



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2008  
IRVINE, CALIFORNIA

Irvine  
Ranch  
Water  
District



# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2008

Irvine Ranch Water District  
Irvine, California

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## Prepared by:

Irvine Ranch Water District  
Finance Department

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December 15, 2008

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, 2008. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

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

The District's basic financial statements have been audited by Mayer Hoffman McCann, L.P., 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, 2008 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, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

# Profile of Irvine Ranch Water District

## Overview

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

The District serves a 178 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County, including those canyon areas added to the District as part of the District's consolidation with Santiago County Water District in 2006 and the Orange Park Acres area added to the District as part of its acquisition of Orange Park Acres Mutual Water Company in 2008. Extending from the Pacific Coast to the foothills, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated population served is 330,000 through approximately 95,000 water and over 89,000 sewer service connections. The number of service connections has increased by 57% over the last ten years.



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

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

## Our People

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

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

Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of the employees is approximately 13 years. An aggressive succession planning program at all levels of the organization has been developed to ensure long-term workforce stability.

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

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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 all of its drinking water from imported sources. To minimize its dependency on imported water, in 1979 the District began to develop a series of local wells known as the Dyer Road Wellfield that pump high quality groundwater from the Orange County Groundwater Basin. In addition, the District operates wells in the Lake Forest area, which is outside of the main groundwater basin boundaries. In FY 2007-08, the largest component of the District's water supply was local groundwater, which accounted for 47% of the total supply. Groundwater typically is less expensive because it does not have to be transported over hundreds of miles into Southern California and subsequently treated. Groundwater is considered more reliable because it is available locally, and does not rely upon statewide transmission from its source to the IRWD service area.

The District purchased 37% of its water supply in FY 2007-08 from the Metropolitan Water District, the region's wholesale water supplier. This water is imported from the Colorado River, which is transported 242 miles through deserts and over mountain ranges to Southern California, and from the Delta, which is transported 300 miles from Northern California.

### *Recycled Water System*

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

20 million gallons of recycled water per day. In FY 2007-08, recycled water accounted for approximately 16% of the District's total water supply. Approximately 80% of all business and community landscaping (parks, school grounds, golf courses, street medians, etc.) in the District's service area is irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's ultimate goal is to have recycled water as 25% of its total water supply. This increase in recycled water will also provide a substantial portion of the water needed to supply future growth and redevelopment in the District's service area.

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 runoff water (native water) from the Santiago Creek watershed. This water is used primarily in the foothills area of the District for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has 3,000 acre feet of recycled water storage capacity in the San Joaquin Reservoir and is currently evaluating additional recycled water storage projects at Peters Canyon and Siphon Canyon Reservoirs.

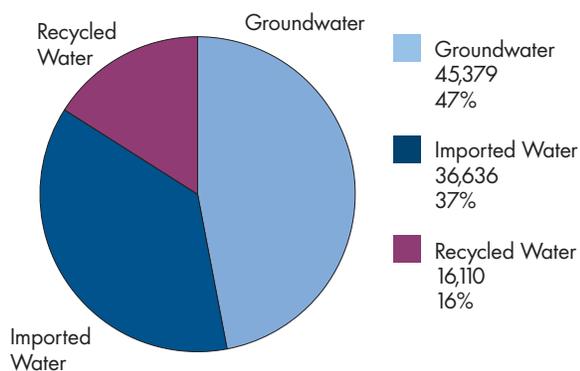
### *Wastewater Collection and Treatment System*

The District has an extensive network of gravity sewers, force mains, wastewater lift stations, and siphons that convey wastewater to two treatment facilities. In FY 2007-08, the District treated approximately 56% of its wastewater, while the remainder of the wastewater collected by the District was 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 customer base. This expansion is discussed in more detail in the Major Initiatives section of this document.

### *Urban Runoff Source Control and Treatment System*

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

**Water Sources, in Acre Feet**  
FY 2007-08



## Our Financial Plan

The District's operating budget for FY 2007-08 was \$94.8 million; the FY 2008-09 budget increased by 6.85% to \$101.3 million.

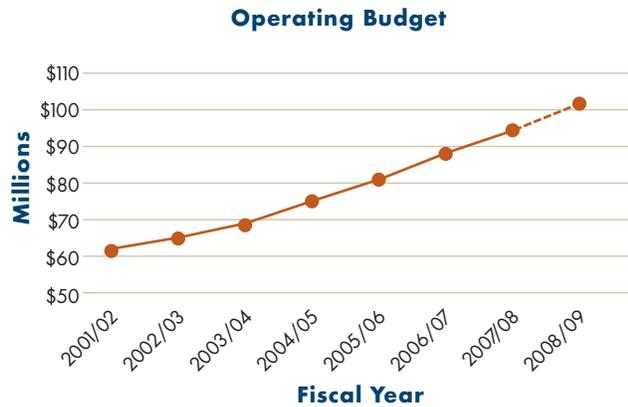
In addition to the operating budget, the District has a capital budget based upon new and replacement infrastructure needs. A \$118.9 million capital budget for FY 2008-09 was adopted by the Board, although many of the capital budget projects extend beyond just one fiscal year. The District's capital program includes more than 500 active and planned projects with expenditures totaling more than \$600 million over the next 20 years.

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

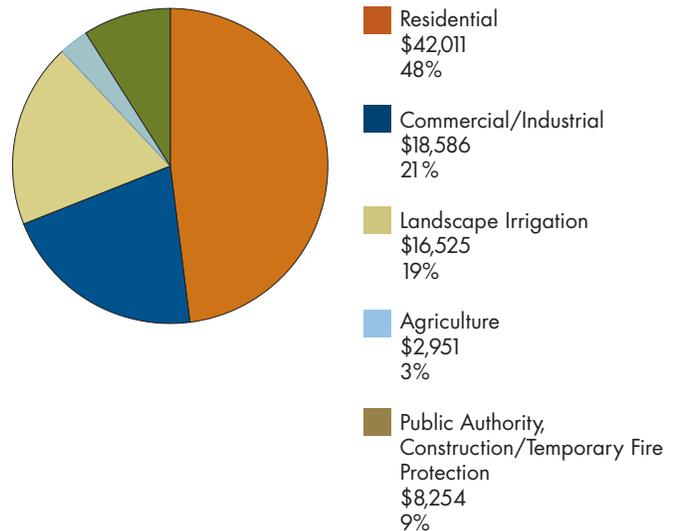
## Our User Rates & Charges

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

The District allocates capital costs throughout its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund capital projects. Ad valorem property tax rates are set annually by the District, as are connection fees to be paid by property developers and landowners. The District's historic and ongoing practice has been 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 2007/08**  
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 charge funds the remaining operational expenses of the District. For FY 2007-08, the District's water service charge was \$7.50 per month for an average residential customer.

The commodity charge is a five-tiered rate structure based on an allocation of water, that promotes conservation. A basic use

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

**FY 2007-08 Residential Rate Structure – Potable Water (Commodity Charge)**

Tier	Percent of Estimated Customer Need	Base Rate	Cost per ccf*
Low Volume	0 – 40%	Base Rate minus \$0.16	\$0.82
Base Rate	41 – 100%	Base Rate	\$0.98
Inefficient	101 - 150%	200% of Base Rate	\$1.96
Excessive	151 – 200%	400% of Base Rate	\$3.92
Wasteful	201% +	800% of Base Rate	\$7.84

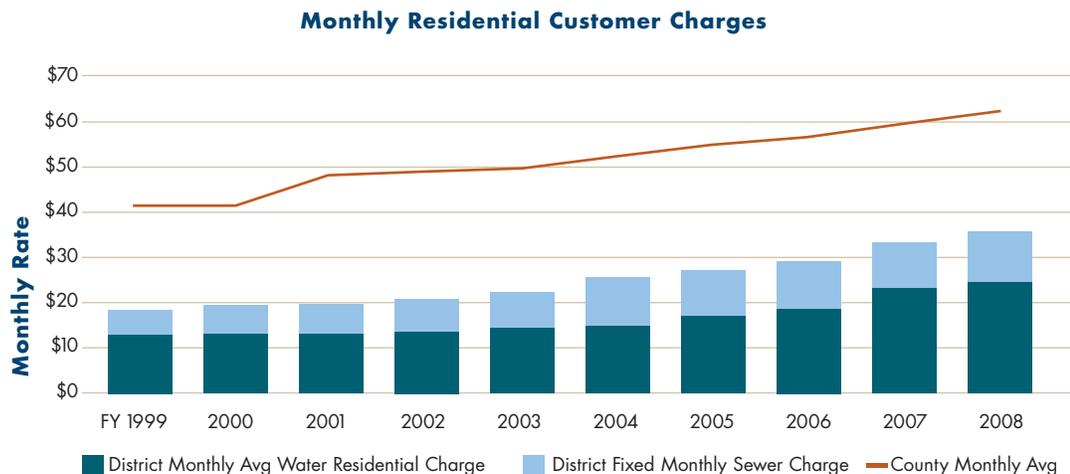
\*One ccf (100 cubic feet) = 748 gallons

## Sewer Rates

The District's sewer rates are also the lowest in Orange County with a monthly service charge of \$13.65 in FY 2007-08 for a typical residential customer that covers collection and treatment of sewage. This monthly service charge also includes a user replacement component of \$3.05 per month, which is intended to fund the existing users' portion of replacement projects. This component is projected to grow annually.

## Historic Rate Trends

While the District enjoyed a prolonged period of relative rate stability from the mid-1980s to the mid-1990s, the District raised rates in each of the last seven years due largely to increased costs for wholesale supplies and services for both water and sewer. The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2007-08.



**The District has completed five consolidations over the last ten years -**

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

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

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



## Factors Affecting Financial Condition

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

### *Local Economy*

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

During FY 2007-08, the District continued to expand its operating facilities to accommodate more than 3,300 new service connections constructed within District boundaries. Although the economic downturn has slowed the pace of new development, there remains a large portion of land to be developed, including the Northern Sphere, East Orange and property from two de-commissioned military bases. Continued growth is also expected with redevelopment of commercial properties in the Irvine Business Complex.

The assessed value of land in the District's service area has more than quadrupled in the last decade from \$8.7 billion in 1999 to more than \$35.5 billion in 2007, 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. The State also took a similar amount of those local tax revenues during FY 2004-05. In response, the District chose to raise both property taxes and connection fees to offset state revenue losses which had been dedicated to annual debt service payments. The District's local tax revenue returned to normal levels in FY 2007-08. Despite some efforts by isolated state officials to divert that tax revenue away or borrow it from special districts such as IRWD, the District's local tax revenue has continued to grow, reaching \$23.7 million in FY 2007-08.

### *Financial Planning & Budgeting*

#### **Short-Term**

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

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

#### **Long-Term**

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

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

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

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

The original funding source for the Replacement Fund was a fixed component of water and sewer rates. User rate contributions were discontinued in 1992 after providing approximately \$25 million to the Replacement Fund over a 15 year period. Since then, it has been the objective of the Replacement Fund to fund 30% of future infrastructure replacement costs. After assessing the District's long-term replacement funding needs, the Board voted to add \$3.05 to the sewer monthly fixed charge for FY 2006-07. These funding needs are assessed annually using our long-term finan-

### **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.

As of June 30, 2008, the District has an interest in three properties with a book value of \$39.0 million and a weighted average return (on original cost) for FY 2007-08 of 13.2%.

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

cial planning models and the Board will consider the monthly fixed charge requirements on an annual basis. For FY 2008-09, the user replacement/enhancement fees added to the monthly fixed charges is \$0.70 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 every three to five years, and was most recently updated in 2005. An effort was completed in FY 2006-07 to update the replacement fund model and integrate the results into a broader cash flow model, or Enterprise Model, which considers both capital and operating expenses. This refinement will 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 is among the best in the industry and illustrates the District's commitment to financial stability and protection of customers from unnecessary financial impacts.

## Cash Management Policies and Practices

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

For most of FY 2007-08, the District's fixed-income investment portfolio consisted primarily of short-term securities with an average maturity of less than 12 months. These securities included U.S. government agency notes, the State-managed Local Agency Investment Fund, local government bonds, and a mutual fund of U.S. treasury securities.

Starting in March 2008, the Board expanded the Investment Policy, permitting investments in municipalities with ratings of AA or better in either auction rate securities or variable rate demand bonds.

A complete discussion of the District's investments in FY 2007-08 is included in Note 2 to the Financial Statements. The annual return on all of the District's investments in FY 2007-08 was approximately 4.59%. In addition, the District entered into \$280 million of fixed receiver interest rate swaps during the FY 2003-04 to better manage the fixed-income portfolio in low interest rate environments.

At June 30, 2008, the District's cash assets totaled approximately \$194 million. These cash balances are allocated to various restricted funds including the District's Replacement Fund, New Capital Fund, Bond Reserve, Construction, Debt Service and others.

### **IRWD Joint Powers Agency**

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

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

The JPA refunding bonds and underlying investment securities have \$724.9 and \$825.7 million par amounts, respectively, outstanding as June, 30 2008, and the bonds and securities will mature in 2014. The District has no legal obligation to use any of its own funds to pay debt service on the JPA bonds. While the District is required to report the underlying investment securities as part of its Cash and Investments, these securities, with the exception of the District's 3% ownership interest, are pledged to debt service on the bonds and are not available for the District's use. Of the \$1.0 billion in total cash and investments reported in the District's consolidated financial statements, only \$194 million was generally available to the District as of June 30, 2008 primarily for capital needs.

## Debt Management Policies and Practices

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

The District largely has used a combination of variable rate General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2008, there were nine outstanding general obligation bond issues with a balance of \$280.9 million and two outstanding COPs issues with a balance of \$106.9 million. The District has secured direct pay letters of credit to enhance its variable rate debt. The District's average cost of debt for FY 2007-08 was 3.16%.

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

Since all of the District's outstanding debt is in a variable rate mode, the Board of Directors has taken certain actions to manage and mitigate interest rate risk. First, the Board adopted a policy to maintain investment assets covering at least 75% of the variable rate debt. In addition, in FY 2003-04, the District began an interest rate swap program under which \$130 million notional amount of LIBOR-based fixed payer swaps were executed. These interest rate swaps have allowed the District to limit the risk exposure on approximately \$194 million\* (or 62%) of its variable rate debt to 4.01%. (\*Assumes a historical ratio for tax-exempt rates (BMA/SIFMA) versus 1-month LIBOR of 67%.)



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

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## Risk Management

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

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

# Major Initiatives

The District's major initiatives during FY 2007-08 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 potential imported water reductions in 2009 and 2010.

## Water Supply Reliability

### *Groundwater Program*

The District's Water Resources Master Plan for a reliable water supply mix includes developing sufficient groundwater production capacity to pump to the Basin Production Percentage (BPP) set by the Orange County Water District (OCWD). IRWD estimates that by 2012, the District will require between 13,000 and 36,000 acre-feet per year (AFY) of additional groundwater, depending upon certain external factors. Currently, the District has the ability to produce approximately 28,000 AFY of clear groundwater from the Dyer Road Well Field. IRWD also produces groundwater that requires treatment at the Deep Aquifer Treatment System (DATS) and The Irvine Desalter Project (IDP) systems at a combined total production of 13,000 AFY. In addition, IRWD is looking to expand its groundwater production facilities, and is currently evaluating potential wellsites in Irvine, Lake Forest, Tustin, and Anaheim.

### *Irvine Desalter Project*

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

The Irvine Desalter Project consists of two components. The first component, a potable water wellfield, pipelines and purification plant, treats local groundwater to remove



salts and nitrates caused by the natural geology and past agricultural use. The water is treated to drinking water standards and provides a new source of local drinking water for the District's customers. This water treatment process utilizes reverse osmosis (widely used in the bottled water industry) and disinfection. This component of the project will provide 5,100 acre-feet of drinking water per year for the next 50 years, enough for about 25,000 to 30,000 people.

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

### ***Water Banking***

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

Opportunities for groundwater banking programs in Southern California are limited. In contrast, the extensive groundwater basins in Kern County are managed to allow storage of water for outside entities. The District has entered into a water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. The District purchased high quality groundwater recharge land that overlies the regional Kern County groundwater basin near the Rosedale service area. The District and Rosedale will soon be constructing additional groundwater recharge ponds on the property. The recharge ponds will allow surface water to percolate into the groundwater basin for later use. Groundwater wells that will be used to recover water from the water bank will also soon be constructed. The use of the District's water banking facilities will be the basis for the District's long-term water banking program with Rosedale.

The District has executed an agreement with Rosedale to participate in a long-term water banking program. Unlike other existing Kern County water banking arrangements, the District's partnership program with Rosedale will provide long-term equity ownership of water banking capacity rather than typical contract or lease arrangements.

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

During the current fiscal year, the District participated with neighboring agencies in the Baker Pipeline Regional Water Treatment Facility Feasibility study in pilot-testing the microfiltration/ultraviolet treatment of raw water transported by the Baker Pipeline from Metropolitan Water District of Southern California's Santiago Lateral and District's Irvine Lake. The proposed facility will treat up to 25 million gallons per day of raw water to drinking water standards, and will be owned and operated by the District. Partial capacity in the facility will be purchased by other water districts located in Southern Orange County. The project is estimated to cost approximately \$47 million to construct in total, with IRWD participating in approximately 15% of the total cost. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short term water shortage emergency, provide regional water reliability to other neighboring south Orange County water agencies. The facility will be designed in 2008-09 and construction is expected to be completed in 2010.



## Expanded Wastewater Treatment Options and System Reliability

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

Wastewater from the District is treated at three locations: the Michelson Water Reclamation Plant, the Los Alisos Water Reclamation Plant, and at Orange County Sanitation District. The District owns and operates the Michelson and Los Alisos treatment facilities, and funds capacity in the Orange County Sanitation District based on its tributary flows. The District is working on strategic capital facilities to optimize wastewater treatment capability, improve operational efficiencies, reduce disposal costs, support planned maintenance, and minimize the impacts of unexpected emergencies. Examples of these efforts include the construction of the Harvard Avenue Trunk Sewer (HATS) diversion project which was completed during FY 2007-08. That project, which costs the District approximately \$9.6 million, is projected to save the District an average of \$4 million per year over the next five years.

To further improve operational flexibility, the construction of additional diversion structures, pipelines, and the expansion of treatment capacity will have to be completed. The two plants operated by IRWD currently have the collective capacity of 25.5 million gallons per day (mgd). Ultimately, the planned capacity for these treatment facilities will be approximately 40.5 mgd. Expanding existing infrastructure for wastewater treatment has two primary benefits including:

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

Initial planning studies have identified a \$125 million capital program for wastewater treatment over the next 10 years to achieve these goals. This includes the upgrades to IRWD treatment plants as mentioned above and also adding two new seasonal storage reservoirs 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 cost for the next 30 years. The District is in the process of updating these models in anticipation of the project to expand the Michelson Water Reclamation Plant starting in FY 2008-09.

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## Water Education Programs

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

Specifically, the District and the Discovery Science Center provide grade-specific assemblies that focus on water science and conservation for students in kindergarten through

sixth grade. A high-tech system of individual student response keypads is utilized to engage and encourage student participation during presentations. All assemblies stress the importance of conserving limited resources and preventing water pollution. For sixth to eight grade classes, the District and the Discovery Science Center offer a four week in-class series of hands-on water chemistry and environmental resources lessons concluding with a trip to the San Joaquin Marsh. With an eye toward future careers, students use chemical test kits to determine aspects of water quality; conduct

simulated biological surveys related to water quality issues; experiment with water to deepen their understanding of water as a basic element and an essential resource; and explore current technologies, such as water recycling.

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

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

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## 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 was a leader in the use of recycled water starting in the late 1960s and presently serves over 4,420 sites with more than 24,000 acre feet of recycled water annually - approximately 20% of the District's total water supply annually. The District's allocation-based rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water. This structure is recognized in the industry as a model for other agencies to emulate.

The District's Water Conservation Business Plan addresses 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 unit cost of water tends to increase - a cost which is passed on to customers. This is important because imported water costs the District more than other sources of water.

- Conserved water can be stored in reservoirs and groundwater basins for use during dry periods when water supplies are more scarce.
- Reduced urban runoff (typically the result of "over-watering") minimizes water quality degradation from fertilizers, pesticides and animal waste, in creeks, rivers and oceans.
- 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 policy leadership, rate structure improvements, focused customer interface, education and outreach, research and technology advances, and tactical incentives. Staff updates the Board on the effectiveness of the Plan and funding needs on at least an annual basis.

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 wash-

ers, toilets and irrigation equipment. In FY 2007-08 1,656 residential devices and 9,412 commercial devices were installed. Lifetime water savings associated with those devices are estimated to be about 1,517 acre-feet, or a savings of about \$1 million. Since program inception in 2005, over 17,000 devices have been installed with lifetime water savings for all measures estimated at 3,600 acre-feet.

The District is also in the process of updating its water shortage plans in anticipation of potential imported water reductions in 2009. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, the District is well-positioned to be able to respond to potential imported water shortages and maintain water supply reliability to its customers

## 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 ending June 30, 2004 through June 30, 2007. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Paul D. Jones, II  
General Manager



Deborah Cherney  
Director of Finance

# Irvine Ranch Water District List of Principal Officials

## **Board of Directors:**

President and Director

Darryl G. Miller

Vice President and Director

Mary Aileen Matheis

Director

Douglas J. Reinhart

Director

Peer A. Swan

Director

John B. Withers

## **Executive Management:**

General Manager

Paul D. Jones II

Assistant General Manager

Paul Cook

Director of Administrative Services

Tony Mossbarger

Director of Engineering and Planning

Gregory Heiertz

Director of Finance

Deborah Cherney

Director of Human Resources

Janet Wells

Director of Public Affairs

Beth Beeman

Director of Wastewater Operations

Wayne Posey

Director of Water Operations

Carl Ballard

Director of Water Quality

John Hills

Director (Acting) of Water Resources and  
Environmental Quality

Gregory Heiertz

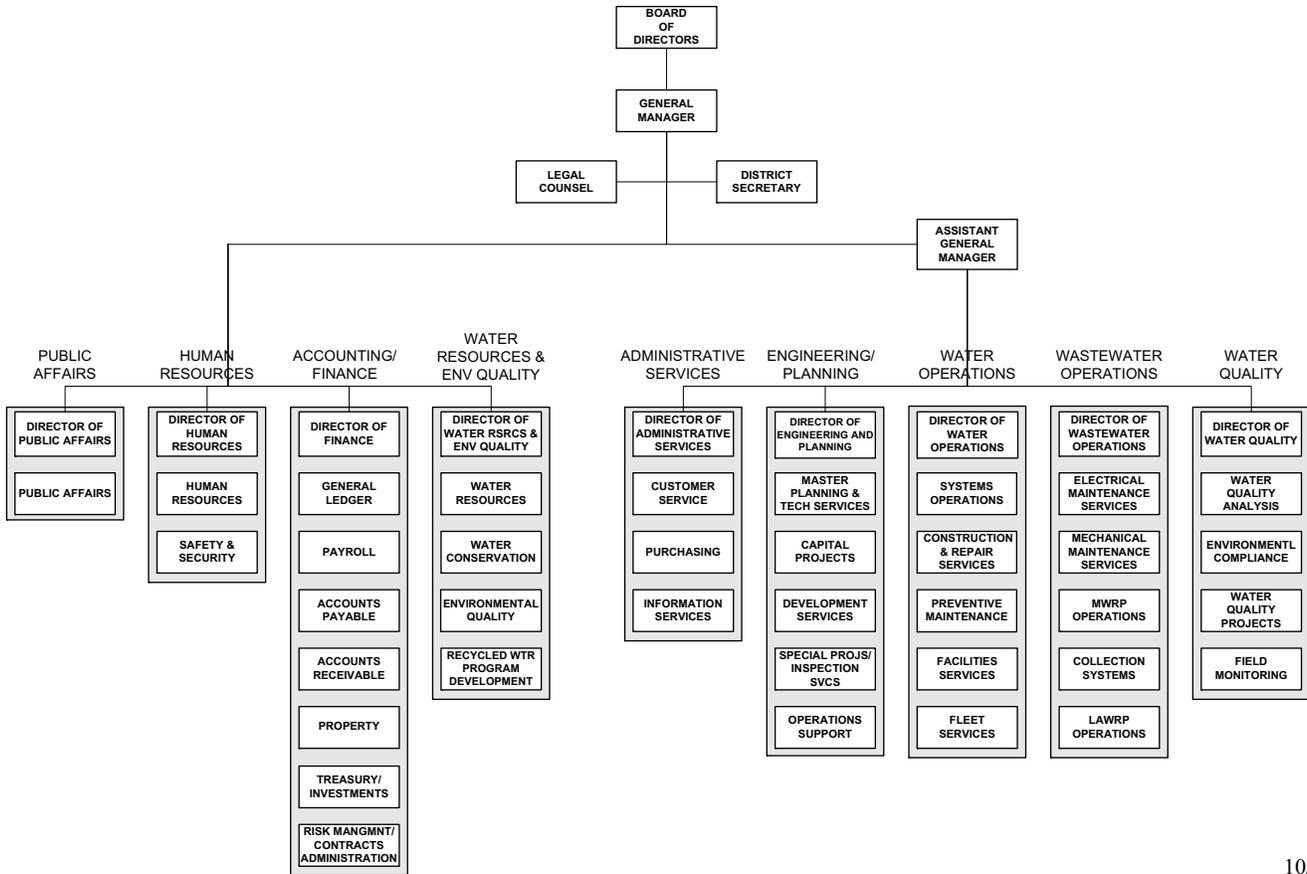
Treasurer

Robert Jacobson

# Irvine Ranch Water District Organizational Chart

(By Function)

As of June 30, 2008



10/2007

# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Erwin*

Executive Director

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# Financial Section

Irvine Ranch Water District  
Financial Statements  
Fiscal Year Ended June 30, 2008



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

**Conrad Government Services Division**

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

Board of Directors  
Irvine Ranch Water District

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying basic financial statements of the Irvine Ranch Water District (District) as of and for the year ended June 30, 2008, 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, 2007 and, in our report dated October 2, 2007, 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, 2008, 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.

As described further in Note 13 to the financial statements, the District changed its method of accounting for postemployment benefits for fiscal years ending on or after June 30, 2008.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Irvine Ranch Water District's basic financial statements. The introductory section, statistical tables and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedules



Board of Directors  
Irvine Ranch Water District  
Page Two

of Net Assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Irvine Ranch Water District's basic financial statements. The introductory section, statistical tables and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedules of Net Assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2008 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 McLean P.C.*

Irvine, California  
December 3, 2008

## 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 ending June 30, 2008. Please read it in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

### Description of Basic Financial Statements

The basic financial statements of the District consist of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. 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 basic financial statements are prepared using the accrual basis of accounting and include notes that explain in more detail some of the information included in the statements.

### Condensed Financial Information

A summary of the District's *Statement of Net Assets* follows:

**Table 1**  
**Net Assets**  
**(in millions)**

	2008	2007
<b>Assets</b>		
Current and other assets	\$1,103.8	\$1,088.9
Capital assets	1,346.1	1,224.3
Total assets	2,449.9	2,313.2
 <b>Liabilities</b>		
Current and other liabilities	96.5	95.3
Long-term debt outstanding	1,074.7	1,022.1
Total liabilities	1,171.2	1,117.4
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	977.7	927.6
Restricted for water services	253.8	229.2
Restricted for sewer services	47.2	39.0
<b>Total net assets</b>	<b>\$1,278.7</b>	<b>\$1,195.8</b>

## Management's Discussion and Analysis (Continued)

As shown in Table 1, the District's total assets increased \$136.7 million or 5.9 percent primarily due to increases in cash of \$11.6 million, and in capital assets of \$121.8 million or 9.9 percent. The increase in capital assets is comprised of additions to capital assets net of depreciation of \$83.3 million or 8.5 percent, and increases in construction in process of \$38.0 million or 19.0 percent. Long-term debt outstanding increased by \$52.6 million or 5.1 percent due primarily to the issuance of \$100 million of new general obligation debt, offset by principal reductions in existing indebtedness. Net assets at Fiscal Year ending June 30, 2008 increased \$82.9 million to \$1.3 billion, indicating approximately a 6.9 percent positive growth in the District's overall financial condition.

Summaries of both the District's revenues and expenses extracted from the *Statement of Revenues, Expenses, and Changes in Net Assets* follow:

**Table 2**  
**Condensed Statement of Revenues, Expenses & Changes in Net Assets**  
**(in thousands)**

	2008	2007
<b>Operating revenues</b>		
Water sales and service charges	\$48,516	\$45,138
Sewer sales and service charges	39,811	37,649
Total operating revenues	88,327	82,787
<b>Non-operating revenues</b>	96,741	60,768
<b>Total revenues</b>	185,068	143,555
<b>Operating expenses</b>		
Water services expenses	50,286	45,246
Sewer	34,470	30,898
Depreciation	31,595	28,449
Total operating expenses	116,351	104,593
<b>Non-operating expenses</b>	15,952	18,207
<b>Total expenses</b>	132,303	122,800
Income/(loss) before capital contributions	52,765	20,755
Capital contributions	29,319	52,672
Change in Net Assets	82,084	73,427
Beginning Net Assets	1,195,761	1,112,799
OPAMWC net assets at June 1, 2008	858	-
SCWD net assets at July 1, 2007	-	9,535
<b>Ending Net Assets</b>	<b>\$1,278,703</b>	<b>\$1,195,761</b>

## Management's Discussion and Analysis (Continued)

### Revenue:

As shown in Table 2, operating revenues, comprising 41.2 percent of total revenues, increased by \$5.5 million or 6.7 percent. Operating revenue increases are primarily attributable to a 7.5 percent increase in water and sewer rates for the average residential customer and a 1.8 percent increase in service connections. The chart below illustrates the sources of revenue for the Fiscal Year ending June 30, 2008, excluding the change in the fair market value of investments.

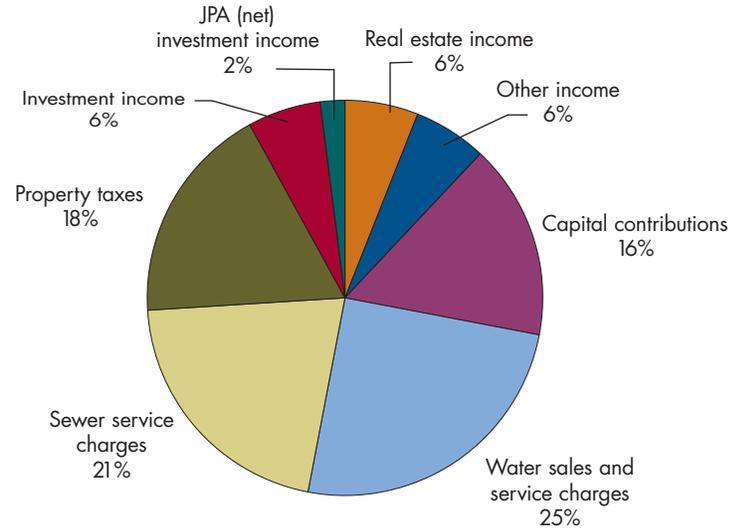
Net non-operating revenues accounted for 45.1 percent of total revenue, and increased \$36.0 million or 59.2 percent primarily due to an increase of \$3.6 million or 11.7 percent in property tax collections, and an increase of \$31.0 million in the fair value of investments. Capital contributions accounted for the remaining \$29.3 million or 13.7 percent of total revenues for Fiscal Year 2007-08. Capital contributions decreased this year by \$23.4 million or 44.3 percent, comprised of both a decrease of \$15.7 million or 71 percent in connection fees and a decrease of \$5.4 million or 22.7 percent in donated facilities. Both of these decreases are largely as a result of the poor residential real estate market in the District's service territory.

### Expenses:

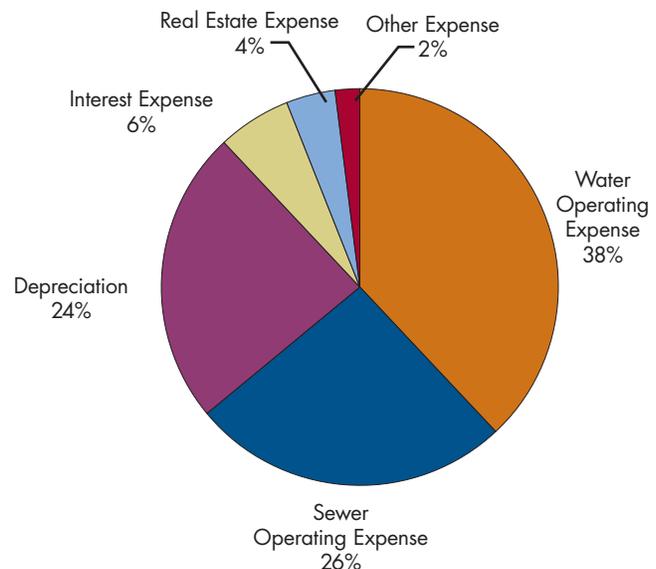
As shown in Table 2, operating expenses before depreciation comprise 64.0 percent of expenses and increased by \$8.6 million or 11.2 percent. Water expenses increased by \$3.7 million or 11.3 percent, primarily due to increases in the cost of imported water and groundwater replenishment assessments charged by external agencies. Sewer expenses increased by \$2.6 million or 11.1 percent primarily due to increases in the cost of water and in materials and supplies, such as energy and chemicals.

Combined operating and non-operating revenues before capital contributions were \$185.1 million, which was \$52.8 million more than combined operating and non-operating expenses.

**Sources of Revenue for Fiscal Year Ended June 30, 2008**  
(excluding change in fair market value of investments)



**Functional Expenses for Fiscal Year Ended June 30, 2008**



## Management's Discussion and Analysis (Continued)

### Capital Assets

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

	2008	2007
Waterworks in service	\$ 674.3	\$ 628.3
Sewer plant in service	820.4	752.4
Less: accumulated depreciation	(429.7)	(399.0)
Land	42.9	42.5
Construction in progress	238.2	200.2
<b>Total</b>	<b><u>\$ 1,346.1</u></b>	<b><u>\$ 1,224.4</u></b>

Additional information on the District's capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Total projects transferred from Construction in Progress to Capital Assets during Fiscal Year ending June 30, 2008 were \$112.3 million. Among the more significant projects transferred were (in millions):

Capacity in Orange County Sanitation District (see Note 15)	\$18.1
Armstrong Trunk Sewer, Barranca to Main Street	\$11.9
Zone 3 Reservoir at OC-72	\$9.5
Planning Area 6 Zone 4 Reservoir	\$6.5
Zone A to D Pump Station Modification	\$4.4
Planning Area 6 Zone 3-4 Booster Pump Station	\$2.9
Turtle Ridge Pipes/PRVS	\$1.8
Irvine Lake Pipeline Disinfection Facility	\$1.7
Concentrate Treatment System (CATS)	\$1.7
Newport Coast Force Main Rehabilitation	\$1.7
Sand Canyon 15" Sewer	\$1.6

Total unexpended construction commitments as of Fiscal Year ending June 30, 2008, were \$31.7 million: \$18.2 million of this is for water facility expenditures and \$13.5 million is for sewer/reclaimed facility expenditures. A list of material construction commitments as of June 30, 2008 can be found in Note 14 of the Notes to the Basic Financial Statements.

## Management's Discussion and Analysis (Continued)

### Outstanding Debt

Shown below, as of June 30, 2008, the District had total debt outstanding of \$1.1 billion, which is a net increase of \$48.0 million, or 4.4 percent from the prior year.

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

	2008	2007
General obligation bonds	\$ 280.9	\$ 201.6
Certificates of participation	106.9	111.6
Joint Powers Agency bonds	725.0	749.5
Other long-term debt	9.2	11.3
<b>Total</b>	<b>\$ 1,122.0</b>	<b>\$ 1,074.0</b>

Of the \$1.1 billion debt outstanding, \$201.6 million represents general obligation bonds backed by various letters of credit; \$111.6 million represents COPs (\$42.3 million secured by a letter of credit and \$69.3 million secured by District revenue sources and MBIA insurance); \$749.5 million represents Joint Powers Agency bonds outstanding secured by investment contracts; and the remainder of the District's debt totaling \$11.3 million includes other liabilities, notes payable, and state loans.

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

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

Additional information on the District's long-term debt can be found in Note 8 of the Notes to the Basic Financial Statements.

### Contacting the District's Financial Management

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

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Irvine Ranch Water District  
Statement of Net Assets  
June 30, 2008  
(amounts expressed in thousands)

	2008	2007
ASSETS:		
Current Assets:		
Cash and investments (note 2)	\$167,268	155,733
Receivables:		
Customer accounts receivable	5,530	5,494
Interest receivable	788	2,694
Joint Powers Agency (JPA) interest receivable	22,117	22,831
Notes receivable, current portion	14	37
Allen-McColloch Pipeline receivable, current (note 7)	538	496
Other receivables	5,095	3,458
Total receivables	34,082	35,010
Other Current Assets:		
Inventories	3,406	2,304
Prepaid items and deposits	924	1,137
JPA investment program, current portion (note 2)	25,785	23,887
Total other current assets	30,115	27,328
Total current assets	231,465	218,071
Noncurrent Assets:		
Capital Assets (note 4):		
Waterworks in service	674,356	628,263
Sewer plant in service	820,416	752,404
Less accumulated depreciation	(429,749)	(399,011)
Total capital assets being depreciated, net	1,065,023	981,656
Land	42,865	42,527
Construction in progress	238,223	200,172
Total capital assets, net	1,346,111	1,224,355
Other Noncurrent Assets:		
Debt service cash and investments (note 2)	24,998	22,410
Unamortized debt issuance expense	1,913	2,851
Notes receivable, net of current portion	192	354
Allen-McColloch Pipeline receivable, net (note 7)	6,281	6,819
JPA investment program, net (note 2)	799,932	798,627
Real estate investments (note 6)	39,039	39,716
Total other noncurrent assets	872,355	870,777
Total noncurrent assets	2,218,466	2,095,132
Total assets	2,449,931	2,313,203

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Net Assets  
(Continued)

	2008	2007
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	30,245	24,451
Customer deposits and advance payments	315	340
Accrued interest:		
General obligation bonds	447	509
JPA revenue bonds	16,687	17,225
Other accrued interest payable	767	925
Current portion of long-term liabilities (note 8):		
General obligation bonds	15,247	19,700
Certificates of participation	4,612	4,100
JPA revenue bonds	26,396	24,551
Notes payable	542	377
Other liabilities	1,205	3,161
Total current liabilities	96,463	95,339
Long-Term Liabilities (notes 8 and 13):		
General obligation bonds, net of current portion	265,700	181,900
Certificates of participation, net of current portion	102,324	107,500
JPA revenue bonds, net of current portion	698,566	724,962
Notes payable, net of current portion	5,007	5,549
Other long-term liabilities	2,464	2,192
Net OPEB obligation	704	-
Total long-term liabilities	1,074,765	1,022,103
Total liabilities	1,171,228	1,117,442
Net Assets (note 11):		
Invested in capital assets, net of related debt	977,677	927,640
Restricted for water services	253,767	229,172
Restricted for sewer services	47,259	38,949
Total net assets	\$1,278,703	1,195,761

See accompanying notes to the basic financial statements.

**Irvine Ranch Water District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Fiscal Year ended June 30, 2008**  
(amounts expressed in thousands)

	<b>2008</b>	<b>2007</b>
Operating revenues:		
Water sales and service charges	\$48,516	45,138
Sewer service charges	39,811	37,649
Total operating revenues	88,327	82,787
Operating expenses:		
Water:		
Water services	37,030	33,281
General and administrative	11,257	10,267
Customer accounts	1,999	1,698
Sewer:		
Sewer services	26,032	23,439
General and administrative	7,259	6,328
Customer accounts	1,179	1,131
Depreciation	31,595	28,449
Total operating expenses	116,351	104,593
Operating income (loss)	(28,024)	(21,806)
Nonoperating revenues (expenses):		
Property taxes	34,245	30,667
Investment income	10,674	10,768
Increase (decrease) in fair value of investments	26,976	(3,996)
JPA investment income	59,854	61,793
Real estate income	10,478	9,483
Other income	11,130	10,457
Interest expense	(8,515)	(12,762)
JPA interest expense	(56,616)	(58,404)
Real estate expense	(5,149)	(4,562)
Other expenses	(2,288)	(883)
Total nonoperating revenues (expenses)	80,789	42,561
Income (loss) before capital contributions	52,765	20,755
Capital contributions:		
Donated facilities	18,505	23,947
Connection fees	6,411	22,122
Other	4,403	6,603
Increase (decrease) in net assets	82,084	73,427
Net assets at beginning of year	1,195,761	1,112,799
OPAMWC net assets at June 1, 2008 (note 18)	858	-
SCWD net assets at beginning of year	-	9,535
Net assets at end of year	\$1,278,703	1,195,761

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Cash Flows  
Year ended June 30, 2008  
(amounts expressed in thousands)

	2008	2007
Cash flows from operating activities:		
Cash received from customers and users	\$97,923	100,321
Cash paid to suppliers of goods and services	(52,423)	(41,882)
Cash paid to employees for services	(33,579)	(31,467)
Net cash provided by (used for) operating activities	11,921	26,972
Cash flows from noncapital financing activities:		
Property tax receipts	34,245	30,667
Net cash provided by noncapital financing	34,245	30,667
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(130,199)	(110,159)
Proceeds from issuance of long-term debt (note 8)	329,842	-
Principal payments on long-term debt (note 8)	(277,752)	(47,808)
Interest payments on long-term debt	(69,043)	(72,763)
Developer connection fees and related receipts	10,814	28,725
Net cash provided by (used for) capital and related financing activities	(136,338)	(202,005)
Cash flows from investing activities:		
Investment earnings	73,147	73,036
Investment earnings in real estate	6,006	1,902
Proceeds from maturity of investments	127,346	329,577
Purchases of investments	(118,531)	(263,448)
Collections on notes receivable	691	2,349
Additions to notes receivable	(10)	(409)
Net cash provided by (used for) investing activities	88,649	143,007
Net increase (decrease) in cash and cash equivalents	(1,523)	(1,359)
Cash and cash equivalents at beginning of year, as restated (note 18)	16,233	16,968
Cash and cash equivalents at end of year	\$14,710	15,609

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District  
Statement of Cash Flows  
(Continued)

	<u>2008</u>	<u>2007</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$167,268	155,733
Debt service cash and investments	24,998	22,410
Subtotal	<u>192,266</u>	<u>178,143</u>
Less long-term government securities	<u>(177,556)</u>	<u>(162,534)</u>
 Cash and cash equivalents at end of year	 <u><u>\$14,710</u></u>	 <u><u>15,609</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$(28,024)	(21,806)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	11,130	10,457
Other nonoperating expenses	(2,288)	(883)
Depreciation	31,595	28,449
(Increase) decrease in customer receivables	128	(1,410)
(Increase) decrease in other receivables	(1,637)	8,734
(Increase) decrease in inventories	(1,102)	(1,628)
(Increase) decrease in prepaid expenses and other assets	(4,350)	1,755
Increase (decrease) in accounts payable and accrued expenses	5,717	3,226
Increase (decrease) in customer deposits and advance payments	(25)	(53)
Increase (decrease) in compensated absences	73	131
Increase (decrease) in net OPEB obligation	<u>704</u>	<u>-</u>
 Net cash provided by (used for) operating activities	 <u><u>\$11,921</u></u>	 <u><u>26,972</u></u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	\$18,505	23,947
Unrealized gain (loss) on investments	<u>26,976</u>	<u>(3,996)</u>
Total noncash investing, capital and financing activities	<u><u>\$45,481</u></u>	<u><u>19,951</u></u>

See accompanying notes to the basic financial statements.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

**Irvine Ranch Water District**  
 Notes to the Basic Financial Statements  
 (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
120/121 & 220/221	Woodbridge/Irvine
130/230	Irvine Business District/Spectrum
135/235	Los Alisos Area
140/240	Newport Coast/Newport Ridge
150/250	Tustin Ranch/Northern Sphere
151	Carpenter Irrigation Area
252	Santiago Hills
153/253	East Orange
154/155	Santiago Canyon(s)
156	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
190/290	Shady Canyon/Laguna Laurel

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 outstanding 2002 Certificates of Participation. The Corporation’s bylaws mandate that the members of the District’s Board of Directors shall constitute the Corporation’s five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
(Continued)

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

The Irvine Ranch Water District Water Service Company, LLC (LLC) – The LLC was created to effect the merger of the Santa Ana Heights Water Company into the Irvine Ranch Water District. The merger was certified by the State of California on July 20, 1997. The Santa Ana Heights financial data and transactions are included in Improvement District No. 700. The two members of the LLC are the District and the Irvine Ranch Water District Water Service Corporation (described above). The Board authorized the dissolution of the LLC by Board action taken on June 23, 2008.

IRWD Water Service Company II, LLC (LLC II) – LLC II was created to effect the merger of the Orange Park Acres Mutual Water Company into the Irvine Ranch Water District. The merger was certified by the State of California on February 1, 2008, and became effective on June 1, 2008. The Orange Park Acres' financial data and transactions are included in Planning Area 156. The two members of the LLC II are the District and the Irvine Ranch Water Service Corporation (described above).

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

Bardeen Partners, Inc. – In March of 1991, the District formed a 501(c) (4) corporation for the purpose of accounting for the financial data and transactions of the District's real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District's Board of Directors. The District accounts for the Corporation's activities in Improvement Districts No. 800 and 900. Bardeen Partners does not issue separate financial statements.

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

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(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  
(Continued)

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

(d) Property Taxes

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

The property tax calendar is as follows:

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

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

(e) Cash and Cash Equivalents

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

(f) Investments

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

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

(g) Real Estate Investments

Real estate investments consist of a wholly-owned apartment complex and a commercial office building. The District is also 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.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

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

(h) Inventory and Prepaid Items

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

(i) Capital Assets

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

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

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

(j) Unamortized Debt Issuance Expense

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

(k) Compensated Absences

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

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

(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, 2008 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 167,267,935
Debt service cash and investments	24,997,985
Subtotal	192,265,920
JPA investment program, current portion	25,784,961
JPA investment program	799,932,215
Subtotal JPA investments*	825,717,176
Total cash and investments	\$1,017,983,096

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

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 3,300
Deposits with financial institutions	(2,349,115)
Investments	1,020,328,911
Total cash and investments	\$1,017,983,096

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.

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(Continued)

(2) Cash and Investments, (Continued)

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

<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.

Investments Authorized by Debt Agreements

Investment 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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, 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.

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:

<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	\$ 2,499,887	2,499,887	-	-	-
Local agency bonds	100,235,000	12,135,000	-	-	88,100,000
Local Agency Investment Fund	89,406,143	89,406,143	-	-	-
Money market funds	2,470,706	2,470,706	-	-	-
JPA cash and investments:					
Federal agency securities	518,901,375	14,106,660	24,242,995	28,371,497	452,180,223
Investment contract	306,815,800	11,678,300	26,135,200	30,314,500	238,687,800
Total	<u>\$1,020,328,911</u>	<u>132,296,696</u>	<u>50,378,195</u>	<u>58,685,997</u>	<u>778,968,023</u>

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

In March and April 2008, the Board of Directors approved auction rate securities (ARS) and variable rate demand notes (VRDN) of California municipal issuers as authorized investments, subject to specified criteria that included such factors as ratings, maturity, redemption notices, and certain issuers. At June 30, 2008, the District's investment portfolio contained \$88.150 million of ARS with yields ranging from 1.99% to 6.27%, and \$12.085 million of VRDNs with yields ranging from 3.00% to 7.75%. A summary of the ARS and VRDNs is shown in the following table, accompanied by a general discussion of the ARS and VRDN market.

Issuer Rating (1)	Issuer	Par Amount	Yield
<u>Auction Rate Securities</u>			
NR/A/NR	CA Infrastructure – Orange County Performing Arts	\$ 17,950,000	5.000%
NR/A/NR	CA Infrastructure – Orange County Performing Arts	11,575,000	6.270%
A2/NR/NR	CA Educational Facility - Chapman	6,100,000	6.221%
A2/NR/NR	CA Educational Facility - Chapman	1,500,000	6.000%
AA3/AA+/NR	San Diego County Water Authority	50,000	4.000%
AA3/A+/NR	LA County Metropolitan Transit Authority	9,025,000	3.000%
AA3/AA/AA-	LA County Metropolitan Transit Authority	14,025,000	3.950%
Aa3/AA/NR	Newport Beach – Hoag Hospital	5,000,000	2.490%
AA3/A+/AA-	Riverside County COPS	2,525,000	4.942%
AA3/AA/AA-	LA County Metropolitan Transit Authority	10,000,000	4.080%
A1/NR/A+	Elsinore Valley Municipal Water District	9,150,000	1.990%
A1/NR/A+	Elsinore Valley Municipal Water District	1,250,000	1.990%
		<u>\$ 88,150,000</u>	
<u>Variable Rate Demand Notes</u>			
AA3/AA/NR	City of Anaheim COPS	\$ 2,085,000	7.750%
AA3/AA/NR	Metropolitan Water District of Southern California	10,000,000	3.000%
		<u>\$ 12,085,000</u>	
Total		<u>\$100,235,000</u>	

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

During the year ended June 30, 2008, municipal auction ARS experienced a multitude of failed auctions, largely due to the rating downgrades of insurance companies and the decision by broker-dealers not to submit bids for the securities to prevent the auctions from failing. The District’s purchase of ARS under the Board-approved criteria did not impact the District’s liquidity position as the District had a significant amount of non-ARS investments, and many of the ARS held by the District were refunded or did not experience extended periods of failed auctions.

A VRDN is a debt instrument with a long-term maturity that has a periodic interest rate component reset by a remarketing agent, usually on a daily or weekly basis. The periodic interest rate set by the remarketing agent generally is based on current market conditions for similar short-term securities. An owner of VRDNs has the right to tender the notes at par plus accrued interest, which are resold by the remarketing or purchased by a bank that has a liquidity facility agreement with the issuer of the debt. Some issuers of VRDNs also obtain insurance on the debt for scheduled principal and interest payments. Although most issuers of VRDNs have a liquidity facility in place, there are certain circumstances, such as rating downgrades or bankruptcy of an insurer, that allow the liquidity bank to terminate its agreement immediately and without notice. The VRDNs held by the District constituted only about 6.2% of its fixed income investments and did not experience any liquidity difficulties.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Between A and AA+</u>	<u>Not Rated</u>
Federal agency securities	\$ 2,499,887	N/A	2,499,887	-	-
Local agency bonds	100,235,000	N/A	50,000	82,185,000	18,000,000
Local Agency Investment Fund	89,406,143	N/A	-	-	89,406,143
Money market funds	2,470,706	A	2,321,598	-	149,108
JPA cash and investments:					
Federal agency securities	518,901,375	N/A	518,901,375	-	-
Investment contract	<u>306,815,800</u>	N/A	<u>-</u>	<u>-</u>	<u>306,815,800</u>
Total	<u>\$1,020,328,911</u>		<u>523,772,860</u>	<u>82,185,000</u>	<u>414,371,051</u>

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$518,901,375
AIG	Investment contract	306,815,800

The credit rating of AIG at June 30, 2008 is AA-. 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. Furthermore, it is the District's understanding that AIG is the beneficial owner of the bonds of the Taxable Refunding Bond Issue #1.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Investment in State Investment Pool

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

(3) Swap Agreements

On September 8, 2003, the District's Board of Directors approved Resolution 2003-36, which established a policy regarding the use of interest rate swap transactions. The policy provides that interest rate swap transactions will be designed to enhance the relationship between risk and return with respect to an investment or a program of investments entered into by the District; and/or to reduce the amount or duration of payment, rate, spread, or similar risk; and/or result in a lower cost of borrowing when used in combination with bonds or other indebtedness of the District. 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, 2008, the District has two fixed receiver swap transactions outstanding with a total notional amount of \$140,000,000 maturing in March 2009. The District also has five fixed payer swap transactions outstanding with a total notional amount of \$130,000,000 with maturities in June 2019 and March 2029.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(3) Swap Agreements, (Continued)

Current Year Active Swaps

<u>Effective Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Base Index</u>	<u>Fixed Rate</u>
<u>Fixed Receiver Swaps</u>				
3/10/04	3/10/09	\$ 70,000,000	BMA	2.337%
3/10/04	3/10/09	<u>70,000,000</u>	BMA	2.337%
		<u>\$140,000,000</u>		
<u>Fixed Payer Swaps</u>				
6/4/06	6/4/19	\$ 20,000,000	LIBOR	6.200%
6/4/06	6/4/19	20,000,000	LIBOR	6.200%
6/17/06	6/17/19	30,000,000	LIBOR	6.140%
3/10/07	3/10/29	30,000,000	LIBOR	5.687%
3/10/07	3/10/29	<u>30,000,000</u>	LIBOR	5.687%
		<u>\$130,000,000</u>		

The fair value of the swap agreements at June 30, 2008 is (\$15,352,676) 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. For the BMA fixed receiver swaps, this assumes the yield curve generated by multiplying the current LIBOR forward rates implied by the LIBOR yield curves by the current BMA-to-LIBOR ratios correctly anticipate future BMA 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.

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(Continued)

(4) Capital Assets

Capital Asset activity for the year ended June 30, 2008 is as follows:

	<u>Balance at</u> <u>June 30, 2007*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</u>
Capital assets, being depreciated:				
Waterworks in service:				
General plant	\$ 15,030,347	654,513	(361,169)	15,323,691
Utility plant	613,836,080	46,756,733	(1,560,408)	659,032,405
Sewer plant in service:				
General plant	15,555,062	650,204	(333,901)	15,871,365
Utility plant	<u>736,849,293</u>	<u>67,695,159</u>	<u>-</u>	<u>804,544,452</u>
Subtotal	<u>1,381,270,782</u>	<u>115,756,609</u>	<u>(2,255,478)</u>	<u>1,494,771,913</u>
Less accumulated depreciation:				
Waterworks in service:				
General plant	(10,562,648)	(960,505)	356,371	(11,166,782)
Utility plant	(173,351,248)	(13,020,993)	697,871	(185,674,370)
Sewer plant in service:				
General plant	(10,193,751)	(1,038,391)	329,103	(10,903,039)
Utility plant	<u>(205,429,966)</u>	<u>(16,574,769)</u>	<u>-</u>	<u>(222,004,735)</u>
Subtotal	<u>(399,537,613)</u>	<u>(31,594,658)</u>	<u>1,383,345</u>	<u>(429,748,926)</u>
Total capital assets being depreciated, net	981,733,169	84,161,951	(872,133)	1,065,022,987
Capital assets, not being depreciated:				
Land	42,526,921	337,611	-	42,864,532
Construction in progress	<u>200,172,253</u>	<u>150,332,470</u>	<u>(112,281,355)</u>	<u>238,223,368</u>
Total capital assets, net	<u>\$1,224,432,343</u>	<u>234,832,032</u>	<u>(113,153,488)</u>	<u>1,346,110,887</u>

\* The balance at June 30, 2007 has been restated by \$77,145 to reflect OPAMWC capital assets, net of accumulated depreciation.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(5) 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 years ended June 30, 2008 is as follows:

Administrative and general expenses, capitalized	\$ 7,013,524
Interest expenses, capitalized	7,607,470
	<u>\$14,620,994</u>

The total amount of interest cost incurred for the year ended June 30, 2008 (both the amounts expensed and the amounts capitalized) was \$72,738,918, including \$56,616,374 of interest on JPA Bonds.

(6) Real Estate Investments

Real estate investments are as follows at June 30, 2008:

Wood Canyon Villas, L.P.	\$ 6,182,580
Sycamore Canyon Apartments (net of accumulated depreciation of \$16,351,908)	27,924,500
Irvine Technology Center (net of accumulated depreciation of \$682,382)	<u>4,931,906</u>
	<u>\$39,038,986</u>

Included in real estate investments are two apartment projects and a commercial office building. 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 the commercial office building (Irvine Technology Center).

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(6) 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 95% occupied at June 30, 2008. 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, 2008, the District earned \$542,879 as preferred return income. The District's capital contributions and preferred return are guaranteed by the principals of the general partner who have also agreed to provide an irrevocable stand-by letter of credit, up to a maximum of \$750,000, to the extent the general partner's unrecovered contribution account falls below 12.5% of the District's unrecovered contribution account.

In December 1992, the District acquired a 450-unit apartment complex (original cost, \$34,093,000) in Orange County, California known as Sycamore Canyon Apartments. The complex was 97% occupied at June 30, 2008. 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 total project budget was \$10.2 million and was completed in November 2007. Total project costs as of June 30, 2008 were \$9.6 million.

In July 2003, the District completed construction of a 41,000 square foot for-lease office building located in Irvine, California known as the Irvine Technology Center. Land and construction costs for the project were \$5,534,276 and the building was 90% occupied as of June 30, 2008.

Net real estate income as of June 30, 2008 was as follows:

Real estate income	\$10,478,316
Real estate expense	(3,307,228)
Depreciation	<u>(1,841,842)</u>
	<u>\$ 5,329,246</u>

(7) Allen-McColloch Pipeline

For several years prior to fiscal 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 1995, the District and the other participants sold the pipeline to MWD.

In accordance with the sale agreement, the District will receive a total of \$46,209,106 over 37 years, all amounts representing the District's ownership of approximately 42% of the pipeline project. In addition to the initial cash payment, the District has received \$37,278,290 in payments under the agreement of which \$931,399 was received for the year ended June 30, 2008. The District's receivable at June 30, 2008 of \$6,818,926 has been presented net of deferred imputed interest of \$2,111,890.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(7) Allen-McColloch Pipeline (Continued)

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.

(8) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 is as follows:

	Balance at <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2008</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
General Obligation Bonds:						
1985 Consolidated	\$ 18,500,000	-	(4,200,000)	14,300,000	4,400,000	9,900,000
1985 Series B	16,500,000	-	(5,100,000)	11,400,000	5,400,000	6,000,000
1988 Series A	9,600,000	-	(1,100,000)	8,500,000	1,200,000	7,300,000
1989 Consolidated	15,100,000	-	(1,800,000)	13,300,000	1,900,000	11,400,000
1991 Consolidated	11,200,000	-	(800,000)	10,400,000	900,000	9,500,000
1993 Consolidated	37,500,000	-	-	37,500,000	-	37,500,000
1993 A Consolidated	4,500,000	-	(4,500,000)	-	-	-
1993 B Consolidated	800,000	-	(800,000)	-	-	-
1995 Consolidated	27,900,000	-	(1,400,000)	26,500,000	1,500,000	25,000,000
2006 Consolidated	60,000,000	-	(60,000,000)	-	-	-
2007 Consolidated	-	100,000,000	(100,000,000)	-	-	-
2008 A Consolidated	-	60,215,000	-	60,215,000	-	60,215,000
2008 B Consolidated	-	100,355,000	-	100,355,000	-	100,355,000
Less unamortized deferred loss on refunding	-	(1,535,594)	13,155	(1,522,439)	(52,620)	(1,469,819)
Total general obligation bonds	<u>\$201,600,000</u>	<u>259,034,406</u>	<u>(179,686,845)</u>	<u>280,947,561</u>	<u>15,247,380</u>	<u>265,700,181</u>

(Continued)

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities (Continued)

	Balance at June 30, 2007	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2008	Due within one year	Due in more than one year
JPA Revenue Bonds:						
1998 Taxable						
Refunding No. 1	\$ 308,130,000	-	(10,520,000)	297,610,000	11,330,000	286,280,000
1998 Taxable						
Refunding No. 2	431,715,000	-	(12,650,000)	419,065,000	13,685,000	405,380,000
Plus unamortized amounts	<u>9,668,668</u>	<u>-</u>	<u>(1,381,238)</u>	<u>8,287,430</u>	<u>1,381,238</u>	<u>6,906,192</u>
Total JPA revenue bonds	<u>749,513,668</u>	<u>-</u>	<u>(24,551,238)</u>	<u>724,962,430</u>	<u>26,396,238</u>	<u>698,566,192</u>
Certificates of participation:						
1986 Certificates	41,600,000	-	(2,800,000)	38,800,000	3,000,000	35,800,000
2002 Certificates	70,000,000	-	(70,000,000)	-	-	-
2008 Certificates	-	68,945,000	-	68,945,000	1,645,000	67,300,000
Less unamortized deferred loss on refunding	<u>-</u>	<u>(817,179)</u>	<u>8,172</u>	<u>(809,007)</u>	<u>(32,687)</u>	<u>(776,320)</u>
Total certificates	<u>111,600,000</u>	<u>68,127,821</u>	<u>(72,791,828)</u>	<u>106,935,993</u>	<u>4,612,313</u>	<u>102,323,680</u>
Notes payable	<u>5,925,379</u>	<u>-</u>	<u>(376,541)</u>	<u>5,548,838</u>	<u>541,584</u>	<u>5,007,254</u>
Other long-term liabilities:						
Newport Beach payable	2,000,000		(2,000,000)	-	-	-
Compensated absences	2,585,163	2,511,462	(2,440,898)	2,655,727	1,155,051	1,500,676
Other long-term liabilities	<u>768,087</u>	<u>326,864</u>	<u>(81,881)</u>	<u>1,013,070</u>	<u>50,263</u>	<u>962,807</u>
Total other long-term liabilities	<u>5,353,250</u>	<u>2,838,326</u>	<u>(4,522,779)</u>	<u>3,668,797</u>	<u>1,205,314</u>	<u>2,463,483</u>
Total long-term liabilities	<u>\$1,073,992,297</u>	<u>330,000,553</u>	<u>(281,929,231)</u>	<u>1,122,063,619</u>	<u>48,002,829</u>	<u>1,074,060,790</u>

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(Continued)

(8) Long-Term Liabilities, (Continued)

The following schedule summarizes the major terms of outstanding long-term debt:

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

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

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

(3) Proceeds from the sale of property

(4) JPA investment earnings and principal amounts

(5) Available revenues

General Obligation Bonds

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

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities, (Continued)

Consolidated General Obligation Bonds, Series 2007

On July 19, 2007, the District issued \$100,000,000 of General Obligation Bonds, Series 2007 (the Series 2007 Bonds) to provide funding for water and sewer capital projects located in Improvement District Nos. 150/250 and 113/213. The Series 2007 Bonds had a 7-day auction interest rate with an initial rate of 3.45%. The Series 2007 Bonds were subject to mandatory principal redemption in varying amounts ranging from \$2,100,000 to \$5,900,000 through May 2037. During fiscal year 2008, the Series 2007 Bonds were refunded by the Consolidated General Obligation Refunding Bonds, Series 2008B.

Consolidated General Obligation Refunding Bonds, Series 2008A

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

The Series 2008A Bonds bear interest in a daily mode at a rate determined for each day and payable on the fifth business day of each month, commencing May 7, 2008; thereafter, the Series 2008A Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008A Bonds is 12% per annum. The advance refunding resulted in a difference between the reacquisition price (the Series 2008A Bonds) and the net carrying amount of the bonds (the Series 2006 Bonds) of \$602,062. This difference is considered to be a deferred loss on refunding. The deferred loss on refunding, reported in the basic financial statements as a deduction from long-term debt, is amortized on a straight-line method over 28 years. The unamortized deferred loss on refunding outstanding at June 30, 2008 was \$596,686. The amortization expense was \$5,376 for the fiscal year ended June 30, 2008. The net present value of economic gain (loss) (difference between the present value of the new and old debt service payments) was \$0.

Consolidated General Obligation Refunding Bonds, Series 2008B

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities, (Continued)

Consolidated General Obligation Refunding Bonds, Series 2008B, (Continued)

The Series 2008B Bonds bear interest in a daily mode at a rate determined for each day each month, commencing May 7, 2008; thereafter, the Series 2008B Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008B Bonds is 12% per annum. The advance refunding resulted in a difference between the reacquisition price (the Series 2008B Bonds) and the net carrying amount of the bonds (the Series 2007 Bonds) of \$933,532. This difference is considered to be a deferred loss on refunding. The deferred loss on refunding, reported in the basic financial statements as a deduction from long-term debt, is amortized on a straight-line method over 30 years. The unamortized deferred loss on refunding outstanding at June 30, 2008 was \$925,753. The amortization expense was \$7,779 for the fiscal year ended June 30, 2008. The net present value of economic gain (loss) (difference between the present value of the new and old debt service payments) was \$0.

The annual debt service requirements for General Obligation Bonds, including principal and interest payments (based on the variable interest rates at fiscal year ended June 30, 2008 ranging from 1.60% to 2.90%) are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 15,300,000	7,278,615	22,578,615
2010	16,600,000	6,869,525	23,469,525
2011	15,170,000	6,425,215	21,595,215
2012	10,200,000	6,022,780	16,222,780
2013	10,500,000	5,765,650	16,265,650
2014-2018	47,300,000	25,023,290	72,323,290
2019-2023	40,600,000	19,652,330	60,252,330
2024-2028	40,800,000	14,765,300	55,565,300
2029-2033	49,800,000	9,123,450	58,923,450
2034-2037	<u>36,200,000</u>	<u>2,470,950</u>	<u>38,670,950</u>
Subtotal	282,470,000	103,397,105	385,867,105
Less: Unamortized amounts	<u>(1,522,439)</u>	-	<u>(1,522,439)</u>
Total	<u>\$280,947,561</u>	<u>103,397,105</u>	<u>384,344,666</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds

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

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

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

The outstanding revenue bonds liability has been reduced by the unamortized balance of the deferred refunding charge of \$1,314,338 (\$535,035 for issue #1 and \$779,303 for issue #2). Additionally, at the time of refunding, the District negotiated a \$25,604,713 contribution from a financial institution that has been amortized over a straight-line basis over the life of the refunding bonds. At June 30, 2008, the unamortized amount is \$9,601,768 (\$3,064,410 for issue #1 and \$6,537,358 for issue #2).

At June 30, 2008, the aggregate of the JPA taxable refunding bond issues (excluding amortizations) due is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,015,000	56,647,987	81,662,987
2010	23,495,000	54,753,534	78,248,534
2011	25,365,000	52,851,567	78,216,567
2012	27,380,000	50,798,261	78,178,261
2013	29,550,000	48,581,869	78,131,869
2014	<u>585,870,000</u>	<u>46,189,469</u>	<u>632,059,469</u>
Subtotal	716,675,000	309,822,687	1,026,497,687
Plus: Unamortized amounts	<u>8,287,430</u>	<u>-</u>	<u>8,287,430</u>
Total	<u>\$724,962,430</u>	<u>309,822,687</u>	<u>1,034,785,117</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds, (Continued)

At June 30, 2008, the cash flow of the underlying JPA investments securing the JPA taxable refunding bond issues is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,784,961	58,399,872	84,184,833
2010	24,223,799	56,446,941	80,670,740
2011	26,154,396	54,486,027	80,640,423
2012	28,223,970	52,368,968	80,592,938
2013	30,462,027	50,084,118	80,546,145
2014	<u>690,868,023</u>	<u>47,617,882</u>	<u>738,485,905</u>
Total	<u>\$825,717,176*</u>	<u>319,403,808</u>	<u>1,145,120,984</u>

\* Amount includes accumulated increase in fair value of investments of \$86,879,583.

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Net Cash Flow to District	<u>\$22,162,593</u>	<u>9,581,121</u>	<u>31,743,714</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(8) Long-Term Liabilities, (Continued)

Certificates of Participation

The District issued \$60,000,000 of Certificate of Participation on August 14, 1986 to fund property, water, sewer and reclaimed water facilities. The outstanding principal balance was \$38,800,000 at June 30, 2008. The Certificates bear interest at a daily variable rate that is determined each day by the remarketing agent. The average interest rate during the year ended June 30, 2008 was 2.73%.

In October 2002, the District issued \$70,000,000 of Certificates of Participation to provide financing for certain water, sewer and reclaimed water system improvements and related facilities. The Certificates bore interest at a weekly variable rate that was determined each week by auction process. During fiscal year 2008, the Certificates were refunded by the Certificates of Participation Refunding Series 2008.

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

The Series 2008 Certificates bear interest in a daily mode at a rate determined for each day and payable on the fifth business day of each month, commencing on May 7, 2008. The Series 2008 Certificates may bear interest in a daily interest rate period, a weekly interest rate period, a commercial paper interest rate period or a long-term interest rate period. The advance refunding resulted in a difference between the reacquisition price (the Series 2008 Certificates) and the net carrying amount of the certificates (the Series 2002 Certificates) of \$817,179. This difference is considered to be a deferred loss on refunding. The deferred loss on refunding, reported in the basic financial statements as a deduction from long-term debt, is amortized on a straight-line method over 25 years. The unamortized deferred loss on refunding outstanding at June 30, 2008 was \$809,007. The amortization expense was \$8,172 for the fiscal year ended June 30, 2008. The net present value of economic gain (loss) (difference between the present value of the new and old debt service payments) was \$0.

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(Continued)

(8) Long-Term Liabilities, (Continued)

Certificates of Participation, (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,645,000	2,946,125	7,591,125
2010	4,750,000	2,825,220	7,575,220
2011	5,150,000	2,702,650	7,852,650
2012	5,500,000	2,569,860	8,069,860
2013	6,000,000	2,428,300	8,428,300
2014-2018	31,450,000	9,563,750	41,013,750
2019-2023	14,000,000	6,517,750	20,517,750
2024-2028	18,150,000	4,257,200	22,407,200
2029-2032	18,100,000	1,344,150	19,444,150
	<hr/>	<hr/>	<hr/>
Subtotal	107,745,000	35,155,005	142,900,005
Less: Unamortized amount	<u>(809,007)</u>	<u>-</u>	<u>(809,007)</u>
Total	<u>\$106,935,993</u>	<u>35,155,005</u>	<u>142,090,998</u>

Notes Payable

The District has three loans from the State of California to fund reclaimed water projects. The balance of the 1988 loan was \$96,638 at June 30, 2008. The 1988 loan is payable annually with interest at 4.01%. The balance on the 1990 loan was \$382,605 at June 30, 2008. The annual interest rate is 3.50%. The balance on the 2000 loan was \$2,329,743 at June 30, 2008. 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 assumed two loans as a result of its consolidation with the Santiago County Water District. The original loan amount of the first loan was \$1,940,500. The loan is payable semi-annually with interest at 5.85%. The loan matures in September 2020. The balance of the loan at June 30, 2008 was \$1,571,500. 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, 2008 was \$1,168,352.

**Irvine Ranch Water District**  
**Notes to the Basic Financial Statements**  
(Continued)

(8) Long-Term Liabilities, (Continued)

Notes Payable, (Continued)

Amounts required to amortize notes payable at June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 541,584	166,183	707,767
2010	454,433	153,951	608,384
2011	429,494	142,949	572,443
2012	325,895	134,663	460,558
2013	331,266	128,963	460,229
2014-2018	1,755,041	548,547	2,303,588
2019-2023	1,514,007	206,545	1,720,552
2024-2026	<u>197,118</u>	<u>6,912</u>	<u>204,030</u>
Total	<u>\$5,548,838</u>	<u>1,488,713</u>	<u>7,037,551</u>

(9) Letters of Credit

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

The terms of the letters of credit are summarized as follows:

<u>Letter of Credit</u>	<u>Trustee</u>	<u>Amount</u>	<u>Expiration Date</u>
Landesbank Hessen-Thuringen:			
1985 Consolidated	Bank of New York	\$14,664,356	October 1, 2010
1985 Series B	Bank of New York	11,690,466	October 1, 2009
1988 Series A	Bank of New York	8,681,645	November 15, 2013
Landesbank Baden-Wuerttemberg:			
1986 Certificates of Participation	Bank of New York	39,419,737	December 29, 2015
1989 Consolidated	Bank of New York	13,474,904	June 1, 2015
1991 Consolidated	Bank of New York	10,536,767	December 29, 2015
2008 Certificates of Participation	Deutsche Bank	69,806,340	April 22, 2011
2008 Series A Consolidated	Bank of New York	61,105,853	April 22, 2011
2008 Series B Consolidated	Deutsche Bank	101,839,705	April 22, 2011
Bank of America:			
1993 Consolidated	Bank of New York	37,987,500	May 2, 2009
State Street Global Markets:			
1995 Consolidated	Bank of New York	26,874,630	May 2, 2009

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(10) 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, 2008. Amounts are presented in thousands.

Net revenues:

Revenues:

Water sales and service charges	\$ 48,516
Sewer services charges	39,811
Connection fees	6,411
Other income	11,130
Residual real estate income	5,329
Investment income	10,674
Residual JPA income	3,238
	<u>125,109</u>

Operating and maintenance expenses:

Water:

Water services	37,030
General and administrative	11,257
Customer accounts	1,999

Sewer:

Sewer services	26,032
General and administrative	7,259
Customer accounts	1,179
Other expenses	2,288
	<u>87,044</u>

Net revenues	<u>\$ 38,065</u>
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Debt service on parity obligations:

2002/2008 COP principal and interest	\$ 3,564
2000 State loan	-
Debt service	<u>\$ 3,564</u>

Debt ratio	<u>1,068%</u>
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Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(11) Net Assets

Net assets at June 30, 2008 consisted of the following:

Invested in capital assets, net of related debt:	
Property, plant and equipment, net	\$ 1,346,110,887
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(280,947,561)
Certificates of participation	(106,935,993)
Notes payable	(5,548,838)
Add back unspent portion of debt applicable to bond proceeds	24,997,985
Total invested in capital assets, net of related debt	977,676,480
Restricted net assets:	
Restricted for water services	253,767,342
Restricted for sewer services	47,259,238
Total restricted net assets	301,026,580
Total net assets	\$1,278,703,060

(12) 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.

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. Benefit provisions and all other requirements are established by State statute and the District's Board of Directors.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(12) 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). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005.

The contribution rate for the indicated period is 10.941% of payroll for the Retirement Program. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2007 to June 30, 2008.

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

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	23 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% 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**  
(Continued)

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

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

*Required Supplementary Information*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/04	\$71,814,764	64,384,006	7,430,758	89.7%	18,214,652	40.8%
6/30/05	85,213,814	72,995,819	12,217,995	85.7%	19,237,200	63.5%
6/30/06	96,470,362	81,299,826	15,170,536	84.3%	20,862,370	72.7%

Information for the June 30, 2007 valuation date was not available for inclusion in the financial statements.

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

Fiscal Year	Employee Contribution (District Paid)	Employer Contribution	Total Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/06	\$1,375,657	2,015,140	3,390,797	100%	-
6/30/07	1,502,702	2,226,686	3,729,388	100%	-
6/30/08	1,584,537	2,476,631	4,061,168	100%	-

In October 2007, the District received from PERS an actuarial report that contained information concerning the employer contribution rate for the 2008-09 fiscal year. This information is summarized below. The rate is greater than the contribution rate for the 2007-08 fiscal year which is reflected in the accompanying financial statements.

	Fiscal Year 2008-09	Fiscal Year 2007-08
Normal cost	6.510%	6.630%
Amortization of net actuarial liability (surplus)	4.880%	4.311%
	<u>11.390%</u>	<u>10.941%</u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(13) Other Post Employment Benefits

During the year ended June 30, 2008, the District implemented GASB Statement No. 45 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:

- 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 \$97.00 per month per employee. The contribution rate is scheduled to be indexed with medical inflation (CPI) for years 2009 and thereafter. In addition, the District pays PEMHCA 0.44% of the premium to cover the administrative fees for each retiree participating in the program. During the fiscal year ended June 30, 2008, the District contributed \$37,225 on behalf of retirees participating in this benefit.
- b. Retiree Health Costs Reimbursement Plan: The District administers a single-employer defined benefit healthcare plan which provides medical benefits to covered employees and their eligible dependents. The establishment or amendment of benefit provisions is determined by the District. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least 10 years of service. The duration of the benefit is based on employees' years of service as follows: 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of experience. 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, 2008, the District contributed \$144,480 on behalf of retirees participating in this benefit.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(13) Other Post Employment Benefits, (Continued)

- c. Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan which provides a lump sum death benefit equal to 1 times the retiree's base salary at the time of retirement. The establishment or amendment of benefit provisions is determined by the District. Currently, full-time employees are eligible for this benefit if they retire from the District on or after age 50 with at least 5 years of service and participated in the District's split dollar life plan during their active employment at the District. During the fiscal year ended June 30, 2008, the District contributed \$267,187 on behalf of retirees participating in this benefit.

Membership of the plan consisted of the following at July 1, 2007, 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	36	25	55
Terminated plan members entitled to but not yet receiving benefits	<u>-</u>	<u>-</u>	<u>-</u>
Active plan members	<u>307</u>	<u>307</u>	<u>307</u>
Total	<u>343</u>	<u>332</u>	<u>362</u>

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(13) Other Post Employment Benefits, (Continued)

Annual OPEB Cost and Net OPEB Obligation, (Continued)

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 District will obtain an updated OPEB valuation during FY 2008-09. The actuarial valuation will reflect substantial decreases in the District's unfunded OPEB liability for the retiree death benefit only plan from \$5.89 million, with a corresponding reduction in the annual required contribution.

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2008, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	<u>PEMHCA</u>	<u>Retiree Health Costs Reimbursement</u>	<u>Retiree Death Benefit Only</u>	<u>Total</u>
Annual OPEB cost (expense):				
Annual required contribution	\$239,825	266,135	647,073	1,153,033
Interest on net OPEB obligation	-	-	-	-
Adjustment to annual required contribution	-	-	-	-
Annual OPEB cost (expense)	<u>239,825</u>	<u>266,135</u>	<u>647,073</u>	<u>1,153,033</u>
Contributions made	<u>(37,225)</u>	<u>(144,480)</u>	<u>(267,187)</u>	<u>(448,892)</u>
Increase in net OPEB obligation	202,600	121,655	379,886	704,141
Net OPEB obligation, beginning of year	-	-	-	-
Net OPEB obligation, end of year	<u><u>\$202,600</u></u>	<u><u>121,655</u></u>	<u><u>379,886</u></u>	<u><u>704,141</u></u>

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(13) 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, 2008 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	6/30/06	N/A	N/A	N/A
	6/30/07	N/A	N/A	N/A
	6/30/08	\$ 239,825	15.52%	\$ 202,600
Retiree Health Costs Reimbursement	6/30/06	N/A	N/A	N/A
	6/30/07	N/A	N/A	N/A
	6/30/08	\$ 266,135	54.29%	\$ 121,655
Retiree Death Benefit Only	6/30/06	N/A	N/A	N/A
	6/30/07	N/A	N/A	N/A
	6/30/08	\$647,073	41.29%	\$379,886
Total – All Plans	6/30/06	N/A	N/A	N/A
	6/30/07	N/A	N/A	N/A
	6/30/08	\$1,153,033	38.93%	\$ 704,141

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  
(Continued)

(13) Other Post Employment Benefits, (Continued)

Funded Status and Progress (Continued)

*Required Supplementary Information*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([(b-a)/c])
7/01/07	\$0	\$10,107,001	\$10,107,001	0%	\$22,234,222	45.46%

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 5.25% 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 9 percent initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the fifth year. Both rates included a 5.25% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the District's payroll will increase 3% per year.

(14) 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, 2008, the District's payroll covered by the plan was \$591,580. The District made no employee contributions. The employees contributed \$44,369 (7.5% of current covered payroll) for the year ended June 30, 2008.

**Irvine Ranch Water District**  
Notes to the Basic Financial Statements  
(Continued)

(14) Deferred Compensation Plans (Continued)

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 2008 is \$15,500. After 2007, the limit is being indexed to inflation in \$500 increments.

Effective July 1, 1986, for employees with one year or more of service, the District matches up to 15% of the employee's contributions (subject to annual limitation) and employees with two years or more of service are entitled to an additional annual contribution by the District based on 1% of the employee's annual compensation. As of January 1, 1997, 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, 2008, the District contributed \$299,304 to employee accounts under the 401(a) plan.

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

(15) Commitments and Contingencies

Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, as amended. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement. The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. The District's payments for the year ended June 30, 2008 totaled \$10,726,670. The District's share of the jointly funded share of CORF and capital improvements is included in sewer plant in the accompanying balance sheets. Additional undeterminable amounts may be payable to or receivable from OCSD related to operations for the fiscal years ended June 30, 2006 through June 30, 2008. The District will be performing an audit of OCSD's records to determine additional amounts payable or receivable when OCSD makes the records available for audit.

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  
(Continued)

(15) Commitments and Contingencies (Continued)

Commitments

The following material construction commitments existed at June 30, 2008:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2008</u>	<u>Remaining Commitments</u>
Asset Optimization – Waterworks Way Development	\$2,001,582	4,013,657
54", 12" Pipeline Relocation – Barranca Vestar RA	294,875	2,350,222
PA1 Woody Knoll RW & ILP Turn-Out (ICDC "F")	514,343	1,545,656
LAWRP 2005 Upgrades	12,853,849	1,529,014
Jeffrey Road 30" RW From ICD to Poplar	491,974	1,452,177
RMS and Nitrification Control at 5 DW Reservoirs	4,302,941	1,125,415
16" Pipeline Relocation in Barranca, Vestar	141,970	1,107,315
PA1 ZN5 Reservoir (Orchard Hills)	4,619,240	1,032,277

(16) Risk Management

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

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

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

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(17) Subsequent Events

Turmoil in the Financial Markets

A number of financial institutions have reported financial difficulties as an indirect result of delinquencies associated with home mortgages. The full ramifications of this are not determinable at this time and it is not possible to determine with certainty all of the institutions that might be impacted by current market conditions.

As a direct result of the significant turmoil in the financial markets, interest on the District's variable rate debt escalated from an all-in weighted average cost of 1.36% for the month of August 2008 to an all-in weighted average cost of 4.72% for the month of September 2008. As of October 7, 2008, the weighted average rates for the District's variable rate debt had dropped under 3%. The District removed Lehman Brothers, Inc. as the remarketing agent on \$264.7 million of its variable rate debt effective September 25, 2008 after its Chapter 11 bankruptcy filing on September 15, 2008. Shortly before the new remarketing agents took over, Lehman Brothers, Inc. failed to remarket \$75 million of the District's variable rate debt ("bank bonds"), causing the District to temporarily pay the maximum rate of 12.0% on those bonds.

Change in Pension Plan Retirement Formula

Effective July 1, 2008, the Board approved an upgrade to the CalPERS pension plan, changing the retirement formula from 2% at 55 to 2.5% at 55. The change in the benefit provisions affects the employer's portion of the pension plan contribution for all current employees. Prior contributions were based on the actuarial estimate for the previous formula and adjusting for the change will result in a corresponding increase in the Employer Contribution portion of 2.737% to the PERS payments associated with payroll.

(18) Consolidation of the Orange Park Acres Mutual Water Company

Effective June 1, 2008, the District and the Orange Park Acres Mutual Water Company (OPAMWC) consolidated under an Agreement dated September 24, 2007 that established the terms and conditions through which the two districts were proposed to consolidate. The Acquisition and Annexation Agreement, negotiated between the respective Board of Directors of the District and OPAMWC, was approved by the Orange County Local Agency Formation Commission on December 19, 2007.

OPAMWC served over 525 service connections in the unincorporated Orange County communities of Orange Park Acres. Pursuant to the Agreement, all OPAMWC assets and property were transferred to the District on June 1, 2008. At that time, OPAMWC transferred approximately \$687,411 in cash as well as certain other property including real property. The District assumed the liabilities of OPAMWC including its accounts payable and committed to provide more than \$7 million in needed improvements to its aging water system infrastructure.

Irvine Ranch Water District  
Notes to the Basic Financial Statements  
(Continued)

(18) Consolidation of the Orange Park Acres Mutual Water Company (Continued)

Residents of the OPAMWC service area received an immediate reduction of 20% from their existing water service charges and water commodity rate. A fixed rate differential between the OPAMWC and existing Irvine Ranch area customers is being utilized to retire the equity considerations required of the OPAMWC customers to the current District customers (the "Acquisition Balance"). The Acquisition Balance was determined as the agreed-upon value of existing facilities that had been built and paid for by the District and which would provide capacity rights and/or service to OPAMWC customers. Once the pay-back of the Acquisition Balance is complete, the water rates for the customers in the former OPAMWC service areas will be brought in-line with the customers in the rest of the IRWD service area. The consolidation of OPAMWC and the District is intended and designed to produce revenue and cost neutrality to the existing District customer base.

Operating activities of the former OPAMWC are included in the District's operating results for the entire fiscal year.

# Supplementary Information

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Water Subfunds**  
**June 30, 2008**  
(in thousands)

	100/101/ 199	112	113	120	121	130	135	140
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash and investments	\$40,145	-	1,123	5,121	-	17,623	9,911	9,766
<b>Receivables:</b>								
Customer accounts receivable	-	-	56	34	125	276	178	205
Interest receivable	185	-	53	25	8	65	41	68
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, current	-	-	-	-	74	45	101	17
Other receivables	2,065	65	104	-	308	204	202	81
Total receivables	<u>2,250</u>	<u>65</u>	<u>213</u>	<u>59</u>	<u>515</u>	<u>590</u>	<u>522</u>	<u>371</u>
<b>Other Current Assets:</b>								
Inventories	1,138	-	-	-	-	-	-	-
Prepaid items and deposits	463	-	-	-	-	-	-	-
JPA investment program, current	-	-	-	-	-	-	-	-
Total other current assets	<u>1,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>43,996</u>	<u>65</u>	<u>1,336</u>	<u>5,180</u>	<u>515</u>	<u>18,213</u>	<u>10,433</u>	<u>10,137</u>
<b>Noncurrent Assets:</b>								
<b>Capital Assets:</b>								
Waterworks in service	99,643	3,159	5,289	19,496	59,773	46,108	74,410	46,395
Less: accumulated depreciation	(43,470)	(201)	(283)	(9,609)	(14,376)	(15,721)	(32,213)	(12,013)
Total capital assets being depreciated, net	56,173	2,958	5,006	9,887	45,397	30,387	42,197	34,382
Land	5,254	93	123	247	1,202	806	1,084	380
Construction in progress	24,364	892	5,990	-	4,075	2,598	3,337	1,737
Total capital assets, net	<u>85,791</u>	<u>3,943</u>	<u>11,119</u>	<u>10,134</u>	<u>50,674</u>	<u>33,791</u>	<u>46,618</u>	<u>36,499</u>
<b>Other Noncurrent Assets:</b>								
Debt service cash and investments	3,193	-	2,819	234	612	-	-	332
Unamortized debt issuance expense	72	-	19	7	15	6	19	126
Allen-McColloch Pipeline receivable, net	-	-	-	-	874	524	1,166	205
JPA investment program, net	-	-	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-	-	-
Total other noncurrent assets	<u>3,265</u>	<u>-</u>	<u>2,838</u>	<u>241</u>	<u>1,501</u>	<u>530</u>	<u>1,185</u>	<u>663</u>
Interdistrict receivable	56,616	-	2	-	335	-	476	-
Total noncurrent assets	<u>145,672</u>	<u>3,943</u>	<u>13,959</u>	<u>10,375</u>	<u>52,510</u>	<u>34,321</u>	<u>48,279</u>	<u>37,162</u>
Total assets	<u>189,668</u>	<u>4,008</u>	<u>15,295</u>	<u>15,555</u>	<u>53,025</u>	<u>52,534</u>	<u>58,712</u>	<u>47,299</u>

150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	190	300	700/701	800-804	Total Water
39,741	5,095	3,656	4,640	-	912	-	-	-	-	137,733
287	50	93	320	195	60	12	-	184	-	2,075
182	17	-	39	4	8	10	-	3	-	708
-	-	-	-	-	-	-	11,059	-	-	11,059
151	65	-	48	20	7	10	-	-	-	538
670	-	-	154	122	648	24	-	-	-	4,647
1,290	132	93	561	341	723	56	11,059	187	-	19,027
2,268	-	-	-	-	-	-	-	-	-	3,406
-	66	7	-	-	-	-	-	-	-	536
-	-	-	-	-	-	-	12,892	-	-	12,892
2,268	66	7	-	-	-	-	12,892	-	-	16,834
43,299	5,293	3,756	5,201	341	1,635	56	23,951	187	-	173,594
173,964	10,846	603	60,891	36,110	17,619	15,025	-	5,025	-	674,356
(36,854)	(2,625)	(527)	(13,835)	(8,912)	(3,524)	-	-	(2,678)	-	(196,841)
137,110	8,221	76	47,056	27,198	14,095	15,025	-	2,347	-	477,515
4,419	143	1	1,145	415	174	573	-	3	-	16,062
50,664	725	-	2,232	2,048	437	686	-	48	-	99,833
192,193	9,089	77	50,433	29,661	14,706	16,284	-	2,398	-	593,410
629	-	-	3,684	-	-	2,618	-	-	-	14,121
380	10	-	79	28	101	13	-	-	-	875
1,775	745	-	559	232	87	114	-	-	-	6,281
-	-	-	-	-	-	-	399,966	-	-	399,966
-	-	-	-	-	-	-	-	-	19,519	19,519
2,784	755	-	4,322	260	188	2,745	399,966	-	19,519	440,762
765	-	-	-	-	-	1,228	-	-	-	59,422
195,742	9,844	77	54,755	29,921	14,894	20,257	399,966	2,398	19,519	1,093,594
239,041	15,137	3,833	59,956	30,262	16,529	20,313	423,917	2,585	19,519	1,267,188

(Continued)

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Water Subfunds**  
(Continued)

	100/101/ 199	112	113	120	121	130	135	140
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current Liabilities:</b>								
Accounts payable and accrued expenses	8,325	38	2,299	-	179	117	798	50
Customer deposits and advance payments	315	-	-	-	-	-	-	-
<b>Accrued interest:</b>								
General obligation bonds	-	-	11	1	3	-	8	21
JPA revenue bonds	-	-	-	-	-	-	-	-
Other accrued interest payable	17	-	-	-	-	1	-	6
<b>Current portion of long-term liabilities:</b>								
General obligation bonds	-	-	-	320	818	-	-	1,219
Certificates of participation	804	-	-	14	21	28	-	109
JPA revenue bonds	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Other liabilities	1,205	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>10,666</b>	<b>38</b>	<b>2,310</b>	<b>335</b>	<b>1,021</b>	<b>146</b>	<b>806</b>	<b>1,405</b>
<b>Long-Term Liabilities, net of current portion:</b>								
General obligation bonds	-	-	6,464	355	975	-	4,939	12,673
Certificates of participation	9,592	-	-	170	252	321	-	3,854
JPA revenue bonds	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Other long-term liabilities	1,506	-	-	-	-	-	-	-
Net OPEB obligation	704	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>11,802</b>	<b>-</b>	<b>6,464</b>	<b>525</b>	<b>1,227</b>	<b>321</b>	<b>4,939</b>	<b>16,527</b>
<b>Interdistrict payable</b>	<b>2,803</b>	<b>4,004</b>	<b>-</b>	<b>-</b>	<b>1,823</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>25,271</b>	<b>4,042</b>	<b>8,774</b>	<b>860</b>	<b>4,071</b>	<b>467</b>	<b>5,745</b>	<b>17,932</b>
<b>Net Assets:</b>								
Net assets at beginning of year	159,080	(44)	5,115	14,861	48,264	51,045	51,966	31,518
Change in net assets	5,317	10	1,406	(166)	690	1,022	1,001	(2,151)
<b>Net assets at end of year</b>	<b>\$164,397</b>	<b>(34)</b>	<b>6,521</b>	<b>14,695</b>	<b>48,954</b>	<b>52,067</b>	<b>52,967</b>	<b>29,367</b>

150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	190	300	700/701	800-804	Total Water
1,352	36	83	91	231	20	60	-	-	9	13,688
-	-	-	-	-	-	-	-	-	-	315
131	-	-	5	6	6	2	-	-	-	194
-	-	-	-	-	-	-	8,344	-	-	8,344
31	41	-	19	-	-	1	-	-	-	116
1,467	-	-	911	400	497	549	-	-	-	6,181
574	-	-	355	-	-	50	-	-	-	1,955
-	-	-	-	-	-	-	13,198	-	-	13,198
-	115	-	-	-	-	-	-	-	-	115
-	-	-	-	-	-	-	-	-	-	1,205
<u>3,555</u>	<u>192</u>	<u>83</u>	<u>1,381</u>	<u>637</u>	<u>523</u>	<u>662</u>	<u>21,542</u>	<u>-</u>	<u>9</u>	<u>45,311</u>
78,927	-	-	2,202	3,158	2,981	1,130	-	-	-	113,804
21,128	-	-	13,720	-	-	599	-	-	-	49,636
-	-	-	-	-	-	-	349,282	-	-	349,282
-	2,624	-	-	-	-	-	-	-	-	2,624
6	555	242	-	-	-	-	-	-	-	2,309
-	-	-	-	-	-	-	-	-	-	704
<u>100,061</u>	<u>3,179</u>	<u>242</u>	<u>15,922</u>	<u>3,158</u>	<u>2,981</u>	<u>1,729</u>	<u>349,282</u>	<u>-</u>	<u>-</u>	<u>518,359</u>
<u>4</u>	<u>942</u>	<u>3,264</u>	<u>-</u>	<u>1,926</u>	<u>-</u>	<u>105</u>	<u>-</u>	<u>307</u>	<u>1,355</u>	<u>16,533</u>
<u>103,620</u>	<u>4,313</u>	<u>3,589</u>	<u>17,303</u>	<u>5,721</u>	<u>3,504</u>	<u>2,496</u>	<u>370,824</u>	<u>307</u>	<u>1,364</u>	<u>580,203</u>
131,022	10,273	858	41,582	24,817	12,132	16,057	39,303	2,416	18,153	658,418
4,399	551	(614)	1,071	(276)	893	1,760	13,790	(138)	2	28,567
<u>135,421</u>	<u>10,824</u>	<u>244</u>	<u>42,653</u>	<u>24,541</u>	<u>13,025</u>	<u>17,817</u>	<u>53,093</u>	<u>2,278</u>	<u>18,155</u>	<u>686,985</u>

**Irvine Ranch Water District**  
**Combining Schedule of Net Assets - Sewer Subfunds**  
**June 30, 2008**  
(in thousands)

	200/210/ 211/299	212	213	220	221	230
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and investments	\$ -	-	5,103	8,442	8,202	1,787
<b>Receivables:</b>						
Customer accounts receivable	903	-	65	115	535	207
Interest receivable -	-	4	6	7	14	-
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	14	-	-	-	-	-
Other receivables	170	1	265	-	3	2
Total receivables	<u>1,087</u>	<u>1</u>	<u>334</u>	<u>121</u>	<u>545</u>	<u>223</u>
<b>Other Current Assets:</b>						
Prepaid items and deposits	11	34	30	-	81	42
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	<u>11</u>	<u>34</u>	<u>30</u>	<u>-</u>	<u>81</u>	<u>42</u>
Total current assets	<u>1,098</u>	<u>35</u>	<u>5,467</u>	<u>8,563</u>	<u>8,828</u>	<u>2,052</u>
<b>Noncurrent Assets:</b>						
<b>Capital Assets:</b>						
Sewer plant in service	167,636	7,730	15,968	41,636	75,631	62,958
Less: accumulated depreciation	(45,400)	(824)	(657)	(20,095)	(22,143)	(22,416)
Total capital assets being depreciated, net	<u>122,236</u>	<u>6,906</u>	<u>15,311</u>	<u>21,541</u>	<u>53,488</u>	<u>40,542</u>
Land	18,512	114	81	-	1,294	1,078
Construction in progress	14,994	5,368	9,099	-	12,797	8,828
Total capital assets, net	<u>155,742</u>	<u>12,388</u>	<u>24,491</u>	<u>21,541</u>	<u>67,579</u>	<u>50,448</u>
<b>Other Noncurrent Assets:</b>						
Debt service cash and investments	3,194	-	-	-	1,167	200
Unamortized debt issuance expense	78	-	59	9	33	71
Notes receivable, net of current portion	192	-	-	-	-	-
JPA investment program, net	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Total other noncurrent assets	<u>3,464</u>	<u>-</u>	<u>59</u>	<u>9</u>	<u>1,200</u>	<u>271</u>
Interdistrict receivable	13,447	-	25	26	34	-
Total noncurrent assets	<u>172,653</u>	<u>12,388</u>	<u>24,575</u>	<u>21,576</u>	<u>68,813</u>	<u>50,719</u>
Total assets	<u>173,751</u>	<u>12,423</u>	<u>30,042</u>	<u>30,139</u>	<u>77,641</u>	<u>52,771</u>

235	240	250	252/253	260/261	282 /284	286/288 /289	290	400	900-904	Total Sewer
-	2,890	36	-	-	3,075	-	-	-	-	29,535
326	225	600	-	332	75	23	49	-	-	3,455
-	15	13	-	11	10	-	-	-	-	80
-	-	-	-	-	-	-	-	11,058	-	11,058
-	-	-	-	-	-	-	-	-	-	14
<u>2</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>
<u>328</u>	<u>241</u>	<u>616</u>	<u>-</u>	<u>344</u>	<u>85</u>	<u>23</u>	<u>49</u>	<u>11,058</u>	<u>-</u>	<u>15,055</u>
-	40	77	-	59	-	-	14	-	-	388
-	-	-	-	-	-	-	-	12,893	-	12,893
-	40	77	-	59	-	-	14	12,893	-	13,281
<u>328</u>	<u>3,171</u>	<u>729</u>	<u>-</u>	<u>403</u>	<u>3,160</u>	<u>23</u>	<u>63</u>	<u>23,951</u>	<u>-</u>	<u>57,871</u>
54,173	78,951	186,722	-	72,550	31,567	4,382	20,512	-	-	820,416
<u>(27,474)</u>	<u>(21,478)</u>	<u>(44,054)</u>	<u>-</u>	<u>(18,024)</u>	<u>(9,470)</u>	<u>(873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(232,908)</u>
26,699	57,473	142,668	-	54,526	22,097	3,509	20,512	-	-	587,508
1,937	372	1,810	-	786	338	42	439	-	-	26,803
<u>17,975</u>	<u>3,963</u>	<u>53,907</u>	<u>29</u>	<u>6,231</u>	<u>1,619</u>	<u>989</u>	<u>2,591</u>	<u>-</u>	<u>-</u>	<u>138,390</u>
<u>46,611</u>	<u>61,808</u>	<u>198,385</u>	<u>29</u>	<u>61,543</u>	<u>24,054</u>	<u>4,540</u>	<u>23,542</u>	<u>-</u>	<u>-</u>	<u>752,701</u>
-	120	4,459	-	1,263	-	-	474	-	-	10,877
11	203	455	-	41	54	-	24	-	-	1,038
-	-	-	-	-	-	-	-	-	-	192
-	-	-	-	-	-	-	-	399,966	-	399,966
-	-	-	-	-	-	-	-	-	19,520	19,520
<u>11</u>	<u>323</u>	<u>4,914</u>	<u>-</u>	<u>1,304</u>	<u>54</u>	<u>-</u>	<u>498</u>	<u>399,966</u>	<u>19,520</u>	<u>431,593</u>
<u>1</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,576</u>	<u>-</u>	<u>-</u>	<u>15,165</u>
<u>46,623</u>	<u>62,131</u>	<u>203,355</u>	<u>29</u>	<u>62,847</u>	<u>24,108</u>	<u>4,540</u>	<u>25,616</u>	<u>399,966</u>	<u>19,520</u>	<u>1,199,459</u>
<u>46,951</u>	<u>65,302</u>	<u>204,084</u>	<u>29</u>	<u>63,250</u>	<u>27,268</u>	<u>4,563</u>	<u>25,679</u>	<u>423,917</u>	<u>19,520</u>	<u>1,257,330</u>

(Continued)

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

	200/210/ 211/299	212	213	220	221	230
<b>LIABILITIES AND NET ASSETS</b>						
Current Liabilities:						
Accounts payable and accrued expenses	7,258	191	2,511	519	469	1,556
Accrued interest:						
General obligation bonds	-	-	29	-	6	1
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	573	1	1	4	2	17
Current portion of long-term liabilities:						
General obligation bonds	-	-	-	-	1,517	268
Certificates of participation	878	-	-	38	95	715
JPA revenue bonds	-	-	-	-	-	-
Notes payable	13	54	33	54	46	60
Total current liabilities	<u>8,722</u>	<u>246</u>	<u>2,574</u>	<u>615</u>	<u>2,135</u>	<u>2,617</u>
Long-Term Liabilities, net of current portion:						
General obligation bonds	-	-	17,299	-	2,390	298
Certificates of participation	10,484	-	-	454	1,136	8,532
JPA revenue bonds	-	-	-	-	-	-
Notes payable	71	300	184	58	502	334
Other long-term liabilities	155	-	-	-	-	-
Total long-term liabilities	<u>10,710</u>	<u>300</u>	<u>17,483</u>	<u>512</u>	<u>4,028</u>	<u>9,164</u>
Interdistrict payable	<u>7,831</u>	<u>10,774</u>	<u>-</u>	<u>24</u>	<u>978</u>	<u>2,934</u>
Total liabilities	<u>27,263</u>	<u>11,320</u>	<u>20,057</u>	<u>1,151</u>	<u>7,141</u>	<u>14,715</u>
Net Assets:						
Net assets at beginning of year	107,637	1,078	8,076	29,076	69,008	40,333
Change in net assets	<u>38,851</u>	<u>25</u>	<u>1,909</u>	<u>(88)</u>	<u>1,492</u>	<u>(2,277)</u>
Total net assets	<u>\$146,488</u>	<u>1,103</u>	<u>9,985</u>	<u>28,988</u>	<u>70,500</u>	<u>38,056</u>

235	240	250	252/253	260/261	282/284	286/288/ 289	290	400	900-904	Total Sewer
609	42	1,882	-	427	235	24	824	-	10	16,557
5	43	152	-	4	8	-	5	-	-	253
-	-	-	-	-	-	-	-	8,343	-	8,343
-	8	34	-	10	-	-	1	-	-	651
-	1,356	3,832	-	552	800	-	741	-	-	9,066
-	108	628	-	180	-	-	15	-	-	2,657
-	-	-	-	-	-	-	-	13,198	-	13,198
-	44	58	-	49	-	-	16	-	-	427
<u>614</u>	<u>1,601</u>	<u>6,586</u>	<u>-</u>	<u>1,222</u>	<u>1,043</u>	<u>24</u>	<u>1,602</u>	<u>21,541</u>	<u>10</u>	<u>51,152</u>
2,970	27,827	91,616	-	2,123	4,500	-	2,873	-	-	151,896
-	4,421	21,763	-	5,713	-	-	185	-	-	52,688
-	-	-	-	-	-	-	-	349,284	-	349,284
-	245	327	-	274	-	-	88	-	-	2,383
-	-	-	-	-	-	-	-	-	-	155
<u>2,970</u>	<u>32,493</u>	<u>113,706</u>	<u>-</u>	<u>8,110</u>	<u>4,500</u>	<u>-</u>	<u>3,146</u>	<u>349,284</u>	<u>-</u>	<u>556,406</u>
<u>12,818</u>	<u>5,869</u>	<u>7,833</u>	<u>26</u>	<u>3,008</u>	<u>-</u>	<u>1,534</u>	<u>3,070</u>	<u>-</u>	<u>1,355</u>	<u>58,054</u>
<u>16,402</u>	<u>39,963</u>	<u>128,125</u>	<u>26</u>	<u>12,340</u>	<u>5,543</u>	<u>1,558</u>	<u>7,818</u>	<u>370,825</u>	<u>1,365</u>	<u>665,612</u>
30,710	26,960	76,525	(3)	51,809	21,297	3,128	15,111	39,303	18,153	538,201
(161)	(1,621)	(566)	6	(899)	428	(123)	2,750	13,789	2	53,517
<u>30,549</u>	<u>25,339</u>	<u>75,959</u>	<u>3</u>	<u>50,910</u>	<u>21,725</u>	<u>3,005</u>	<u>17,861</u>	<u>53,092</u>	<u>18,155</u>	<u>591,718</u>

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# Statistical Section

Irvine Ranch Water District  
Fiscal Year Ended June 30, 2008

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

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

- Net Assets
- Changes in Net Assets

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

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

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

- Assessed Value 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 General Obligation Debt by Improvement District
- Outstanding Debt by Type
- Ratios of Outstanding Debt to Assessed Values
- Ratios of Annual Debt Service to Total General Expenditures
- Debt Service Coverage

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

- Demographic and Economic Statistics
- Principal Employers
- Full-Time and Part-Time Employees of IRWD

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 – Connections
- Operating Indicators – New Connections
- Operating Indicators – Average Monthly Usage
- Capital Asset Statistics

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

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

Source: IRWD Basic Financial Statements

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

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

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

Source: IRWD Basic Financial Statements

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential	20,580	22,019	26,354	29,172	29,728	31,136	30,681	31,514	34,097	33,771
Commercial	6,433	6,284	6,899	7,091	7,218	7,544	7,602	8,037	8,710	8,710
Industrial	6,954	6,816	6,925	6,325	6,237	6,222	6,047	5,714	5,438	5,353
Public Authority	3,614	2,485	2,447	2,475	2,490	2,601	2,842	2,795	2,474	2,588
Construction & Temporary	776	944	925	1,347	1,074	931	489	790	696	513
Treated - Landscape Irrigation	3,617	4,037	4,518	5,423	5,051	5,464	4,953	5,322	6,249	6,039
Treated - Agricultural	1,744	2,036	1,550	2,042	1,512	1,709	1,177	1,018	1,009	820
Untreated - Agricultural	10,862	13,166	8,651	8,611	8,346	7,606	5,973	7,621	7,583	6,211
Recycled - Landscape/Agricultural	13,346	16,769	16,769	19,478	17,380	19,551	18,620	19,504	33,221	24,564
<b>Total</b>	<b>67,927</b>	<b>74,555</b>	<b>75,037</b>	<b>81,964</b>	<b>79,035</b>	<b>82,763</b>	<b>78,384</b>	<b>82,316</b>	<b>99,477</b>	<b>88,569</b>

# Irvine Ranch Water District

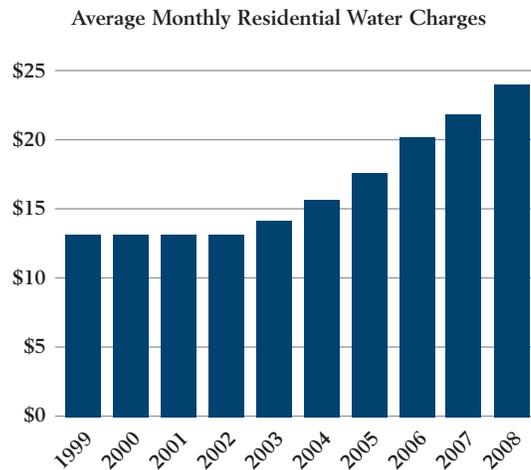
## Water Rates

### 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>
1999	\$2.90	\$0.64	\$13.14
2000	\$2.90	\$0.64	\$13.14
2001	\$2.90	\$0.64	\$13.14
2002	\$2.90	\$0.64	\$13.14
2003	\$3.00	\$0.69	\$14.14
2004	\$3.65	\$0.75	\$15.87
2005	\$3.90	\$0.83	\$17.56
2006	\$5.45	\$0.88	\$20.01
2007	\$6.75	\$0.91	\$21.85
2008	\$7.50	\$0.98	\$23.86

The water charge to the average residential customer is based upon an average of 18 ccf per month. The first 8 ccf are at the District's low volume rate, which is \$0.16 less than the commodity rate.

Source: IRWD



Irvine Ranch Water District  
 Schedule of Largest Water Customers  
 Fiscal Year Ended June 30, 2008

Customer Name	Total Paid	Percentage of Water Sales Revenues
1. Irvine Apartment Communities (1)	\$2,955,261	6.09%
2. City of Irvine	1,814,014	3.74%
3. The Irvine Company - Agricultural Division (1)	1,535,229	3.16%
4. University of California - Irvine	1,387,182	2.86%
5. The Irvine Company - Spectrum Office (1)	664,985	1.37%
6. Jazz Semiconductor	620,618	1.28%
7. The Irvine Company - Retail Properties (1)	544,992	1.12%
8. The Irvine Company - Resort Properties (1)	497,994	1.03%
9. Irvine Unified School District	457,604	0.94%
10. Woodbridge Village Association	447,909	0.92%
11. The Irvine Company - Properties (1)	445,357	0.92%
12. B Braun Medical Inc	433,068	0.89%
13. Caltrans District 12	371,419	0.77%
14. Hines Nurseries	360,074	0.74%
15. The Irvine Company - Common (1)	340,270	0.70%
<b>Total</b>	<b><u>\$12,875,976</u></b>	<b><u>26.54%</u></b>

Source: Irvine Ranch Water District

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

Note:

(1) Various divisions within the Irvine Company account for total sales of \$7.0 million, or 14.4% of total water sales revenues.

# Irvine Ranch Water District

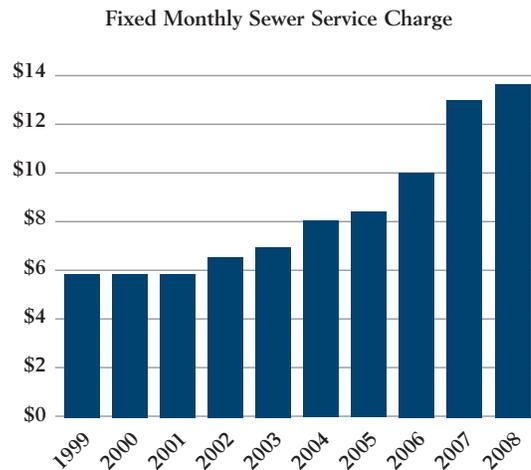
## Sewer Rates

For the Past Ten Fiscal Years

<u>Fiscal Year</u>	<u>Fixed Monthly Service Charge</u>
1999	\$ 5.90
2000	\$ 5.90
2001	\$ 5.90
2002	\$ 6.60
2003	\$ 6.95
2004	\$ 8.05
2005	\$ 8.35
2006	\$ 10.00
2007	\$ 13.05
2008	\$ 13.65

Source: IRWD

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



Irvine Ranch Water District  
 Schedule of Largest Sewer Customers  
 Fiscal Year Ended June 30, 2008

<u>Customer Name</u>	<u>Total Paid</u>	<u>Percentage of Water Sales Revenues</u>
1. Irvine Apartment Communities (1)	\$2,485,284	6.24%
2. University of California - Irvine	778,728	1.96%
3. B Braun Medical Inc	277,107	0.70%
4. Royalty Carpet Mills	279,729	0.70%
5. Maruchan Inc	193,207	0.49%
6. Teva Parenteral Medicines	190,828	0.48%
7. Allergan Sales, LLC	186,539	0.47%
8. The Irvine Company - Retail Properties (1)	186,155	0.47%
9. The Irvine Company - Spectrum Office (1)	170,527	0.43%
10. ERP Operating LP	158,560	0.40%
11. Airport Complex	132,653	0.33%
12. The Irvine Company - Properties (1)	123,061	0.31%
13. Maguire Properties	98,184	0.25%
14. Oakley Technical Center	90,831	0.23%
15. ST John Knits	80,742	0.20%
<b>Total</b>	<b><u>\$5,432,135</u></b>	<b><u>13.64%</u></b>

Source: Irvine Ranch Water District

*Information for Sewer Water Customers is not available for 1997 for comparison purposes.*

(1) Various divisions within the Irvine Company account for total sales of \$3.0 million, or 7.45% of total water sales revenues.

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

Improvement District		1999	2000	2001	2002	2003
113	(1)	N/A	N/A	N/A	N/A	N/A
120		0.00001	0.00001	0.00001	0.00001	0.00001
121		0.00001	0.00001	0.00001	0.00001	0.00001
130		0.00001	0.00001	0.00001	0.00001	0.00001
135	(2)	N/A	N/A	0.074599	0.0727	0.04264
140		0.00001	0.00001	0.00001	0.00001	0.00001
150		0.00001	0.00001	0.00001	0.00001	0.00001
160		0.00001	0.00001	0.00001	0.00001	0.00001
161		0.00001	0.00001	0.00001	0.00001	0.00001
182		0.00001	0.00001	0.00001	0.00001	0.00001
184		N/A	N/A	N/A	N/A	N/A
186		0.00001	0.00001	0.00001	0.00001	0.00001
188		5.07365	0.00001	0.00001	0.00001	0.00001
190		0.00001	0.00001	0.00001	0.00001	0.00001
210		0.00001	0.00001	0.00001	0.00001	0.00001
213	(1)	N/A	N/A	N/A	N/A	N/A
220		0.00001	0.00001	0.00001	0.00001	0.00001
221		0.00001	0.00001	0.00001	0.00001	0.00001
230		0.00001	0.00001	0.00001	0.00001	0.00001
235	(2)	N/A	N/A	0.04999	0.003581	0.00936
240		0.00001	0.00001	0.00001	0.00001	0.00001
250		0.00001	0.00001	0.00001	0.00001	0.00001
252		N/A	N/A	N/A	N/A	N/A
260		N/A	N/A	N/A	N/A	N/A
261		0.00001	0.00001	0.00001	0.00001	0.00001
282		0.00001	0.00001	0.00001	0.00001	0.00001
284		N/A	N/A	N/A	N/A	N/A
290		0.00001	0.00001	0.00001	0.00001	0.00001

Source: Irvine Ranch Water District

Notes:

(1) Improvement Districts 113 and 213 encompass the former Tustin Marine Base.

(2) The Los Alisos Water District and the District consolidated on December 31, 2000 adding Improvement Districts 135 and 235.

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

Improvement District	2004	2005	2006	2007	2008
113	N/A	N/A	N/A	0.01920	0.01920
120	0.00001	0.00001	0.01168	0.01168	0.01298
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00001	0.00001	0.00500
135	0.01500	0.00001	0.00001	0.00842	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00001	0.00001	0.00780
160	0.00001	0.00001	0.01168	0.01168	0.01648
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00001	0.00001	0.00808	0.00808	0.01300
184	N/A	N/A	N/A	0.00001	0.00001
186	0.00001	0.00001	0.02051	0.02051	0.02700
188	0.00001	0.00001	0.02051	0.02051	0.02700
190	0.00001	0.00001	0.00001	0.00001	0.00500
210	0.00001	0.00001	0.00001	0.00001	0.00001
213	N/A	N/A	N/A	0.14093	0.14093
220	0.00001	0.00001	0.01000	0.01000	0.00140
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.00001	0.00001	0.01995	0.01995	0.02000
235	0.00001	0.00001	0.00001	0.00532	0.00532
240	0.00001	0.00001	0.02168	0.02168	0.02699
250	0.00001	0.00001	0.02602	0.03199	0.03200
252	N/A	N/A	N/A	N/A	0.00001
260	N/A	N/A	N/A	0.02030	0.02330
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.00001	0.00001	0.01280	0.01280	0.01400
284	N/A	N/A	N/A	0.00001	0.02699
290	0.00001	0.00001	0.01995	0.01995	0.02000

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

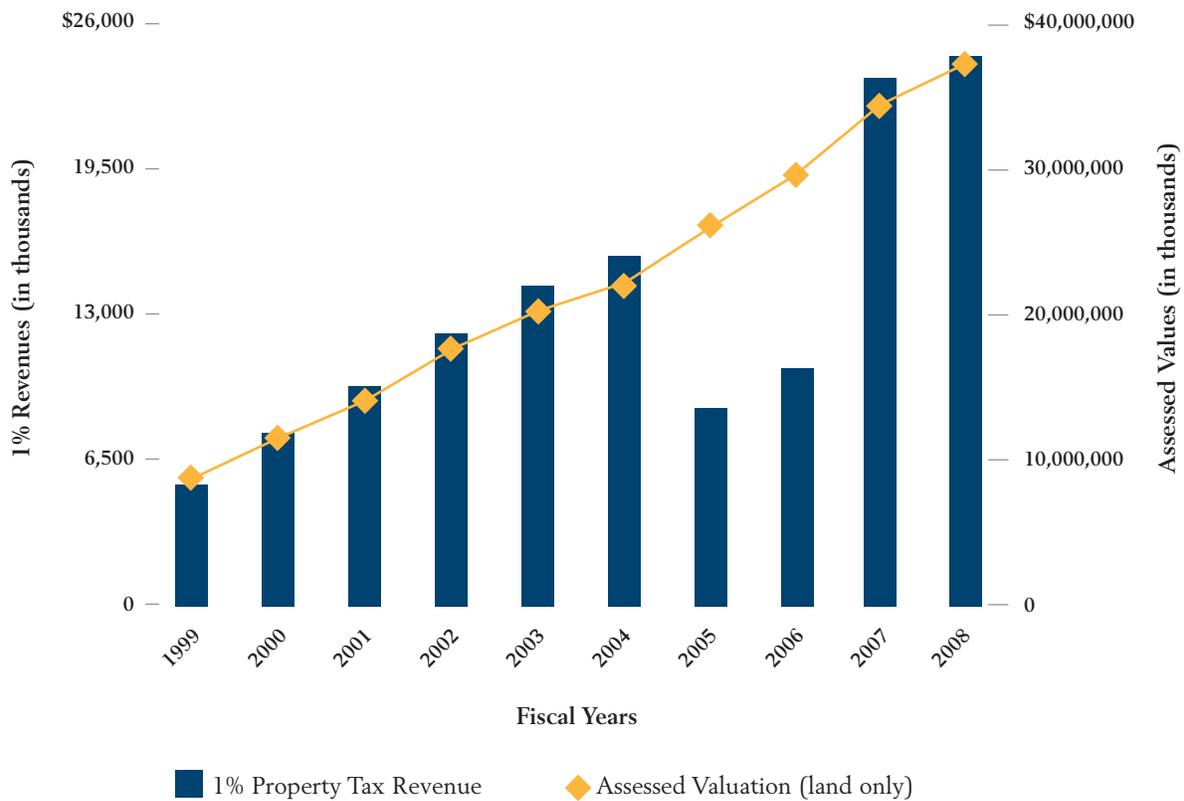
Fiscal Year Ended	Assessed Valuation (land only) (3)	1 % Property Tax Revenue
1999	8,665,303	4,963
2000	10,602,106	7,348
2001	12,058,755	9,557
2002 (1)	15,243,031	11,645
2003	16,951,715	13,250
2004	19,117,325	14,891
2005	22,101,916	8,534
2006 (2)	25,869,944	10,197
2007	31,378,053	22,462
2008	35,540,296	23,747

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

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

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

**1% Revenues and Assessed Values**



Irvine Ranch Water District  
Direct and Overlapping Tax Rates  
FY 2007-08

**Direct Rate:**

Irvine Ranch Water District I.D. No. 1 (210)	0.00001
Irvine Ranch Water District I.D. No. 2 (220)	0.00140
Irvine Ranch Water District I.D. No. 3 (230)	0.02000
Irvine Ranch Water District I.D. No. 102 (120)	0.01298
Irvine Ranch Water District I.D. No. 103 (130)	0.00500
Irvine Ranch Water District I.D. No. 105 (150)	0.00780
Irvine Ranch Water District I.D. No. 106 (160)	0.01648
Irvine Ranch Water District I.D. No. 109 (190)	0.00500
Irvine Ranch Water District I.D. No. 113	0.01920
Irvine Ranch Water District I.D. No. 121	0.00001
Irvine Ranch Water District I.D. No. 140	0.00001
Irvine Ranch Water District I.D. No. 161	0.00001
Irvine Ranch Water District I.D. No. 182	0.01300
Irvine Ranch Water District I.D. No. 184	0.00001
Irvine Ranch Water District I.D. No. 186	0.02700
Irvine Ranch Water District I.D. No. 188	0.02700
Irvine Ranch Water District I.D. No. 206	0.02330
Irvine Ranch Water District I.D. No. 213	0.14093
Irvine Ranch Water District I.D. No. 221	0.00001
Irvine Ranch Water District I.D. No. 240	0.02699
Irvine Ranch Water District I.D. No. 250	0.03200
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 261	0.00001
Irvine Ranch Water District I.D. No. 282	0.01400
Irvine Ranch Water District I.D. No. 284	0.02699
Irvine Ranch Water District I.D. No. 290	0.02000
135 (Formerly Los Alisos Water District)	0.00842
235 (Formerly Los Alisos Water District)	0.00532

**Overlapping Rates:**

**School Districts:**

Coast Community College District	0.01501
Rancho Santiago Community College District	0.02373
Laguna Beach Unified School District	0.01808
Newport Mesa Unified School District	0.01651
Saddleback Valley Unified School District	0.02668
Santa Ana Unified School District	0.03585
Tustin Unified School District SFID 2002-1	0.03173

**Cities:**

Laguna Beach	0.01623
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Source: California Municipal Statistics, Inc.

**Irvine Ranch Water District**  
**Direct and Overlapping Debt**  
**FY 2007-08**

**2007-08 Land Only Assessed Valuation: \$35,655,931,527**

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/08</u>	<u>% Applicable (1)</u>	<u>District's Share of</u> <u>Debt 6/30/08</u>
Orange County Teeter Plan Obligations	\$123,725,000	18.064%	\$ 22,349,684
Metropolitan Water District	327,215,000	3.762	12,309,828
Coast Community College District	347,758,867	5.174	17,993,044
Rancho Santiago Community College District	321,779,339	17.742	57,090,090
Saddleback Valley Unified School District	142,480,000	33.979	48,413,279
Santa Ana Unified School District	126,037,965	37.439	47,187,354
Other Unified School Districts	247,192,409	Various	36,158,980
City of Laguna Beach	5,840,000	0.031	1,810
Irvine Ranch Water District Improvement Districts	282,470,000	100.	282,470,000
Irvine Unified School District Community Facilities District No. 86-1	82,375,000	100.	82,375,000
Irvine Unified School District Community Facilities District No. 01-1	101,525,000	100.	101,525,000
Other Irvine Unified School District Community Facilities Districts	195,078,332	100.	195,078,332
Tustin Unified School District Community Facilities Districts	232,730,345	100.	232,730,345
Orange County Community Facilities Districts	97,124,644	100.	97,124,644
Other Community Facilities Districts	175,000,857	Various	175,000,857
City of Irvine 1915 Act Bonds	909,591,261	100.	909,591,261
City of Tustin 1915 Act Bonds	52,442,000	100.	52,442,000
Other 1915 Act Bonds	93,222,196	Various	93,222,196
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$2,463,063,704</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Orange County General Fund Obligations	\$532,326,000	18.064%	\$ 96,159,369
Orange County Pension Obligations	72,729,867	18.064	13,137,923
Orange County Board of Education Certificates of Participation	19,590,000	18.064	3,538,738
Municipal Water District of Orange County Water Facilities Corporation	19,295,000	21.319	4,113,501
South Orange County Community College District Certificates of Participation	34,945,000	33.571	11,731,386
Santa Ana Unified School District Certificates of Participation	64,855,968	37.439	24,281,426
Other Unified School District Certificates of Participation	58,005,000	Various	5,244,768
City of Irvine General Fund Obligations	24,170,000	99.979	24,164,924
Other City General Fund Obligations	201,505,000	Various	15,782,383
Orange County Fire Authority	10,365,000	30.430	3,154,070
Irvine Ranch Water District Certificates of Participation	107,745,000	100.	107,745,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$309,053,488 (2)</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			4,113,501
City of Lake Forest self-supporting obligations			7,665,175
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$297,274,812</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$2,772,117,192 (3)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$2,760,338,516</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district based on redevelopment adjusted all property assessed valuation of \$66,421,392,187.

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

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

Ratios to Land Only Assessed Valuation:

Direct Debt (\$282,470,000)	0.79%
Total Direct and Overlapping Tax and Assessment Debt	6.91%

Ratios to Adjusted All Property Assessed Valuation:

Combined Direct Debt (\$390,215,000)	0.59%
Gross Combined Total Debt	4.17%
Net Combined Total Debt	4.16%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0

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

<u>Property Owner's Name</u>	<u>Type of Business</u>	<u>Assessed Valuation of Property, including Land &amp; Improvements</u>	<u>Percentage of Total City Taxable Assessed Value</u>
The Irvine Company	Developer/Real Estate	\$4,648,070,361	11.83%
Irvine Apartment Communities	Real Estate	1,223,903,811	3.12%
Heritage Fields El Toro	Real Estate Developer	847,984,352	2.16%
Maguire Properties Park	Real Estate Developer	657,908,130	1.67%
Central Park West	Real Estate Developer	264,103,000	0.67%
B Braun Medical Inc.	Bio-Medical Manufacturing	171,078,883	0.44%
Lakeshore Properties LLC	Real Estate	170,749,883	0.43%
Kaiser Foundation	Real Estate	159,063,227	0.40%
Century Centre LLC	Real Estate	139,621,680	0.36%
OTR	Real Estate	126,031,699	0.32%
	`	<b>\$8,408,515,026</b>	<b>21.40%</b>

Source: City of Irvine Comprehensive Annual Financial Report (June 30, 2007)

*Data was not yet available for FY2007-08 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 1999 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
1999	N/A	N/A	4,717,337	1,974,168	N/A	N/A	245,915	1,354,186
2000	N/A	N/A	6,937,879	57,571	N/A	N/A	410,329	23,264
2001	N/A	N/A	9,032,961	1,572,406	N/A	N/A	523,698	127,435
2002	9,832,977	1,682,253	10,976,075	2,381,844	111.63%	141.59%	669,174	157,703
2003	12,756,500	881,909	12,459,640	1,352,950	97.67%	153.41%	790,125	156,184
2004	13,541,700	282,045	13,932,804	979,552	102.89%	347.30%	958,597	11,033
2005	7,750,200	3,151	7,404,859	448,835	95.54%	14244.20%	1,129,009	27,285
2006	7,965,300	3,081,122	8,755,621	5,038,833	109.92%	163.54%	1,441,127	149,874
2007	19,419,300	5,050,938	21,368,075	7,869,904	110.04%	155.81%	1,093,740	541,024
2008	23,963,000	7,626,979	22,859,667	10,242,088	95.40%	134.29%	887,709	496,260
Total	<u>\$95,228,977</u>	<u>\$18,608,397</u>	<u>\$118,444,917</u>	<u>\$31,918,150</u>			<u>\$8,149,422</u>	<u>\$3,044,249</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 per Connection	Total Debt per Connection
1999	118,233	297,867,000	2,519	56,000,000	474	850,855,000	7,196	1,204,722,000	10,189
2000	123,361	282,153,000	2,287	56,002,000	454	843,035,000	6,834	1,181,190,000	9,575
2001	152,397	269,542,000	1,769	54,400,000	357	834,750,000	5,477	1,158,692,000	7,603
2002	157,736	249,981,000	1,585	52,700,000	334	825,966,000	5,236	1,128,647,000	7,155
2003	161,450	230,124,368	1,425	120,800,000	748	831,833,622	5,152	1,182,757,990	7,326
2004	169,100	209,227,990	1,237	118,800,000	703	813,397,384	4,810	1,141,425,374	6,750
2005	172,440	187,396,610	1,087	116,600,000	676	793,611,146	4,602	1,097,607,756	6,365
2006	177,141	224,585,230	1,268	114,200,000	645	772,359,906	4,360	1,111,145,136	6,273
2007	181,847	201,585,230	1,109	111,600,000	614	749,513,668	4,122	1,062,698,898	5,844
2008	185,161	280,946,000	1,517	106,934,000	578	724,962,000	3,915	1,112,842,000	6,010

Notes:

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

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

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

**Irvine Ranch Water District**  
**Outstanding General Obligation Bonds by Improvement District**

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2008
113	\$ 25,770,000	\$ 6,500,000	\$ 19,270,000	\$ 6,517,800
120	26,805,000	26,805,000	-	673,400
121	35,437,000	11,982,000	23,455,000	1,793,000
130	36,471,000	25,220,000	11,251,000	-
135	20,010,000	20,008,000	2,000	4,968,000
140	117,130,000	30,526,000	86,604,000	13,892,400
150	188,734,000	134,377,000	54,357,000	80,938,700
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
160	22,895,000	22,569,000	326,000	2,022,500
161	40,786,000	1,833,000	38,953,000	1,098,000
182	74,653,000	7,710,000	66,943,000	3,560,000
184	79,065,000	-	79,065,000	-
186	19,266,000	5,633,000	13,633,000	2,247,200
188	8,174,000	2,957,000	5,217,000	1,231,100
190	73,994,000	12,941,000	61,053,000	1,678,800
Total	<u>\$ 1,011,329,000</u>	<u>\$ 309,061,000</u>	<u>\$ 702,268,000</u>	<u>\$ 120,620,900</u>
210	\$2,000,000	\$ 2,000,000	\$ -	\$ -
213	87,648,000	11,100,000	76,548,000	17,422,400
220	30,316,000	28,410,000	1,906,000	-
221	50,452,000	28,954,000	21,498,000	3,907,200
230	86,942,000	20,500,000	66,442,000	565,900
235	15,724,000	15,723,000	1,000	2,988,000
240	117,273,000	43,977,000	73,296,000	29,182,800
250	286,727,000	142,168,000	144,559,000	95,965,800
253	122,283,000	-	122,283,000	-
260	69,665,000	17,917,000	51,748,000	1,584,200
261	43,364,000	2,379,000	40,985,000	1,104,000
282	59,101,000	5,000,000	54,101,000	2,200,000
284	92,590,000	7,650,000	84,940,000	3,100,000
286	40,531,000	-	40,531,000	-
288	8,977,000	-	8,977,000	-
290	78,231,000	12,022,000	66,209,000	3,613,800
Total	<u>\$ 1,191,824,000</u>	<u>\$ 337,800,000</u>	<u>\$ 854,024,000</u>	<u>\$ 161,634,100</u>
	<u>\$ 2,203,153,000</u>	<u>\$ 646,861,000</u>	<u>\$ 1,556,292,000</u>	<u>\$ 282,255,000</u>

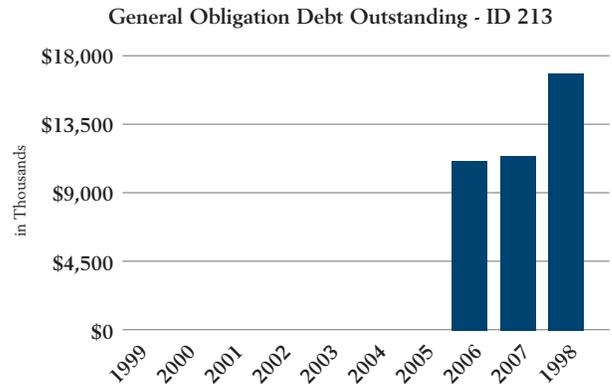
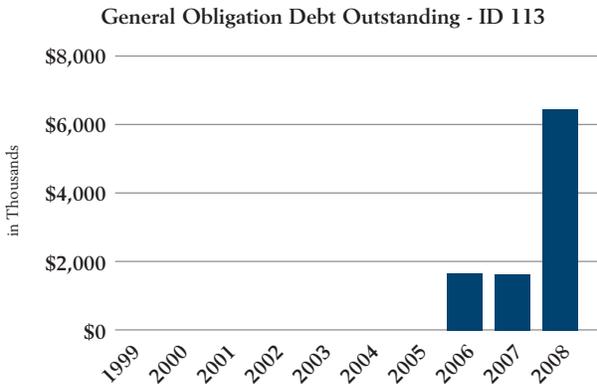
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# Irvine Ranch Water District

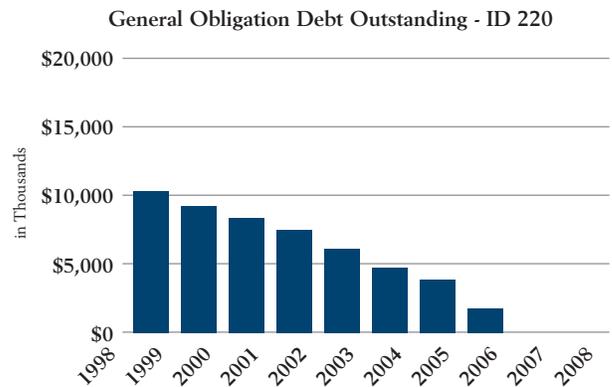
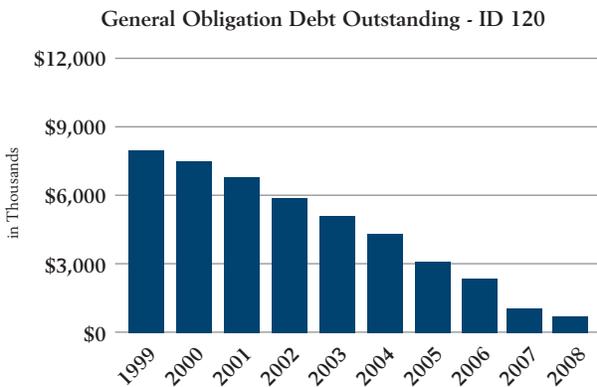
## Ratio of General Obligation Debt to Assessed Values

### For the Past Ten Fiscal Years

Fiscal Year Ended	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 113			Improvement District 213		
1999	\$ -	-	n/a	\$ -	-	n/a
2000	-	-	n/a	-	-	n/a
2001	-	-	n/a	-	-	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	276,019,505	1,500,000	0.00543440	276,019,505	11,100,000	0.04021455
2007	583,904,580	1,500,000	0.00256891	583,904,580	11,100,000	0.01900996
2008	691,298,772	6,517,750	0.00942827	691,298,772	17,422,365	0.02520237



Fiscal Year	Improvement District 120			Improvement District 220		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
1999	1,545,542,276	8,116,418	0.00525150	\$1,944,758,366	10,661,171	0.00548200
2000	1,754,578,139	7,376,950	0.00420440	2,202,113,184	9,531,810	0.00432848
2001	2,035,540,701	6,591,160	0.00323804	2,522,353,571	8,357,274	0.00331328
2002	2,263,025,358	5,764,953	0.00254745	2,789,540,948	7,137,564	0.00255869
2003	2,460,176,613	4,915,952	0.00199821	3,025,751,360	5,872,679	0.00194090
2004	2,655,750,823	4,014,721	0.00151171	3,277,646,727	4,562,620	0.00139204
2005	3,048,171,194	3,073,075	0.00100817	3,712,898,262	2,958,274	0.00079676
2006	3,296,099,817	2,079,199	0.00063081	4,084,154,528	1,557,866	0.00038144
2007	3,716,412,058	974,678	0.00026226	4,601,691,594	-	-
2008	3,999,440,197	673,414	0.00016838	4,946,140,742	-	-



Source: Irvine Ranch Water District and the County of Orange Auditor Controller. Personal income statistics are not readily available for the District's service area. Accordingly this schedule is presented with assessed values.

# Irvine Ranch Water District

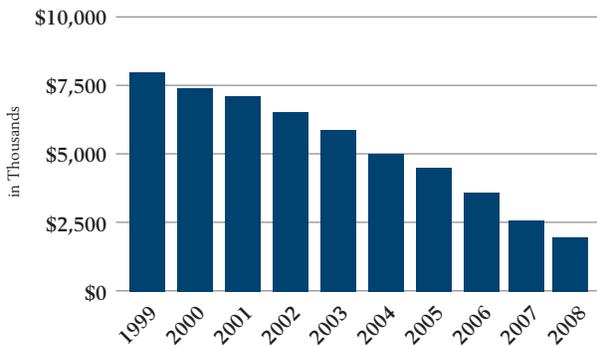
## Ratio of General Obligation Debt to Assessed Values

### For the Past Ten Fiscal Years

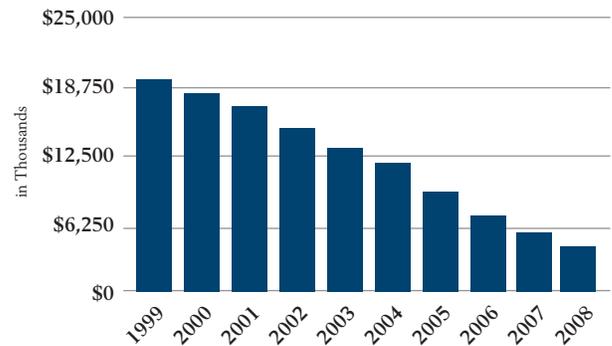
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Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 121			Improvement District 221		
1999	\$1,545,542,276	7,881,559	0.00509954	\$1,531,012,484	19,104,561	0.01247838
2000	1,754,578,139	7,386,317	0.00420974	1,739,335,514	17,830,343	0.01025124
2001	2,035,540,701	6,843,247	0.00336188	2,016,000,565	16,462,729	0.00816603
2002	2,263,025,358	6,262,950	0.00276751	2,242,421,472	14,989,638	0.00668458
2003	2,460,176,613	5,646,252	0.00229506	2,437,921,523	13,411,719	0.00550129
2004	2,655,750,823	4,965,506	0.00186972	2,633,056,001	11,709,055	0.00444695
2005	3,048,171,194	4,248,361	0.00139374	2,991,737,859	9,901,562	0.00330964
2006	3,296,099,817	3,464,524	0.00105110	3,270,481,689	7,941,236	0.00242815
2007	3,716,412,058	2,662,787	0.00071649	3,688,965,082	6,007,654	0.00162855
2008	3,999,440,197	1,793,038	0.00044832	3,971,444,282	3,907,194	0.00098382

General Obligation Debt Outstanding - ID 121



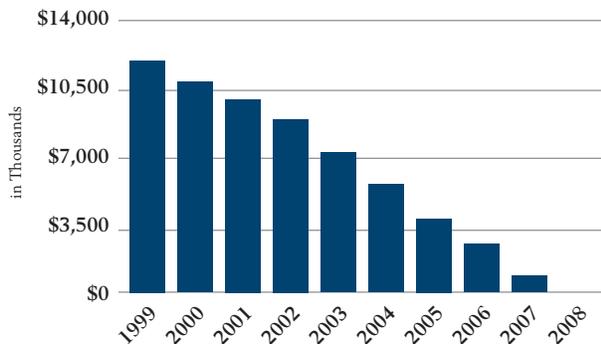
General Obligation Debt Outstanding - ID 221



Improvement District 130

1999	\$655,353,530	11,791,497	0.01799257
2000	704,608,251	10,889,239	0.01545432
2001	753,167,611	9,933,170	0.01318853
2002	799,165,325	8,910,760	0.01115008
2003	887,679,877	7,319,316	0.00824545
2004	932,620,903	5,642,103	0.00604973
2005	1,049,255,231	4,140,763	0.00394638
2006	1,153,678,462	2,433,250	0.00210912
2007	1,489,017,966	918,505	0.00061685
2008	1,660,025,116	-	-

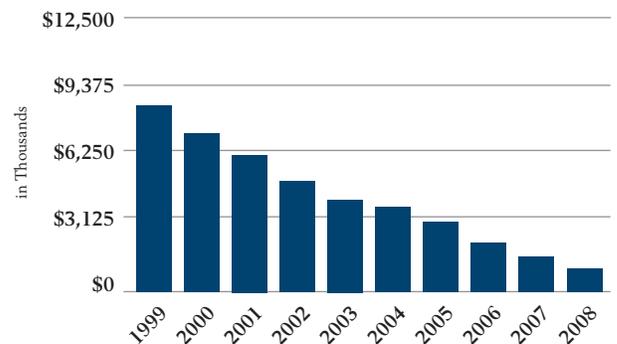
General Obligation Debt Outstanding - ID 130



Improvement District 230

1999	\$655,760,431	8,437,744	0.01286711
2000	705,022,691	7,272,175	0.01031481
2001	753,590,339	6,069,088	0.00805356
2002	799,596,128	4,822,132	0.00603071
2003	888,086,748	4,195,847	0.00472459
2004	933,035,911	3,515,764	0.00376809
2005	1,049,677,986	2,803,128	0.00267046
2006	1,154,109,671	2,036,692	0.00176473
2007	1,492,117,118	1,328,210	0.00089015
2008	1,663,766,768	565,929	0.00034015

General Obligation Debt Outstanding - ID 230



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

# Irvine Ranch Water District

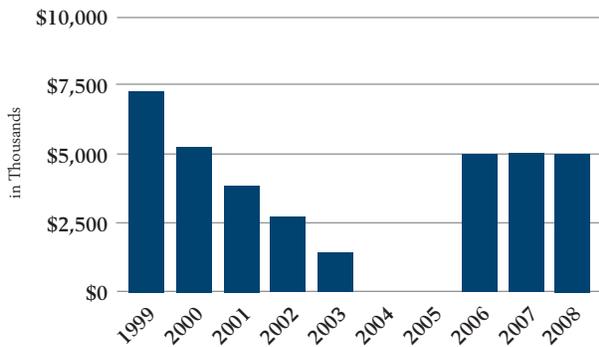
## Ratio of General Obligation Debt to Assessed Values

### For the Past Ten Fiscal Years

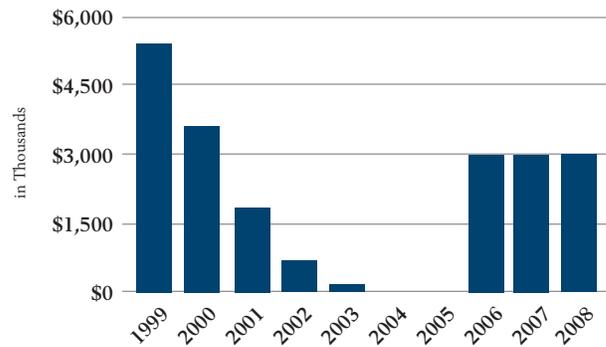
(Continued)

Fiscal Year Ended	Improvement District 135			Improvement District 235		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
1999	n/a	n/a	n/a	n/a	n/a	n/a
2000	n/a	n/a	n/a	n/a	n/a	n/a
2001	1,548,328,641	3,850,000	0.00248655	1,548,328,641	1,930,000	0.00124651
2002	1,691,341,907	2,680,000	0.00158454	1,691,341,907	590,000	0.00034884
2003	1,861,970,430	1,440,000	0.00077337	1,861,970,430	65,000	0.00003491
2004	2,062,480,035	-	-	2,062,480,035	-	-
2005	2,279,958,176	-	-	2,279,958,176	-	-
2006	2,553,323,737	4,968,000	0.00194570	2,553,323,737	2,988,000	0.00117024
2007	2,898,277,302	4,968,000	0.00171412	2,898,277,302	2,988,000	0.00103096
2008	3,154,824,099	4,968,000	0.00157473	3,154,824,099	2,988,000	0.00094712

General Obligation Debt Outstanding - ID 135



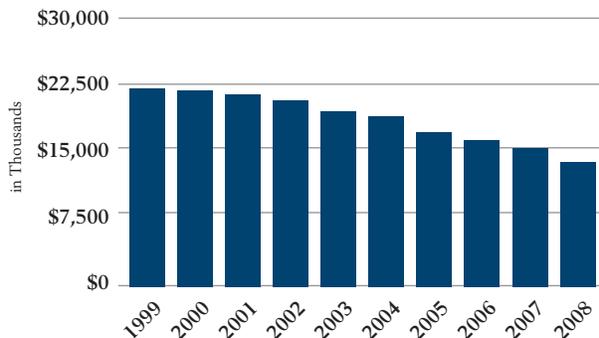
General Obligation Debt Outstanding - ID 235



Improvement District 140

1999	\$861,419,916	22,402,613	0.02600661
2000	1,083,889,212	21,677,880	0.02000009
2001	1,342,232,777	20,896,457	0.01556843
2002	1,668,617,110	20,083,096	0.01203577
2003	1,982,470,064	19,187,818	0.00967874
2004	2,294,454,249	18,246,359	0.00795237
2005	2,719,982,105	17,253,705	0.00634332
2006	3,446,887,473	16,181,977	0.00469466
2007	4,140,693,955	15,086,812	0.00364355
2008	4,642,366,023	13,892,372	0.00299252

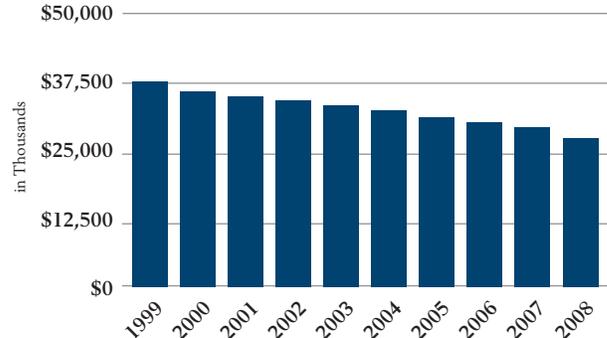
General Obligation Debt Outstanding - ID 140



Improvement District 240

1999	\$861,419,916	38,427,436	0.04460941
2000	1,083,889,212	37,618,495	0.03470696
2001	1,342,232,777	36,758,279	0.02738592
2002	1,668,617,110	35,866,792	0.02149492
2003	1,982,470,064	34,882,611	0.01759553
2004	2,294,454,249	33,862,454	0.01475839
2005	2,719,982,105	32,792,724	0.01205623
2006	3,446,887,473	31,643,026	0.00918017
2007	4,140,693,955	30,462,055	0.00735675
2008	4,642,366,023	29,182,814	0.00628619

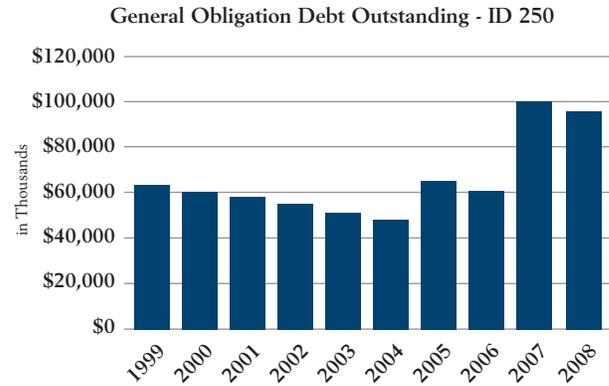
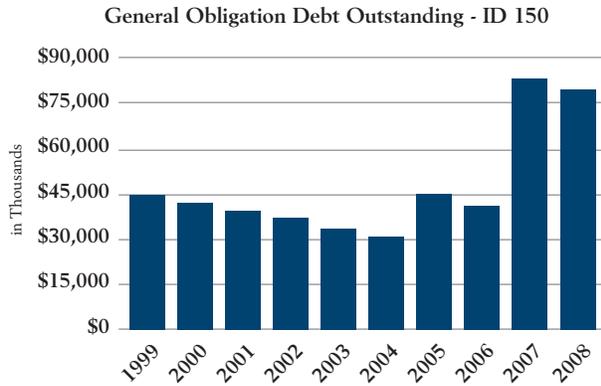
General Obligation Debt Outstanding - ID 240



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

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

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 150			Improvement District 250		
1999	\$ 1,173,027,498	46,001,880	0.03921637	\$ 1,170,009,974	63,316,186	0.05411594
2000	1,497,382,162	43,363,113	0.02895928	1,492,490,565	60,840,279	0.04076426
2001	1,838,660,109	40,539,688	0.02204849	1,833,697,786	58,204,803	0.03174176
2002	2,171,751,832	37,516,330	0.01727469	2,166,638,777	55,375,870	0.02555842
2003	2,631,853,234	34,390,746	0.01306712	2,626,638,626	52,352,492	0.01993136
2004	3,134,625,172	31,004,136	0.00989086	3,129,472,091	49,109,239	0.01569250
2005	3,548,888,756	27,478,309	0.00774279	3,543,639,799	45,671,541	0.01288831
2006	4,222,037,532	40,689,457	0.00963740	4,216,683,635	61,798,218	0.01465564
2007	5,194,093,605	37,058,770	0.00713479	4,874,632,043	57,946,529	0.01188736
2008	5,984,544,964	80,938,651	0.01352461	5,642,845,768	95,965,811	0.01700663



Fiscal Year Ended	Improvement District 153			Improvement District 253		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
1999	\$ -	-	n/a	\$ -	-	n/a
2000	-	-	n/a	-	-	n/a
2001	-	-	n/a	-	-	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	-	-	n/a	-	-	n/a
2007	-	-	n/a	-	-	n/a
2008	36,114,444	-	-	36,114,444	-	-

No Debt Outstanding at this Time

No Debt Outstanding at this Time

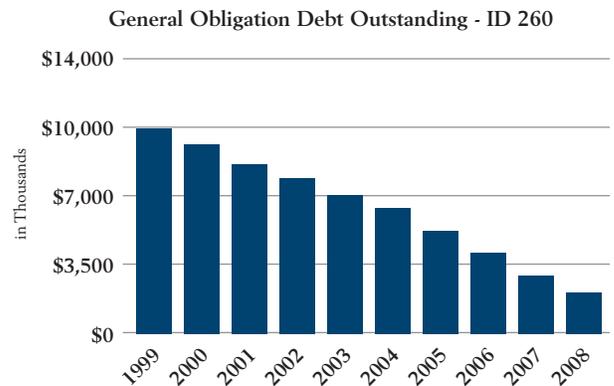
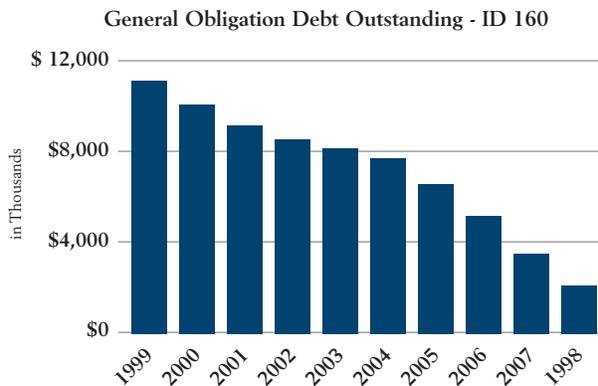
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

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 154</b>						
1999	\$ -	-	n/a			
2000	-	-	n/a			
2001	-	-	n/a			
2002	-	-	n/a			
2003	-	-	n/a			
2004	-	-	n/a			
2005	-	-	n/a			
2006	-	-	n/a			
2007	-	-	n/a			
2008	7,531,850	-	-			

No Debt Outstanding at this Time

<b>Improvement District 160</b>			
1998	\$ 634,498,858	\$ 11,260,256	0.01774669
1999	768,060,031	10,429,132	0.01357854
2000	938,497,665	9,530,621	0.01015519
2001	1,056,647,181	8,577,977	0.00811811
2002	1,205,443,542	7,585,846	0.00629299
2003	1,486,590,105	6,511,087	0.00437988
2004	2,101,987,732	5,380,202	0.00255958
2005	2,922,826,431	4,162,705	0.00142421
2006	3,372,542,514	2,883,510	0.00085500
2007	3,711,389,964	2,022,478	0.00054494

<b>Improvement District 260</b>			
1998	\$ 644,844,545	\$ 10,178,474	0.01578438
1999	777,030,343	9,523,221	0.01225592
2000	909,048,770	8,808,501	0.00968980
2001	1,023,835,907	8,029,412	0.00784248
2002	1,165,302,814	7,068,359	0.00606568
2003	1,442,431,910	6,063,834	0.00420390
2004	2,050,256,515	5,006,026	0.00244166
2005	2,866,594,651	3,759,359	0.00131144
2006	3,304,863,810	2,555,074	0.00077313
2007	3,641,310,305	1,584,223	0.00043507

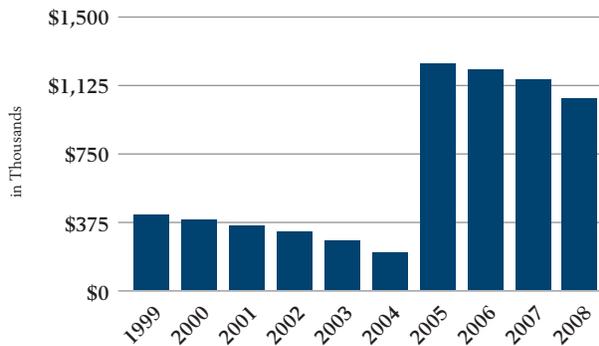


Source: Irvine Ranch Water District and the County of Orange Auditor Controller

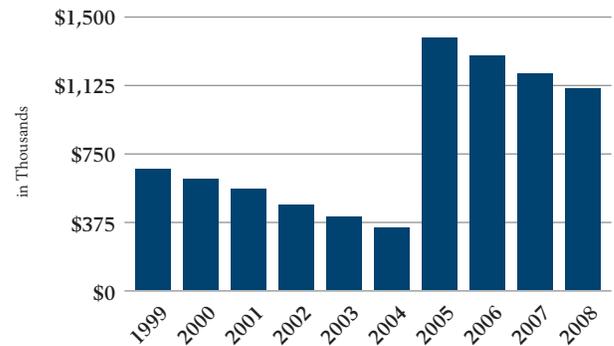
**Irvine Ranch Water District**  
**Ratio of General Obligation Debt to Assessed Values**  
**For the Past Ten Fiscal Years**  
**(Continued)**

Fiscal Year Ended	Improvement District 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
1999	\$ 573,292,801	423,972	0.00073954	\$ 681,173,406	652,208	0.00095748
2000	701,057,471	386,055	0.00055068	814,331,480	593,881	0.00072929
2001	864,372,534	345,841	0.00040011	947,092,085	532,018	0.00056174
2002	977,186,588	302,180	0.00030923	1,064,421,785	464,853	0.00043672
2003	1,122,693,719	256,221	0.00022822	1,213,366,283	394,153	0.00032484
2004	1,398,433,040	206,815	0.00014789	1,494,056,460	318,150	0.00021294
2005	2,007,153,739	155,112	0.00007728	2,109,648,525	238,613	0.00011311
2006	2,817,492,876	1,197,961	0.00042519	2,929,383,541	1,257,773	0.00042936
2007	3,260,457,444	1,149,704	0.00035262	3,382,835,586	1,183,538	0.00034987
2008	3,593,517,713	1,098,000	0.00030555	3,723,380,975	1,104,000	0.00029650

General Obligation Debt Outstanding - ID 161



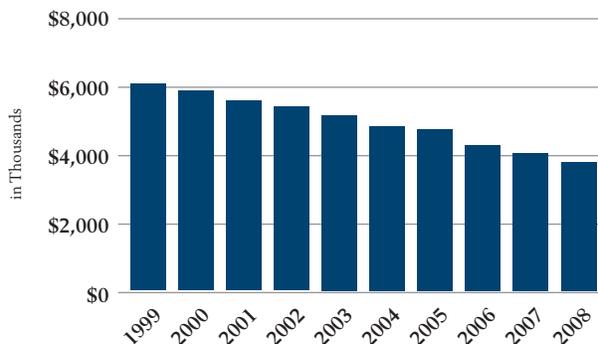
General Obligation Debt Outstanding - ID 261



Improvement District 182

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
1999	\$197,740,067	6,000,000	0.03034286
2000	234,646,534	5,800,000	0.02471803
2001	257,642,166	5,600,000	0.02173557
2002	291,208,540	5,300,000	0.01820002
2003	321,075,182	5,000,000	0.01557268
2004	367,379,519	4,700,000	0.01279331
2005	429,865,962	4,400,000	0.01023575
2006	509,371,089	4,360,000	0.00855957
2007	643,569,573	3,960,000	0.00615318
2008	720,602,896	3,560,000	0.00494031

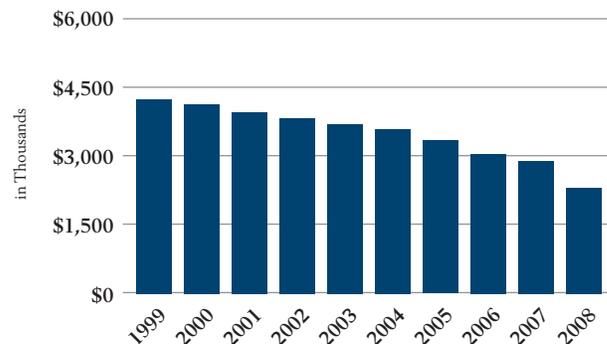
General Obligation Debt Outstanding - ID 182



Improvement District 282

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
1999	\$197,740,067	4,100,000	0.02073429
2000	234,646,534	4,000,000	0.01704692
2001	257,642,166	3,800,000	0.01474914
2002	291,208,540	3,600,000	0.01236227
2003	321,075,182	3,500,000	0.01090087
2004	367,379,519	3,200,000	0.00871034
2005	429,865,962	3,000,000	0.00697892
2006	509,371,089	2,800,000	0.00549697
2007	643,569,573	2,500,000	0.00388458
2008	720,602,896	2,200,000	0.00305300

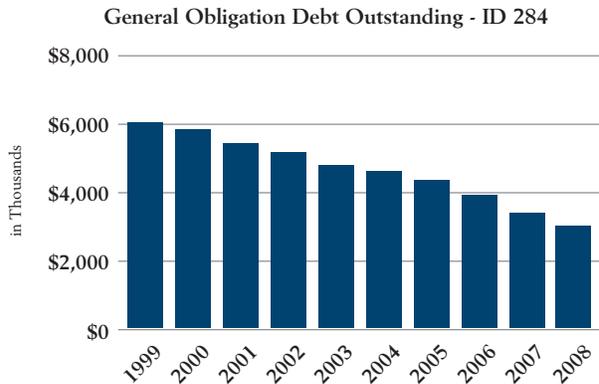
General Obligation Debt Outstanding - ID 282



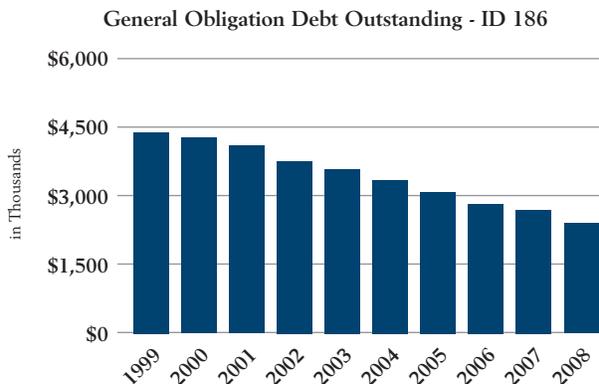
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

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

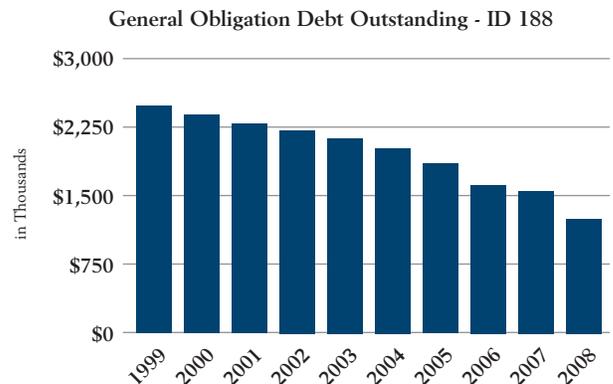
Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
<b>Improvement District 284</b>						
1999	\$ 114,052,470	6,000,000	0.05260737			
2000	139,731,284	5,700,000	0.04079258			
2001	173,108,075	5,500,000	0.03177206			
2002	201,954,218	5,200,000	0.02574841			
2003	212,339,216	4,900,000	0.02307628			
2004	234,612,404	4,600,000	0.01960681			
2005	262,111,956	4,300,000	0.01640520			
2006	283,547,263	3,900,000	0.01375432			
2007	328,208,160	3,960,000	0.01206551			
2008	378,200,679	3,560,000	0.00941299			



<b>Improvement District 186</b>			
1999	\$ 57,038,607	4,409,972	0.07731557
2000	74,917,643	4,224,111	0.05638340
2001	88,941,661	4,021,354	0.04521339
2002	100,471,202	3,818,597	0.03800688
2003	112,738,988	3,582,046	0.03177292
2004	131,012,460	3,345,496	0.02553571
2005	160,071,307	3,092,050	0.01931670
2006	195,573,514	2,821,706	0.01442786
2007	226,924,367	2,551,363	0.01124323
2008	250,901,383	2,247,227	0.00895662



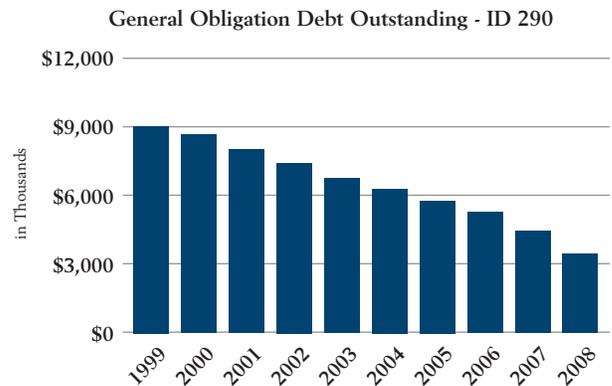
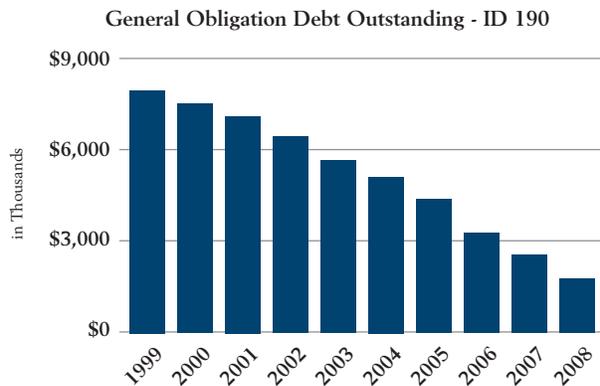
<b>Improvement District 188</b>			
1999	\$ 12,572,112	2,415,865	0.19216061
2000	12,805,067	2,314,047	0.18071336
2001	13,042,080	2,202,972	0.16891266
2002	11,230,337	2,091,898	0.18627208
2003	11,454,943	1,962,312	0.17130697
2004	11,684,036	1,832,725	0.15685718
2005	11,694,828	1,693,882	0.14484028
2006	11,928,713	1,545,783	0.12958508
2007	12,167,278	1,397,684	0.11487238
2008	12,410,613	1,231,073	0.09919517



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

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

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 190			Improvement District 290		
1999	\$ 33,127,889	7,983,610	0.24099363	\$ 33,127,889	8,934,577	0.26969955
2000	26,711,215	7,447,520	0.27881623	26,711,215	8,495,431	0.31804733
2001	23,373,458	6,880,794	0.29438492	23,373,458	8,022,004	0.34321000
2002	23,683,950	6,267,210	0.26461845	23,683,950	7,517,788	0.31742119
2003	98,550,840	5,603,956	0.05686361	98,550,840	6,971,671	0.07074188
2004	193,467,473	4,900,789	0.02533133	193,467,473	6,389,145	0.03302439
2005	274,890,597	4,147,954	0.01508947	274,890,597	5,764,721	0.02097096
2006	504,233,712	3,334,458	0.00661292	504,233,712	5,078,811	0.01007234
2007	643,015,916	2,542,152	0.00395348	643,015,916	4,374,977	0.00680384
2008	694,601,211	1,678,812	0.00241694	694,601,211	3,613,848	0.00520277

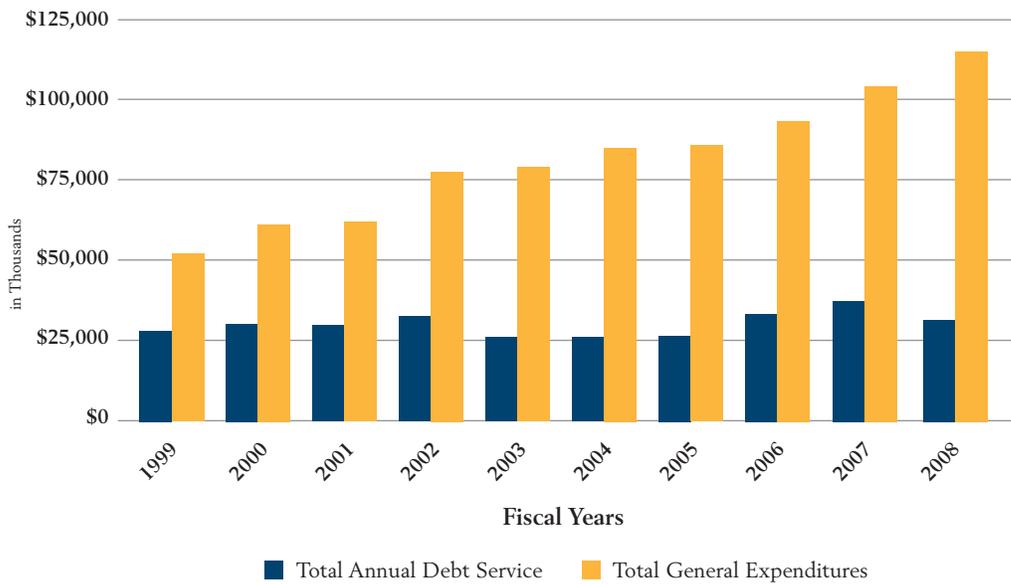


## Irvine Ranch Water District

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
1999	27,840	53,095	52.4%
2000	28,985	59,863	48.4%
2001	29,211	60,918	48.0%
2002	31,991	77,869	41.1%
2003	27,408	79,710	34.4%
2004	27,751	84,890	32.7%
2005	28,090	85,937	32.7%
2006	32,186	92,229	34.9%
2007	37,177	104,592	35.5%
2008	32,314	116,353	27.8%

**Annual Debt Service to Annual General Expenditures**



Source: Irvine Ranch Water District

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

	<u>1999</u>	<u>2000</u>	<u>2001<sup>(1)</sup></u>	<u>2002</u>	<u>2003</u>
<b>Revenues</b>					
Water sales and service charges	\$ 22,335	\$ 22,350	\$ 23,023	\$ 27,647	\$ 27,185
Sewer sales and service charges	11,840	12,656	13,719	17,518	18,521
1% property tax revenues	0	0	0	0	0
Connection fees	7,047	7,036	7,912	5,059	6,677
Net real estate income	4,711	4,596	3,772	6,276	4,668
Interest income	24,544	26,186	21,756	30,523	5,973
Net earnings on JPA	21,509	2,549	2,744	2,452	2,360
Other	2,467	5,481	7,413	7,555	6,120
<b>Total revenues</b>	<u>\$ 94,453</u>	<u>\$ 80,854</u>	<u>\$ 80,339</u>	<u>\$ 97,030</u>	<u>\$ 71,504</u>
<b>Expenses</b>					
Water services	18,015	18,403	20,451	25,184	24,820
Sewer services	8,969	10,978	9,146	15,060	15,558
Administrative and general	6,666	9,671	10,071	11,451	12,141
Customer accounts	1,650	1,692	1,871	2,165	2,207
Other	1,194	833	1,944	6,166	373
<b>Total expenses</b>	<u>36,494</u>	<u>41,577</u>	<u>43,483</u>	<u>60,026</u>	<u>55,099</u>
Net revenues	<u>57,959</u>	<u>39,277</u>	<u>36,856</u>	<u>37,004</u>	<u>16,405</u>
<b>Senior debt service</b>					
2002 Certificates of participation series A & B	0	0	0	0	470
1997 State Loan #3	0	227	227	227	227
Prior reimbursement agreements	0	0	0	0	0
Total senior debt service	<u>0</u>	<u>227</u>	<u>227</u>	<u>227</u>	<u>697</u>
Senior debt service coverage	N/A	N/A	N/A	N/A	23.5
<b>Other revenue available for subordinate debt service</b>					
1% property tax revenues	6,190	7,323	9,227	11,279	12,833
Ad valorem property tax revenues	<u>1,668</u>	<u>5</u>	<u>1,619</u>	<u>2,451</u>	<u>1,414</u>
Net revenues available for subordinate debt service	65,817	46,378	47,475	50,507	29,955
<b>Subordinate debt service</b>					
State Loans # 1 and #2	292	292	292	292	292
Certificates of participation	3,382	3,447	3,854	2,823	2,641
Ad valorem bonds	24,815	25,478	27,077	24,562	23,377
Total subordinate debt service	28,489	29,217	31,223	27,677	26,310
Subordinate debt service coverage	2.3	1.6	1.5	1.8	1.1
Net revenues available for other purposes	<u>37,328</u>	<u>17,161</u>	<u>16,252</u>	<u>22,830</u>	<u>3,645</u>

Source: Irvine Ranch Water District

Notes:

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>					
Water sales and service charges	\$ 31,700	\$ 33,105	\$ 39,256	\$ 45,138	\$48,516
Sewer sales and service charges	23,346	24,622	29,248	37,649	39,811
1% property tax revenues	0	0	0	0	0
Connection fees	5,546	6,188	17,903	22,122	6,411
Net real estate income	4,541	4,945	4,625	4,921	5,329
Interest income	5,158	7,695	9,115	10,768	10,674
Net earnings on JPA	3,269	3,277	3,367	3,388	3,238
Other	13,065	9,753	8,494	10,457	11,130
<b>Total revenues</b>	<u>\$ 86,625</u>	<u>\$ 89,585</u>	<u>\$ 112,008</u>	<u>\$ 134,443</u>	<u>\$ 125,109</u>
<b>Expenses</b>					
Water services	26,139	25,198	29,813	33,281	37,030
Sewer services	19,052	19,055	18,480	23,439	26,032
Administrative and general	12,301	12,879	14,181	16,595	18,516
Customer accounts	2,307	2,410	2,620	2,829	3,178
Other	1,881	430	666	884	2,288
<b>Total expenses</b>	<u>61,680</u>	<u>59,972</u>	<u>65,760</u>	<u>77,028</u>	<u>87,044</u>
Net revenues	<u>24,945</u>	<u>29,613</u>	<u>46,248</u>	<u>57,415</u>	<u>38,065</u>
<b>Senior debt service</b>					
2002 Certificates of participation series A & B	599	1,094	1,873	2,319	3,564
1997 State Loan #3	226	226	227	453	0
Prior reimbursement agreements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total senior debt service	825	1,320	2,100	2,772	3,564
Senior debt service coverage	30.2	22.4	22.0	2.07	10.7
<b>Other revenue available for subordinate debt service</b>					
1% property tax revenues	14,474	7,335	10,177	22,256	24,730
Ad valorem property tax revenues	<u>830</u>	<u>390</u>	<u>5,060</u>	<u>8,411</u>	<u>9,515</u>
Net revenues available for subordinate debt service	39,424	36,018	59,385	85,537	68,746
<b>Subordinate Debt Service</b>					
State Loans # 1 and #2	292	292	292	288	292
Certificates of participation	2,573	3,128	3,758	4,099	3,851
Ad valorem bonds	23,524	25,823	28,935	30,451	29,376
Total subordinate debt service	26,389	29,243	32,985	34,838	33,519
Subordinate debt service coverage	1.5	1.2	1.8	2.4	2.1
Net revenues available for other purposes	<u>13,035</u>	<u>6,775</u>	<u>26,400</u>	<u>50,472</u>	<u>35,227</u>

# Irvine Ranch Water District

## Principal Employers

Fiscal Year Ended June 30, 2008

Name of Company	Employment	Products	Percentage of Total Employment
University of California, Irvine	17,976	Educational	8.55%
Irvine Unified School District	2,475	Educational	1.18%
Verizon Wireless	2,407	Communications	1.15%
Glidewell Dental Ceramics	2,000	Dental Appliances	0.95%
Edwards Life Sciences	1,833	Surgical Appliances and Supplies	0.87%
Parker Hannifin	1,800	Aircraft Parts	0.86%
Allergan	1,677	Pharmaceutical (R&D/Marketing)	0.80%
Broadcom	1,677	Technology	0.80%
Washington Mutual	1,336	Banking	0.64%
St. John Knits	1,200	Apparel	0.57%
			<u>16.37%</u>

Source: City of Irvine Comprehensive Annual Financial Report (June 30, 2007)

Data was not yet available for FY2006/07 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 1999 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
1999	N/A	135,500	N/A	N/A	N/A
2000	N/A	144,100	N/A	N/A	N/A
2001	N/A	148,100	N/A	N/A	N/A
2002	N/A	157,499	N/A	N/A	N/A
2003	N/A	164,923	N/A	N/A	N/A
2004	N/A	171,700	N/A	N/A	N/A
2005	316,000	172,182	\$82,827	\$7,267,978	3.9%
2006	322,000	193,785	\$84,270	\$7,352,397	3.6%
2007	330,000	202,079	\$85,624	\$7,667,079	4.0%
2008	330,000	202,079	N/A (1)	N/A (1)	5.3%

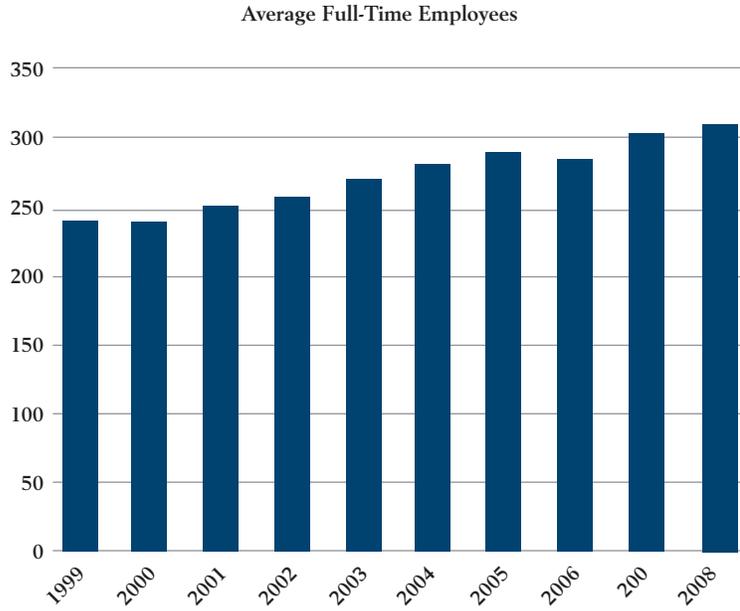
Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2007) and County of Orange website.

*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 2008 has not yet been published by the City of Irvine.

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

Average Full-Time Employees	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	244	244	253	260	275	285	293	290	303	313



## Irvine Ranch Water District

### Water and Sewer Service Connections For the Past Ten Fiscal Years

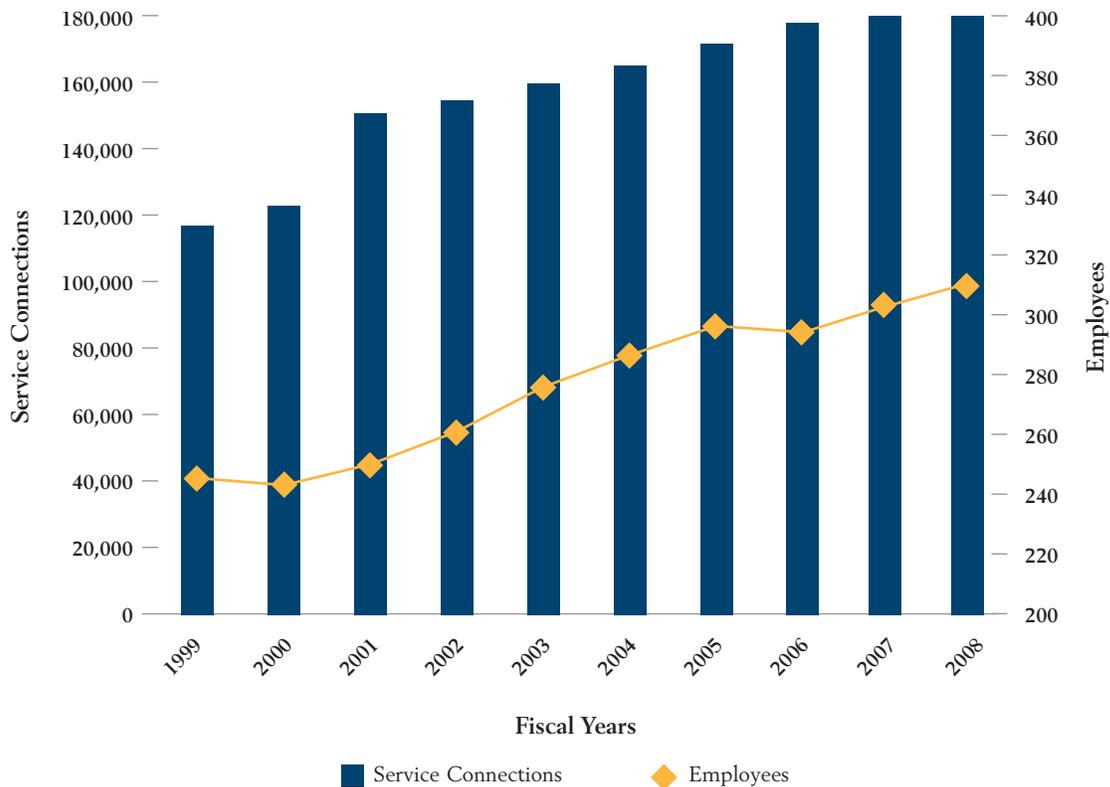
Fiscal Year Ended	Potable Water	Non-Potable Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
1999	61,654	118	56,461	118,233	244	485
2000	64,247	118	58,996	123,361	244	506
2001 (1)	79,011	118	73,268	152,397	253	602
2002	81,659	120	75,957	157,736	260	607
2003	83,527	120	77,803	161,450	275	587
2004	85,788	117	83,195	169,100	285	593
2005	88,423	143	83,874	172,440	293	589
2006	90,816	219	86,106	177,141	290	611
2007	93,531	270	88,491	181,847	303	600
2008	95,386	284	89,491	185,161	313	592

Source: Irvine Ranch Water District

Notes:

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

#### Service Connections and Average Employee Count



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

	1999	2000	2001 <sup>(1)</sup>	2002	2003	2004	2005	2006	2007	2008
<b>Water</b>										
Residential	2,259	2,300	13,044	2,306	1,563	1,788	2,360	2,039	2,211	2,211
Commercial/Industrial/ Public Authority	151	117	766	138	119	171	252	152	312	1,439
Fire Protection	199	208	469	234	152	141	137	128	162	330
Landscape Irrigation	57	36	503	20	15	25	6	15	19	173
Agricultural	(5)	1	3	(3)	0	(5)	(6)	0	2	(1)
<b>Sewer</b>										
Residential	2,325	2,180	13,019	2,296	1,561	1,808	2,355	2,002	1,462	891
Commercial/Industrial/ Public Authority	138	126	758	148	115	1,268	237	150	290	357
Landscape Irrigation	213	230	495	246	168	174	264	156	276	207
Agricultural	(5)	(2)	0	0	2	(2)	(2)	0	(2)	4

Source: Irvine Ranch Water District

Notes:

(1) The Los Alisos Water District and the Irvine Ranch Water District consolidated on January 1, 2001.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Water</b>										
Residential	11	11	11	10	11	10	10	11	11	11
Commercial	99	91	83	76	75	68	72	73	75	69
Industrial	288	279	286	263	258	227	258	241	228	226
Public Authority	922	624	559	483	487	398	464	454	356	359
Construction & Temporary	180	166	160	262	237	179	95	94	94	122
Treated - Landscape Irrigation	118	126	111	116	107	99	103	110	127	122
Treated - Agricultural	2,423	2,957	2,047	2,796	2,309	2,080	1,990	1,760	1,653	1,294
Untreated - Agricultural	9,587	11,525	7,564	7,399	6,836	5,686	5,520	7,659	7,991	6,405
	13,627	15,779	10,821	11,405	10,322	8,747	8,512	10,401	10,534	8,608
<b>Recycled water</b>										
Landscape Irrigation	220	255	216	225	188	199	178	176	211	191
Agricultural	164	192	137	134	277	330	268	895	1,792	1,792
	384	447	354	359	465	529	446	1,071	2,003	1,982

Source: Irvine Ranch Water District

**Irvine Ranch Water District**  
**Capital Asset Statistics**  
**For the Past Five Fiscal Years**  
**June 30, 2008**

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

Source: Irvine Ranch Water District

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

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

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

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**IRVINE RANCH WATER DISTRICT**

POST OFFICE BOX 57000

IRVINE, CALIFORNIA 92619-7000

949.453.5300