400-1,400	Variable
1993 Consolidated	May 1, 1993	38,300	(1)(3)	April 1, 2033	800-2,400	Variable
1995 Consolidated	December 1, 1995	40,000	(1)(3)	January 1, 2021	800-2,600	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	1,200-6,000	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
2010B BABS	December 16, 2010	175,000	(1)(3)	May 1, 2040	2,790-28,400	6.622%
2011A-1 Refunding	April 15, 2011	60,545	(1)(3)	October 1, 2037	1,380-3,540	Variable
2011A-2 Refunding	April 15, 2011	40,370	(1)(3)	October 1, 2037	920-2,360	Variable
JPA Revenue Bonds:						
1998 Taxable Refunding No. 1	February 17, 1998	374,650	(4)	March 15, 2014	70-231,345	7.705%
1998 Taxable Refunding No. 2	August 17, 1998	481,625	(4)	March 15, 2014	30-338,990	8.180%
2010 Taxable Refunding No. 2	April 20, 2010	436,955	(4)	March 15, 2014	9,675-348,595	0.904-2.605%
Certificates of Participation:						
2010 Certificates	February 23, 2010	85,145	(2)	March 1, 2032	1,615-7,135	3.80%

(1) Ad valorem assessments or, in lieu of assessments, in the District's discretion, charges for water or sewer service

(2) Water, sewer, and reclaimed water charges and certain other revenues, as defined in the trust agreement

(3) Proceeds from the sale of property

(4) JPA investment earnings and principal amounts

(5) Available revenues

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

General Obligation Bonds

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

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on the variable interest rates at June 30, 2012 ranging from 0.03% to 0.22%) are as follows (in thousands):

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on the variable interest rates at June 30, 2012 ranging from 0.02% to 0.13%) are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Hedging Investments,</u>		<u>BAB Federal</u>	<u>Total</u>
		<u>Interest</u>	<u>Net</u>	<u>Subsidy</u>	
2013	\$ 14,260	8,190	7,500	(4,056)	25,894
2014	15,500	8,152	7,500	(4,056)	27,096
2015	13,500	8,125	7,500	(4,056)	25,069
2016	14,000	8,093	7,500	(4,056)	25,537
2017	14,300	8,061	7,500	(4,056)	25,805
2018-2022	66,000	39,881	24,746	(20,280)	110,347
2023-2027	72,625	38,743	16,521	(20,071)	107,818
2028-2032	90,675	34,850	5,875	(18,390)	113,010
2033-2037	136,860	26,460	-	(14,422)	148,898
2038-2042	112,140	6,513	-	(3,826)	114,827
Subtotal	549,860	187,068	84,642	(97,269)	724,301
Less: Unamortized amounts	(1,311)	-	-	-	(1,311)
Total	<u>\$ 548,549</u>	<u>187,068</u>	<u>84,642</u>	<u>(97,269)</u>	<u>722,990</u>

The above table incorporates the net receipts/payments of the hedging instruments that are associated with this 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. Refer to Note 3 for additional information regarding the hedging instruments associated with the debt of the District.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds

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

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

In August 1998, the JPA issued \$481,625,000 of Taxable Refunding Bonds Issue #2, which were used to redeem the 1989 Revenue Bonds in September 1998. The 1998 Taxable Refunding Bonds Issue #2 were refunded by the 2010 Taxable Refunding Bonds Issue #2 in April 2010. The outstanding balance of the 1998 Taxable Refunding Bonds Issue #2 were paid in full during the fiscal year ended June 30, 2012.

In April 2010, the JPA issued \$436,955,000 of Taxable Refunding Bonds Issue #2, which were used to advance refund a portion of the outstanding 1998 Taxable Refunding Bonds Issue #2. The Taxable Refunding Bonds Issue #2 are due semi-annually on March 15 and September 15 in varying amounts from \$9,675,000 to \$348,595,000.

The outstanding revenue bonds liability has been reduced by the unamortized balance of the deferred refunding charge of \$18,511,710 (\$178,345 for issue #1 and \$18,333,365 for issue #2). Additionally, at the time of refunding in 1998, the District negotiated a \$25,604,713 contribution from a financial institution that has been amortized over a straight-line basis over the life of the refunding bonds. At June 30, 2012, the unamortized amount is \$2,828,112 (\$1,021,469 for issue #1 and \$1,806,643 for issue #2).

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds (Continued)

At June 30, 2012, the aggregate of the JPA taxable refunding bond issues (excluding amortizations) due is as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 49,055	29,107	78,162
2014	605,150	27,211	632,361
Subtotal	<u>654,205</u>	<u>56,318</u>	<u>710,523</u>
Plus: Unamortized amounts	(15,683)	-	(15,683)
Total	<u><u>\$ 638,522</u></u>	<u><u>56,318</u></u>	<u><u>694,840</u></u>

At June 30, 2012, the cash flow of the underlying JPA investments securing the JPA taxable refunding bond issues is as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,462	50,084	80,546
2014	649,130	47,618	696,748
Total	<u><u>\$ 679,592 *</u></u>	<u><u>97,702</u></u>	<u><u>777,294</u></u>

\* Amount includes accumulated increase in fair value of investments of \$45,142.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Net Cash Flow to District	<u><u>\$ (19,755)</u></u>	<u><u>41,384</u></u>	<u><u>\$ 21,629</u></u>



Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

Certificates of Participation

On February 23, 2010, the Irvine Ranch Water District Service Corporation issued \$85,145,000 of Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates) to refinance the cost of certain capital improvement by refunding the outstanding principal amount of the Certificates of Participation Series 1986 and Series 2008 and pay the costs of issuance of the Series 2010 Certificates. The Series 2010 Certificates bear interest ranging from 0.6% to 5.0% per annum and is payable on the September 1, 2010 and each March 1 and September 1 thereafter. Principal is payable in annual installments ranging from \$1,615,000 to \$7,135,000. The Series 2010 Certificates are secured by an Installment Sale Agreement, dated as of February 1, 2010 between the District and the Irvine Ranch Water District Water Service Corporation. The District's obligation to make Installment Payments is a special obligation payable solely from Net Revenues.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,700	3,688	8,388
2014	5,300	3,453	8,753
2015	5,910	3,188	9,098
2016	6,545	2,941	9,486
2017	7,135	2,677	9,812
2018-2022	9,925	11,001	20,926
2023-2027	15,245	8,019	23,264
2028-2032	22,430	3,532	25,962
Subtotal	<u>77,190</u>	<u>38,499</u>	<u>115,689</u>
Less: Unamortized amounts	6,425	-	6,425
Total	<u>\$ 83,615</u>	<u>38,499</u>	<u>122,114</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(9) Long-Term Liabilities, (Continued)

Notes Payable

The District had one outstanding loan from the State of California to fund reclaimed water projects. The balance on the 2000 loan was \$1,553,162 at June 30, 2012. The annual interest rate is 0.00%, however, the loan agreement required the District to prepay the interest of \$647,000, which will be amortized over the life of the loan. The loan is payable annually in fixed installments of \$194,146 through 2020.

The District also has one outstanding loan which was assumed as a result of its consolidation with the Santiago County Water District. The original loan amount of the second loan was \$1,300,000. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. The balance of the loan at June 30, 2012 was \$941,268.

Amounts required to amortize notes payable at June 30, 2012 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 254	54	308
2014	256	52	308
2015	257	51	308
2016	258	50	308
2017	260	48	308
2018-2022	936	152	1,088
2023-2026	273	12	285
Total	<u>\$ 2,494</u>	<u>419</u>	<u>2,913</u>

(10) Deferred Revenue

Deferred Revenue at June 30, 2012 consisted of the following (in thousands):

South County Water Agencies	\$9,950
Deferred revenue, current portion	<u>525</u>
Deferred revenue, net of current portion	<u>\$9,425</u>

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(10) Deferred Revenue (Continued)

MNWD, SMWD, and SCWD) to buy capacity in the District system and reimburse the District for various new intertie facilities which would ensure that up to 30 cfs of water supply is available in an emergency. The total cost of the agreement was paid in full by each party of the South County water agencies in the fiscal year ended June 30, 2009. The amount of deferred revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2012 was \$525,382.

(11) Letters of Credit

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

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

<u>Letter of Credit</u>	<u>Trustee</u>	<u>Amount</u>	<u>Expiration Date</u>
Bank of America:			
2009 Series B Consolidated	U.S. Bank	75,838	December 3, 2013
Bank of New York:			
1989 Consolidated	Bank of New York Mellon	5,067	June 2, 2014
1991 Consolidated	Bank of New York Mellon	6,486	August 2, 2014
1993 Consolidated	Bank of New York Mellon	38,013	June 2, 2014
Sumitomo Mitsui:			
1995 Consolidated	Bank of New York Mellon	22,194	April 15, 2014
2008 Series A Refunding	Bank of New York Mellon	58,452	April 15, 2014
U.S. Bank:			
2009 Series A Consolidated	U.S. Bank	75,838	November 10, 2013

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(12) Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2012 (in thousands).

Net revenues:

Revenues:

Water sales and service charges	\$ 57,558
Sewer services charges	49,234
Connection fees	9,030
Residual real estate income	5,023
Investment income	3,132
Residual JPA income	11,927
Available 1% property tax revenue	14,737
Other income	6,140
	<u>156,781</u>

Operating and maintenance expenses:

Water:

Water services	40,593
General and administrative	14,453
Customer accounts	2,142

Sewer:

Sewer services	26,817
General and administrative	12,729
Customer accounts	1,332

Other expenses

614

98,680

Net revenues \$ 58,101

Debt service on parity obligations:

2010 Refunding COP principal and interest	\$ 7,977
1997 State loan	226
2010 Build America Bonds principal and interest	7,533
2011A Index Tender Notes principal and interest	2,640
Debt service	\$ 18,376
	<u>18,376</u>

Debt ratio 316%

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(13) Net Assets

Net assets at June 30, 2012 consisted of the following (in thousands):

Invested in capital assets, net of related debt:	
Property, plant and equipment, net	\$ 1,508,825
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(548,549)
Certificates of participation	(83,617)
Notes payable	(2,494)
Add back unspent portion of debt applicable to unspent bond proceeds	68,949
Total invested in capital assets, net of related debt	943,114
Restricted net assets:	
Restricted for water services	203,372
Restricted for sewer services	201,473
Total restricted net assets	404,845
Total net assets	\$ 1,347,959

(14) Defined Benefit Pension Plan (PERS)

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

Benefit provisions and all other requirements are established by State statute and the District's Board of Directors. Starting July 1, 2008, participants are required to contribute 8% of their annual covered salary. During the fiscal year ending June 30, 2012, the District made 3% of the contributions required of District employees on their behalf and for their account, while the District employees made 5% of the contribution.

In addition, the District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District's contribution rate for the indicated period is 17.757%. In order to calculate the dollar value of the annual required contribution for inclusion in financial statements prepared as of June 30, 2012, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2011 to June 30, 2012. This rate for the Fiscal Year 2012-13 is 16.106%; the rate for Fiscal Year 2013-14 has been established at 16.4%.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO) (negative or positive). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009.

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

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employ- ment coupled with an assumed annual infla- tion component of 3.00% and an annual production growth of 0.25%.

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

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

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status		Annual Covered Payroll	UALL As a % of Payroll
	Normal Accrued Liability			Actuarial Value	Actuarial Value		
6/30/09	149,825	110,923	38,902	74.0%	54.3%	24,307	160.0%
6/30/10	158,904	124,553	34,351	78.4%	63.0%	24,929	137.8%
6/30/11	170,392	140,176	29,676	82.6%	75.6%	24,379	121.7%

Since 2009, the District has made contributions totaling \$11.6 million in excess of the ARC to PERS to reduce the overall unfunded liability. The District's annual pension cost and net pension asset, computed in accordance with GASB 27, for the year ended June 30, 2012, were as follows (in thousands):

Annual required contribution	\$ 4,323
Interest on beginning pension asset	(874)
Adjustment to annual required contribution	872
Annual pension cost	4,321
Contribution made	4,643
Increase (decrease) in pension asset	322
Net pension asset, beginning of year	11,283
Net pension asset, end of year	<u>\$ 11,605</u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension asset for the fiscal year ended June 30, 2012 and the two preceding years were as follows:

*Three-Year Trend Information*  
Annual Pension Cost (Employer Contribution) (in thousands)

Fiscal Year	Employee		Total Employee Contribution (District Paid and Employer Contribution)	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Asset
	Contribution (District Paid)	Employer Contribution				
6/30/10	\$ 1,709	4,797	6,506	2,982	160.9%	4,815
6/30/11	1,728	9,480	11,208	3,012	314.7%	11,283
6/30/12	1,025	4,643	5,668	4,321	107.5%	11,605

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

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

The Employer Contribution payments include payments made to PERS in excess of ARC.

In October 2011, the District received from PERS actuarial report that contained information concerning the employer contribution rate for the 2012-13 fiscal year. This information is summarized below.

	Fiscal Year <u>2012-13</u>
Normal cost	7.223%
Amortization of net actuarial liability (surplus)	8.883%
	16.106%

(15) Other Post Employment Benefits

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

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

- a. PEMHCA: The District provides an agent multiple-employer defined benefit health-care plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. The CalPERS Board of Administration administers the health benefits program and determines the benefits design, including any co-pays and deductibles, providers, and premiums. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension. Participation in PEMHCA is financed in part by the District through a contribution of \$112 per month per participating retiree. The contribution rate is scheduled to be indexed with medical inflation (CPI) for years thereafter. In addition, the District pays PEMHCA 0.37% of the premium to cover the administrative fees for each retiree participating in the program. During the fiscal year ended June 30, 2012, the District contributed \$66,770 on behalf of retirees participating in this benefit.



Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(15) Other Post Employment Benefits, (Continued)

- b. Retiree Health Costs Reimbursement Plan: The District administers a single-employer defined benefit healthcare plan which provides medical benefits to covered employees and their eligible dependents. The establishment or amendment of benefit provisions is determined by the District. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least 10 years of service. The duration of the benefit is based on employees' years of service as follows: 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. The District reimburses retirees for eligible healthcare costs of up to \$300 per month (for retirees with at least 10 years of service at the District), increasing by \$20 per month for each additional year of service, to a maximum of \$600 per month after 25 years of service. During the fiscal year ended June 30, 2012, the District contributed \$249,280 on behalf of retirees participating in this benefit.
- c. Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan. On August 11, 2008, the Board of the District approved the termination and the cashing out of current life insurance policies on the retiree death benefit only plan with Pacific Life and contract with Principal Financial Group for active and retiree coverage. The Board's action to the plan was effective December 31, 2008. The plan's benefits were reduced to \$10,000 and self-insured beginning at age 70 for current retirees and eliminated altogether after age 70 for future retirees (reduced to \$10,000 after age 70 for Board members). Eligibility provisions were changed to match the Retiree Health Costs Reimbursement Plan, and the funding mechanism for the pre-age 70 death benefits was changed from split dollar to term insurance. Employees hired on or before December 31, 2008 are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 are not currently eligible for this plan. During the fiscal year ended June 30, 2012, the District contributed \$10,125 on behalf of retirees participating in this benefit.

Membership of the plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

	<u>PEMHCA</u>	<u>Retiree Health Costs Reimbursement</u>	<u>Retiree Death Benefit Only</u>
Retirees and beneficiaries receiving benefits	54	45	77
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>	<u>4</u>	<u>-</u>
Active plan members	<u>288</u>	<u>293</u>	<u>252</u>
Total	<u>342</u>	<u>342</u>	<u>329</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(15) Other Post Employment Benefits, (Continued)

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

Annual OPEB Cost and Net OPEB Obligation

The required contributions for the District's various other post employment benefits are based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually the District's Board of Directors. The District's annual OPEB expense is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level dollar open period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2012, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	PEMHCA	Retiree Health Costs Reimbursement	Retiree Death Benefit Only	Total
Annual OPEB cost (expense):				
Annual required contribution	\$ 267,330	290,046	24,193	581,569
Interest on net OPEB obligation	39,527	23,244	36,436	99,207
Adjustment to annual required contribution	(51,426)	(30,241)	(47,405)	(129,072)
Annual OPEB cost (expense)	<u>255,431</u>	<u>283,049</u>	<u>13,224</u>	<u>551,704</u>
Contribution made	(66,771)	(249,280)	(10,124)	(326,175)
Increase in net OPEB obligation	188,660	33,769	3,100	225,529
Net OPEB obligation - beginning of year	<u>790,537</u>	<u>464,884</u>	<u>728,729</u>	<u>1,984,150</u>
Net OPEB obligation - end of year	<u>\$ 979,197</u>	<u>498,653</u>	<u>731,829</u>	<u>2,209,679</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(15) Other Post Employment Benefits, (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the fiscal year ended June 30, 2012 and the two preceding years were as follows:

*Schedule of Employer Contributions*

<u>Plan</u>	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
PEMHCA	6/30/10	238,071	19.17%	589,709
	6/30/11	258,454	22.30%	790,537
	6/30/12	255,431	26.14%	979,197
Retiree Health Costs Reimbursement	6/30/10	276,934	59.75%	363,469
	6/30/11	284,575	64.36%	464,884
	6/30/12	283,049	88.07%	498,653
Retiree Death Benefit Only	6/30/10	21,961	29.31%	722,954
	6/30/11	13,312	56.61%	728,729
	6/30/12	13,224	76.57%	731,828
Total - All Plans	6/30/10	536,966	22.76%	1,676,132
	6/30/11	556,341	44.63%	1,984,150
	6/30/12	551,704	59.12%	2,209,679

Funded Status and Progress

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

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

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(15) Other Post Employment Benefits, (Continued)

Funded Status and Progress, (Continued)

*Required Supplementary Information (in thousands)*

<u>Plans</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ([(b-a)/c]</u>
PEMHCA	7/1/07	\$-	\$2,025	\$2,025	0.00%	\$22,636	8.9%
	1/1/09	-	2,140	2,140	0.00%	23,733	9.0%
	1/1/11	-	2,484	2,484	0.00%	24,695	10.1%
Retiree Health Costs Reimbursement Plan							
	7/1/07	-	2,191	2,191	0.00%	22,636	9.7%
	1/1/09	-	2,357	2,357	0.00%	23,733	9.9%
	1/1/11	-	2,541	2,541	0.00%	24,695	10.3%
Retiree Death Benefit Only Plan							
	7/1/07	-	5,891	5,891	0.00%	22,636	26.0%
	1/1/09	-	402	402	0.00%	23,733	1.7%
	1/1/11	-	365	365	0.00%	24,695	1.5%

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 5.0% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the third year. Both rates included a 4.0% inflation assumption. The UAAL is being amortized as a level dollar open period over 30 years. It is assumed the District's payroll will increase 3% per year.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(16) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. For the year ended June 30, 2012, the District's payroll covered by the plan was \$1,150,284. The District made no employee contributions. The employees contributed \$86,271 (7.5% of current covered payroll) for the year ended June 30, 2012.

Deferred Compensation

All regular, full-time District employees are eligible to participate in the District's deferred compensation program pursuant to Section 457 of the Internal Revenue Code (Plan) whereby they can voluntarily contribute a portion of their earnings into a tax-deferred fund administered by the District and invested through a third party provider. Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), effective January 1, 2002, employees may contribute the lesser of 100% of includible compensation or the maximum dollar amount allowable under Internal Revenue Code Section 457 in effect for the year. The dollar amount currently in effect for calendar year 2012 is \$17,000. After 2008, the limit is being indexed to inflation in \$500 increments.

Effective January 1, 2008, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2012, the District contributed \$543,895 to employee accounts under the 401(a) plan.

Effective July 1, 2008, employees with two years or more of service are entitled to an additional annual contribution by the District based on 3% of base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2012, the District contributed \$0 to employee accounts under the 401(a) plan. As of July 1, 2011, the District has discontinued provided a direct contribution benefit.

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(17) Commitments and Contingencies

Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, which has been amended from time to time. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement. The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. The District's CORF payments to OCSD for the year ended June 30, 2012 totaled \$1,398,065. The District's share of the jointly funded CORF and capital improvements is included in capital assets in the District's basic financial statements. An annual reconciliation of fiscal years 2010-11 and 2011-12 OCSD operations and maintenance and CORF charges to the District will be performed in fiscal year 2012-13 which may determine additional amounts payable to or receivable from OCSD.

The District, with OCSD, negotiated an agreement as of April 28, 2010, providing for treatment and disposal by OCSD of District solids and the temporary lease of capacity in OCSD's solids treatment and disposal facilities through December 31, 2016 with a retroactive component for the lease of capacity back to July 1, 2008. The capacity lease for fiscal year 2011-12, estimated at \$2,256,386, is included in Sewer Services as an operating expense. An annual reconciliation of actual and estimated solids flows for fiscal years 2010-11 and 2011-12 will be performed in fiscal year 2012-13 which may determine additional amounts payable to or receivable from OCSD.

As of June 30, 2012 \$9,800,000 is being held by OCSD to meet District's share of OCSD budget requirements and is recorded as deposits in the District's basic financial statements. An additional \$35,178,617 is being held by OCSD and is recorded as due from other agency in the District's basic financial statements. These funds will be applied by OCSD as payment of operation and maintenance and CORF invoices in subsequent fiscal years, and continued to earn interest at OCSD's rate of return, for the benefit of the District.

Legal Actions

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

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012  
(Continued)

(18) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

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

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

(19) Subsequent Events

Issuance of Irvine Ranch Water District Joint Powers Agency Taxable Refunding Bonds, Issue 1, Series 2012

On September 12, 2012, the JPA issued \$257,355,000 of Taxable Refunding Bonds, Issue 1, Series 2012 (Series 2012 Bonds), which were used to refund all the outstanding Irvine Ranch Water District Joint Powers of Agency Taxable Refunding Bonds, Issue 1 and pay the costs of issuance of the Series 2012 Bonds. The Series 2012 Bonds are special limited obligations of the JPA payable solely from, and secured by a pledge of, an Investment Agreement dated as of October 21, 1994.

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# Supplementary Information

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Water Subfunds**  
**June 30, 2012**  
**(in thousands)**

	100/101/ 199	112	113	115	120	121	130	135
<b>ASSETS</b>								
Current Assets:								
Cash and investments	\$ 9,294	(3,175)	1,813	(6,242)	8,336	2,282	22,494	8,437
Receivables:								
Customer accounts receivable	6,499	-	-	-	-	-	-	-
Interest receivable	51	(1)	4	(3)	7	10	27	8
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-	-	-
Notes receivable, current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	69	50	91
Due from other agencies	-	-	-	-	-	-	-	-
Other receivables	2,449	177	218	281	64	641	554	162
Total receivables	<u>8,999</u>	<u>176</u>	<u>222</u>	<u>278</u>	<u>71</u>	<u>720</u>	<u>631</u>	<u>261</u>
Other Current Assets:								
Inventories	2,233	-	-	-	-	-	-	-
Prepaid items and deposits	205	184	634	-	-	392	389	331
JPA investment program, current portion	-	-	-	-	-	-	-	-
Total other current assets	<u>2,438</u>	<u>184</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>392</u>	<u>389</u>	<u>331</u>
Total current assets	<u>20,731</u>	<u>(2,815)</u>	<u>2,669</u>	<u>(5,964)</u>	<u>8,407</u>	<u>3,394</u>	<u>23,514</u>	<u>9,029</u>
Noncurrent Assets:								
Capital Assets:								
Waterworks in service	136,472	4,625	14,936	1,343	18,803	67,004	64,944	79,428
Less accumulated depreciation	(49,983)	(535)	(1,090)	(41)	(11,049)	(19,911)	(23,638)	(39,355)
Total capital assets being depreciated, net	<u>86,489</u>	<u>4,090</u>	<u>13,846</u>	<u>1,302</u>	<u>7,754</u>	<u>47,093</u>	<u>41,306</u>	<u>40,073</u>
Land and water rights	10,775	570	700	757	246	2,806	2,644	1,504
Construction in progress	23,125	3,958	4,513	5,957	-	13,032	10,423	3,577
Total capital assets, net	<u>120,389</u>	<u>8,618</u>	<u>19,059</u>	<u>8,016</u>	<u>8,000</u>	<u>62,931</u>	<u>54,373</u>	<u>45,154</u>
Other Noncurrent Assets:								
Debt service cash and investments	220	1,496	3,236	-	-	5,588	4,716	-
Unamortized debt issuance expense	22	21	60	-	1	100	84	-
Notes receivable, net of current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, net	-	-	-	-	-	333	243	439
JPA investment program, net of current portion	-	-	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-	-	-
Net Pension Asset	11,605	-	-	-	-	-	-	-
Deferred outflow	-	365	1,260	-	-	778	773	657
Total other noncurrent assets	<u>11,847</u>	<u>1,882</u>	<u>4,556</u>	<u>-</u>	<u>1</u>	<u>6,799</u>	<u>5,816</u>	<u>1,096</u>
Interdistrict receivable	18,998	-	-	-	-	-	-	-
Total noncurrent assets	<u>151,234</u>	<u>10,500</u>	<u>23,615</u>	<u>8,016</u>	<u>8,001</u>	<u>69,730</u>	<u>60,189</u>	<u>46,250</u>
<b>TOTAL ASSETS</b>	<u>171,965</u>	<u>7,685</u>	<u>26,284</u>	<u>2,052</u>	<u>16,408</u>	<u>73,124</u>	<u>83,703</u>	<u>55,279</u>

140	150	153/ 154/155	156	160/161	182/184	186/ 188/189	300	800-806	Total
13,317	50,944	(1,137)	(1,595)	16,875	(2,666)	1,962	-	-	120,939
-	41	-	-	-	-	-	-	-	6,540
12	63	-	1	18	2	3	-	-	202
-	-	-	-	-	-	-	9,504	-	9,504
-	-	-	-	-	-	-	-	-	-
16	140	57	-	44	18	7	-	-	492
-	-	-	-	-	-	-	-	-	-
344	1,785	191	(1,573)	463	300	134	-	-	6,190
372	2,029	248	(1,572)	525	320	144	9,504	-	22,928
-	-	-	-	-	-	-	-	-	2,233
877	7,205	98	-	320	370	243	-	-	11,248
-	-	-	-	-	-	-	15,231	-	15,231
877	7,205	98	-	320	370	243	15,231	-	28,712
14,566	60,178	(791)	(3,167)	17,720	(1,976)	2,349	24,735	-	172,579
54,470 (17,643)	233,714 (51,322)	13,481 (3,685)	2,972 (559)	67,179 (20,317)	36,901 (11,902)	17,401 (5,862)	-	-	813,673 (256,892)
36,827	182,392	9,796	2,413	46,862	24,999	11,539	-	-	556,781
805	7,520	692	1	1,912	2,571	540	-	-	34,043
3,646	27,310	4,329	3,652	6,661	4,781	1,653	-	-	116,617
41,278	217,222	14,817	6,066	55,435	32,351	13,732	-	-	707,441
-	7,905	-	-	1,782	1,772	573	-	-	27,288
72	520	-	-	102	40	52	-	-	1,074
-	-	-	-	-	-	-	-	-	-
78	677	279	-	213	88	33	-	-	2,383
-	-	-	-	-	-	-	324,565	-	324,565
-	-	-	-	-	-	-	-	48,325	48,325
-	-	-	-	-	-	-	-	-	11,605
1,742	14,315	-	-	636	736	482	-	-	21,744
1,892	23,417	279	-	2,733	2,636	1,140	324,565	48,325	436,984
-	-	-	-	-	-	-	-	-	18,998
43,170	240,639	15,096	6,066	58,168	34,987	14,872	324,565	48,325	1,163,423
57,736	300,817	14,305	2,899	75,888	33,011	17,221	349,300	48,325	1,336,002

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Water Subfunds**  
**June 30, 2012**  
**(Continued)**

	100/101/ 199	112	113	115	120	121	130	135
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities:								
Account payable and accrued expenses	\$ 9,644	232	222	265	-	583	449	1,376
Customer deposits and advance payments	449	-	-	-	-	-	-	-
Accrued interest:								
General obligation bonds	-	26	47	-	-	114	93	9
JPA revenue bonds	-	-	-	-	-	-	-	-
Other accrued interest payable	776	-	-	-	7	11	39	-
Current portion of long-term liabilities:								
General obligation bonds	-	92	266	-	-	194	177	98
Certificates of participation	1,058	-	-	-	30	44	160	-
JPA revenue bonds	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Other long-term liabilities	1,070	-	-	-	-	-	-	-
Deferred revenue	-	10	15	7	-	43	33	59
Total current liabilities	<u>12,997</u>	<u>360</u>	<u>550</u>	<u>272</u>	<u>37</u>	<u>989</u>	<u>951</u>	<u>1,542</u>
Long-Term Liabilities:								
General obligation bonds, net of current portion	-	5,654	14,344	-	-	20,012	16,819	4,629
Certificates of Participation, net of current portion	2,634	-	-	-	75	110	399	-
JPA revenue bonds, net of current portion	-	-	-	-	-	-	-	-
Notes payable, net of current portion	-	-	-	-	-	-	-	-
Other long-term liabilities, net of current portion	2,397	-	-	-	4	-	44	-
Deferred revenue, net of current portion	-	196	275	160	-	811	615	1,097
Net OPEB obligation	2,210	-	-	-	-	-	-	-
Swap liability	-	365	1,260	-	-	778	773	657
Total long-term liabilities	<u>7,241</u>	<u>6,215</u>	<u>15,879</u>	<u>160</u>	<u>79</u>	<u>21,711</u>	<u>18,650</u>	<u>6,383</u>
Interdistrict payable	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>20,238</u>	<u>6,575</u>	<u>16,429</u>	<u>432</u>	<u>116</u>	<u>22,700</u>	<u>19,601</u>	<u>7,925</u>
<b>NET ASSETS</b>								
Change in net assets	(3,696)	244	1,169	727	668	47	(387)	(1,708)
Net assets at beginning of year	155,423	863	8,689	892	15,624	50,377	64,490	49,060
<b>NET ASSETS AT END OF YEAR</b>	<u>\$151,727</u>	<u>1,107</u>	<u>9,858</u>	<u>1,619</u>	<u>16,292</u>	<u>50,424</u>	<u>64,103</u>	<u>47,352</u>

140	150	153/ 154/155	156	160/161	182/184	186/ 188/189	300	800-806	Total
151	1,247	232	139	295	213	72	-	-	15,120
-	-	-	-	-	-	-	-	-	449
8	272	-	-	59	47	12	-	-	687
-	-	-	-	-	-	-	4,277	-	4,277
11	44	11	-	17	-	-	-	-	916
1,006	3,406	-	-	142	104	667	-	-	6,152
39	149	-	-	48	-	-	-	-	1,528
-	-	-	-	-	-	-	19,952	-	19,952
-	-	60	-	-	-	-	-	-	60
-	-	-	19	-	-	-	-	-	1,089
12	299	5	-	22	17	5	-	-	527
<u>1,227</u>	<u>5,417</u>	<u>308</u>	<u>158</u>	<u>583</u>	<u>381</u>	<u>756</u>	<u>24,229</u>	<u>-</u>	<u>50,757</u>
10,341	125,101	-	-	11,503	8,884	3,125	-	-	220,412
3,692	20,449	-	-	13,434	-	-	-	-	40,793
-	-	-	-	-	-	-	299,309	-	299,309
-	-	881	-	-	-	-	-	-	881
19	28	555	140	8	-	-	-	-	3,195
217	5,134	105	-	413	313	89	-	-	9,425
-	-	-	-	-	-	-	-	-	2,210
1,742	14,315	-	-	636	736	482	-	-	21,744
<u>16,011</u>	<u>165,027</u>	<u>1,541</u>	<u>140</u>	<u>25,994</u>	<u>9,933</u>	<u>3,696</u>	<u>299,309</u>	<u>-</u>	<u>597,969</u>
-	-	-	-	-	-	-	-	18,998	18,998
<u>17,238</u>	<u>170,444</u>	<u>1,849</u>	<u>298</u>	<u>26,577</u>	<u>10,314</u>	<u>4,452</u>	<u>323,538</u>	<u>18,998</u>	<u>667,724</u>
1,792	3,381	475	509	600	(392)	358	(7,683)	(962)	(4,858)
<u>38,708</u>	<u>126,990</u>	<u>11,981</u>	<u>2,090</u>	<u>48,710</u>	<u>23,091</u>	<u>12,412</u>	<u>33,446</u>	<u>30,289</u>	<u>673,135</u>
<u>40,500</u>	<u>130,371</u>	<u>12,456</u>	<u>2,599</u>	<u>49,310</u>	<u>22,699</u>	<u>12,770</u>	<u>25,763</u>	<u>29,327</u>	<u>668,277</u>

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Sewer Subfunds**  
**June 30, 2012**  
(in thousands)

	200/210/ 211/299	212	213	215	220	221
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and investments	\$ 87,873	(5,106)	7,165	(1,083)	10,704	9,856
Receivables:						
Customer accounts receivable	-	-	-	-	-	-
Interest receivable	83	(1)	7	(1)	9	18
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	11	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	-
Due from other agencies	15,294	199	454	-	3,334	(278)
Other receivables	2,043	-	198	-	-	51
Total receivables	<u>17,431</u>	<u>198</u>	<u>659</u>	<u>(1)</u>	<u>3,343</u>	<u>(209)</u>
Other Current Assets:						
Inventories	-	-	-	-	-	-
Prepaid items and deposits	10,251	573	1,804	-	-	1,763
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	<u>10,251</u>	<u>573</u>	<u>1,804</u>	<u>-</u>	<u>-</u>	<u>1,763</u>
Total current assets	<u>115,555</u>	<u>(4,335)</u>	<u>9,628</u>	<u>(1,084)</u>	<u>14,047</u>	<u>11,410</u>
Noncurrent Assets:						
Capital Assets:						
Sewer plant in service	184,322	12,510	25,735	369	30,124	88,288
Less accumulated depreciation	(53,573)	(1,778)	(2,126)	(25)	(18,784)	(29,914)
Total capital assets being depreciated, net	130,749	10,732	23,609	344	11,340	58,374
Land and water rights	18,649	949	398	57	-	1,962
Construction in progress	22,251	9,953	3,336	595	124	23,385
Total capital assets, net	<u>171,649</u>	<u>21,634</u>	<u>27,343</u>	<u>996</u>	<u>11,464</u>	<u>83,721</u>
Other Noncurrent Assets:						
Debt service cash and investments	-	979	59	-	-	-
Unamortized debt issuance expense	25	58	30	-	2	45
Notes receivable, net of current portion	138	-	-	-	-	-
Allen-McColloch Pipeline receivable, net of current portion	-	-	-	-	-	-
JPA investment program, net of current portion	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	-	-
Deferred outflow	-	964	3,156	-	-	2,161
Total other noncurrent assets	<u>163</u>	<u>2,001</u>	<u>3,245</u>	<u>-</u>	<u>2</u>	<u>2,206</u>
Interdistrict receivable	-	-	(253)	-	-	-
Total noncurrent assets	<u>171,812</u>	<u>23,635</u>	<u>30,335</u>	<u>996</u>	<u>11,466</u>	<u>85,927</u>
<b>TOTAL ASSETS</b>	<u>287,367</u>	<u>19,300</u>	<u>39,963</u>	<u>(88)</u>	<u>25,513</u>	<u>97,337</u>

230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total
6,517	(18,824)	652	13,846	(802)	172	6,967	3,212	(1,195)	-	119,954
-	-	-	-	-	-	-	-	-	-	-
17	(16)	3	33	-	-	14	8	(1)	-	173
-	-	-	-	-	-	-	-	-	9,504	9,504
-	-	-	-	-	-	-	-	-	-	11
-	-	-	-	-	-	-	-	-	-	-
3,766	-	-	8,595	-	-	1,490	2,324	-	-	35,178
-	70	-	25	-	-	-	-	-	-	2,387
3,783	54	3	8,653	-	-	1,504	2,332	(1)	9,504	47,253
-	-	-	-	-	-	-	-	-	-	-
1,708	200	2,082	9,099	-	-	929	590	51	-	29,050
-	-	-	-	-	-	-	-	-	15,231	15,231
1,708	200	2,082	9,099	-	-	929	590	51	15,231	44,281
12,008	(18,570)	2,737	31,598	(802)	172	9,400	6,134	(1,145)	24,735	211,488
84,146	76,309	87,173	224,106	38	-	74,552	28,957	5,391	-	922,020
(33,398)	(34,187)	(29,264)	(55,996)	(6)	-	(22,968)	(10,982)	(1,315)	-	(294,316)
50,748	42,122	57,909	168,110	32	-	51,584	17,975	4,076	-	627,704
1,944	2,391	817	3,423	-	-	1,236	264	30	-	32,120
16,467	703	5,047	43,528	883	-	11,421	3,845	22	-	141,560
69,159	45,216	63,773	215,061	915	-	64,241	22,084	4,128	-	801,384
9,630	-	-	21,513	-	-	6,885	2,594	-	-	41,660
185	-	133	668	-	-	140	48	-	-	1,334
-	-	-	-	-	-	-	-	-	-	138
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	324,565	324,565
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2,484	397	4,083	15,777	-	-	1,250	842	101	-	31,215
12,299	397	4,216	37,958	-	-	8,275	3,484	101	324,565	398,912
-	-	-	-	-	-	-	253	-	-	-
81,458	45,613	67,989	253,019	915	-	72,516	25,821	4,229	324,565	1,200,296
93,466	27,043	70,726	284,617	113	172	81,916	31,955	3,084	349,300	1,411,784

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Sewer Subfunds**  
**June 30, 2012**  
**(Continued)**

	200/210/ 211/299	212	213	215	220	221
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities:</b>						
Account payable and accrued expenses	2,381	650	170	36	(18)	1,516
Customer deposits and advance payments	-	-	-	-	-	-
<b>Accrued interest:</b>						
General obligation bonds	-	73	32	-	-	70
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	1,014	-	-	-	19	49
<b>Current portion of long-term liabilities:</b>						
General obligation bonds	-	244	603	-	-	520
Certificates of participation	1,214	-	-	-	79	199
JPA revenue bonds	-	-	-	-	-	-
Notes payable	6	24	15	-	-	46
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total current liabilities</b>	<u>4,615</u>	<u>991</u>	<u>820</u>	<u>36</u>	<u>80</u>	<u>2,400</u>
<b>Long-Term Liabilities:</b>						
General obligation bonds, net of current portion	-	15,461	22,516	-	-	20,980
Certificates of Participation, net of current portion	3,025	-	-	-	198	496
JPA revenue bonds, net of current portion	-	-	-	-	-	-
Notes payable, net of current portion	41	171	105	-	-	319
Other long-term liabilities, net of current portion	110	-	-	-	-	-
Deferred revenue, net of current portion	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Swap liability	-	964	3,156	-	-	2,161
<b>Total long-term liabilities</b>	<u>3,176</u>	<u>16,596</u>	<u>25,777</u>	<u>-</u>	<u>198</u>	<u>23,956</u>
Interdistrict payable	-	-	(253)	-	-	-
<b>TOTAL LIABILITIES</b>	<u>7,791</u>	<u>17,587</u>	<u>26,344</u>	<u>36</u>	<u>278</u>	<u>26,356</u>
<b>NET ASSETS</b>						
Change in net assets	25,382	(61)	211	(196)	(234)	(1,162)
Net assets at beginning of year	<u>254,194</u>	<u>1,774</u>	<u>13,409</u>	<u>72</u>	<u>25,469</u>	<u>72,144</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 279,576</u>	<u>1,713</u>	<u>13,620</u>	<u>(124)</u>	<u>25,235</u>	<u>70,982</u>



230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total
983	166	254	2,670	63	-	740	232	2	-	9,845
-	-	-	-	-	-	-	-	-	-	-
182	5	20	421	-	-	139	55	1	-	998
-	-	-	-	-	-	-	-	-	4,277	4,277
373	-	-	73	-	-	30	-	-	-	1,558
740	59	1,640	3,850	-	-	285	89	27	-	8,057
1,521	-	(5)	265	-	-	116	-	-	-	3,389
-	-	-	-	-	-	-	-	-	19,952	19,952
34	-	20	27	-	-	22	-	-	-	194
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>3,833</u>	<u>230</u>	<u>1,929</u>	<u>7,306</u>	<u>63</u>	<u>-</u>	<u>1,332</u>	<u>376</u>	<u>30</u>	<u>24,229</u>	<u>48,270</u>
38,225	2,784	26,442	151,409	-	-	25,765	9,581	769	-	313,932
3,788	-	4,392	20,711	-	-	5,296	-	-	-	37,906
-	-	-	-	-	-	-	-	-	299,309	299,309
241	-	140	186	-	-	156	-	-	-	1,359
-	-	-	-	-	-	-	-	-	-	110
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2,484	397	4,083	15,777	-	-	1,250	842	101	-	31,215
<u>44,738</u>	<u>3,181</u>	<u>35,057</u>	<u>188,083</u>	<u>-</u>	<u>-</u>	<u>32,467</u>	<u>10,423</u>	<u>870</u>	<u>299,309</u>	<u>683,831</u>
-	-	-	-	-	-	-	253	-	-	-
<u>48,571</u>	<u>3,411</u>	<u>36,986</u>	<u>195,389</u>	<u>63</u>	<u>-</u>	<u>33,799</u>	<u>11,052</u>	<u>900</u>	<u>323,538</u>	<u>732,101</u>
(2,383)	(2,301)	247	887	23	(128)	(868)	(351)	(167)	(7,683)	11,216
<u>47,277</u>	<u>25,931</u>	<u>33,492</u>	<u>88,339</u>	<u>26</u>	<u>300</u>	<u>48,987</u>	<u>21,253</u>	<u>2,352</u>	<u>33,446</u>	<u>668,465</u>
<u>44,894</u>	<u>23,630</u>	<u>33,739</u>	<u>89,226</u>	<u>49</u>	<u>172</u>	<u>48,119</u>	<u>20,902</u>	<u>2,185</u>	<u>25,763</u>	<u>679,681</u>

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# Statistical Section

Irvine Ranch Water District  
Fiscal Year Ended June 30, 2012

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

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

- Net Assets
- Changes in Net Assets

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

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

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

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

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

- Principal Employers
- Demographic and Economic Statistics

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

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Assets</b>										
Current & other assets	\$ 1,447.9	1,327.1	1,250.6	1,162.1	1,088.9	1,103.8	1,224.1	1,209.7	1,332.7	1,220.0
Capital assets	902.1	950.7	1,017.4	1,111.1	1,224.3	1,346.1	1,423.1	1,396.6	1,430.3	1,508.8
Total assets	<u>2350.0</u>	<u>2,277.8</u>	<u>2,268.0</u>	<u>2,273.2</u>	<u>2,313.2</u>	<u>2,449.9</u>	<u>2,647.2</u>	<u>2,606.3</u>	<u>2,763.0</u>	<u>2,728.8</u>
<b>Liabilities</b>										
Current and other liabilities	79.4	78.0	82.8	91.5	95.3	96.5	99.4	67.3	97.7	99.0
Long-term liabilities	1,153.2	1,109.1	1,058.6	1,068.9	1,022.2	1,074.7	1,190.8	1,204.3	1,323.7	1,281.8
Total liabilities	<u>1,232.6</u>	<u>1,187.1</u>	<u>1,141.4</u>	<u>1,160.4</u>	<u>1,117.5</u>	<u>1,171.2</u>	<u>1,290.2</u>	<u>1,271.6</u>	<u>1,421.4</u>	<u>1,380.8</u>
<b>Net assets</b>										
Invested in capital assets, net of related debt	598.9	648.0	730.2	791.0	927.6	977.7	994.3	929.5	900.6	943.1
Restricted for water services	324.1	298.1	280.4	231.2	229.2	253.8	294.4	271.3	234.3	203.4
Restricted for sewer services	194.4	144.6	116.0	90.6	38.9	47.2	68.3	133.9	206.7	201.5
Total net assets	<u>\$ 1,117.4</u>	<u>1,090.7</u>	<u>1,126.6</u>	<u>1,112.8</u>	<u>1,195.7</u>	<u>1,278.7</u>	<u>1,357.0</u>	<u>1,334.7</u>	<u>1,341.6</u>	<u>1,348.0</u>

Source: IRWD Basic Financial Statements

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Operating Revenues</b>										
Water sales and service charges	\$ 27,185	31,700	33,105	39,256	45,138	48,516	50,940	51,268	54,796	57,558
Sewer sales and service charges	18,521	23,346	24,622	29,248	37,649	39,811	41,157	45,344	45,375	49,234
Total operating revenues	45,706	55,046	57,727	68,504	82,787	88,327	92,097	96,612	100,171	106,792
<b>Operating Expenses</b>										
Water										
Water services	24,820	26,139	25,198	29,813	33,281	37,030	40,333	40,103	42,383	40,593
General and administrative	7,016	7,035	7,308	8,625	10,267	11,257	12,536	14,574	13,663	14,453
Customer accounts	1,325	1,384	1,446	1,572	1,698	1,999	1,940	2,263	2,242	2,142
Sewer										
Sewer services	15,558	19,052	19,055	18,480	23,439	26,032	27,402	27,804	30,787	26,816
General and administrative	5,125	5,266	5,571	5,556	6,328	7,259	7,712	8,330	7,669	12,729
Customer accounts	882	923	964	1,048	1,131	1,179	1,294	1,509	1,495	1,332
Depreciation	24,984	25,091	26,395	27,135	28,449	31,595	34,699	39,444	43,592	41,379
Total operating expenses	79,710	84,890	85,937	92,229	104,593	116,351	125,916	134,027	141,831	139,444
Operating income (loss)	(34,004)	(29,844)	(28,210)	(23,725)	(21,806)	(28,024)	(33,819)	(37,415)	(41,660)	(32,652)
<b>Nonoperating Revenues (Expenses)</b>										
Property taxes	14,247	15,304	7,725	15,237	30,667	34,245	36,240	38,392	38,679	38,062
Investment income	8,333	7,700	7,695	9,115	10,768	10,674	4,365	2,191	2,599	3,132
Increase (decrease) in fair value										
of investments	50,204	(56,999)	8,864	(53,542)	(3,996)	26,976	9,837	(7,782)	(20,172)	(23,586)
JPA investment income	65,249	63,741	64,870	63,427	61,793	59,854	57,676	55,726	53,708	51,530
Gain (loss) on sale of capital assets		2,283								
Real estate income	8,146	8,460	9,076	9,118	9,483	10,478	10,792	9,701	9,719	11,039
Other income	6,120	7,475	9,753	8,494	10,457	11,130	9,918	10,706	7,987	6,141
Interest expense	(4,390)	(3,929)	(5,092)	(9,286)	(12,762)	(8,515)	(6,061)	(9,962)	(14,174)	(16,924)
JPA interest expense	(64,219)	(63,014)	(61,593)	(60,060)	(58,404)	(56,616)	(54,686)	(51,530)	(41,264)	(39,603)
Real estate expense	(3,478)	(3,919)	(4,131)	(4,493)	(4,562)	(5,149)	(5,698)	(6,186)	(6,004)	(6,016)
Other expenses	(373)	(1,526)	(430)	(666)	(883)	(2,288)	(1,535)	(1,286)	(989)	(10,713)
Total nonoperating revenue (expenses)	79,839	(24,424)	36,737	(22,656)	42,561	80,789	60,848	39,970	30,089	13,062
Income (loss) before capital contributions	45,835	(54,268)	8,527	(46,381)	20,755	52,765	27,029	2,555	(11,571)	(19,590)
Contributed capital assets	25,963	27,610	27,374	32,525	52,672	29,319	32,517	17,963	18,506	25,948
Increase (decrease) in net assets	71,798	(26,658)	35,901	(13,856)	73,427	82,084	59,546	20,518	6,935	6,358
	\$1,045,614	1,117,412	1,090,754	1,126,655	1,112,799	1,195,761	1,278,703	1,357,046	1,334,666	1,341,601
Net Assets at beginning of year					9,535					
SCWD Retained Earnings at 6/30/06						858				
OPA Net Assets at 6/1/08							18,797	(42,898)		
Prior period adjustments										
Net assets at end of year	\$1,117,412	\$1,090,754	\$1,126,655	\$1,112,799	\$1,195,761	\$1,278,703	\$1,357,046	\$1,334,666	\$1,341,601	\$1,347,959

Source: IRWD Basic Financial Statements



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	29,728	31,136	30,681	31,514	34,097	33,771	34,189	31,721	31,127	32,262
Commercial	7,218	7,544	7,602	8,037	8,710	8,710	8,382	7,586	7,632	8,021
Industrial	6,237	6,222	6,047	5,714	5,438	5,353	5,009	4,711	4,733	4,713
Public Authority	2,490	2,601	2,842	2,795	2,474	2,588	2,571	2,293	2,305	2,373
Construction & Temporary	1,074	931	489	790	696	513	133	127	174	275
Treated - Landscape Irrigation	5,051	5,464	4,953	5,322	6,249	6,039	5,789	4,712	4,252	4,741
Treated - Agricultural	1,512	1,709	1,177	1,018	1,009	820	563	210	183	229
Untreated - Agricultural	8,346	7,606	5,973	7,621	7,583	6,211	6,452	5,024	3,025	2,204
Recycled - Landscape/ Agricultural	17,380	19,551	18,620	19,504	24,624	24,564	24,415	20,951	20,147	25,011
<b>Total</b>	<b><u>79,036</u></b>	<b><u>82,764</u></b>	<b><u>78,384</u></b>	<b><u>82,315</u></b>	<b><u>90,880</u></b>	<b><u>88,569</u></b>	<b><u>87,503</u></b>	<b><u>77,335</u></b>	<b><u>73,578</u></b>	<b><u>79,829</u></b>

# Irvine Ranch Water District

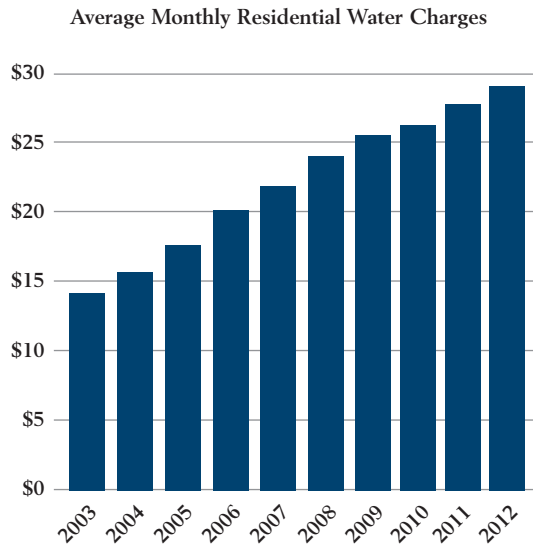
## Water Rates

For the Past Ten Fiscal Years

<u>Fiscal Year</u>	<u>Fixed Service Charge</u>	<u>Commodity Rate (per ccf)</u>	<u>Average monthly residential charge</u>
2003	\$3.00	\$0.69	\$14.14
2004	\$3.65	\$0.75	\$15.87
2005	\$3.90	\$0.83	\$17.56
2006	\$5.45	\$0.88	\$20.01
2007	\$6.75	\$0.91	\$21.85
2008	\$7.50	\$0.98	\$23.86
2009	\$7.50	\$1.07	\$25.48
2010	\$7.75	\$1.15	\$26.53
2011	\$8.00	\$1.21	\$27.86
2012	\$8.75	\$1.22	\$28.79

The water charge to the average residential customer is based upon an average of 18 ccf per month. The first 8 ccf are at the District's low volume rate, which is \$0.31 less than the commodity rate. The IRWD Board of Directors approved an enhancement component of \$0.31 for both water and sewer system on the fixed service charge.

Source: IRWD



Irvine Ranch Water District  
 Schedule of Largest Water Customers  
 Fiscal Year Ended June 30, 2012

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Water Sales Revenues</u>
1. The Irvine Company	\$ 3,496,479	6.07%
2. University of California, Irvine	1,285,572	2.23%
3. City of Irvine	1,007,256	1.75%
4. Jazz Semiconductor	668,429	1.16%
5. B Braun Medical Inc	510,160	0.89%
6. Woodbridge Village Assn	388,341	0.67%
7. Irvine Unified School District	304,178	0.53%
8. County of Orange	273,061	0.47%
9. Caltrans District 12	271,094	0.47%
10. ERP Operating LP	182,670	0.32%
11. Maruchan	181,714	0.32%
12. Tustin Ranch Golf Club	181,436	0.32%
13. Orange County Great Park Corp	180,103	0.31%
14. City of Lake Forest	155,152	0.27%
15. Marriotts Newport Coast Villas	155,098	0.27%
<b>Total</b>	<b><u>\$ 9,240,743</u></b>	<b><u>16.05%</u></b>

Source: Irvine Ranch Water District

Information for Largest Water Customers is not available for FY2003 for comparison purposes.

# Irvine Ranch Water District

## Sewer Rates

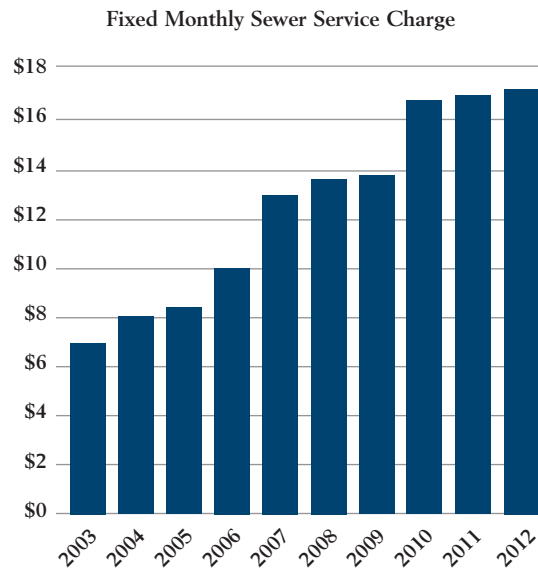
For the Past Ten Fiscal Years

<u>Fiscal Year</u>	<u>Fixed Monthly Service Charge</u>
2003	\$6.95
2004	\$8.05
2005	\$8.35
2006	\$10.00
2007	\$13.05
2008	\$13.65
2009	\$13.80
2010	\$16.60
2011	\$16.65
2012	\$16.90

Source: IRWD

The IRWD Board of Directors approved an increase to the replacement surcharge to fund aging infrastructure replacement and refurbishment an increased from \$4.00 in FY 2010-11 to \$4.65 in FY 2011-12 and added an enhancement component of \$0.31 for water and sewer system. This is included in the sewer fixed charge.

Source: IRWD



Irvine Ranch Water District  
 Schedule of Largest Sewer Customers  
 Fiscal Year Ended June 30, 2012

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Water Sales Revenues</u>
1. The Irvine Company	\$599,076	1.22%
2. Royalty Carpet Mills	239,524	0.49%
3. Maruchan Inc	239,416	0.49%
4. Allergan Sales, LLC	236,507	0.48%
5. Villa Sienna Apts	223,932	0.45%
6. ERP Operating LP	188,978	0.38%
7. Oakley Technical Center	185,862	0.38%
8. Newport Bluffs Apts	162,462	0.33%
9. The Park @ Spectrum Apartments	148,341	0.30%
10. Airport Ind Complex	136,890	0.28%
11. Park West Apts	135,577	0.28%
12. Teva Parenteral Medicines, Inc	129,581	0.26%
13. Serrano Apartments	117,978	0.24%
15. Las Palmas Apts	115,546	0.23%
15. Oak Glen Apts	91,311	0.19%
<b>Total</b>	<b><u><u>\$2,950,983</u></u></b>	<b><u><u>5.99%</u></u></b>

Source: Irvine Ranch Water District

*Information for Sewer Water Customers is not available for FY2003 for comparison purposes.*

# Irvine Ranch Water District

## Ad Valorem Tax Rate

For the Past Ten Fiscal Years

<b>Improvement District</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
112 (1)	N/A	N/A	N/A	N/A	N/A
113 (1)	N/A	N/A	N/A	N/A	0.01920
120	0.00001	0.00001	0.00001	0.01168	0.01168
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00001	0.00001	0.00001
135 (2)	0.04264	0.01500	0.00001	0.00001	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00001	0.00001	0.00001
160	0.00001	0.00001	0.00001	0.01168	0.01168
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00001	0.00001	0.00001	0.00808	0.00808
184	N/A	N/A	N/A	N/A	0.00001
186	0.00001	0.00001	0.00001	0.02051	0.02051
188	0.00001	0.00001	0.00001	0.02051	0.02051
190	0.00001	0.00001	0.00001	0.00001	0.00001
210	0.00001	0.00001	0.00001	0.00001	0.00001
212 (1)	N/A	N/A	N/A	N/A	N/A
213 (1)	N/A	N/A	N/A	N/A	0.14093
220	0.00001	0.00001	0.00001	0.01000	0.01000
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.00001	0.00001	0.00001	0.01995	0.01995
235 (2)	0.00936	0.00001	0.00001	0.00001	0.00532
240	0.00001	0.00001	0.00001	0.02168	0.02168
250	0.00001	0.00001	0.00001	0.02602	0.03199
252	N/A	N/A	N/A	N/A	N/A
260	N/A	N/A	N/A	N/A	0.02030
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.00001	0.00001	0.00001	0.01280	0.01280
284	N/A	N/A	N/A	N/A	0.00001
290	0.00001	0.00001	0.00001	0.01995	0.01995

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

Improvement District	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
112	N/A	N/A	0.07920	0.07920	0.07920
113	0.01920	0.01920	0.01980	0.01980	0.01980
120	0.01298	0.01298	0.01311	0.00001	0.00000
121	0.00001	0.00001	0.00001	0.01311	0.01311
130	0.00500	0.00500	0.00680	0.00680	0.00680
135	0.00842	0.00842	0.00842	0.00842	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00780	0.00780	0.00990	0.00990	0.00990
160	0.01648	0.01648	0.01758	0.00001	0.00000
161	0.00001	0.00001	0.00001	0.01758	0.01758
182	0.01300	0.01300	0.01350	0.01350	0.01350
184	0.00001	0.00001	0.00001	0.00001	0.00001
186	0.02700	0.02700	0.03191	0.03191	0.03191
188	0.02700	0.02700	0.03590	0.03590	0.03590
190	0.00500	0.00500	N/A	N/A	
N/A210	0.00001	0.00001	0.00001	0.00001	0.00000
212	N/A	N/A	0.12420	0.12420	0.12420
213	0.14093	0.14093	0.14533	0.14533	0.14533
220	0.01400	0.01400	0.01800	0.01800	0.01800
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.02000	0.02000	0.02200	0.02200	0.02200
235	0.00532	0.00532	0.00532	0.00532	0.00532
240	0.02699	0.02699	0.03140	0.03140	0.03140
250	0.03200	0.03200	0.03600	0.03600	0.03600
252	0.00001	0.00001	0.00001	0.02830	0.02830
260	0.02330	0.02330	0.02830	0.00001	0.00000
261	0.00001	0.00001	0.00001	0.01890	0.01890
282	0.01400	0.01400	0.01890	0.03239	0.03239
284	0.02699	0.02699	0.03239	0.00001	0.00001
290	0.02000	0.02000	N/A	N/A	N/A

Source: Irvine Ranch Water District

Notes:

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

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

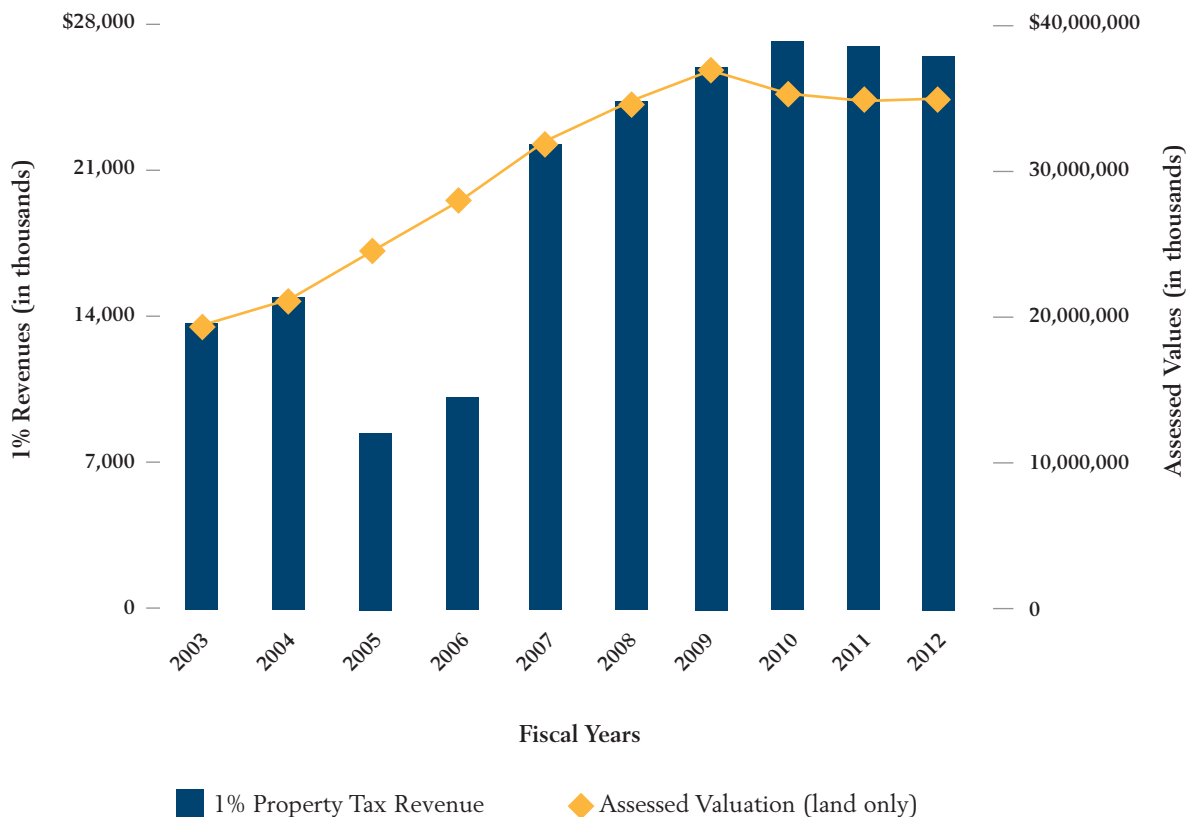
<u>Fiscal Year Ended</u>	<u>Assessed Valuation (land only) (2)</u>	<u>1 % Property Tax Revenue</u>
2003	16,951,715	12,833
2004	19,117,325	14,474
2005 (1)	22,101,916	7,335
2006	25,869,944	10,177
2007	31,378,053	22,444
2008	35,540,296	24,730
2009	37,002,606	26,283
2010	35,089,440	27,150 (3)
2011	34,624,237	26,989
2012	34,889,412	26,478

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

- Notes: (1) The IRWD state mandated contribution to ERAF for FY 2004-05 and FY 2005-06 was \$9.7 million per year.  
(2) Estimated market values for the land-only Assessed Values are not available.  
(3) Of this amount, the State of California borrowed \$2.0 million, which will be repaid by FY 2012-13.

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

**1% Revenues and Assessed Values**





Irvine Ranch Water District  
 Direct and Overlapping Tax Rates  
 Fiscal Year Ended June 30, 2012

**Direct Rate:**

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

**Overlapping Rates:**

**School Districts:**

Coast Community College District	0.01754
Rancho Santiago Community College District	0.03146
Laguna Beach Unified School District	0.01601
Newport Mesa Unified School District	0.02670
Saddleback Valley Unified School District	0.03163
Santa Ana Unified School District	0.09917
Tustin Unified School District SFID 2002-1	0.03751
Tustin Unified School District SFID 2008-1	0.01835

**Cities:**

Laguna Beach	0.00000
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Source: California Municipal Statistics, Inc.

**Irvine Ranch Water District**  
**Direct and Overlapping Debt**  
**Fiscal Year Ended June 30, 2012**

**2011-12 Land Only Assessed Valuation: \$35,008,275,739 (before deduction of redevelopment incremental valuation)**

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/12</u>	<u>% Applicable (1)</u>	<u>District's Share of</u> <u>Debt 6/30/12</u>
Metropolitan Water District	\$196,545,000	3.860%	\$ 7,586,637
Coast Community College District	317,803,867	5.103	16,217,531
Rancho Santiago Community College District	302,555,660	18.552	56,130,126
Saddleback Valley Unified School District	131,925,000	34.466	45,469,271
Santa Ana Unified School District	302,027,117	38.877	117,419,082
Other Unified School Districts	383,554,727	Various	64,347,677
Irvine Unified School District Community Facilities District No. 86-1	106,170,000	100.	106,170,000
Irvine Unified School District Community Facilities District No. 09-1	113,640,000	100.	113,640,000
Other Irvine Unified School District Community Facilities Districts	179,940,838	100.	179,940,838
Tustin Unified School District Community Facilities Districts	251,987,675	100.	251,987,675
City Community Facilities Districts	90,845,000	100.	90,845,000
Other Community Facilities Districts	108,912,612	Various	108,912,612
City of Irvine 1915 Act Bonds	807,707,210	100.	807,707,210
County 1915 Act Bonds	93,328,296	100.	93,328,296
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$2,059,701,955</b>
 <u>DIRECT TAX AND ASSESSMENT DEBT:</u>			
<b>Irvine Ranch Water District Improvement Districts</b>	<b>552,960,000</b>	<b>100.</b>	<b>\$552,960,000</b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$2,612,661,955</b>
 <u>Ratios to Land Only Assessed Valuation:</u>			
<b>Direct Debt (\$552,960,000)</b>	<b>1.58%</b>		
Total Direct and Overlapping Tax and Assessment Debt	7.46%		
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$233,751,000	18.477%	\$ 43,190,172
Orange County Pension Obligations	39,615,000	18.477	39,615,677
Orange County Board of Education Certificates of Participation	16,000,000	18.477	2,956,320
Municipal Water District of Orange County Water Facilities Corporation	12,145,000	21.679	2,632,915
Coast Community College District General Fund Obligations	20,240,000	5.103	1,032,847
Santa Ana Unified School District Certificates of Participation	50,672,741	38.877	19,700,042
Other Unified School District Certificates of Participation	143,025,000	Various	9,662,060
City of Newport Beach Certificates of Participation	124,920,000	17.376	21,706,099
Other City General Fund Obligations	154,625,000	Various	12,744,376
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>			<b>\$153,240,508</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			2,632,915
City self-supporting obligations			7,084,316
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b>\$143,523,277</b>
 <u>DIRECT GENERAL FUND DEBT:</u>			
<b>Irvine Ranch Water District Certificates of Participation</b>	<b>77,190,000</b>	<b>100.</b>	<b>\$77,190,000</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$220,713,277</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$630,150,000</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>			<b>\$2,212,942,463</b>
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$2,203,225,232</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$2,843,092,463 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$2,833,375,232</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district based on redevelopment adjusted all property assessed valuation of \$69,616,026,928.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included base on principal due at maturity.

Ratios to Adjusted All Property Assessed Valuation:

<b>Total Direct Debt (\$630,150,000)</b>	<b>0.91%</b>
Gross Combined Total Debt	4.08%
Net Combined Total Debt	4.07%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: California Municipal Statistics, Inc.

# Irvine Ranch Water District

Principal Property Taxpayers  
Fiscal Year Ended June 30, 2012

<u>Property Owner's Name</u>	<u>Type of Business</u>	<u>Assessed Valuation of Property, including Land &amp; Improvements</u>	<u>Percentage of Total City Taxable Assessed Value</u>
The Irvine Company	Developer/Real Estate	\$5,654,582,848	13.05%
Irvine Apartment Communities	Real Estate	713,571,672	1.60%
Heritage Fields El Toro	Real Estate Developer	634,826,440	1.44%
LBA IV-PPI LLC	Real Estate Investment and Management	471,281,277	1.08%
B Braun Medical Inc.	Bio-Medical Manufacturing	299,112,522	0.69%
Allergan	Pharmaceutical (R&D/Marketing)	291,140,446	0.67%
Lakeshore Properties LLC	Real Estate	178,972,092	0.41%
Capital Research Company	Real Estate Developer	156,735,000	0.36%
Central Park West	Real Estate Developer	147,774,648	0.34%
Kilroy Realty	Developer/Real Estate	135,513,812	0.31%
		<u>\$8,683,510,757</u>	<u>19.95%</u>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2011)

Data was not yet available for FY2010/12 from the City of Irvine.

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

Information for Largest Property Taxpayers is not available for FY2002/03 for comparison purposes.

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

Fiscal Year Ended	IRWD Estimated Levy During Fiscal Year		Collected During Fiscal Year		Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent (1)	General (2)	1 Percent	General (3)	1 Percent	General	1 Percent	General
2003	12,756,500	881,909	12,459,640	1,352,950	97.67%	153.41%	790,125	156,184
2004	13,541,700	282,045	13,932,804	979,552	102.89%	347.30%	958,597	11,033
2005	7,750,200	3,151	7,404,859	448,835	95.54%	14244.20%	1,129,009	27,285
2006	7,965,300	3,081,122	8,755,621	5,038,833	109.92%	163.54%	1,441,127	149,874
2007	19,419,300	5,050,938	21,368,075	7,869,904	110.04%	155.81%	1,093,740	541,024
2008	23,963,000	7,626,979	22,859,667	10,242,088	95.40%	134.29%	887,709	496,260
2009	25,486,200	11,694,868	25,910,366	9,873,983	101.66%	84.43%	477,134	281,774
2010	24,166,600	5,050,938	23,636,793	10,802,992	97.81%	213.88%	1,493,752	634,095
2011	26,493,900	10,323,198	25,892,653	11,180,391	97.73%	108.30%	1,153,265	753,309
2012	26,749,900	10,558,510	25,953,788	11,716,056	97.02%	110.96%	733,450	118,691
Total	<u>\$188,292,600</u>	<u>\$60,005,969</u>	<u>\$188,174,266</u>	<u>\$69,505,583</u>			<u>\$10,157,908</u>	<u>\$3,169,531</u>

Source: County of Orange Tax Ledger

Notes:

- (1) The estimated levy for one percent revenue is generated internally and it is based on prior year receipts and developer growth projections.
- (2) The estimated levy for G.O. tax receipts is based on the county's assessed value projection multiplied by the tax rate assessed within each improvement district.
- (3) The General column for Collected tax receipts includes an unbudgeted utility tax revenue from improvement districts 190/290 that adds approximately \$400K per year.

**Irvine Ranch Water District**  
**Outstanding Debt by Type <sup>(1)</sup>**  
**For the Past Ten fiscal years**

Fiscal Year Ended	Total Connections(2)	General Obligation Bonds	GO Debt per Connection	Certificates of Participation (COPs)	COPs Debt per Connections	JPA Revenue Bonds	JPA Debt per Connection	Total Debt	Total Debt per Connection
2003	161,526	230,124,368	1,425	120,800,000	748	831,833,622	5,150	1,182,757,990	7,322
2004	166,897	209,227,990	1,254	118,800,000	712	813,397,384	4,874	1,141,425,374	6,839
2005	172,548	187,396,610	1,086	116,600,000	676	793,611,146	4,599	1,097,607,756	6,361
2006	177,325	224,585,230	1,267	114,200,000	644	772,359,906	4,356	1,111,145,136	6,266
2007	182,140	201,585,230	1,107	111,600,000	613	749,513,668	4,115	1,062,698,898	5,835
2008	185,359	280,947,000	1,516	106,934,000	577	724,962,000	3,911	1,112,843,000	6,004
2009	186,856	415,699,000	2,225	103,100,000	552	698,566,000	3,739	1,217,365,000	6,515
2010	188,049	399,152,800	2,123	92,005,200	489	690,263,700	3,671	1,181,421,700	6,283
2011	191,474	562,051,000	2,935	88,043,000	460	676,415,000	3,533	1,326,509,000	6,928
2012	193,381	548,549,000	2,837	83,616,000	432	638,521,000	3,302	1,270,686,000	6,571

Notes:

(1) More detail about the District's long-term liabilities can be found at Note 9 to the Financial Statements.

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

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

**Irvine Ranch Water District**  
**Outstanding General Obligation Bonds by Improvement District**  
As of June 30, 2012

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2012
112	\$ 28,512,300	\$ 5,740,000	\$ 22,772,300	\$ 5,745,000
113	25,769,500	14,800,000	10,969,500	14,663,000
120	26,805,000	26,805,000	-	-
121	35,437,000	32,182,000	3,255,000	20,205,000
130	110,465,000	55,161,000	55,304,000	16,995,000
135	20,010,000	20,010,000	-	4,769,000
140	117,130,000	32,326,100	84,803,900	11,348,000
150	188,734,000	188,678,600	55,400	129,026,000
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
160	22,895,000	22,569,000	326,000	-
161	40,786,000	12,435,000	28,351,000	11,654,000
182	74,653,000	12,407,000	62,246,000	5,040,000
184	79,065,000	3,950,000	75,115,000	3,950,000
186	19,266,000	6,632,700	12,633,300	1,850,000
188	8,174,000	4,437,000	3,737,000	1,943,000
Total	<u>\$ 1,039,840,800</u>	<u>\$ 438,133,400</u>	<u>\$ 601,707,400</u>	<u>\$ 227,188,000</u>
210	\$2,000,000	\$2,000,000	\$-	\$-
212	108,712,000	15,700,000	93,012,000	15,705,000
213	87,648,000	23,800,000	63,848,000	23,264,000
220	30,316,000	28,410,000	1,906,000	-
221	50,452,000	50,452,000	-	21,500,000
230	165,173,000	70,422,000	94,751,000	38,966,000
235	15,724,000	15,724,000	-	2,868,000
240	117,273,000	48,476,500	68,796,500	28,081,000
250	286,727,000	216,618,000	70,109,000	155,764,000
253	122,283,000	-	122,283,000	-
260	69,665,000	17,917,000	51,748,000	-
261	46,364,000	27,375,000	18,989,000	26,059,000
282	59,101,000	9,480,000	49,621,000	4,475,000
284	92,590,000	12,850,000	79,740,000	5,195,000
286	40,531,000	500,000	40,031,000	495,000
288	8,977,000	300,000	8,677,000	300,000
Total	<u>\$ 1,303,536,000</u>	<u>\$ 540,024,500</u>	<u>\$ 763,511,500</u>	<u>\$ 322,672,000</u>
	<u>\$ 2,343,376,800</u>	<u>\$ 978,157,900</u>	<u>\$ 1,365,218,900</u>	<u>\$ 549,860,000</u>

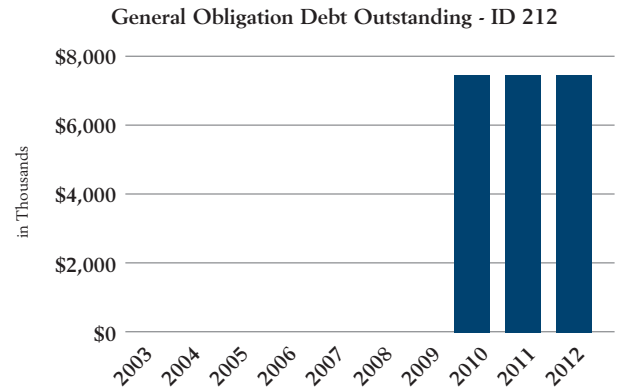
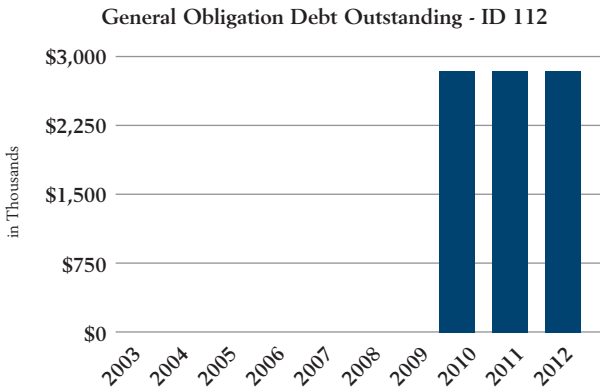
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# Irvine Ranch Water District

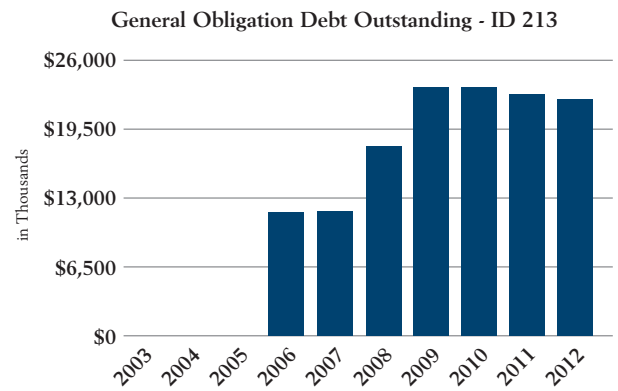
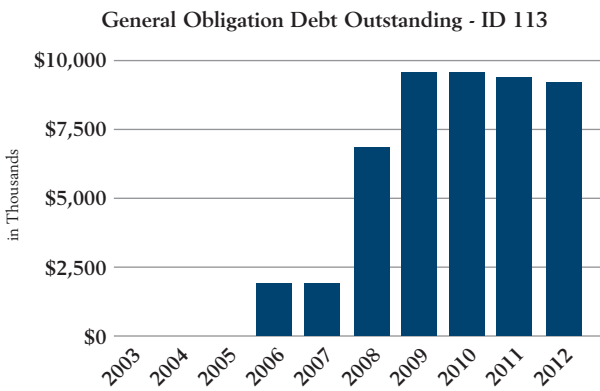
## Ratio of General Obligation Debt to Assessed Values

### For the Past Ten Fiscal Years

Fiscal Year Ended	Improvement District 112			Improvement District 212		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ -	\$ -	n/a	\$ -	\$ -	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	-	-	n/a	-	-	n/a
2007	-	-	n/a	-	-	n/a
2008	-	-	n/a	-	-	n/a
2009	-	-	n/a	-	-	n/a
2010	521,318,307	2,745,000	0.00526550	521,318,307	7,305,000	0.01401255
2011	539,618,060	2,745,000	0.00508693	539,618,060	7,305,000	0.01353735
2012	504,820,526	2,745,000	0.00543758	504,820,526	7,305,000	0.01447049



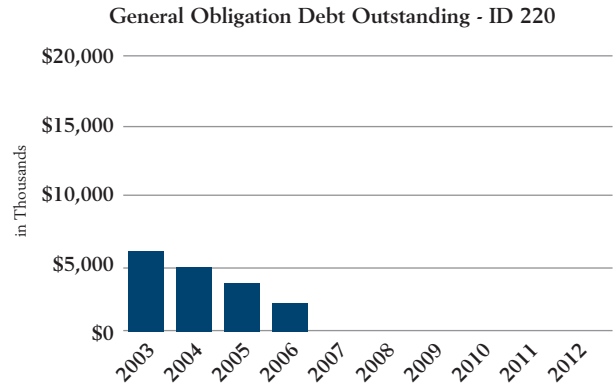
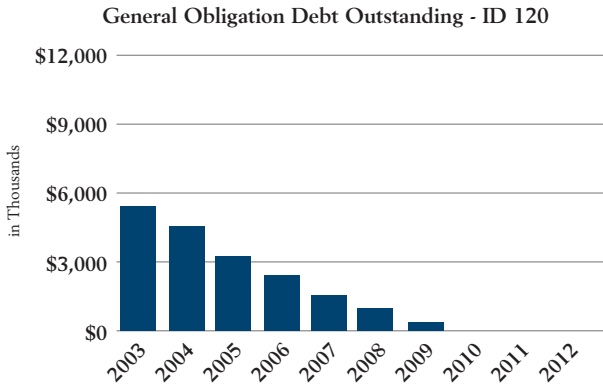
Fiscal Year Ended	Improvement District 113			Improvement District 213		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ -	\$ -	n/a	\$ -	\$ -	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	-	-	n/a	-	-	n/a
2007	-	-	n/a	-	-	n/a
2008	691,298,772	6,523,125	0.00943604	691,298,772	17,462,140	0.02525990
2009	609,156,504	9,523,125	0.01563330	609,156,504	23,867,140	0.03918064
2010	651,917,180	9,523,125	0.01460788	651,917,180	23,867,140	0.03661069
2011	553,458,157	9,365,000	0.01692088	553,458,157	23,450,700	0.04237122
2012	536,369,090	9,225,000	0.01719898	536,369,090	23,090,100	0.04304890





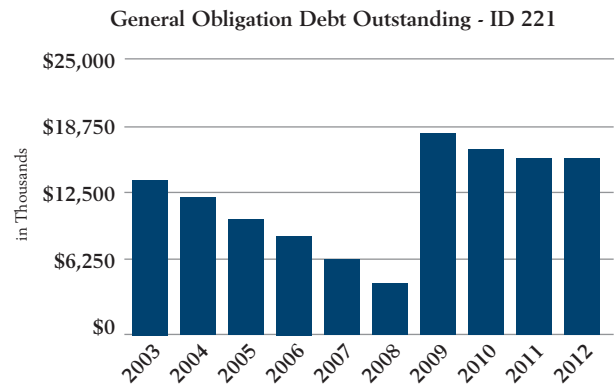
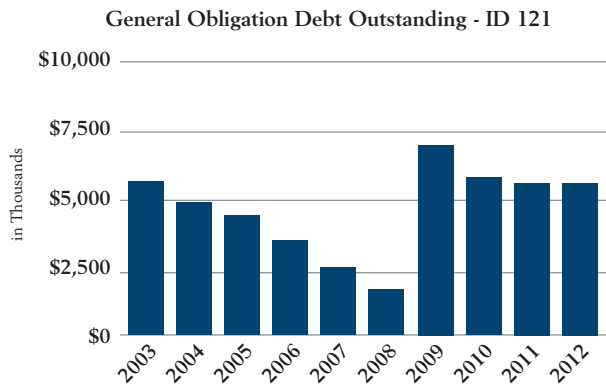
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 120			Improvement District 220		
2003	\$2,460,176,613	\$ 4,915,952	0.00199821	\$3,025,751,360	\$ 5,872,679	0.00194090
2004	2,655,750,823	4,014,721	0.00151171	3,277,646,727	4,562,620	0.00139204
2005	3,048,171,194	3,073,075	0.00100817	3,712,898,262	2,958,274	0.00079676
2006	3,296,099,817	2,079,199	0.00063081	4,084,154,528	1,557,866	0.00038144
2007	3,716,412,058	974,678	0.00026226	4,601,691,594	-	-
2008	3,999,440,197	673,414	0.00016838	4,946,140,742	-	-
2009	3,907,684,159	354,428	0.00009070	4,819,998,823	-	-
2010	3,889,246,597	-	-	4,819,368,486	-	-
2011	3,888,009,506	-	-	4,855,864,665	-	-
2012	3,940,518,873	-	-	4,924,357,431	-	-



	Improvement District 121		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$2,460,176,613	\$ 5,646,252	0.00229506
2004	2,655,750,823	4,965,507	0.00186972
2005	3,048,171,194	4,248,360	0.00139374
2006	3,296,099,817	3,464,525	0.00105110
2007	3,716,412,058	2,662,787	0.00071649
2008	3,999,440,197	1,793,038	0.00044832
2009	3,907,684,159	6,780,059	0.00173506
2010	3,889,246,597	5,873,689	0.00151024
2011	3,888,009,506	5,805,000	0.00149305
2012	3,940,518,873	5,805,000	0.00147316

	Improvement District 221		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$2,437,921,523	\$ 13,411,720	0.00550129
2004	2,633,056,001	11,709,055	0.00444694
2005	2,991,737,859	9,901,563	0.00330964
2006	3,270,481,689	7,941,236	0.00242815
2007	3,688,965,082	6,007,654	0.00162855
2008	3,971,444,282	3,907,194	0.00098382
2009	3,876,394,631	17,989,776	0.00464085
2010	3,859,829,277	16,330,283	0.00423083
2011	3,860,526,608	15,600,000	0.00404090
2012	3,912,486,315	15,600,000	0.00398723

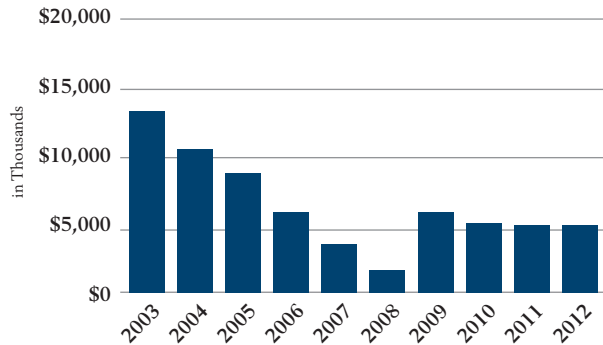


Source: Irvine Ranch Water District and the County of Orange Auditor Controller

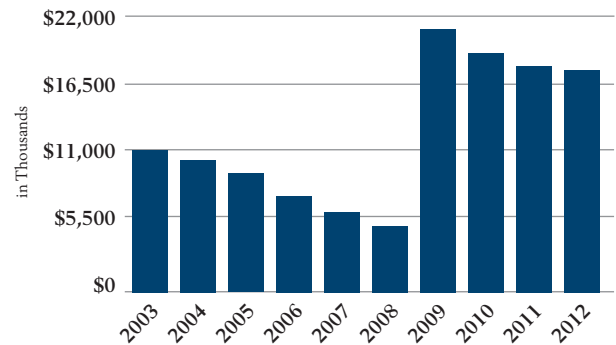
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Improvement District 130			Improvement District 230		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ 887,679,877	\$12,923,272	0.01455848	\$ 888,086,748	\$11,167,518	0.01257481
2004	932,620,903	10,542,893	0.01130459	933,035,911	9,904,911	0.01061579
2005	1,049,255,231	8,288,716	0.00789962	1,049,677,986	8,567,847	0.00816236
2006	1,153,678,462	5,767,709	0.00499941	1,154,109,671	7,115,505	0.00616536
2007	1,489,017,966	3,460,656	0.00232412	1,492,117,118	5,703,185	0.00382221
2008	1,660,025,116	1,678,813	0.00101132	1,663,766,768	4,179,777	0.00251224
2009	2,585,629,375	6,424,815	0.00248482	2,585,629,375	19,865,955	0.00768322
2010	2,390,684,306	5,834,412	0.00244048	2,390,684,306	18,768,724	0.00785077
2011	2,242,156,959	5,295,000	0.00236157	2,242,156,959	17,949,522	0.00800547
2012	2,307,116,191	5,295,000	0.00229507	2,307,116,191	17,765,526	0.00770032

General Obligation Debt Outstanding - ID 130

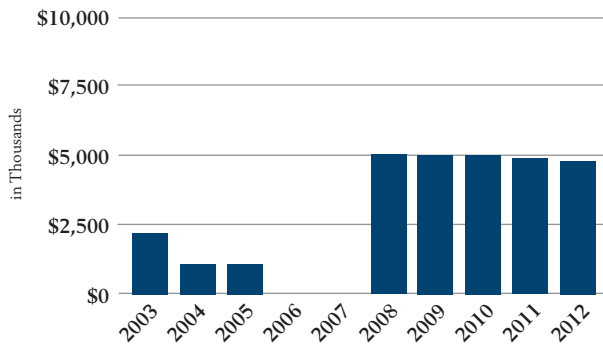


General Obligation Debt Outstanding - ID 230



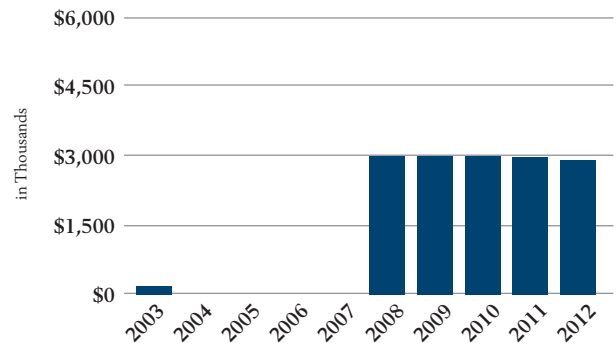
Improvement District 135			
Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	Ratio
2003	\$ 1,861,970,430	2,095,000	0.00112515
2004	2,062,480,035	820,000	0.00039758
2005	2,279,958,176	720,000	0.00031580
2006	2,553,323,737	-	-
2007	2,898,277,302	-	-
2008	3,154,824,099	4,985,802	0.00158037
2009	3,071,898,725	4,985,802	0.00162304
2010	3,083,700,261	4,985,802	0.00161682
2011	3,057,223,724	4,867,920	0.00159227
2012	3,139,556,068	4,768,560	0.00151886

General Obligation Debt Outstanding - ID 135



Improvement District 235			
Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	Ratio
2003	\$ 1,861,970,430	130,000	0.00006982
2004	2,062,480,035	-	-
2005	2,279,958,176	-	-
2006	2,553,323,737	-	-
2007	2,898,277,302	-	-
2008	3,154,824,099	2,998,707	0.00095051
2009	3,071,898,725	2,998,707	0.00097617
2010	3,083,700,261	2,998,707	0.00097244
2011	3,057,223,724	2,928,240	0.00095781
2012	3,139,556,068	2,868,480	0.00091366

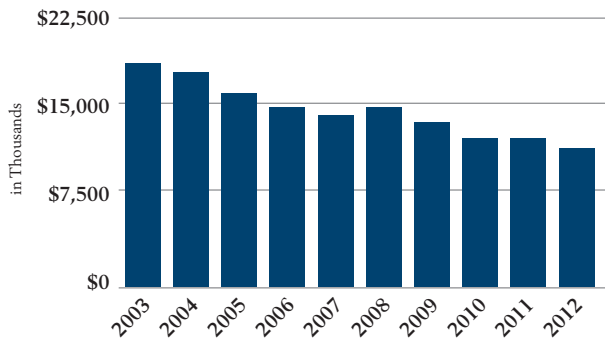
General Obligation Debt Outstanding - ID 235



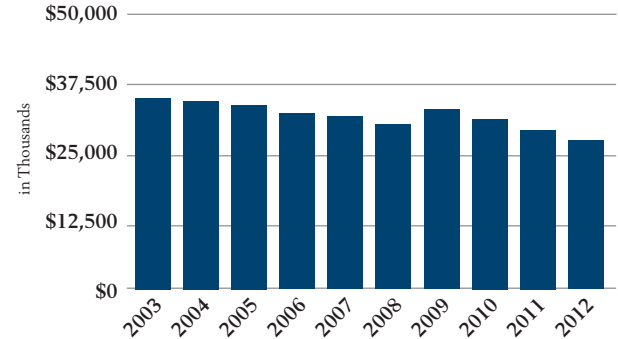
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Assessed Valuation	Improvement District 140		Assessed Valuation	Improvement District 240	
		General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation		General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$1,982,470,064	\$ 19,187,818	0.00967874	\$1,982,470,064	\$ 34,882,612	0.01759553
2004	2,294,454,249	18,246,359	0.00795237	2,294,454,249	33,862,453	0.01475839
2005	2,719,982,105	17,253,705	0.00634332	2,719,982,105	32,792,726	0.01205623
2006	3,446,887,473	16,181,977	0.00469466	3,446,887,473	31,643,024	0.00918017
2007	4,140,693,955	15,086,812	0.00364355	4,140,693,955	30,462,056	0.00735675
2008	4,642,366,023	13,892,372	0.00299252	4,642,366,023	29,182,814	0.00628619
2009	4,936,249,533	14,472,944	0.00293197	4,936,249,533	32,326,608	0.00654882
2010	4,871,225,527	13,161,947	0.00270198	4,871,225,527	30,885,287	0.00634035
2011	4,903,741,743	12,263,056	0.00250075	4,903,741,743	29,527,697	0.00602146
2012	4,973,007,663	11,347,503	0.00228182	4,973,007,663	28,081,173	0.00564672

General Obligation Debt Outstanding - ID 140



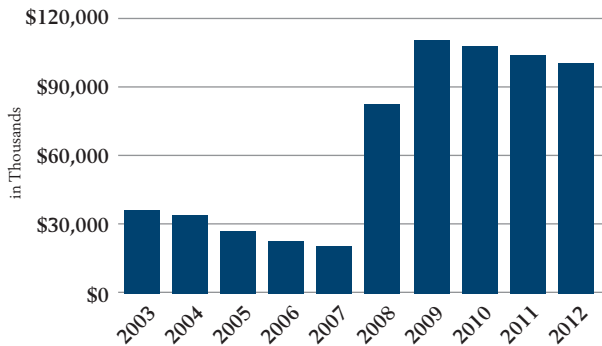
General Obligation Debt Outstanding - ID 240



Improvement District 150

2003	\$ 2,631,853,234	\$ 34,390,746	0.01306712
2004	3,134,625,172	31,004,136	0.00989086
2005	3,548,888,756	27,478,309	0.00774279
2006	4,222,037,532	23,691,456	0.00561138
2007	5,194,093,605	20,060,770	0.00386223
2008	5,984,544,964	80,999,560	0.01353479
2009	5,541,316,286	110,002,188	0.01985127
2010	5,780,753,315	108,360,835	0.01874511
2011	6,316,070,513	106,086,298	0.01679625
2012	6,608,122,000	103,936,717	0.01572863

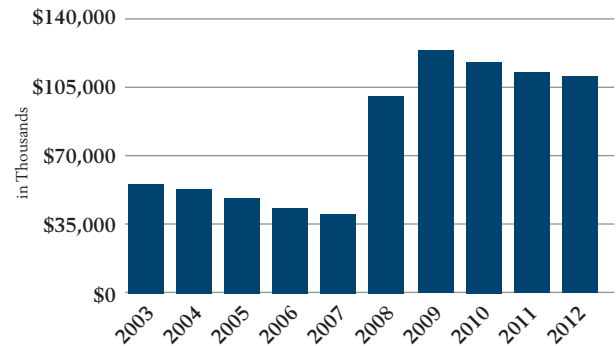
General Obligation Debt Outstanding - ID 150



Improvement District 250

2003	\$ 2,626,638,626	\$ 52,352,492	0.01993136
2004	3,129,472,091	49,109,239	0.01569250
2005	3,543,639,799	45,671,541	0.01288831
2006	4,216,683,635	41,914,218	0.00994009
2007	4,874,632,043	38,062,529	0.00780829
2008	5,642,845,768	96,043,083	0.01702033
2009	5,229,731,606	123,488,402	0.02361276
2010	5,459,374,896	119,319,325	0.02185586
2011	6,003,427,629	114,046,826	0.01899695
2012	6,293,664,935	111,454,829	0.01770905

General Obligation Debt Outstanding - ID 250



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

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

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 153</b>				<b>Improvement District 253</b>		
2003	\$ -	n/a	n/a	\$ -	n/a	n/a
2004	-	n/a	n/a	-	n/a	n/a
2005	-	n/a	n/a	-	n/a	n/a
2006	-	n/a	n/a	-	n/a	n/a
2007	-	n/a	n/a	-	n/a	n/a
2008	36,114,444	n/a	n/a	36,114,444	n/a	n/a
2009	36,903,662	n/a	n/a	36,903,662	n/a	n/a
2010	36,997,523	n/a	n/a	36,997,523	n/a	n/a
2011	7,971,152	n/a	n/a	7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a	8,114,060	n/a	n/a
No Debt Outstanding at this Time				No Debt Outstanding at this Time		

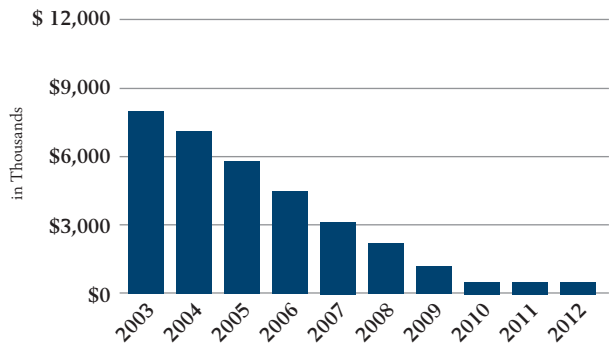
<b>Improvement District 154</b>			
2003	\$ -	n/a	n/a
2004	-	n/a	n/a
2005	-	n/a	n/a
2006	-	n/a	n/a
2007	-	n/a	n/a
2008	7,531,850	n/a	n/a
2009	10,209,169	n/a	n/a
2010	8,831,144	n/a	n/a
2011	8,904,175	n/a	n/a
2012	9,127,678	n/a	n/a
No Debt Outstanding at this Time			

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

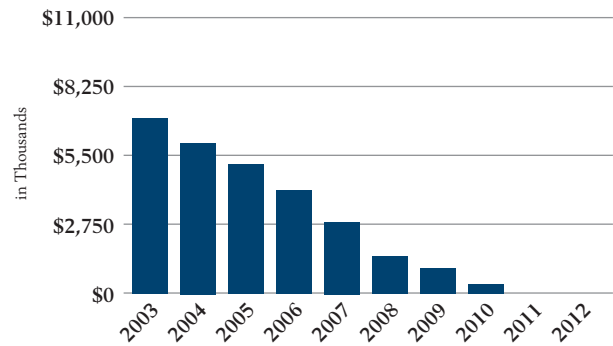
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Improvement District 160			Improvement District 260		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$1,205,443,542	\$ 7,585,846	0.00629299	\$1,165,302,814	\$ 7,068,360	0.00606568
2004	1,486,590,105	6,511,087	0.00437988	1,442,431,910	6,063,833	0.00420390
2005	2,101,987,732	5,380,202	0.00255958	2,050,256,515	5,006,027	0.00244166
2006	2,922,826,431	4,162,705	0.00142421	2,866,594,651	3,759,358	0.00131144
2007	3,372,542,514	2,883,509	0.00085500	3,304,863,810	2,555,075	0.00077313
2008	3,711,389,964	2,022,479	0.00054494	3,641,310,305	1,584,223	0.00043507
2009	3,457,883,370	1,111,736	0.00032151	3,399,796,704	1,031,756	0.00030348
2010	3,483,763,692	103,561	0.00002973	3,409,716,951	433,656	0.00012718
2011	3,571,525,574	-	-	3,499,774,771	-	-
2012	3,604,538,765	-	-	3,533,912,329	-	-

General Obligation Debt Outstanding - ID 160

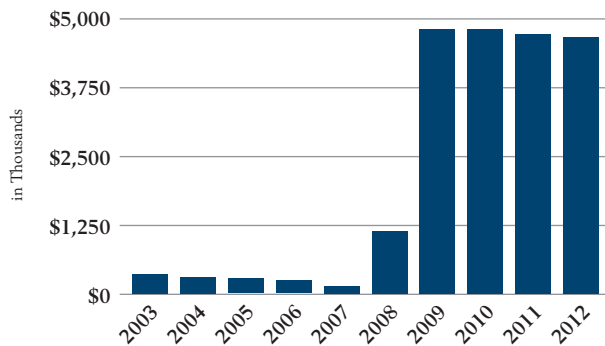


General Obligation Debt Outstanding - ID 260

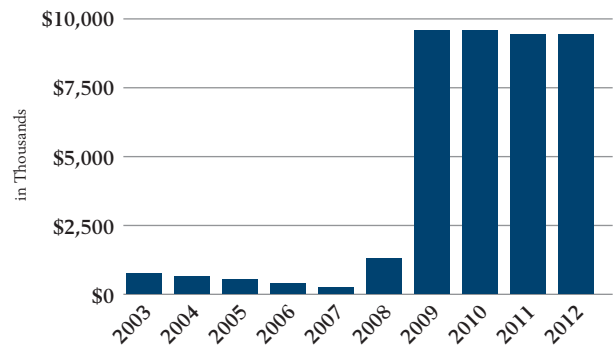


Fiscal Year Ended	Improvement District 161			Improvement District 261		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$1,122,693,719	\$ 256,221	0.00022822	\$1,213,366,283	\$ 394,153	0.00032484
2004	1,398,433,040	206,815	0.00014789	1,494,056,460	318,150	0.00021294
2005	2,007,153,739	155,112	0.00007728	2,109,648,525	238,613	0.00011311
2006	2,817,492,876	99,961	0.00003548	2,929,383,541	153,773	0.00005249
2007	3,260,457,444	51,704	0.00001586	3,382,835,586	79,538	0.00002351
2008	3,593,517,713	1,101,935	0.00030665	3,723,380,975	1,101,935	0.00029595
2009	3,341,406,070	4,701,935	0.00140717	3,473,875,612	9,006,935	0.00259276
2010	3,361,758,076	4,701,935	0.00139865	3,486,287,355	9,006,935	0.00258353
2011	3,442,885,652	4,676,040	0.00135817	3,572,028,485	8,981,040	0.00251427
2012	3,471,901,837	4,654,080	0.00134050	3,603,739,115	8,959,080	0.00248605

General Obligation Debt Outstanding - ID 161

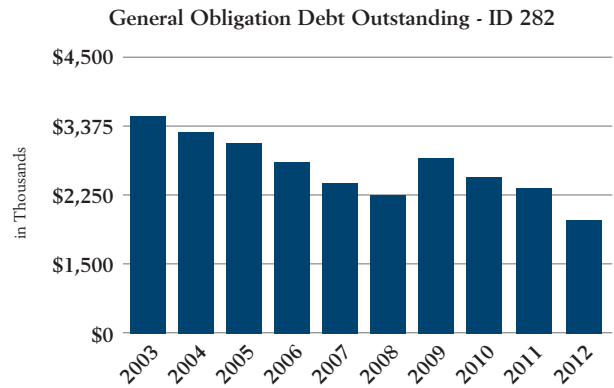
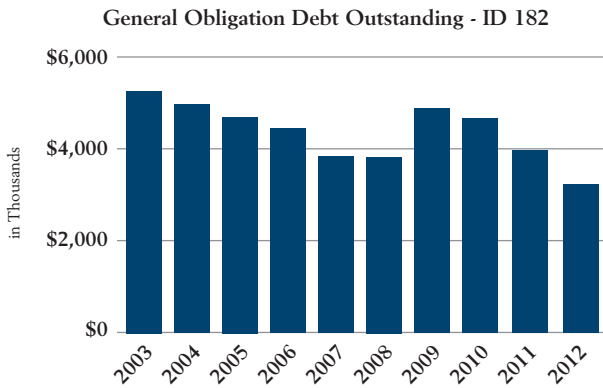


General Obligation Debt Outstanding - ID 261



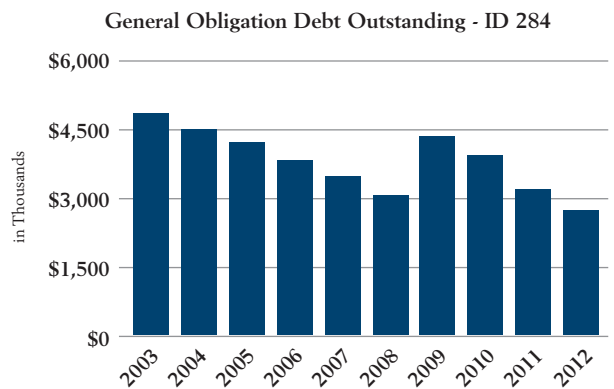
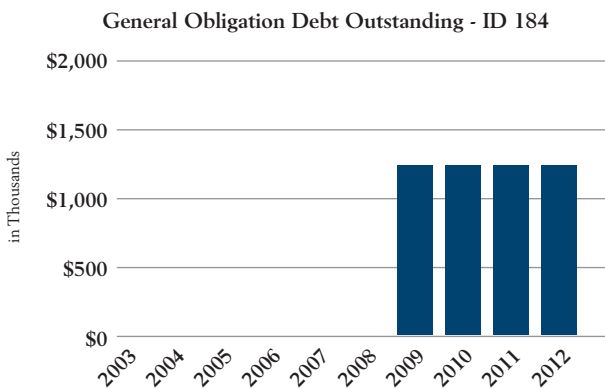
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Improvement District 182			Improvement District 282		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ 321,075,182	\$ 5,000,000	0.01557268	\$ 321,075,182	\$ 3,500,000	0.01090087
2004	367,379,519	4,700,000	0.01279331	367,379,519	3,200,000	0.00871034
2005	429,865,962	4,400,000	0.01023575	429,865,962	3,000,000	0.00697892
2006	509,371,089	4,000,000	0.00785282	509,371,089	2,800,000	0.00549697
2007	643,569,573	3,600,000	0.00559380	643,569,573	2,500,000	0.00388458
2008	720,602,896	3,561,290	0.00494210	720,602,896	2,200,000	0.00305300
2009	595,670,830	4,856,290	0.00815264	595,670,830	2,875,000	0.00482649
2010	600,594,737	4,356,290	0.00725329	600,594,737	2,575,000	0.00428742
2011	606,591,207	3,847,800	0.00634332	606,591,207	2,275,000	0.00375047
2012	606,302,632	3,240,600	0.00534486	606,302,632	1,875,000	0.00309252



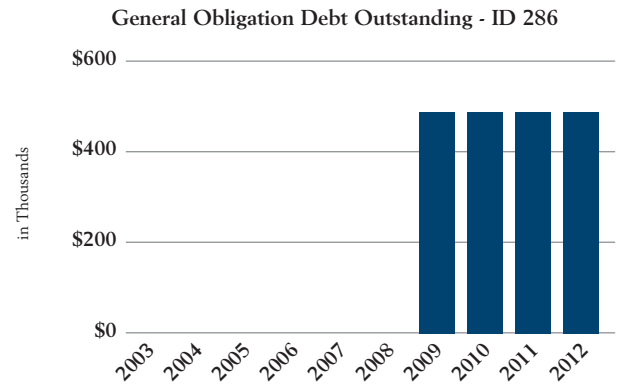
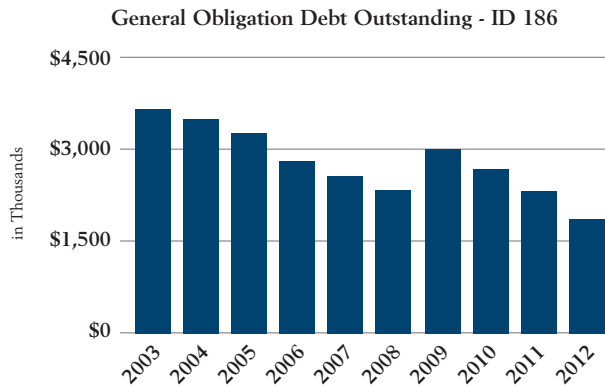
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Fiscal Year Ended	Improvement District 184			Improvement District 284		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ 212,339,216	\$ -	-	\$ 212,339,216	\$ 4,900,000	0.02307628
2004	234,612,404	-	-	234,612,404	4,600,000	0.01960681
2005	262,111,956	-	-	262,111,956	4,300,000	0.01640520
2006	283,547,263	-	-	283,547,263	3,900,000	0.01375432
2007	328,208,160	-	-	328,208,160	3,500,000	0.01066396
2008	378,200,679	-	-	378,200,679	3,100,000	0.00819671
2009	424,421,998	1,200,000	0.00282737	424,421,998	4,295,000	0.01011965
2010	386,137,068	1,200,000	0.00310770	386,137,068	3,795,000	0.00982812
2011	377,719,266	1,200,000	0.00317696	377,719,266	3,295,000	0.00872341
2012	378,265,831	1,200,000	0.00317237	378,265,831	2,695,000	0.00712462



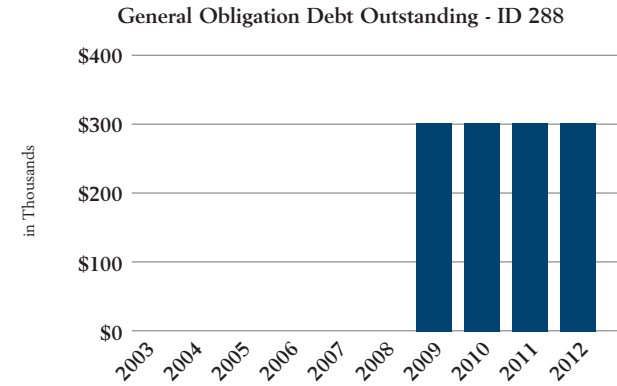
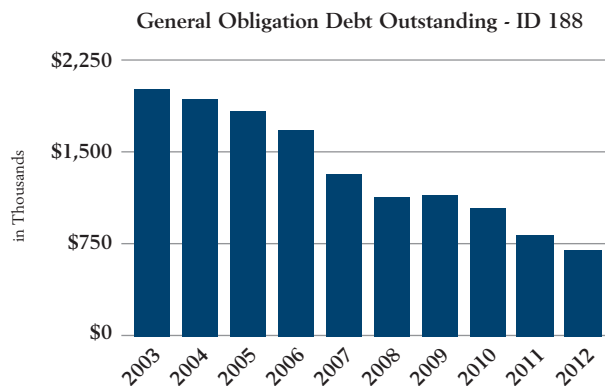
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Improvement District 186			Improvement District 286		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$ 112,738,988	\$ 3,582,046	0.03177292	\$ 112,738,988		
2004	131,012,460	3,345,496	0.02553571	131,012,460		
2005	160,071,307	3,092,050	0.01931670	160,071,307		
2006	195,573,514	2,821,706	0.01442786	195,573,514		
2007	226,924,367	2,551,363	0.01124323	226,924,367		
2008	250,901,383	2,247,227	0.00895662	250,901,383		
2009	203,882,434	2,931,195	0.01437689	203,882,434		
2010	205,164,372	2,593,266	0.01263994	205,164,372		
2011	200,509,899	2,238,441	0.01116374	200,509,899		
2012	197,522,448	1,849,822	0.00936512	197,522,448	495,000	0.00250604



Fiscal Year Ended	Improvement District 188		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$11,454,943	\$1,962,312	0.17130697
2004	11,684,036	1,832,725	0.15685718
2005	11,694,828	1,693,882	0.14484028
2006	11,928,713	1,545,783	0.12958508
2007	12,167,278	1,397,684	0.11487238
2008	12,410,613	1,231,073	0.09919517
2009	12,806,315	1,235,205	0.09645283
2010	14,613,156	1,050,082	0.07185864
2011	13,887,854	855,702	0.06161511
2012	14,165,606	642,809	0.04537817

Fiscal Year Ended	Improvement District 288		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2003	\$11,454,943	\$ -	-
2004	11,684,036	-	-
2005	11,694,828	-	-
2006	11,928,713	-	-
2007	12,167,278	-	-
2008	12,410,613	-	-
2009	12,806,315	300,000	0.02342594
2010	14,613,156	300,000	0.02052945
2011	13,887,854	300,000	0.02160161
2012	14,165,606	300,000	0.02117806

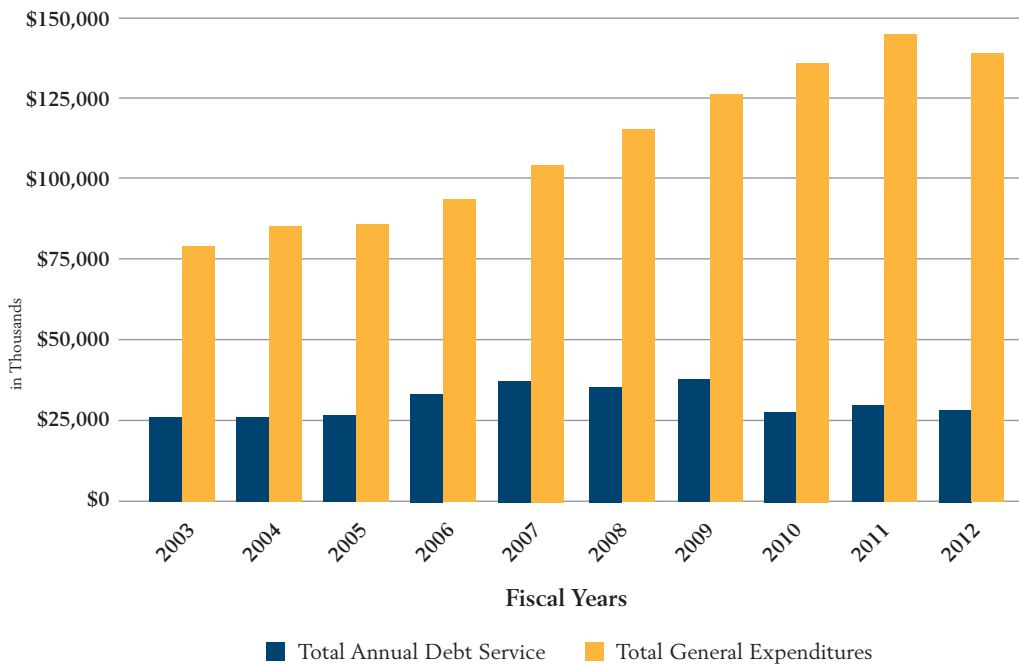


## Irvine Ranch Water District

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

Fiscal Year Ended	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2003	27,408	79,710	34.4%
2004	27,751	84,890	32.7%
2005	28,090	85,937	32.7%
2006	34,871	92,229	37.8%
2007	36,562	104,592	35.0%
2008	28,374	116,351	24.4%
2009	27,326	125,916	21.7%
2010	29,044	134,021	21.7%
2011	34,842	141,831	24.6%
2012	33,437	139,444	24.0%

**Annual Debt Service to Annual General Expenditures**



Source: Irvine Ranch Water District



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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>					
Water sales and service charges	\$ 27,185	\$31,700	\$33,105	\$39,256	\$45,138
Sewer sales and service charges	18,521	23,346	24,622	29,248	37,649
Developer Connection fees	6,677	5,546	6,188	17,903	22,122
Net real estate income	5,661	5,534	6,105	5,793	6,081
Interest income	5,973	5,158	7,695	7,749	8,969
Net earnings on JPA	2,360	3,269	3,277	3,367	3,388
Available 1% property tax revenue	0	0	0	0	216
Other	6,120	13,065	9,753	8,494	10,457
Total Revenues	<u>72,497</u>	<u>87,618</u>	<u>90,745</u>	<u>111,810</u>	<u>134,020</u>
<b>Expenses</b>					
Water supply services	24,820	26,139	25,198	29,813	33,281
Sewer services	15,558	19,052	19,055	18,480	23,439
Administrative and general	12,141	12,301	12,879	14,181	16,595
Customer accounts	2,207	2,307	2,410	2,620	2,829
Other	373	1,881	430	666	884
Total Expenses	<u>55,099</u>	<u>61,680</u>	<u>59,972</u>	<u>65,760</u>	<u>77,028</u>
<b>Net Revenues</b>	<u>17,398</u>	<u>25,938</u>	<u>30,773</u>	<u>46,050</u>	<u>56,992</u>
<b>Parity Obligations</b>					
Certificates of Participation	470	599	1,094	1,873	2,319
1997 State Loan #3	227	226	226	227	227
Series 2010B Bonds	-	-	-	-	-
Series 2011-A Index Tender Notes	-	-	-	-	-
Prior Reimbursement Agreements	-	-	-	-	-
Total Parity Obligations Debt Service	<u>\$ 697</u>	<u>\$ 825</u>	<u>\$ 1,320</u>	<u>\$ 2,100</u>	<u>\$ 2,546</u>
Remaining Revenues	<u>\$ 16,701</u>	<u>\$ 25,113</u>	<u>\$ 29,453</u>	<u>\$ 43,950</u>	<u>\$ 54,446</u>
<b>Party Obligation Coverage</b>	<u>25.0 x</u>	<u>31.4 x</u>	<u>23.3 x</u>	<u>21.9 x</u>	<u>22.4 x</u>
<b>Subordinate Obligations</b>					
Fixed Payer Swap Payments	-	(705)	(1,811)	42	612
State Loans and SCWD Debt	292	292	292	317	300
Total Subordinate Obligations	<u>292</u>	<u>(413)</u>	<u>(1,519)</u>	<u>359</u>	<u>912</u>
Remaining Revenues	<u>16,409</u>	<u>25,526</u>	<u>30,972</u>	<u>43,591</u>	<u>53,534</u>
<b>Non-Double-Barrel GO Bonds</b>					
<b>Revenues Pledged to Non-Double-Barrel GO Bonds</b>					
1% Property tax revenues (Pledged to Secured Bonds)	12,833	14,474	7,335	10,177	22,040
Pro-rata Share Ad valorem Assessments for	1,414	830	390	5,060	8,411
Sub-total Pledged Revenues	<u>30,656</u>	<u>40,830</u>	<u>38,697</u>	<u>58,828</u>	<u>83,985</u>
<b>Additional Funds Available for Non-Double-Barrel GO Bonds</b>					
Remaining 1% Property Tax Revenues	0	0	0	0	216
Additional Net Revenues	16,409	25,526	30,972	43,591	53,318
Total with Additional Pledged Revenues	<u>30,656</u>	<u>40,830</u>	<u>38,697</u>	<u>58,828</u>	<u>83,985</u>
<b>Debt Service</b>					
Non-Double-Barrel GO Bond Debt Service	26,310	25,685	27,432	28,935	30,451
GO Bond Coverage	<u>1.2 x</u>	<u>1.6 x</u>	<u>1.4 x</u>	<u>2.0 x</u>	<u>2.8 x</u>
Remaining Revenues	<u>4,346</u>	<u>15,145</u>	<u>11,265</u>	<u>29,893</u>	<u>53,534</u>
Total Debt Coverage	<u>1.2 x</u>	<u>1.6 x</u>	<u>1.4 x</u>	<u>2.0 x</u>	<u>2.6 x</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>					
Water sales and service charges	\$ 48,516	\$ 50,940	\$ 51,268	\$ 54,796	\$ 57,558
Sewer sales and service charges	39,811	41,157	45,344	45,375	49,234
Developer Connection fees	6,411	4,535	5,818	10,572	9,030
Net real estate income	7,171	7,010	5,624	3,715	5,023
Interest income	9,859	4,365	2,191	2,599	3,132
Net earnings on JPA	3,238	2,990	4,196	12,444	11,927
Available 1% property tax revenue	4,869	17,007	17,213	15,113	14,737
Other	11,130	9,918	10,706	7,987	6,141
Total Revenues	<u>131,005</u>	<u>137,922</u>	<u>142,360</u>	<u>152,601</u>	<u>156,782</u>
<b>Expenses</b>					
Water supply services	37,030	40,333	40,103	42,383	40,593
Sewer services	26,032	27,402	27,804	30,787	26,817
Administrative and general	18,516	20,248	22,904	21,332	27,182
Customer accounts	3,178	3,234	3,772	3,737	3,737
Other	2,288	1,535	1,286	989	10,713
Total Expenses	<u>87,044</u>	<u>92,752</u>	<u>95,869</u>	<u>99,228</u>	<u>109,042</u>
<b>Net Revenues</b>	<u>43,961</u>	<u>45,170</u>	<u>46,491</u>	<u>53,373</u>	<u>47,740</u>
<b>Parity Obligations</b>					
Certificates of Participation	3,564	2,798	3,119	7,680	7,977
1997 State Loan #3	227	227	-	226	226
Series 2010B Bonds	-	-	-	4,080	7,533
Series 2011-A Index Tender Notes	-	-	-	35	185
Prior Reimbursement Agreements	-	-	-	-	-
Total Parity Obligations Debt Service	<u>\$ 3,791</u>	<u>\$ 3,025</u>	<u>\$ 3,119</u>	<u>\$ 12,021</u>	<u>\$ 15,921</u>
Remaining Revenues	\$ 40,170	\$ 42,145	\$ 43,372	\$ 41,352	\$ 31,819
<b>Party Obligation Coverage</b>	<u>11.6 x</u>	<u>14.9 x</u>	<u>14.9 x</u>	<u>4.4 x</u>	<u>3.0 x</u>
<b>Subordinate Obligations</b>					
Fixed Payer Swap Payments	2,115	5,694	7,391	7,734	7,734
State Loans and SCWD Debt	559	481	381	253	254
Total Subordinate Obligations	<u>2,674</u>	<u>6,175</u>	<u>7,772</u>	<u>7,987</u>	<u>7,988</u>
Remaining Revenues	37,496	35,970	35,600	33,365	23,831
<b>Non-Double-Barrel GO Bonds</b>					
<b>Revenues Pledged to Non-Double-Barrel GO Bonds</b>					
1% Property tax revenues (Pledged to Secured Bonds)	19,861	9,276	9,935	11,875	11,876
Pro-rata Share Ad valorem Assessments for	9,515	9,959	11,244	11,690	11,585
Sub-total Pledged Revenues	<u>66,872</u>	<u>55,205</u>	<u>56,779</u>	<u>56,930</u>	<u>47,292</u>
<b>Additional Funds Available for Non-Double-Barrel GO Bonds</b>					
Remaining 1% Property Tax Revenues	2,395	15,454	16,348	15,113	15,112
Additional Net Revenues	35,101	20,516	19,252	18,252	8,719
Total with Additional Pledged Revenues	<u>66,872</u>	<u>55,205</u>	<u>56,779</u>	<u>56,930</u>	<u>47,292</u>
<b>Debt Service</b>					
Non-Double-Barrel GO Bond Debt Service	29,376	19,235	21,179	16,899	16,899
GO Bond Coverage	2.3 x	2.9 x	2.7 x	3.4 x	2.8 x
Remaining Revenues	<u>37,496</u>	<u>35,970</u>	<u>35,600</u>	<u>40,031</u>	<u>30,393</u>
Total Debt Coverage	<u>2.0 x</u>	<u>2.3 x</u>	<u>2.1 x</u>	<u>2.1 x</u>	<u>1.7 x</u>

# Irvine Ranch Water District

## Principal Employers

Fiscal Year Ended June 30, 2012

Name of Company	Employment	Products	Percentage of Total Employment
University of California, Irvine	14,227	Educational	7.46%
Irvine Unified School District	2,706	Educational	1.42%
Cellco Partnership / Verizon Wireless	2,305	Wireless Communication	1.21%
Broadcom	2,604	Technology	1.37%
Edwards Lifesciences	2,337	Surgical Appliances and Supplies	1.23%
Allergan	1,922	Pharmaceutical (R&D/Marketing)	1.01%
Blizzard Entertainment Inc.	1,695	Video Game Developer	0.89%
Parker Hannifin	1,650	Aircraft Parts	0.87%
St. John Knits	1,517	Apparel	0.80%
B Braun Medical Inc.	1,400	Bio-Medical Manufacturing	0.73%
			<u>16.99%</u>

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2011)

Data was not yet available for FY2011/12 from the City of Irvine.

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

Information for Principal Employers is not available for FY2002/03 for comparison purposes.

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

Fiscal Year Ended	IRWD Population	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income	County of Orange Unemployment Rate
2003	N/A	164,917	71,200	N/A	N/A
2004	N/A	171,708	71,200	N/A	N/A
2005	316,000	183,218	82,827	\$7,267,978	3.9%
2006	322,000	192,167	84,270	7,352,397	3.6%
2007	330,000	199,400	85,624	7,667,079	4.0%
2008	330,000	207,646	98,923	8,691,214	5.3%
2009	330,000	212,541	91,101	8,733,663	8.3%
2010	331,500	217,686	94,903	8,090,372	9.5%
2011	330,000	219,156	93,258	8,484,794	9.2%
2012	330,000	219,156	N/A (1)	N/A (1)	7.9%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2011) and County of Orange website.

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

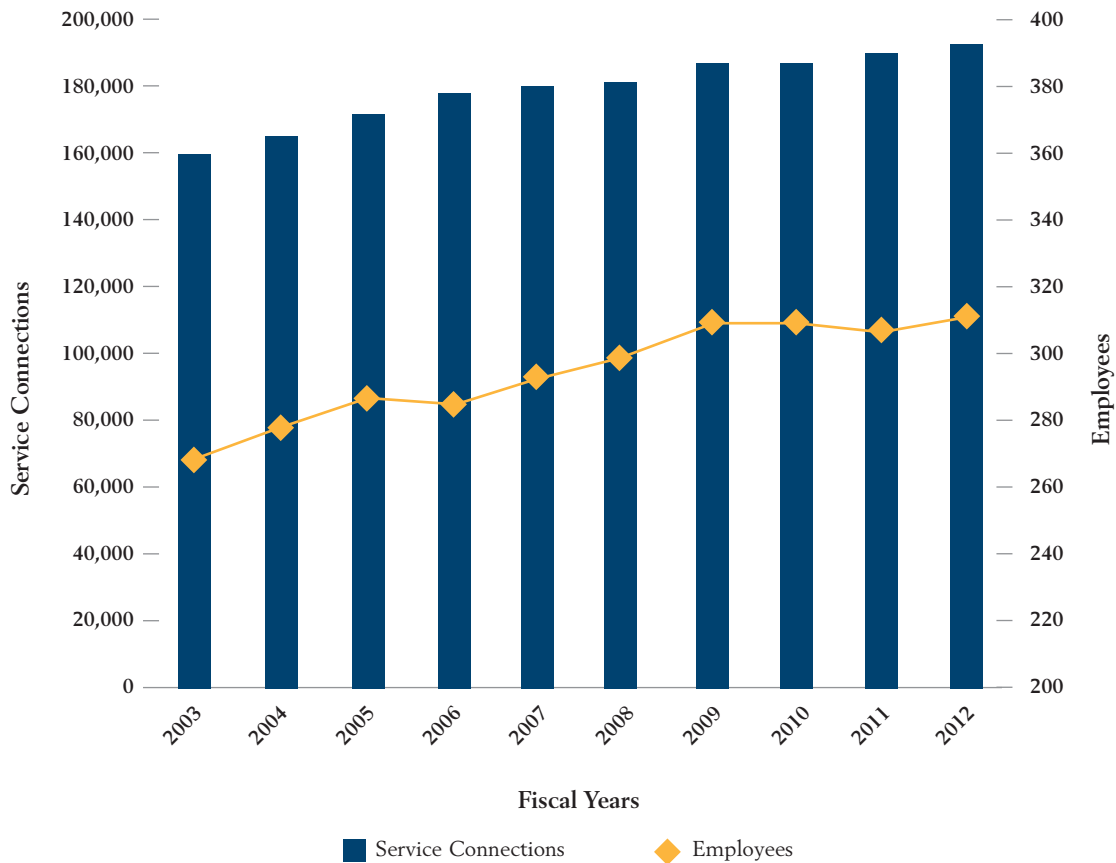
(1) Median Family Income and Total Personal Income for FY 2012 has not yet been published by the City of Irvine.

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

Fiscal Year Ended	Potable Water	Non-Potable Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
2003	83,526	120	77,880	161,526	275	587
2004	85,652	117	81,128	166,897	285	586
2005	88,423	143	83,982	172,548	293	589
2006	90,816	219	86,290	177,325	290	611
2007	93,531	293	88,316	182,140	303	601
2008	95,386	198	89,775	185,359	313	592
2009	96,110	201	90,545	186,856	310	603
2010	96,797	226	91,252	188,275	310	607
2011	98,453	184	92,837	191,474	305	628
2012	99,465	88	93,828	193,381	314	616

Source: Irvine Ranch Water District

Service Connections and Average Employee Count



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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Water</b>										
Residential	1,563	1,788	2,360	2,039	2,211	1,439	552	631	1,469	862
Commercial/Industrial/ Public Authority	137	174	269	211	321	229	89	19	98	18
Fire Protection	152	141	137	128	162	173	86	43	40	37
Landscape Irrigation	15	25	6	91	93	(80)	13	4	11	4
Agricultural	0	(5)	(6)	0	2	(1)	(13)	(8)	(11)	(3)
<b>Sewer</b>										
Residential	1,561	1,808	2,355	2,002	1,462	891	527	613	1,462	861
Commercial/Industrial/ Public Authority	115	1,268	237	150	290	357	156	21	37	21
Landscape Irrigation	168	174	264	156	276	207	84	63	85	102
Agricultural	2	(2)	(2)	0	(2)	4	3	10	1	7

Source: Irvine Ranch Water District

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Water</b>										
Residential	11	10	10	11	11	11	10	10	9	9
Commercial	75	68	72	73	75	69	63	57	56	61
Industrial	258	227	258	241	228	226	211	200	201	201
Public Authority	487	398	464	454	356	359	347	300	295	296
Construction & Temporary	237	179	95	94	94	122	39	52	79	106
Treated - Landscape Irrigation	107	99	103	110	127	122	116	95	85	94
Treated - Agricultural	2,309	2,080	1,990	1,760	1,653	1,294	1,116	663	925	835
Untreated - Agricultural	6,836	5,686	5,520	7,659	7,991	6,405	7,495	6,925	4,714	4,768
	<b>10,322</b>	<b>8,747</b>	<b>8,512</b>	<b>10,401</b>	<b>10,534</b>	<b>8,608</b>	<b>9,397</b>	<b>8,302</b>	<b>6,364</b>	<b>6,370</b>
<b>Recycled water</b>										
Landscape Irrigation	188	199	178	176	211	191	182	152	134	152
Agricultural	277	330	268	895	1,792	1,792	2,418	1,874	2,247	3,768
	<b>465</b>	<b>529</b>	<b>446</b>	<b>1,071</b>	<b>2,003</b>	<b>1,982</b>	<b>2,600</b>	<b>2,026</b>	<b>2,381</b>	<b>3,920</b>

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Capital Asset Statistics**  
**For the Past Eight Fiscal Years**  
**June 30, 2012**

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Potable System</b>								
Miles of Water Main	(1) 990	1,040	1,090	1,132	1,134	1,169	1,460	1,490
Number of Storage Tanks	27	29	37	37	37	37	37	37
Maximum Storage Capacity (Acre Feet)	418	440	460	460	460	460	490	490
Number of Pumping Plants	24	32	40	40	46	46	46	46
Number of Wells	21	26	26	27	27	27	27	27
Well Production Capacity (cfs)	100	109	109	117	117	117	117	117
Water Banking Storage (Acre Feet)	-	-	-	-	-	57,600	57,600	59,495
<b>Non-Potable and Recycled Systems</b>								
Miles of Water Main	(1) 307	337	367	399	400	407	468	478
Number of Storage Tanks	(2) 14	10	11	11	11	11	11	11
Number of Open Reservoirs	(2)	4	4	4	4	5	5	5
Maximum Storage Capacity (Acre Feet)	28,500	30,036	30,043	30,043	30,043	30,543	30,543	30,543
Number of Pumping Plants	17	14	20	19	19	19	19	19
Number of Wells	4	7	7	6	6	6	6	7
Well Production Capacity (cfs)	4.5	6.0	6.0	9.0	9.0	9	9	11
<b>Sewer System</b>								
Miles of Sewer Line	656	680	809	899	901	940	950	962
Number of Lift Stations	22	16	29	29	29	29	29	24
Treatment Plants	2	2	2	2	2	2	2	2
Treatment Capacity	22.5	22.5	22.5	22.5	22.5	23	23	23
Average Flows	18.6	19.5	19.5	19.5	19.5	20	20	20
Average % of Daily Flows - Michelson Plant	74%	71%	72%	72%	72%	72%	70%	70%
Average % of Daily Flows - Los Alisos Plant	26%	29%	28%	28%	28%	28%	30%	30%

Source: Irvine Ranch Water District

Note:

(1) Miles of Water Main only include Distribution and Transmission mains, not laterals.

(2) IRWD began reporting storage tanks and open reservoirs separately in 2006. Previously for purposes of these statistics, both have been combined under "storage tanks".

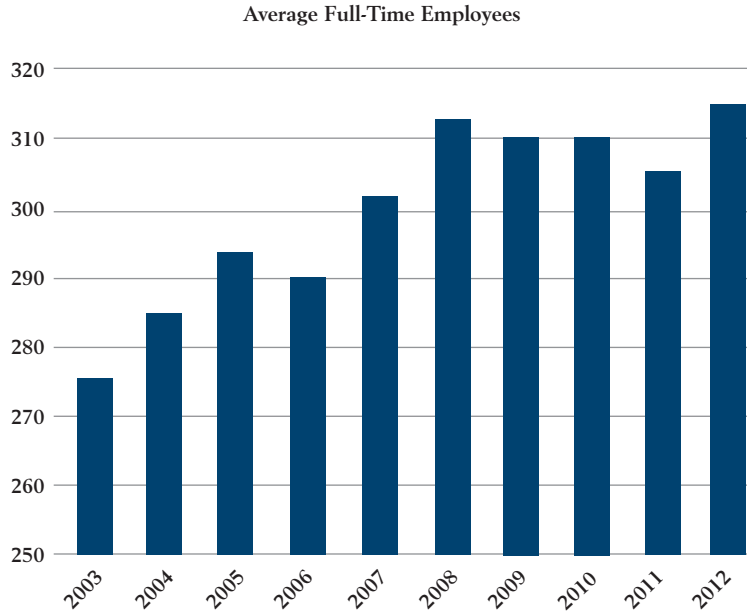
*Information on prior years' capital asset statistics was not readily available.*



# Irvine Ranch Water District

## Full-Time Employees For the Past Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Full-Time Employees	275	285	293	290	303	313	310	310	305	314



Source: Irvine Ranch Water District

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**IRVINE RANCH WATER DISTRICT**

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