

Essential for Our Community



Irvine Ranch Water District
Irvine, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for fiscal year ended June 30, 2020



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Comprehensive Annual Financial Report

For fiscal year ended June 30, 2020

Irvine Ranch Water District

Irvine, California

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

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December 14, 2020

To 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, 2020. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable, rather than absolute, basis for making these representations, IRWD management has established a comprehensive framework of internal controls. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the basic financial statements are free of any material misstatements. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2020 were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of Irvine Ranch Water District

Overview

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

IRWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The members of the Board each have varied professional backgrounds, coupled with an average tenure for the Board members of approximately 26 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, and water banking. The District is a pioneer in financial management practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

The District serves a 181 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County. Extending from the Pacific Coast to the top of the foothills of eastern Orange County, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated daytime population served is approximately 600,000 and includes approximately 118,000 water and 113,000 sewer service and recycled water connections. The number of service connections has increased by approximately 21% over the last ten years.

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

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

People



Field Crew on Site - Providing Essential Services

The District employs approximately 400 staff who are responsible for administering daily operations and implementing strategic objectives and policies set forth by the Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of District employees is approximately 16 years.

Services

The District is functionally organized into four core service areas:

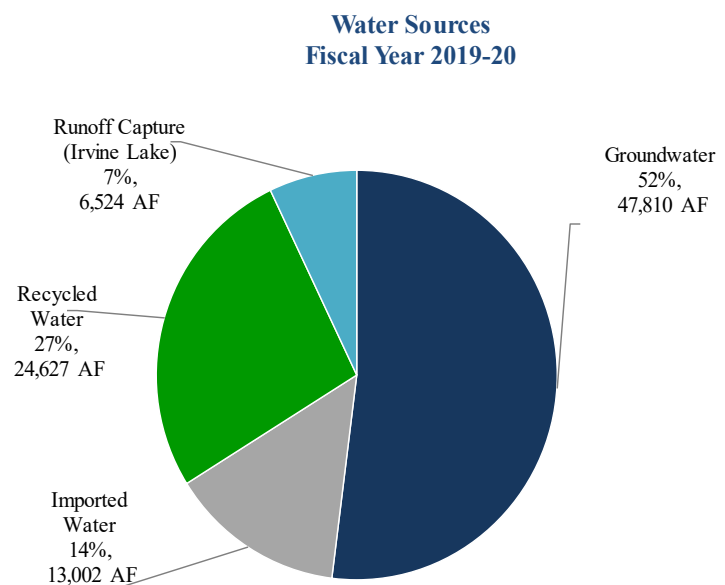
Drinking or “Potable” Water System

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

IRWD also operates many other groundwater wells with water from some of these wells requiring treatment. In Fiscal Year (FY) 2019-20, local groundwater accounted for 52% of the District’s total water supply.

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

The District purchased 14% of its water supply in FY 2019-20 from the Municipal Water District of Orange County (MWDOC), the regions local wholesale water supplier who purchases its water from the Metropolitan Water District of Southern California. This water is imported from both the Colorado River, which is transported approximately 240 miles to Southern California, and from the Delta, from which water is transported approximately 400 miles from Northern California.



Recycled and Non-Potable Water Systems

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

Once treated, the recycled water is distributed throughout the service area and in FY 2019-20 accounted for approximately 27% of the District’s total water supply. Approximately 84% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) in the District’s service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD’s goal is to continue recycling its sewage flows to provide 25% to 30% of its total water supply once the District’s service area is fully developed.

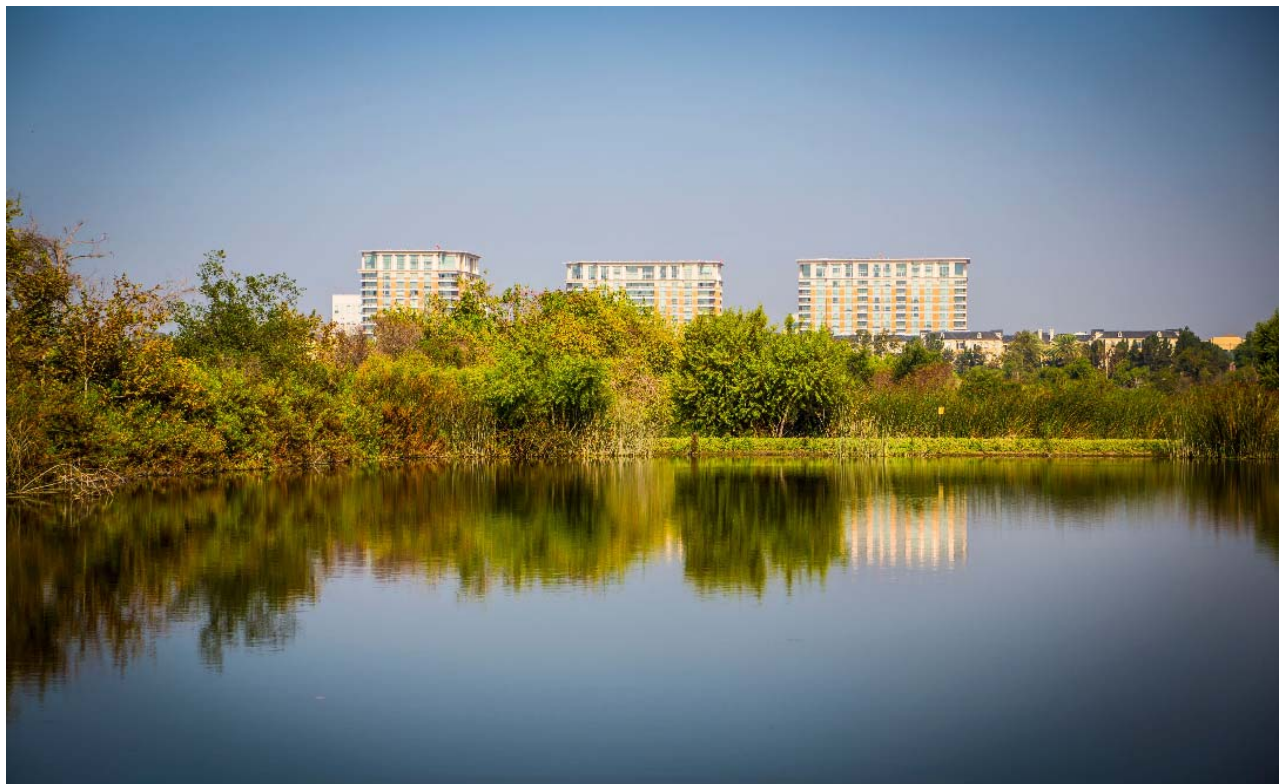
The District operates a non-potable system which includes 5 wells, 5 open reservoirs and 12 tanks that store water for non-potable uses. In total, the District has approximately 4,500 acre feet of active recycled water storage capacity. IRWD has a majority ownership in Irvine Lake, a 25,000 acre-feet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

Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District-owned water recycling plants or to the Orange County Sanitation District (OCSD). In FY 2019-20, the District treated approximately 84% of its sewage while the remainder of the sewage collected by the District was diverted to the OCSD treatment facilities. The District plans to expand its treatment capacity when necessary to serve its growing population. This expansion is discussed in more detail in the *Major Initiatives* section of this document.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff and conducts various projects and programs as part of an effort to protect water quality in the San Diego Creek watershed. In the 1990s, the District constructed wetlands at the San Joaquin Marsh where natural biological processes remove a substantial pollutant load from San Diego Creek dry weather flow before it reaches the environmentally sensitive Upper Newport Bay State Ecological Reserve. The District operates a regional urban runoff treatment network known as the Natural Treatment System (NTS). As of June 30, 2020, the NTS consists of 43 constructed wetland treatment sites located throughout the San Diego Creek Watershed and one outside of the IRWD service area with several more currently under construction. In addition, IRWD's urban runoff diversion facilities along the Peters Canyon Wash pump runoff high in selenium into OCSD's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.



San Joaquin Marsh

Infrastructure Assets

The District builds and maintains significant capital infrastructure in order to provide superior service to its customers. The table below provides key information relating to its water and sewer system assets from 2011 to 2020.

Infrastructure Assets		
	2011	2020
Potable System		
Miles of Water Line	1,460	1,955
Number of Storage Tanks	37	37
Maximum Storage Capacity (acre feet)	456	467
Number of Pumping Stations	43	39
Number of Wells	24	27
Well Production Capacity (cfs)	117	118
Water Banking Storage Capacity (acre feet)	109,600	126,000
Potable Treatment Plants	3	5
Non-Potable and Recycled Systems		
Miles of Recycled Line	468	570
Number of Storage Tanks	11	12
Number of Open Reservoirs	4	5
Maximum Storage Capacity (acre feet)	23,703	24,155
Number of Pumping Plants	19	19
Number of Wells	5	5
Well Production Capacity (cfs)	10.0	10.0
Sewer System		
Miles of Sewer Line	950	1,143
Number of Lift Stations	13	13
Treatment Plants	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	33.5
Sewage Flows to Michelson Plant	68%	72%
Sewage Flows to Los Alisos Plant	15%	12%
Sewage Flows to Orange County Sanitation District	17%	16%
1 acre foot = 325,900 gallons		
cfs = cubic feet per second		
mgd = millions gallons per day		

2020 Accomplishments

The District conducts a Strategic Planning Process where the Board annually adopts goals and target activities and monitors accomplishments against those goals. Major accomplishments achieved in FY 2019-20 were as follows:

1. Continued to deliver superior service to customers during the Coronavirus Pandemic without any interruptions in governance, operations or customer service. During the Pandemic, there were no customer shut offs or late fees charged for water service and customers were provided the opportunity to temporarily increase their residential water budget if needed due to the governor's stay at home orders. Customers facing financial hardship were offered payment plans to assist with the water bills.



Field Crew on Site - Providing Essential Services

2. Initiated start-up of the Michelson Water Recycling Plant Biosolids & Energy Recovery Facilities capital project (at a cost in excess of \$240 million) for the handling of solids, which will cost effectively provide resource recovery of solids and biogas for IRWD.
3. Continued to promote water use efficiency and long-term conservation measures resulting in District's customers having one of the lowest residential gallons per capita per day (gpcd) rates in California. In FY 2019-20, IRWD's residential water use (indoors and outdoors) averaged 65 gpcd, which was 26% lower than the statewide average of 88 gpcd. District finances were not negatively impacted as IRWD recovers its costs from customers through fixed and variable charges.
4. Completed agreements to form the Groundwater Banking Joint Powers Authority, a partnership between IRWD and Rosedale Rio-Bravo Water Storage District to design and construct the Kern Fan Groundwater Storage Project. Established key terms for construction of the project with the State agencies.
5. Completed construction of the remaining Sand Canyon Office property. The investment contributes to keeping customer rates low.
6. Completed installation of the photovoltaic (solar) energy system at the Baker Water Treatment Plant, which works in conjunction with the existing battery storage system.
7. Implemented improvements to the District's computer systems by increasing cybersecurity measures and upgrading the email system to a cloud-based system.
8. Continue to fully fund the IRWD employee pension plan, including the IRWD Pension Benefits Trust, which contains funds adequate to cover the District's CalPERS projected pension liability as of the current fiscal year end.
9. Received the United States Environmental Protection Agency's Excellence in Education and Outreach Award and the Wetland of Distinction Award for the San Joaquin Marsh and Wildlife Sanctuary from the Society of Wetland Scientists.

Future Goals

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

1. Optimize and protect local water supply utilization: develop and implement projects to increase IRWD's access to local groundwater and stormwater capture; also implement solutions to remove emerging contaminants of concern (e.g. PFOA/ PFOS).
2. Evaluate and invest in projects and programs that will enhance future long-term water supply reliability: pursue projects and supply arrangements to enhance water supply reliability, including increased water banking and water recycling. Provide additional water storage opportunities for regional water supply reliability.
3. Optimize use of Irvine Lake as a water resource facility for IRWD and its partners: resolve property related issues and implement projects which will enhance the long-term operational reliability of the reservoir.
4. Develop water banking supplies for IRWD by working with current and future partners: develop capabilities for recharge, storage, and extraction capacity and store water as it becomes available. Continue development of IRWD water banking facilities in Kern County.
5. Develop and implement the Kern Fan Groundwater Storage Project: execute agreements and secure additional water storage investment funding. Complete planning and environmental compliance work.
6. Develop water recycling facilities and applications for optimal benefit: identify new opportunities for IRWD to utilize recycled water locally.
7. Maximize resource recovery from fully functional biosolids and other resource recovery facilities: complete start-up of IRWD's Biosolids and Energy Recovery Facilities.
8. Improve energy service reliability, manage demands, and control costs. Develop capability to continue operation of key facilities during short and long-term power outages.
9. Maximize watershed protection: control and treat urban runoff while preventing sewer spills.
10. Ensure financial and rate stability: ensure adequate funding for future infrastructure replacement needs, continue to provide low rates for IRWD customers, maintain strong financials through solid debt service coverage, liquidity balances, mixed debt profile, and pension plan obligation funding of at least 90 percent.
11. Identify, assess and implement new technologies, systems and facilities to improve operating efficiency: implement new systems such as mobility for Enterprise Asset Management while protecting existing and future systems through advanced cybersecurity measures.
12. Enhance customer communications: Implement improved customer web access portal and strategically extend community outreach.
13. Maximize water use efficiency in the community: explore future opportunities for increased water use efficiency and expand database for improved analytics.
14. Recruit, develop and retain a highly skilled, motivated, and educated work force: develop employee skills, develop and implement employee expectations for corporate values and ensure appropriate employee compensation.
15. Guide and lead local, state and federal policies and legislation: actively engage in issues of key interest to IRWD including water use efficiency, water rate structures, and others.
16. Engage and shape policies and regulations put forth by local, state and federal agencies: influence regulations to align with best practices for recycled water use and other applications.
17. Increase collaboration with other agencies and entities through leadership and innovation: engage at a high-level in industry associations, regional water agencies, and development of opportunities of mutual benefit for IRWD and partners.

18. Implement opportunities that enhance safety, security, and emergency preparedness throughout the District: protect the health and safety of IRWD employees and facilities.

Water Use Efficiency

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

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

In 2016, Governor Brown issued an Executive Order calling for Californians to build on the actions taken during the recent statewide drought, and to "Make Conservation a Way of Life in California". In response, legislation requiring statewide long-term water use efficiency passed in 2018. As a result, the state will establish new long-term water efficiency objectives by June 30, 2022. IRWD has a long history of implementing cost-effective water efficiency programs, and it is well prepared to meet the future efficiency standards. The District's customers have one of the lowest residential gallons per capita per day (gpcd) rates in California.

In December 2019, the District completed a Future Potential Water Efficiency Study which provided a comprehensive evaluation of past water use efficiency programs and assessment of future water efficiency potential. The District's Water Use Efficiency Implementation Plan (Plan), adopted April 2020, provides a comprehensive strategy based on the conclusions and recommendations of the Study to implement cost-effective water use efficiency measures for the District and its customers. Specifically, the Plan addresses:

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

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives.

During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD provides reliable, high quality water to its customers in a cost-effective manner. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 25,000 acre feet of recycled water sold in FY 2019-20 representing 27% of the District's

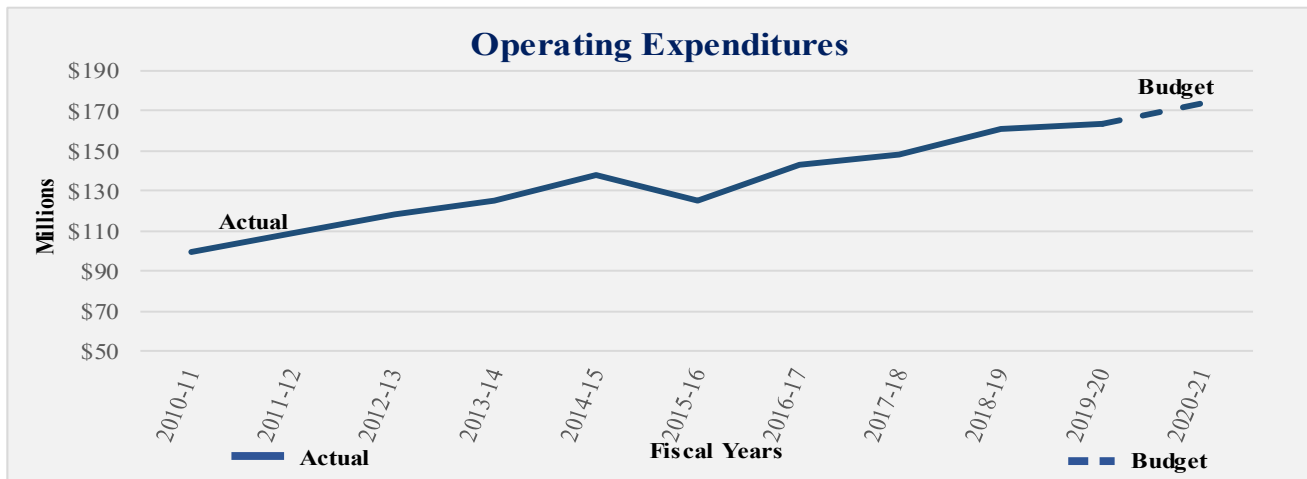
total water supply. The use of recycled water reduced the District’s need to import more expensive potable supplies.

Legislative and Regulatory Affairs

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

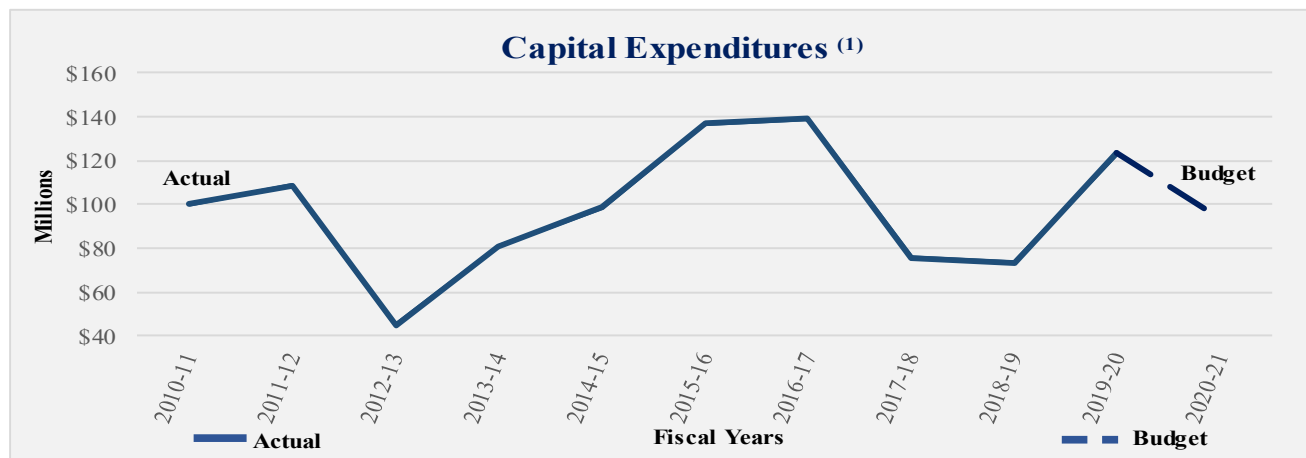
Financial Plan

Last year, the Board approved a two-year (biennial) operating budget to improve IRWD’s long term planning, enhance funding stability, and create greater efficiency in the budgeting process. The goal of the District’s operating budget process is to appropriately fund the resources required to provide excellent service to IRWD customers as cost-efficiently as possible. The graph below shows the actual operating expenditures through FY 2019-20, as well as the Board approved operating budget for FY 2020-21. Increases reflect costs associated with customer growth within the District, as well as an increase in overall operating expenses. Increases have been kept to a minimum by aggressively pursuing reductions in expenses to offset uncontrollable expenses, such as pass-through rate increases from outside agencies.



The approved FY 2020-21 budget increased to \$173.6 million from \$170.0 million or 4.0% from FY 2019-20. The primary reasons were increases in labor and associated benefits for additional positions necessary to support new operating facilities, increases in the cost of water due to expected rate increases from outside agencies, and higher operating and maintenance costs associated with new facilities coming on line.

The Board also approved a two-year capital budget last year based on new, enhancement and replacement infrastructure needs. The following chart shows the actual capital expenditures through FY 2019-20 and the budget for FY 2020-21.



(1) Actual capital expenditures excluding overhead, intangibles and capitalized interest.

The reduced spending in FY 2012-13 and FY 2017-18 from prior years represents the District’s completion of several large projects including the MWRP Upgrade Project and the Baker Water Treatment Plant. Higher spending beginning in FY 2013-14 represents the design and construction phases for the Michelson Biosolids and Energy Recovery Facilities, which began construction in FY 2013-14. The Board approved capital budget is \$93.8 million for FY 2020-21. Many capital budget projects extend beyond one fiscal year.

User Rates & Charges

User rates and charges are primarily used to fund the District’s operation and maintenance expenses. The District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District collects replacement funds in advance of their need and sets the monies aside. This helps stabilize rates and avoid significant potential future rate spikes. In 2015, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services. The District will update that study in 2020. The District allocates capital costs within its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund new capital projects. Ad valorem property tax rates are set annually by the District, as are connection fees paid by property developers and landowners. Generally, the District’s policy is to allocate the cost of new infrastructure evenly between the developers/landowners and the ultimate property owners who utilize the water and sewer infrastructure.

Water Rates

The District’s rate structure for water use is separated into a commodity charge component and a fixed service charge component. The commodity charge reflects the cost of providing the District’s water supplies while the fixed service charge funds the fixed operational and maintenance expenses of the District. For FY 2019-20, the District’s water fixed service charge was \$10.35 per month. The District has a long history of planning for the inevitable replacement of capital infrastructure and sets monies aside into enhancement and replacement funds for this purpose to avoid large, sudden rate increases in the future. In FY 2019-20, the monthly fixed service charge includes a user enhancement and

replacement component of \$0.70 and \$2.10, respectively, per month, intended to fund current and future replacement and refurbishment costs that provide reliability and redundancy to the District’s infrastructure. The District has a four-tiered rate structure that promotes water use efficiency. A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer’s needs based on factors such as the number of occupants, type or classification of use, size of the irrigated area, evapotranspiration rate for the billing period and other consistently applied criteria. The chart below illustrates the four-tier structure that reflects the increased cost associated with usage in the higher tiers.

FY 2019-20 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Cost per ccf
Low Volume	0 – 40%	\$ 1.47
Base Rate	41 – 100%	\$ 2.00
Inefficient	101 – 140%	\$ 4.86
Wasteful	141% +	\$13.63

One ccf (100 cubic feet) = 748 gallons

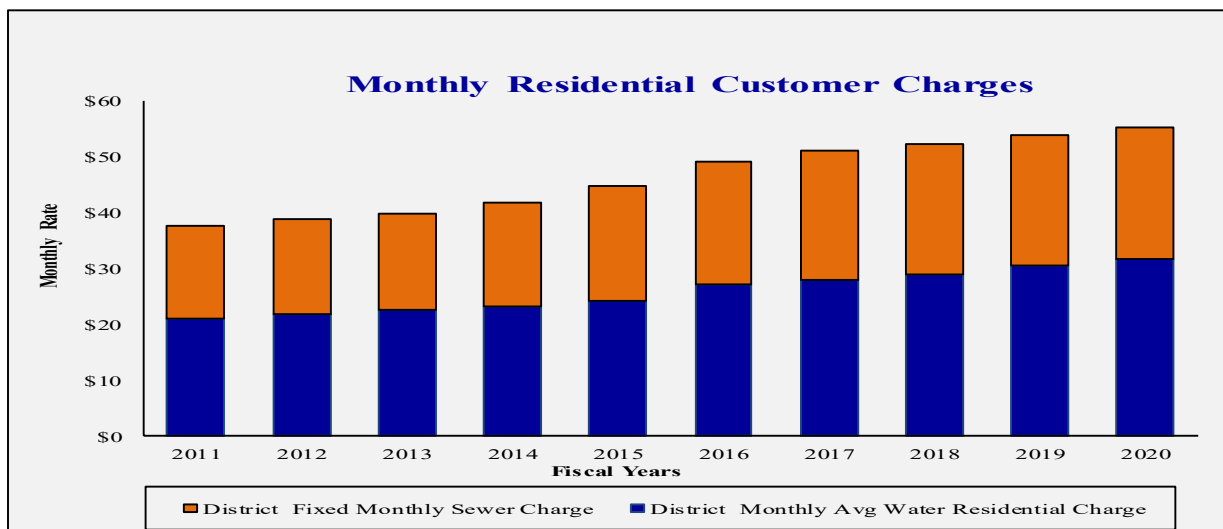
As of June 2020, approximately 80% of the District’s customers were within the first two tiers and approximately 93% of customers fell within the District’s first three tiers. IRWD residential bills are consistently among the lowest in Orange County.

Sewer Rates

The District’s sewer rates are also among the lowest in Orange County, with a fixed monthly service charge of \$23.50 in FY 2019-20 for a typical residential customer covering the collection and treatment of sewage. This monthly service charge includes a user enhancement and replacement component of \$0.82 and \$9.31, respectively, per month, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system.

Historic Rate Trends

The following chart reflects the annual “base rate” charge for an average customer’s water and sewer service through FY 2019-20. The District has raised rates in each of the last several years due largely to increased costs from outside agencies or wholesale supplies and increased fixed service costs for both water and sewer, including funding for future infrastructure replacement.



Factors Affecting Financial Condition

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

State and Local Economy

Orange County is the third most populous county in California with nearly 3.2 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District's service area is the home to numerous corporate headquarters such as Oakley, Edwards Life Sciences, Blizzard Entertainment and Glidewell Laboratories. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses. The total estimated daytime population served is approximately 600,000.

During FY 2019-20, the District continued to expand its operating facilities to accommodate approximately 3,700 new water and sewer service connections constructed within District boundaries. Development and entitlement needs of the builders continue to change and there remains less than 20% of land available for future development. Requirements for these areas have been included in the planning and these facilities are included in the capital budget. The assessed value of land within the District's service area has grown significantly in the last decade from \$35.0 billion in 2011 to more than \$70.3 billion in 2020, demonstrating the strength of the local economy.

Long-Term Conservation

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

COVID-19

The recent outbreak of coronavirus (COVID-19) and related government containment measures created an uncertain environment for essential service providers in the water and sewer industry, including IRWD. In mid-March, prior to the Executive Order issued by the Governor to suspend water shut-offs to customers for non-payment of services, the District proactively closed its offices to the public to protect the health and safety of staff and suspended all shut-offs and late payments to customers. Payment arrangements as well as temporary variances for additional water usage for people in the house due to the stay at home orders have been offered to all customers impacted by COVID-19. The District's believes there was only minimal impact to related revenue and potable demands in the fourth quarter of FY 2019-20.

Due to COVID-19 and its ramifications to District customers, the Board elected to defer a previously planned Board approved rate increase for FY 2020-21. The potential operating revenue impact of \$4.6 million is mitigated by a similar response from several third-party agencies not passing through planned cost increases. Any short fall in revenues created by the rate deferral will be covered by District reserves. The District continues to monitor the effects of COVID-19. To date, the impact to District revenues from non-payment of fees is not expected to have a material impact on its financial health.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets every two years and allocates required funding accordingly. The General Manager has limited discretion to transfer capital between activities and Board approval is required for any overall increase or substantial changes. Throughout the fiscal year, actual expenditures are compared to budget. Variances between budget and actual results are analyzed and evaluated to ensure the District's financial goals and objectives are being met. The budget process is further supported by the District's long-term financial models, enabling the Board to make informed decisions on setting rates and charges that ensure the long-term stability of the District. Funding needs are assessed using these financial planning models.

Long-Term

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

The District has a long history of planning for the enhancement and replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established infrastructure Enhancement and Replacement Funds to provide funding for updating, expanding, creating redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds is to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2019-20, the combined water and sewer user enhancement/replacement fees were \$12.93 per month.

Over time, the District has transitioned from a newly developing area to a fully developed area. While many of IRWD's projects slated for construction will provide additional capacity for ultimate demands, the focus of the District is transitioning from building new infrastructure projects to ongoing operations and maintenance activities, as well as upgrading and replacing existing infrastructure. Connection fees paid by developers, which generated \$18.2 million for new capital in FY 2018-19 declined to \$10.9 million in FY 2019-20 as the District nears build-out. The District utilizes a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other criteria in order to project rate setting for funding future capital needs.

In 2013, the District completed a strategic review of its existing current capital funding plan which resulted in a master consolidation plan that combined certain improvement districts in order to maintain the future financial viability of each area. The master plan allocates funding responsibility for capital improvements to the areas which will benefit from those respective facilities and separates areas on the basis of projected timing of development. Diversification of the District's water supply and sewage treatment options are also major objectives of the District's master plan. Those objectives are discussed in further detail in the *Major Initiatives* section of this introduction.

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

Pension Funding

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue and, in 2013, established an irrevocable Pension Benefits Trust to substantially fund its PERS unfunded liability. The Pension Benefits Trust provides the District with an additional funding option to PERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the PERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Pension Benefits Trust to PERS at the District's discretion.

Investment policy and asset allocation decisions relating to the Pension Benefits Trust are made by a Retirement Board consisting of two members from the IRWD Board of Directors and the District's General Manager. In FY 2013, the District made an initial \$35.0 million contribution to the Pension Benefits Trust, and since then has made additional annual contributions ranging from \$1.9 million to \$12.8 million. As of June 30, 2020, the fair value of the assets in the Pension Benefits Trust was approximately \$83.1 million.

The following schedule shows the recent history of pension plan assets and liabilities including the trust assets:

Fiscal Year	Total Pension Liability	Total Pension Assets	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/18	\$264,399	\$263,819	99.8%
06/30/19	275,457	284,426	103.2%
06/30/20	291,334	301,256	103.4%

Cash Management Policies and Practices

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

For FY 2019-20, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 10 months. These securities included U.S. Treasury notes, U.S. government agency notes and the State-managed Local Agency Investment Fund. The average annual return on all of the District's cash investments in FY 2019-20 was 1.99%. Including real estate investments, the weighted average rate of return was 4.12% for the same period.

At June 30, 2020, the District's cash and investments totaled approximately \$347.3 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Debt Service Fund and others.

Real Property Investments

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

As of June 30, 2020, the District owns or has an interest in six properties with an approximate fair value of \$245 million. The District's income-producing real estate investments have a weighted average return (on original cost) for FY 2019-20 of 14.9%. Net revenues of \$12.5 million generated in FY 2019-20 from the District's real estate investments are retained within the Replacement Fund and effectively reduce future increases in user rates.

Debt Management Policies and Practices

The District strives to minimize the cost of its long-term debt. In 1984, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal. The Board minimizes its exposure to interest rate risk by utilizing both fixed and variable rate debt and has leveraged opportunities provided by the low interest rate environment in recent years. The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2020, the District's debt portfolio included fixed rate debt at 60.0%, with an average all-in cost of debt of 3.06% for the fiscal year.

In FY 2016-17, the Board of Directors adopted a Debt Management Policy Statement (Debt Policy). The Debt Policy objectives formalize previous District guidelines related to timing and amount of future debt issuance, allowable debt types and structures and spending requirements of bond proceeds. The Debt Policy also addresses underwriter selection and allowable methods of sale, continuing disclosure requirements, financial advisor and credit rating agency relationships and other key debt-related topics.

As of June 30, 2020, there were eight outstanding General Obligation (GO) bond issues consisting of \$260.6 million in variable rate mode and \$278.4 million in fixed rate mode (excluding any unamortized premium or discount).

As of June 30, 2020, the District also had one outstanding Certificate of Participation (COP) issue with a balance of \$116.7 million in fixed rate mode. The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt.

The GO bond issues are secured by the District's ability to levy ad valorem property taxes to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund GO bond debt service through such ad valorem taxes. In addition to the ad valorem tax pledge, certain GO bond issues and the COPs issue are secured by the net revenues of the District. The District is required under some of its debt covenants to collect revenues sufficient to provide net revenues equal to 125% (1.25 times) of senior debt service coverage during the fiscal year. As of June 30, 2020, the District had net revenues equal to 4.3 times senior debt service coverage.

Prior to FY 2003-04, the District's outstanding debt was all in a variable rate mode and the Board of Directors took certain actions to manage and mitigate the interest rate risk. The District's practice is to maintain a target amount of cash and fixed income investment assets equal to at least 75% of the District's outstanding unhedged variable rate debt. In addition, in 2004 the District began an interest

rate swap program under which LIBOR-based fixed payer interest rate swaps were executed to hedge a portion of the District's variable rate exposure. The current \$60 million notional amount of outstanding interest rate swaps allow the District to limit the interest rate risk exposure on approximately \$89.5 million of its remaining tax-exempt variable rate debt to 3.81% (assuming a historical ratio for the tax-exempt SIFMA Index versus taxable 1-month LIBOR of 67%).

In FY 2010-11, the District issued \$175 million of general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act, are taxable bonds with subsidy payments made by the Treasury Department to issuers equaling 35% of the interest costs. In FY 2019-20, Federal subsidy payments were cut by 5.9% under congressionally mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.44%.

Risk Management

The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property claims, third-party liability claims and workers compensation claims. The District self-insures the first \$25,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims and \$125,000 per occurrence for workers compensation claims. Various control techniques used to minimize loss include, but are not limited to, regular employee safety meetings and training sessions, the use of uniform language in contracts designed to limit or prevent liability exposure, general risk assessments, and the development of emergency plans, including a business continuation plan.

The District engages an outside firm annually to evaluate the District's network security. The annual external network security and cybersecurity assessments and ongoing staff education and awareness are just a few of the ongoing efforts by the District to safeguard information.

Major Initiatives

The District's major initiatives during FY 2019-20 include continuing programs to secure water supplies, as well as expanding sewage treatment capacity and diverting sewage flows, water education programs, and the continuing implementation of the Water Use Efficiency Plan.

Water Supply Reliability

Groundwater Program

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

Water Banking

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

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

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

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

Since 2010, the District has delivered a total of approximately 78,871 acre feet of water to the IRWD Water Bank through its water supply partnerships. The District has returned its partner's share of the water and holds approximately 36,000 acre feet of water in storage for future use in IRWD's service area. The District is currently pursuing additional potential water supply opportunities for diversion into the IRWD Water Bank.

Kern Fan Groundwater Storage Project

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

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). In July 2018, the CWC conditionally awarded \$67.5 million to the Kern Fan Project. The District is currently pursuing additional funding opportunities.

Water Rights

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

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

Syphon Recycled Water Seasonal Storage Facility

Syphon Reservoir, located in the northern portion of Irvine, is an existing water storage reservoir that had been used historically for agricultural purposes. The District purchased Syphon Reservoir in January 2010, and in 2015 completed the process of converting the reservoir into a recycled water seasonal storage facility. Seasonal storage reservoirs allow the District to store excess recycled water produced in the winter months for use in higher demand summer months. This approach increases water reliability by reducing the District's dependency on imported water from MWD used to supplement the recycled water system.

In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP and would reduce the District's need to supplement the recycled water system with imported water. The District recently completed initial geotechnical investigations associated with the reservoir expansion project and anticipates proceeding with the design phase of the expanded reservoir next year.

Expanded Water Recycling Options, Resource Recovery and System Reliability

The District is continuing its program to increase the reliability of the sewage system by diversifying treatment options and increasing the reliability of critical sewage collections facilities. The goals of the program are to collect sewage in the most cost effective method available, create a high quality and reliable recycled water supply for irrigation and commercial uses and minimize environmental impacts and risks. Sewage collected throughout the District is treated at three locations: The Michelson Water Recycling Plant (MWRP), the Los Alisos Water Recycling Plant (LAWRP) and at the Orange County Sanitation District (OCSD). The District owns and operates the MWRP and LAWRP and owns capacity in the OCSD facilities.

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

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

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

As a result, in FY 2013-14, the District began construction of new capital facilities at the MWRP which integrates a new state-of-the-art organic handling system. The system makes efficient and sustainable use of locally generated renewable resources by creating a beneficial use of biosolids and biogases that



Biosolids and Energy Recovery Facilities

are produced during the sewage treatment/recycling process. This project aligns with green and sustainable business practices, while at the same time creating an effective cost management of sewage/recycling services for IRWD customers.

The biosolids treatment process allows for the conversion of biogas into electricity thereby further reducing the District's dependency on its third party electricity provider. The construction of the MWRP Biosolids and Energy Recovery Facilities is completed and the facilities are anticipated to be fully operational by February 2021.

Community Education and Outreach

Lifelong water education and outreach are important tools for fostering a better appreciation and understanding of water issues. And that doesn't change in a pandemic. Irvine Ranch Water District took a nimble approach in 2020 — moving traditional in-person community events, workshops and children's education programs onto a variety of online and digital platforms, continuing to inform customers and the next generation of leaders about the importance of water to our lives and communities.

A longstanding educational partnership with Discovery Science Foundation was transformed. School assemblies and field trips for Kindergarten through 7th graders were replaced with recorded virtual workshops and presentations on a dedicated website. This content includes fun and educational activities students can do at home, and grade-appropriate workbooks that teach to state standards.



Discovery Cube Workshop

Video virtual tours of the District’s San Joaquin Marsh and Wildlife Sanctuary and Michelson Water Recycling Plant were created to provide an engaging experience that is available on demand and can be presented to audiences in live webinars. This enables a dynamic exchange and Q&A format while harnessing the educational power of video. The digital aspect of this programming lends itself to being shared on a variety of platforms to unlimited audiences. These tools will be integrated into outreach strategies well into the future.

Workshops on water efficiency, leak detection, drought-friendly plants, and gardening were also presented live via WebEx and other virtual platforms.

During the pandemic, it is important for customers to know how to receive service while maintaining social distance. Therefore, District websites — IRWD.com, RightScapeNow.com and RightScapeResources.com — were enhanced with quick links and answers to customer questions. This included information on policies and procedures, as well as help with leak detection, rebates, native plant palettes and water-efficient gardening techniques.

IRWD launched a quarterly digital gardening newsletter, “The Dirt,” which provides educational articles to inspire customers to beautify their home landscape while saving water. The District also prepared a monthly gardening column and a “California Native Plant of the Month” feature for a local newspaper, the Irvine Standard.

And because nothing can replace seeing something in person, a new demonstration garden was created at the District headquarters, featuring Kurapia — a ground cover that functions like a grass lawn but uses considerably less water.

Two campaigns were launched to communicate the value of water, and the many benefits of transforming a lawn to a drought-tolerant landscape. A video campaign featuring a Tyrannosaurus rex playing air guitar with a garden hose spewing water on a lawn provided a humorous look at the past, when lawns and inefficient watering techniques wasted water. A print and digital campaign promoted the beauty of drought-tolerant landscapes and the District’s financial incentives — up to \$10,000 for replacing turf with water-efficient flowers, succulents and California natives.

These changes increased awareness and participation in District programs and resulted in IRWD’s success in meeting its state-mandated drinking water efficiency targets.

Finally, in 2020, Irvine Ranch Water District was recognized by water professionals and executives around the nation as a Utility of the Future, a formal designation granted to agencies that have demonstrated forward-thinking, innovative approaches to trends in the industry. The honor was granted in recognition of the District’s recycled water programs and infrastructure. This program is sponsored

by the National Association of Clean Water Agencies, Water Environment Federation, Water Research Foundation, and WateReuse, with support from the United States Environmental Protection Agency.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2019. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

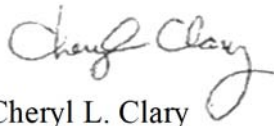
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Paul A. Cook
General Manager



Cheryl L. Clary
Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

Board of Directors

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

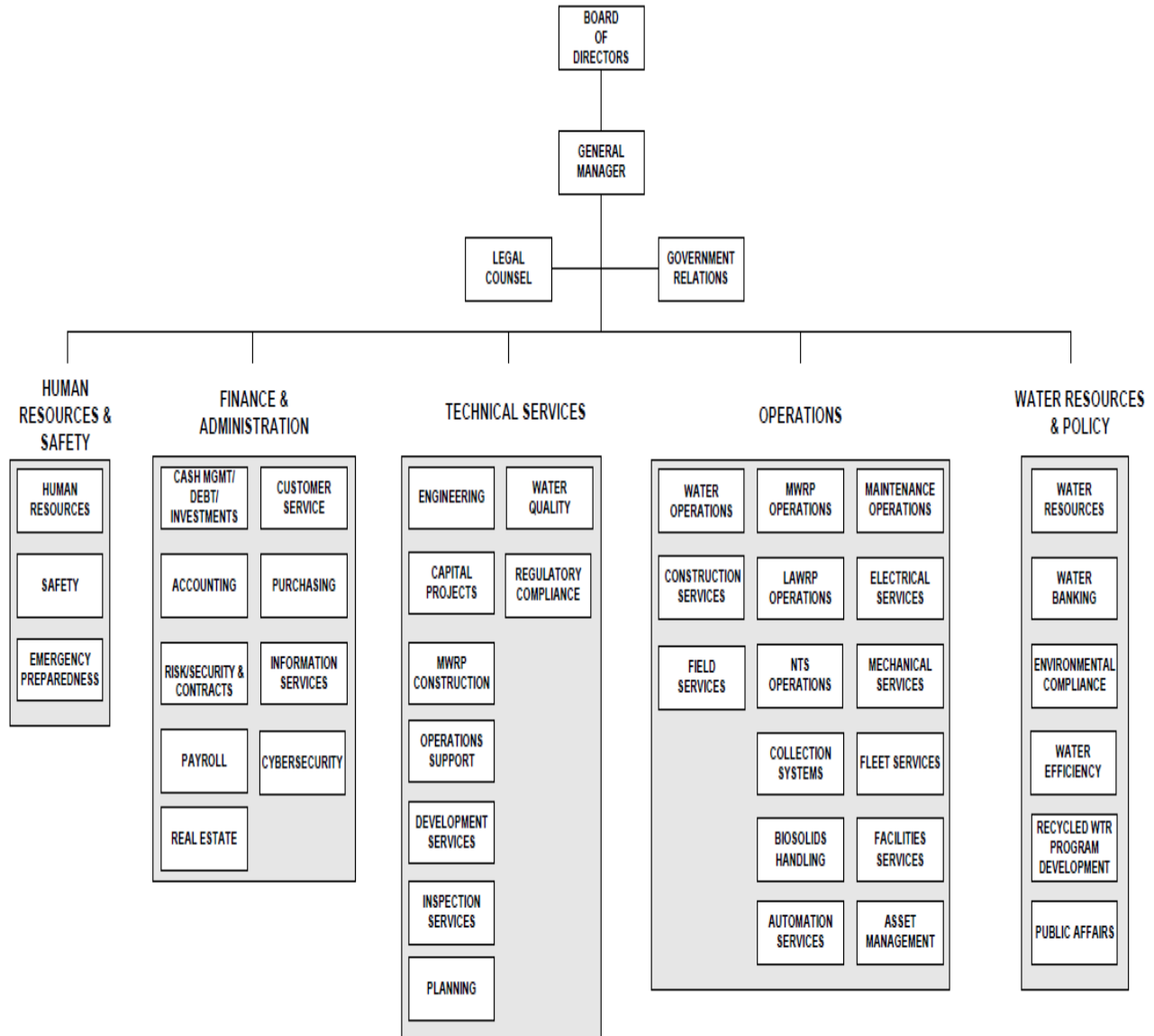
Executive Management

General Manager	Paul A. Cook
Executive Director of Finance & Administration	Cheryl L. Clary
Executive Director of Operations	Wendy L. Chambers
Executive Director of Engineering & Water Quality	Kevin L. Burton
Executive Director of Water Resources & Policy	Paul A. Weghorst
Director of Human Resources	Jenny L. Roney
Director of Water Resources	Fiona M. Sanchez
Director of Public Affairs	Beth M. Beeman
Director of Information Services	Tom J. Malone
Director of Treasury and Risk Management	Robert C. Jacobson
Director of Recycling Operations	Jose Zepeda
Director of Maintenance	Richard S. Mykitta
Director of Water Quality & Regulatory Compliance	James E. Colston

Irvine Ranch Water District

Organizational Chart (By Function)

Fiscal Year 2019-20





Government Finance Officers Association

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**Irvine Ranch Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

Independent Auditors' Report

Board of Directors
Irvine Ranch Water District
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of Irvine Ranch Water District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2020, and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors
Irvine Ranch Water District
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
November 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Irvine Ranch Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights:

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$1,991.8 million (net position), consisting of \$1,283.8 million in net investment in capital assets, \$350.0 million restricted for water services and \$358.0 million restricted for sewer services. This is an increase of \$63.8 million or 3.3 percent over the prior fiscal year net position of \$1,928.0 million.
- Total assets are \$2,816.5 million, an increase of \$54.0 million or 2.0 percent over the prior fiscal year. This is due primarily to a \$29.1 million increase in the District's net capital assets. The District added \$92.8 million in water and sewer assets during the year partially offset by an increase of \$63.4 million in accumulated depreciation.
- Total liabilities are \$868.4 million, a decrease of \$2.8 million or 0.3 percent from the prior year. Liabilities consist primarily of \$706.1 million of debt, net pension and OPEB liabilities of \$86.7 million, swap liability of \$27.0 million and accounts payable and other liabilities of \$48.6 million. The total decrease over the prior year is due primarily to \$13.4 million in principal debt payments during the fiscal year partially offset by increases in the pension, OPEB, and swap liabilities.
- The Irvine Ranch Water District Post-Employment Benefits Trust (Pension Benefits Trust) was established in June 2013 to assist in funding the District's CalPERS unfunded liability. As of June 30, 2020, the District's total pension assets (including the CalPERS and Pension Benefits Trust assets) as a percentage of the total pension liability is 103.4 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- Total revenues are \$274.0 million, a decrease of \$9.5 million or 3.4 percent over the prior fiscal year. Operating revenues decreased \$3.5 million due primarily to lower water banking storage revenues and lower sales to customers. This was partially offset by a board approved rate increase. Non-operating revenues decreased \$6.0 million due primarily to decreases in the fair value of investments and real estate assets.
- Total expenses are \$256.6 million, an increase of \$10.8 million or 4.4 percent over the prior fiscal year. Operating expenses increased \$15.3 million due primarily to higher sewer costs associated with sending increased sewage flows to the District's third-party provider OCSD, higher labor and benefits, increased costs associated with the water banking program, and higher imported water purchases. Non-operating expenses decreased by \$4.5 million due to lower interest and real estate expenses.
- Capital contributions are \$46.4 million, a decrease of \$3.0 million or 6.1 percent over the prior fiscal. Connection fees paid by developers were \$7.3 million lower due to a slowdown in the building industry partially offset by a \$5.6 million increase in facilities completed and donated from developers to the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements:

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

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

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

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

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

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

Financial Analysis of the District:

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as part of this analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary:

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

Table 1 - Summary of Net Position (in millions)				
	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Assets				
Current assets	\$ 414.6	\$ 407.5	\$ 7.1	1.7%
Capital assets, net	1,987.8	1,958.7	29.1	1.5%
Other noncurrent assets	414.1	396.3	17.8	4.5%
Total assets	2,816.5	2,762.5	54.0	2.0%
Deferred Outflows of Resources	47.6	41.2	6.4	15.5%
Liabilities				
Current liabilities	56.0	53.8	2.2	4.1%
Long-term liabilities	812.4	817.4	(5.0)	-0.6%
Total liabilities	868.4	871.2	(2.8)	-0.3%
Deferred Inflows of Resources	3.9	4.5	(0.6)	-13.3%
Net Position				
Net investment in capital assets	1,283.8	1,238.8	45.0	3.6%
Restricted for water services	350.0	313.0	37.0	11.8%
Restricted for sewer services	358.0	376.2	(18.2)	-4.8%
Total net position	\$1,991.8	\$1,928.0	\$63.8	3.3%

As shown in Table 1, the District's total assets increased \$54.0 million or 2.0 percent during the current fiscal year. Current assets increased \$7.1 million. Amounts due from other agencies relating to cash deposits held by the Orange County Sanitation District (OCSD), the District's third party provider for excess sewage flows, increased by \$33.8 million based on the agreements between the two agencies for future obligations. This is partially offset by a \$26.7 million decrease in cash and investment balances.

Capital assets increased \$29.1 million or 1.5 percent during the current fiscal year. The District added \$92.8 million in water and sewer assets during the year partially offset by an increase of \$63.4 million in accumulated depreciation. The largest capital spending during the year was \$13.1 million for the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project, a multiple year project with a total cost in excess of \$240 million and \$5.8 million for the 3.7 mg Zone 1 Reservoir construction project.

Other noncurrent assets increased \$17.8 million or 4.5 percent during the current fiscal year. Noncurrent assets include the District's real estate investments and the pension benefits trust investments which was established in 2013 to help fund the District's pension liability. The fair value of real estate investments increased by \$13.1 million due primarily to building construction costs for the Sand Canyon General Office building and a \$3.5 million increase in interest due from a loan to Lennar Homes of California, Inc. (Lennar) for the 2017 sale of the IRWD's Serrano Summit property located in Lake Forest. These are partially offset by \$5.1 million in principal payments on the loan due from Lennar. In addition, the fair value of the District's pension benefits trust investments increased \$4.7 million during the current fiscal year.

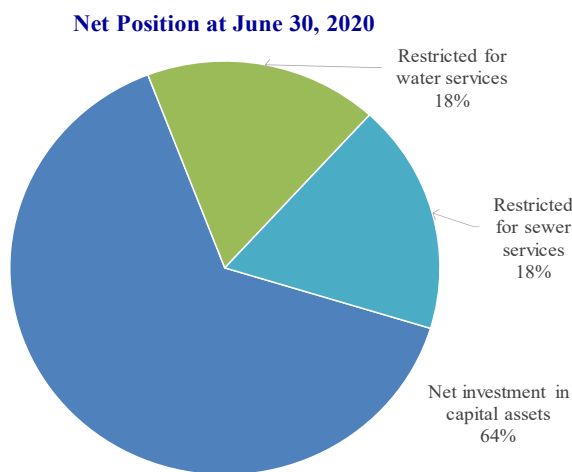
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District's deferred outflows of resources increased by \$6.4 million or 15.5 percent over the prior fiscal year. This is due primarily to a \$6.4 million increase in accumulated losses associated with the fair value of interest rate swaps.

The District's total liabilities decreased \$2.8 million or 0.3 percent in the current fiscal year. This was due primarily to \$13.4 million in principal payments of the District's general obligation bonds, certificates of participation, and notes payable during the year. The decrease partially offset by a \$6.4 million increase in accumulated losses associated with the fair value of interest rate swaps and a \$4.3 million increase in pension liability.

The District's deferred inflows of resources decreased \$0.6 million or 13.3 percent in the current fiscal year. This was due to pension and OPEB actuarial related changes in assumptions and experience.

Net position at end of the current fiscal year increased \$63.8 million or 3.3 percent in the current fiscal year. Net position consists of net investment in capital assets and restricted net positions.



Net investment in capital assets are capital assets, net of accumulated depreciation/amortization and liabilities (such as debt) attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets was \$1,283.8 million or 64.5 percent of total net position, an increase of \$45.0 million from the prior fiscal year. The change is due primarily to \$29.1 million in net capital asset additions, \$13.4 million of debt principal payments and \$2.6 million amortization of premiums in the current fiscal year.

Several major District capital projects contributed to the increase, including \$13.1 million for the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities project which will reduce the District's overall sewage treatment costs as well as provide other resource recovery benefits and \$5.8 million for a reservoir construction project. These projects account for 42.0 percent of the increase in net investment in capital assets.

Restricted net position for water services was \$350.0 million or 17.6 percent of total net position. Restricted net position for sewer services was \$358.0 million or 18.0 percent of total net position. Restricted net positions are restricted by legislation which imposes requirements that District assets be used only for the specific purposes for which it was formed.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Activities and Changes in Net Position:

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

Table 2 - Revenues, Expenses and Changes in Net Position (in millions)				
	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water sales and service charges	\$ 90.2	\$ 94.1	\$(3.9)	-4.1%
Sewer sales and service charges	77.2	76.8	0.4	0.5%
Total operating revenues	167.4	170.9	(3.5)	-2.0%
Non-operating revenues				
Property taxes	66.4	63.1	3.3	5.2%
Interest income	7.8	6.2	1.6	25.8%
Increase (decrease) in fair value of investments	2.3	5.2	(2.9)	-55.8%
Real estate income	18.2	17.8	0.4	2.2%
Increase (decrease) in fair value of real estate investments	0.5	6.1	(5.6)	-91.8%
Pension benefits trust interest and dividends income	3.3	2.1	1.2	57.1%
Increase (decrease) in fair value of pension benefits trust investments	1.5	3.2	(1.7)	-53.1%
Other income	6.6	8.9	(2.3)	-25.8%
Total non-operating revenues	106.6	112.6	(6.0)	-5.3%
Total revenues	274.0	283.5	(9.5)	-3.4%
Operating expenses				
Water services expenses	89.3	83.9	5.4	6.4%
Sewer services expenses	66.6	59.5	7.1	11.9%
Depreciation	67.6	64.8	2.8	4.3%
Total operating expenses	223.5	208.2	15.3	7.3%
Non-operating expenses				
Interest expense	22.2	25.5	(3.3)	-12.9%
Real estate expense	5.6	9.4	(3.8)	-40.4%
Other expense	5.3	2.7	2.6	96.3%
Total non-operating expenses	33.1	37.6	(4.5)	-12.0%
Total expenses	256.6	245.8	10.8	4.4%
Income/(loss) before capital contributions	17.4	37.7	(20.3)	-53.8%
Capital contributions	46.4	49.4	(3.0)	-6.1%
Change in net position	63.8	87.1	(23.3)	-26.8%
Beginning net position	1,928.0	1,840.9	87.1	4.7%
Ending net position	\$1,991.8	\$1,928.0	\$63.8	3.3%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Revenues:

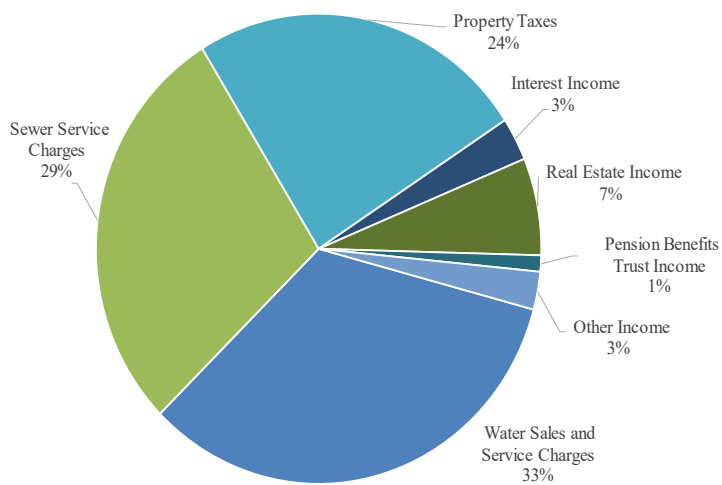
As shown in Table 2, the District’s operating revenues total \$167.4 million or 61.1 percent of total revenues. Water sales contributed \$90.2 million or 53.9 percent to total operating revenues and sewer sales contributed \$77.2 million or 46.1 percent to total operating revenues. Operating revenues decreased by \$3.5 million or 2.0 percent from the prior fiscal year. This is primarily due to a \$5.4 million decrease of water banking storage revenues from prior years associated with providing storage to other water banking partners. A Board approved rate increase generated an additional \$3.4 million and was partially offset by a reduction in revenue of \$1.1 million due to lower sales.

The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2020.

Non-operating revenues total \$106.6 million and account for 38.9 percent of total revenue for the fiscal year ended June 30, 2020. This is a decrease of \$6.0 million or 5.3 percent from the prior fiscal year. The decrease in the current fiscal year is due to:

- A decrease of \$5.6 million in changes in the fair value of the real estate investments.
- A decrease of \$4.6 million in the fair value of the District’s fixed income investments and Pension Benefit Trust.
- A decrease of \$2.3 million in other non-operating income, primarily plan checks fees due to a slow-down in development.
- An increase of \$3.3 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District’s service area.
- An increase of \$3.2 million in the District’s investment interest income (including the real estate investments and Pension Benefit Trust).

Revenues for Fiscal Year Ended June 30, 2020
(excluding changes in fair value of investments, real estate investments, and pension benefits trust investments)



Expenses:

As shown in Table 2, operating expenses total \$223.5 million, of which \$155.9 million relates to the cost of providing water and sewer services to the District’s customers. Water service operating costs are 99.0 percent of revenues and sewer service operating costs are 86.3 percent of revenues. Water and sewer operating expenses, excluding depreciation, increased by \$12.5 million or 8.7 percent over the prior fiscal year.

Water expenses totaled \$89.3 million, an increase of \$5.4 million or 6.4 percent primarily due to:

- An increase of \$2.6 million in operating costs associated with the water banking program.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued):

- An increase of \$2.4 million in water costs due primarily to higher imported water purchases.
- An increase of \$1.7 million in labor and benefits for treated and untreated water treatment and systems maintenance.
- A decrease of \$0.8 million in expensed water projects related to the District's capital program.
- A decrease of \$0.7 million relating to the District's conservation programs. The District incurred more costs on various programs in the prior fiscal year.
- Other net increases of \$0.2 million.

Sewer service expenses totaled \$66.6 million, an increase of \$7.1 million or 11.9 percent over the prior fiscal year. The increase is due primarily to:

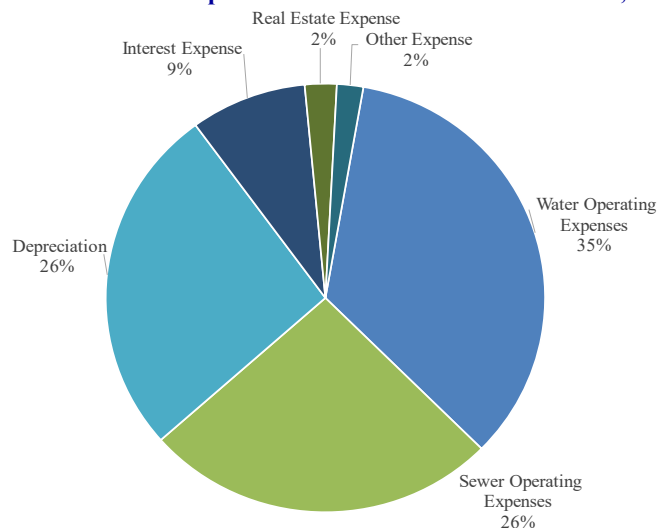
- An increase of \$5.1 million in the cost of handling, treatment, and disposal of sewage solids sent to the District's third-party provider (OCSD) due to higher flows attributable to more rainfall than the prior year.
- An increase of \$1.3 million in labor and benefits for sewage treatment and recycled water system maintenance.
- Other net increases of \$0.7 million.

Depreciation expense totaled \$67.6 million, an increase of \$2.8 million or 4.3 percent over the prior fiscal year. The increase is the result of the completion of several capital projects.

Non-operating expenses totaled \$33.1 million, a decrease of \$4.5 million or 12.0 percent from the prior year primarily due to:

- A decrease of \$3.8 million in real estate expense for remaining contractual development obligations related to the Serrano Summit real estate property.
- A decrease of \$3.3 million in interest expense associated with a \$2.0 million reduction in net interest rate swap payments due to maturity of \$70.0 million of swaps in the prior year and a \$1.1 million reduction in interest expense on the District's debt.
- An increase of \$2.6 million in other non-operating expenses associated with the disposal of capital assets in the current fiscal year.

Functional Expenses for Fiscal Year Ended June 30, 2020



Capital Contributions:

Capital contributions totaled \$46.4 million, a decrease of \$3.0 million or 6.1 percent from the prior fiscal year. Connection fees paid by developers was \$10.9 million, a decrease of \$7.3 million from the prior year due to a slowdown in the building industry. The District also received \$1.2 million less from grants / contributions from federal, state, and local agencies compared to the prior year. Donated facilities from developers increased \$5.6 million due to a high number of projects that were completed and donated to the District.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Capital Assets:

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

	2020	2019	Increase/(Decrease)	
			Amount	Percentage
Water assets	\$1,188.4	\$1,135.1	\$53.3	4.7%
Sewer assets	1,332.4	1,292.9	39.5	3.1%
Less: accumulated depreciation	(989.0)	(925.6)	(63.4)	6.8%
Land and water rights	125.6	125.3	0.3	0.2%
Construction in progress	330.4	331.0	(0.6)	-0.2%
Total	\$1,987.8	\$1,958.7	\$29.1	1.5%

Capital assets, net of depreciation increased \$29.1 million or 1.5% in the current fiscal year. Construction in Progress added \$109.1 million during the current fiscal year. Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2020 were \$109.7 million. The District’s accumulated depreciation increased by \$63.4 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 41.8 percent of total capital assets additions incurred in the current fiscal year (in millions):

Project Description	Amount
MWRP Biosolids and Energy Recovery Facilities	\$13.1
3.7 MG Zone 1 Reservoir	5.8
Syphon Reservoir Improvements	3.6
Eastwood Recycled Water Pump Station Zone A-C	3.6
Meter Services and Main Pipelines Replacement Program FY19/20	3.5
Improvement District 1530 Domestic Water Program	2.4
Irvine Lake Pipeline North Conversion	2.2
Meter Replacement Program FY19/20	1.7
Eastwood Recycled Water Pump Station Zone A-B	1.5
Rattlesnake Pump Station Zone A	1.3
Total	\$38.7

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration:

As shown below in Table 4, as of June 30, 2020, the District had total debt outstanding of \$706.0 million, a decrease of \$16.1 million or 2.2 percent from the prior fiscal year.

	2020	2019	Increase/(Decrease)	
			Amount	Percentage
General obligation bonds	\$562.6	\$574.7	\$(12.1)	-2.1%
Certificates of participation	143.0	146.7	(3.7)	-2.5%
Notes payable	0.4	0.7	(0.3)	-42.9%
Total	\$706.0	\$722.1	\$(16.1)	-2.2%

During the current fiscal year, the decreases in the District's total debt were primarily due to \$13.4 million in debt payments and \$2.7 million of premium amortization. The District's rated debt obligations have received the following ratings from the three major rating agencies:

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

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

Contacting the District's Financial Management:

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

Irvine Ranch Water District
Statement of Net Position
June 30, 2020
(with comparative data as of June 30, 2019)
(in thousands)

	2020	2019
ASSETS		
Current Assets:		
Cash and Investments (note 2)	\$ 347,261	\$ 374,003
Receivables:		
Customer accounts receivable	8,929	9,838
Interest receivable	1,471	1,717
Notes receivable, current portion	75	69
Due from other agencies (note 8)	33,773	0
Other receivables	4,140	5,226
Total receivables	48,388	16,850
Other Current Assets:		
Inventories (note 4)	17,383	16,166
Prepaid items and deposits	1,607	526
Total other current assets	18,990	16,692
Total current assets	414,639	407,545
Noncurrent Assets:		
Capital Assets (note 5):		
Water assets	1,188,464	1,135,101
Sewer assets	1,332,384	1,292,861
Subtotal	2,520,848	2,427,962
Less accumulated depreciation	(989,034)	(925,571)
Total capital assets being depreciated, net	1,531,814	1,502,391
Land and water rights	125,598	125,316
Construction in progress	330,388	330,957
Total capital assets, net	1,987,800	1,958,664
Other Noncurrent Assets:		
Notes receivable, net of current portion	543	622
Real estate investments (note 7)	330,427	317,296
Pension benefits trust investments (notes 2 & 13)	83,103	78,389
Total other noncurrent assets	414,073	396,307
Total noncurrent assets	2,401,873	2,354,971
TOTAL ASSETS	2,816,512	2,762,516
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	2,111	2,266
Accumulated decrease in fair value of swap agreements (note 3)	27,042	20,655
Pension contributions (note 13)	8,429	7,184
Pension actuarial changes (note 13)	7,068	8,792
OPEB contributions (note 14)	831	721
OPEB actuarial changes (note 14)	2,136	1,575
TOTAL DEFERRED OUTFLOWS OF RESOURCES	47,617	41,193

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Position
June 30, 2020
(with comparative data as of June 30, 2019)
(in thousands)
(Continued)

	2020	2019
LIABILITIES		
Current Liabilities:		
Account payable and accrued expenses	24,136	24,537
Customer deposits and advance payments	4,597	3,607
Accrued interest:		
General obligation bonds	3,630	3,943
Other accrued interest payable	2,890	2,556
Current portion of long-term liabilities:		
General obligation bonds (note 9)	12,224	12,024
Certificates of participation (note 9)	4,796	3,716
Notes payable (note 9)	72	265
Other long term liabilities (note 9)	2,298	2,070
Unearned revenue (note 10)	565	565
Claims liability (note 17)	791	570
Total current liabilities	55,999	53,853
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	550,421	562,645
Certificates of participation, net of current portion (note 9)	138,232	143,028
Notes payable, net of current portion (note 9)	347	419
Other long-term liabilities (note 9)	3,921	3,491
Unearned revenue, net of current portion (note 10)	4,828	5,392
Claims liability, net of current portion (note 17)	947	947
Net pension liability (note 13)	68,467	64,137
OPEB liability (note 14)	18,234	16,672
Swap liability (note 3)	27,042	20,654
Total long-term liabilities	812,439	817,385
TOTAL LIABILITIES	868,438	871,238
DEFERRED INFLOWS OF RESOURCES		
Pension actuarial changes (note 13)	2,929	3,273
OPEB actuarial changes (note 14)	985	1,196
TOTAL DEFERRED INFLOWS OF RESOURCES	3,914	4,469
NET POSITION (note 12)		
Net investment in capital assets	1,283,819	1,238,834
Restricted for water services	350,032	312,955
Restricted for sewer services	357,926	376,213
TOTAL NET POSITION	\$1,991,777	\$1,928,002

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)

	2020	2019
OPERATING REVENUES		
Water sales and service charges	\$ 90,213	\$ 94,107
Sewer sales and service charges	77,187	76,841
Total operating revenues	167,400	170,948
OPERATING EXPENSES		
Water:		
Water services	67,792	64,004
General and administrative	21,600	19,860
Sewer:		
Sewer services	49,497	43,734
General and administrative	17,106	15,786
Depreciation	67,554	64,835
Total operating expenses	223,549	208,219
Operating income (loss)	(56,149)	(37,271)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	66,375	63,057
Interest income	7,790	6,199
Increase (decrease) in fair value of investments	2,319	5,188
Real estate income (note 7)	18,175	17,813
Increase (decrease) in fair value of real estate investments (note 7)	552	6,095
Pension benefits trust interest and dividends income	3,274	2,140
Increase (decrease) in fair value of pension benefits trust investments	1,500	3,196
Other income	6,606	8,876
Interest expense	(22,167)	(25,481)
Real estate expense (note 7)	(5,627)	(9,441)
Pension benefits trust expense	(61)	(53)
Other expenses	(5,239)	(2,615)
Total nonoperating revenues (expenses)	73,497	74,974
Income (loss) before capital contributions	17,348	37,703
CAPITAL CONTRIBUTIONS		
Donated facilities	34,439	28,867
Connection fees	10,943	18,205
Other	1,045	2,274
Total capital contributions	46,427	49,346
Increase (decrease) in net position	63,775	87,049
NET POSITION AT BEGINNING OF YEAR	1,928,002	1,840,953
NET POSITION AT END OF YEAR	\$1,991,777	\$1,928,002

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and users	\$169,821	\$171,660
Cash paid to suppliers of goods and services	(99,571)	(61,214)
Cash paid for employees services	<u>(63,943)</u>	<u>(58,725)</u>
Net cash provided by (used for) operating activities	<u>6,307</u>	<u>51,721</u>
Cash flows from noncapital financing activities:		
Property tax receipts	<u>66,375</u>	<u>63,057</u>
Net cash provided by noncapital financing	<u>66,375</u>	<u>63,057</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(93,477)	(111,986)
Proceeds from disposition of capital assets	72	0
Payment to exit capital assets	(4,526)	0
Principal payments on long-term liabilities	(13,400)	(13,370)
Interest and fiscal agent costs on long term liabilities	(24,651)	(28,251)
Developer connection fees and related receipts	<u>11,988</u>	<u>20,479</u>
Net cash provided by (used for) capital and related financing activities	<u>(123,994)</u>	<u>(133,128)</u>
Cash flows from investing activities:		
Investment earnings	11,249	7,627
Investment earnings in real estate	14,143	9,052
Proceeds from sale or maturity of investments	308,111	182,756
Purchases of investments	(278,058)	(168,638)
Issuance of notes receivable	0	(633)
Collections on notes receivable	<u>73</u>	<u>15</u>
Net cash provided by (used for) investing activities	<u>55,518</u>	<u>30,179</u>
Net increase (decrease) in cash and cash equivalents	4,206	11,829
Cash and cash equivalents at beginning of year	<u>53,806</u>	<u>41,977</u>
Cash and cash equivalents at end of year	<u>\$ 58,012</u>	<u>\$ 53,806</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)
(in thousands)
(Continued)

	<u>2020</u>	<u>2019</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	\$347,261	\$374,003
Pension benefits trust investments	83,103	78,389
Subtotal	<u>430,364</u>	<u>452,392</u>
Less long-term investments	<u>(372,352)</u>	<u>(398,586)</u>
Cash and cash equivalents at end of year	<u><u>\$ 58,012</u></u>	<u><u>\$ 53,806</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	(56,149)	(37,271)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	6,606	8,876
Other nonoperating expenses	(732)	(2,615)
(Gain) loss on disposition of capital assets	0	2,211
Depreciation and amortization	67,554	64,835
(Increase) decrease in customer receivables	909	(1,203)
(Increase) decrease in other receivables	1,086	2,306
(Increase) decrease in inventories	(1,217)	(8,330)
(Increase) decrease due from other agencies	(16,773)	18,048
(Increase) decrease in prepaid expenses and other assets	(1,081)	1,498
(Increase) decrease in deferred outflows	(192)	2,902
Increase (decrease) in accounts payable and accrued expenses	(401)	1,077
Increase (decrease) in customer deposits and advance payments	990	174
Increase (decrease) in compensated absences	713	427
Increase (decrease) in claims payable	221	123
Increase (decrease) in unearned revenue	(564)	(565)
Increase (decrease) in net OPEB liability	1,562	2,094
Increase (decrease) in net pension liability	4,330	(2,544)
Increase (decrease) in deferred inflows	(555)	(322)
Net cash provided by (used for) operating activities	<u><u>\$ 6,307</u></u>	<u><u>\$ 51,721</u></u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	<u><u>\$ 34,439</u></u>	<u><u>\$ 28,867</u></u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

(a) **Reporting Entity**

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

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

Connection fees which are paid by developers and property taxes which are paid by property owners vary by improvement district based upon, among other considerations, total capital costs, ratio of developed to undeveloped land, and development densities; however, water and sewer user fees are uniform throughout the District.

Description of the Reporting Entity

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

(a) **Reporting Entity (Continued)**

Blended Component Units - Blended component units although legally separate entities, are, in substance, part of the District's operations since they have the same governing board. The District has both financial accountability and operational responsibility for the blended component units. The District has the following blended component units:

The Irvine Ranch Water District Water Service Corporation – In January 1997, the District formed a 501(c)(4) corporation for the purpose of financing and acquiring water, sewer and other public improvements. The Corporation was created to effect the merger of the Santa Ana Heights Water Company and the issuance of the 2002 Certificates of Participation, 2008 Refunding Certificates of Participation, 2010 Refunding Certificates of Participation, and 2016 Certificates of Participation. The Corporation's bylaws mandate that the members of the District's Board of Directors shall constitute the Corporation's five-member Board of Directors. The Irvine Ranch Water District Water Service Corporation does not issue separate financial statements.

Bardeen Partners, Inc. – In March 1991, the District formed a 501(c)(4) corporation for the purpose of accounting for the financial data and transactions for certain District real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District's Board of Directors. Bardeen Partners does not issue separate financial statements.

(b) **Basic Financial Statements**

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

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

The District's financial activities are accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The enterprise fund utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, the District uses unrestricted resources first, and then restricted resources as they are needed. For capital expenditures, legally available restricted bond proceeds are used first, then other restricted resources, and then unrestricted resources are used if needed.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(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) District Investments

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

Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of investments reported for that fiscal year. Interest income includes interest earnings on the District's investments.

(g) Pension Benefits Trust Investments

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

Changes in fair value that occur during the fiscal year are recognized as increase (decrease) in fair value of investments reported for that fiscal year. Interest income is recorded on the accrual basis. Dividends are recorded on the payment date.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(h) Real Estate Investments

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

(i) Fair Value Measurements

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

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

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

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(j) Inventory and Prepaid Items

Water inventory related to water stored in its banking facilities in Kern County is stated at its purchase cost or at a rate equivalent to what the District would charge for storage. The District's warehouse materials and supplies are valued using the average cost method. Inventory is recorded when purchased, and expensed at the time the inventory is consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(k) Capital Assets and Depreciation

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

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

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

(l) Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Earned vacations pay to a maximum of 400 hours (or more with written approval of the General Manager). Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave for up to 96 hours in excess of the first 80 hours accumulated. Fifty percent of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment. All accumulated vacation and vested sick leave pay is recorded as expense at the time the benefit is earned.

(m) Pensions

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

(m) **Pensions (Continued)**

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

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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

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

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

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category:

- Deferred refunding charges
- Accumulated decrease in fair value of swap agreements
- Employer contributions subsequent to measurement date for pension and OPEB
- Deferred actuarial amounts related to pension and OPEB

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred actuarial amounts related to pension and OPEB

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

(p) **Use of Estimates**

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

(q) **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, 2020 are classified in the accompanying financial statements as follows (in thousands):

District Cash and Investments	\$347,261
Pension Benefits Trust Investments	83,103
Total Cash and Investments	\$430,364

Cash and investments as of June 30, 2020 consist of the following (in thousands):

District Cash and Investments:

Cash on hand	\$ 3
Deposits with financial institutions	(7,642)
Investments	354,900
Total District Cash and Investments	347,261

Pension Benefits Trust Cash and Investments:

Equities - mutual funds	55,371
Fixed income bonds - mutual funds	27,703
Money market - mutual funds	29
Total Pension Benefits Trust Cash and Investments	83,103
Total Cash and Investments	\$430,364

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

The following table identifies the investment types that are authorized for the District by the California Government Code, the California Water Code, and the District's investment policy, whichever is most restrictive. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity⁽¹⁾	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Orange County Treasury Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Real Estate Investments	N/A	30% ⁽²⁾	None

⁽¹⁾ Maximum maturity unless express authority has been granted otherwise by the Board of Directors pursuant to the California Government Code Section 53601.

⁽²⁾ 30% of Replacement Fund, as authorized by the California Water Code.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

Pension Benefits Trust (The Trust) Authorized Investment Strategy

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue and in 2013, established a Pension Benefits Trust to substantially fund its PERS unfunded liability. The Trust’s investment policy authorizes investment of Trust assets in financial instruments in three broad categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Investments may include derivatives, options and futures as portfolio protection strategies. The following is a summary of the Trust’s investment policy.

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

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

Pension Benefits Trust Authorized Investment Strategy (Continued)

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

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

Custodial Credit Risk

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity			
		12 Months Or Less	13 to 36 Months	37 Months Or More	Not Applicable
Federal Agency Securities	\$192,646	\$106,294	\$ 86,352	\$ 0	\$ 0
US Treasury Note	96,935	50,626	46,309	0	0
Local Agency Investment Fund	65,319	65,319	0	0	0
Total District Investments	354,900	222,239	132,661	0	0
Mutual Funds - Equities	55,371	0	0	0	55,371
Mutual Funds - Fixed Income Bonds	27,703	1,034	1,874	24,795	0
Mutual Funds - Money Market	29	29	0	0	0
Total Pension Benefits Trust Investments	83,103	1,063	1,874	24,795	55,371
Total	\$438,003	\$223,302	\$134,535	\$24,795	\$55,371

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

Disclosures Relating to Credit Risk

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

District Cash and Investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of 6/30/20</u>		
		<u>AAA</u>	<u>Between AA- and AA+</u>	<u>Not Rated</u>
Federal Agency Securities	\$192,646	\$ 30,003	\$135,664	\$26,979
US Treasury Note	96,935	96,935	0	0
Local Agency Investment Fund	65,319	0	0	65,319
Total	<u>\$354,900</u>	<u>\$126,938</u>	<u>\$135,664</u>	<u>\$92,298</u>

Pension Benefits Trust Investments:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 55,371 ⁽¹⁾
Mutual Funds - Fixed Income Bonds	27,703 ⁽²⁾
Mutual Funds - Money Market	29 ⁽³⁾
Total	<u>\$ 83,103</u>

⁽¹⁾ Equity Mutual Funds as of 6/30/2020 include four “index funds” and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

⁽²⁾ Fixed Income Mutual Funds are comprised of four diversified portfolios of fixed income securities. As of 6/30/2020, 67.35% of the holdings were rated A-AAA, 30.88% of the holdings were rated B-BBB, and 1.77% of the holdings were rated below B or Not Rated.

⁽³⁾ The Money Market Mutual Fund is not rated.

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

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

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
FHLB	Federal Agency Securities	\$ 62,705
FFCB	Federal Agency Securities	55,929
FHLMC	Federal Agency Securities	40,237
FNMA	Federal Agency Securities	33,775
Total		<u><u>\$192,646</u></u>

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2020 (in thousands):

District Cash and Investments:

Investment Type	Amount	Fair Value Measurements	
		Level 1	Level 2
Federal Agency Securities	\$192,646	\$ 0	\$192,646
US Treasury Note	96,935	96,935	0
Local Agency Investment Fund	65,319 ⁽¹⁾	0	0
Total	<u><u>\$354,900</u></u>	<u><u>\$96,935</u></u>	<u><u>\$192,646</u></u>

Pension Benefits Trust Cash and Investments:

Investment Type	Amount	Fair Value
		Measurements
		Level 1
Mutual Funds - Equities	\$55,371	\$55,371
Mutual Funds - Fixed Income Bonds	27,703	27,703
Mutual Funds - Money Market	29 ⁽¹⁾	0
Total	<u><u>\$83,103</u></u>	<u><u>\$83,074</u></u>

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) Interest Rate Swap Agreements

In September 2003, the District's Board of Directors approved a policy regarding the use of interest rate swap transactions. The policy provides that interest rate swap transactions will be designed to enhance the relationship between risk and return with respect to an investment or a program of investments entered into by the District; and/or to reduce the amount or duration of payment, rate, spread, or similar risk; and/or result in a lower cost of borrowing when used in combination with bonds or other indebtedness of the District. Pursuant to the policy, the Board of Directors authorizes general parameters for interest rate swap transactions while the Finance and Personnel Committee structures specific transactions within the Board-authorized parameters. The Treasurer, with the concurrence of the Chairman of the Finance and Personnel Committee, is authorized to enter into interest rate swap transactions that are within all authorized parameters.

The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, including the schedule and credit support annex, is used as the form of contract with interest rate swap counterparties. The District is compliant with all Dodd-Frank Protocol provisions regarding swap advisor representation and transparency.

The outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2020, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(27.0) million, respectively. For the year ended June 30, 2020, the decrease in fair value of the fixed payer interest rate swaps was \$6.4 million.

The fair value of the swap agreements at June 30, 2020 is calculated using a zero-coupon method (Level 2 inputs). This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The District's fixed payer swaps were executed in 2004 and became effective in 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) **Interest Rate Swap Agreements (Continued)**

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa2/A+/AA-
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa3/A+/A+

The ISDA agreements for the above referenced interest rate swaps include a provision that the counterparties shall be required to post collateral should the mark-to-market value of the total interest rate swap portfolio with the respective counterparty, including any current outstanding swap accruals, exceed a threshold of \$(15.0) million. The amount of the collateral posted shall be the amount of the mark-to-market value and outstanding swap accrual amounts in excess of \$(15.0) million. As of June 30, 2020, the mark-to-market value of the total interest rate swaps with Citibank N.A. and Bank of America, N.A. as counterparties did not exceed the threshold amount.

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

The District has executed interest rate swap transactions with two counterparties. Their ratings are Aa2/A+/AA- (50% of net exposure to credit risk) and Aa3/A+/A+ (50% of net exposure to credit risk) as of June 30, 2020.

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(3) Interest Rate Swap Agreements (Continued)

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

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

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

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no collateral has been posted at June 30, 2020.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2020, the District had 37,583 acre-feet of banked water in various water bank facilities at a cost of \$8.0 million. Inventories at June 30, 2020 consisted of the following (in thousands):

Water in storage	\$ 7,998
Materials and supplies	9,385
Total	\$17,383

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2020 is as follows (in thousands):

	Balance			Balance
	June 30, 2019	Additions	Deletions	June 30, 2020
Capital assets, depreciable:				
Land leasehold	\$ 4,860	\$ 0	\$ 0	\$ 4,860
Buildings and structures	766,655	2,652	(15,603)	753,704
Transmissions and distributions	1,375,831	102,078	(283)	1,477,626
Machinery and equipment	280,616	4,042	0	284,658
Sub-total	2,427,962	108,772	(15,886)	2,520,848
Less: Accumulated depreciation:				
Land leasehold	(1,359)	(97)	0	(1,456)
Buildings and structures	(306,194)	(17,894)	3,807	(320,281)
Transmissions and distributions	(457,996)	(37,907)	259	(495,644)
Machinery and equipment	(160,022)	(11,631)	0	(171,653)
Sub-total	(925,571)	(67,529)	4,066	(989,034)
Total depreciable capital assets, net	1,502,391	41,243	(11,820)	1,531,814
Capital assets, non-depreciable:				
Land and water rights	125,316	931	(649)	125,598
Construction in progress	330,957	109,119	(109,688)	330,388
Total capital assets, net	\$1,958,664	\$151,293	\$(122,157)	\$1,987,800

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2020 were \$109.7 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets decreased \$11.8 million during the fiscal year ended June 30, 2020.

(6) **Capitalized Amounts**

Certain administrative and general expenses relating to assets under construction are charged to construction-in-progress until the assets are ready for their intended use. The amount of administrative and general expenses capitalized to construction-in-progress for the fiscal year ended June 30, 2020 was \$12.6 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) **Real Estate Investments**

Real estate investments as of June 30, 2020 consist of the following (in thousands):

Real estate investments at fair value	\$244,316
Real estate loan receivable	76,536
Accrued interest on loan receivable	<u>9,575</u>
Total	<u>\$330,427</u>

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

	Balance June 30, 2019	Increase / (decrease) in Fair Value	Purchases / (Sales)	Balance June 30, 2020
Wood Canyon Villas, L.P.	\$ 28,710	\$ 1,723	\$ 0	\$ 30,433
Sycamore Canyon Apartments	148,625	3,716	0	152,341
230 Commerce Office Property	11,730	235	0	11,965
Waterworks Way Business Park	9,180	183	0	9,363
Sand Canyon Professional Center	11,220	224	0	11,444
Sand Canyon General Office	20,125	(5,529)	14,174	28,770
Total	\$229,590	\$ 552	\$ 14,174	\$244,316

Net real estate income as of June 30, 2020 is as follows (in thousands):

Real estate income	\$18,175
Increase (decrease) in fair value of real estate investments	552
Real estate expense	<u>(5,627)</u>
Net real estate income	<u>\$13,100</u>

Included in real estate investments are two apartment properties and four commercial office buildings. The District, through Bardeen Partners, Inc., is the sole limited partner in Wood Canyon Villas, L.P. (Wood Canyon), and the sole owner of both Sycamore Canyon Apartments and a commercial office building (230 Commerce). Separate from Bardeen Partners, Inc., the District is the sole owner of three other commercial office buildings (Waterworks Way Business Park, Sand Canyon Professional Center, and Sand Canyon General Office). The Sand Canyon General Office property is in the final phase of construction and is expected to be completed in August 2020. In addition, the \$76.5 million loan receivable from the sale of the Serrano Summit property was paid off in August 2020.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) Real Estate Investments (Continued)

The construction of Wood Canyon Villas, a 230-unit apartment property, was completed in 1993. The property is located in Orange County, California, and was 97% occupied at June 30, 2020. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (\$6.0 million contribution). The property's fair value and the District's partnership interest were determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In 1992, the District acquired a 450-unit apartment property (original cost, \$34.1 million) in Orange County, California known as Sycamore Canyon Apartments. The property was 95% occupied at June 30, 2020. The Sycamore Canyon Apartments completed a renovation project in 2007 for a total cost of \$9.6 million. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce professional office building located in Irvine, California. Land and construction costs for the project totaled \$5.6 million and the building was 82% occupied as of June 30, 2020. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a specific facilities requirement of the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project totaled \$9.0 million. As of June 30, 2020, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

In April 2012, the District completed construction of a 16,350 square foot for-lease medical office building located in Irvine, California known as the Sand Canyon Professional Center. Land and construction costs for the project totaled \$8.4 million and the building was 100% occupied as of June 30, 2020. The property's fair value was determined using an appraisal valuation in 2018 and adjusted with a growth factor in 2020.

The District has a 5.8-acre general office site located in Irvine, California at the Sand Canyon Professional Center. Land and related entitlement costs totaled \$5.0 million as of June 30, 2018. In January 2019, the District began construction of a new for-lease 70,000 square foot office building on the Sand Canyon Office property. Land and construction costs totaled \$25.1 million as of June 30, 2020. In the current fiscal year, the District changed the appraisal valuation method. The property's fair value was determined using a calculation including projected lease income and capitalization rate in 2020. The new building was completed in August 2020.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(7) Real Estate Investments (Continued)

On September 1, 2017, the District entered into a loan agreement with Lennar Homes of California, Inc. for a principal amount of \$81.6 million, bearing a 4.0% per annum interest rate, from the sale of IRWD's Serrano Summit property located in Lake Forest. On July 24, 2019, the District executed the first amendment to the loan agreement for an eight-month extension of the original September 1, 2019 maturity. The loan amendment also increased the principal amount to include interest earned to September 1, 2019 for a total principal amount of \$88.1 million, bearing a 4.0% per annum interest rate. On April 20, 2020, the District executed the second amendment to the loan agreement for a seven-month extension of the November 30, 2020 maturity. On May 19, 2020, the District received the partial principal payment of \$2.8 million for the first partial reconveyance. On June 15, 2020, the District received the partial principal payment of \$2.8 million for the second partial reconveyance. The loan is secured by the Serrano Summit property. The balance of the loan was stated at cost as of June 30, 2020. The entire outstanding principal balance and all accrued unpaid interest were paid in full in August 2020.

(8) Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, which has been amended from time to time. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement.

The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. During the fiscal year ended June 30, 2020, the District received a credit of \$16.4 million of the equity integration adjustment of OCSD's capital assets. In addition, the District's CORF payments to OCSD for the fiscal year ended June 30, 2020 totaled \$4.2 million. The District's share of the jointly funded capital assets and CORF is included in capital assets in the District's basic financial statements.

In May 2018, the District and OCSD agreed to extend the agreement, providing for treatment and disposal by OCSD of District solids and the temporary lease of capacity in OCSD's solids treatment and disposal facilities through December 31, 2021. The capacity lease for the fiscal year ended June 30, 2020, estimated at \$2.4 million, is included in Sewer Services as an operating expense.

The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OCSD. Periodically this information is subjected to further review by the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available.

As of June 30, 2020, the District had a net receivable of \$33.8 million from OCSD which is reflected as a due from other agencies in the District's basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020 is as follows (in thousands):

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	\$ 28,300	\$ 0	\$ (1,700)	\$ 26,600	\$ 1,800	\$ 24,800
2008A Refunding	48,000	0	(1,500)	46,500	1,500	45,000
2009A Consolidated	57,500	0	(2,500)	55,000	2,500	52,500
2009B Consolidated	57,500	0	(2,500)	55,000	2,500	52,500
2010B BABS	175,000	0	0	175,000	0	175,000
2011A-1 Refunding	48,240	0	(1,740)	46,500	1,800	44,700
2011A-2 Refunding	32,160	0	(1,160)	31,000	1,200	29,800
2016 Consolidated	103,400	0	0	103,400	0	103,400
Unamortized Premium	24,569	0	(924)	23,645	924	22,721
Sub-total	574,669	0	(12,024)	562,645	12,224	550,421
Certificates of Participation:						
2010 Refunding Certificates	1,980	0	(1,980)	0	0	0
2016 Certificates	116,745	0	0	116,745	3,420	113,325
Unamortized Premium	28,019	0	(1,736)	26,283	1,376	24,907
Sub-total	146,744	0	(3,716)	143,028	4,796	138,232
Notes Payable	684	0	(265)	419	72	347
Other Long-Term Liabilities:						
Compensated Absences	4,653	4,832	(4,119)	5,366	2,147	3,219
Other Long-Term Liabilities	908	3,265	(3,320)	853	151	702
Sub-total	5,561	8,097	(7,439)	6,219	2,298	3,921
Total Long-Term Liabilities	\$727,658	\$8,097	\$(23,444)	\$712,311	\$19,390	\$692,921

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

General Obligation Bonds

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2020 ranging from 0.05% to 0.11% and the fixed rate for the 2010B BABs issue and 2016 Consolidated issue) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Instruments Net	BAB Federal Subsidy	Total
2021	\$ 11,300	\$ 17,072	\$ 2,550	\$ (3,825)	\$ 27,097
2022	14,155	17,064	2,550	(3,825)	29,944
2023	14,365	16,948	2,550	(3,825)	30,038
2024	14,775	16,826	2,550	(3,825)	30,326
2025	18,015	16,699	2,550	(3,825)	33,439
2026-2030	99,810	77,785	10,204	(18,100)	169,699
2031-2035	135,475	66,353	0	(15,663)	186,165
2036-2040	183,560	38,671	0	(10,973)	211,258
2041-2045	40,460	6,828	0	0	47,288
2046	7,085	371	0	0	7,456
Sub-total	539,000	274,617	22,954	(63,861)	772,710
Plus: Unamortized premium	23,645	0	0	0	23,645
Total	\$562,645	\$274,617	\$22,954	\$(63,861)	\$796,355

The above table incorporates the net receipts/payments of the hedging instruments that are associated with the variable rate debt issue(s). The amounts assume that current interest rates on variable rate bonds and the current reference rates of the hedging instruments will remain the same for their term. As these rates vary, interest payments on variable rate bonds and net receipts/payments on the hedging instruments will vary. Additionally, the above table includes the most recent BABs subsidy reduction of 5.7% under the Congressionally-mandated sequestration which began in FY 2012-13. Refer to Note 3 for additional information regarding the hedging instruments associated with the debt of the District.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

Certificates of Participation

In September 2016, the Irvine Ranch Water District Service Corporation issued \$116.7 million of Certificates of Participation Series 2016 (the Series 2016 Certificates) to finance the cost of certain capital improvements and to refund a portion of the outstanding Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates). During the fiscal year ended June 30, 2020, the 2010 Certificates were paid in full.

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

Fiscal Year	Principal	Interest	Total
2021	\$ 3,420	\$ 5,837	\$ 9,257
2022	3,675	5,666	9,341
2023	3,940	5,483	9,423
2024	4,220	5,286	9,506
2025	4,555	2,074	6,629
2026-2030	28,110	21,610	49,720
2031-2035	22,960	14,313	37,273
2036-2040	17,840	9,769	27,609
2041-2045	22,765	4,841	27,606
2046	5,260	263	5,523
Sub-total	116,745	75,142	191,887
Plus: Unamortized premium	26,283	0	26,283
Total	\$143,028	\$75,142	\$218,170

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(9) **Long-Term Liabilities (Continued)**

Notes Payable

The District has one outstanding loan, which was assumed as a result of its consolidation with the Santiago County Water District. The original loan amount was \$1.3 million. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. Amounts required to amortize notes payable at June 30, 2020 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 72	\$ 9	\$ 81
2022	74	8	82
2023	76	6	82
2024	77	4	81
2025	79	2	81
2026	41	1	42
Total	<u>\$419</u>	<u>\$30</u>	<u>\$449</u>

(10) **Unearned Revenue**

Unearned revenue at June 30, 2020 consisted of the following (in thousands):

Unearned revenue, current portion	\$ 565
Unearned revenue, net of current portion	<u>4,828</u>
Total	<u><u>\$5,393</u></u>

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was effective on November 2008 between the District, City of San Clemente (CSC), Laguna Beach County Water District (LBCWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), Municipal Water District of Orange County (MWDOC), and Orange County Water District (OCWD). The purpose of the Agreement is to allow the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to reserve capacity in the District system and reimburse the District for various new intertie facilities which provide that up to 25 cfs of water supply per month may be made available during a water supply disruption. The total cost of the agreement was paid in full by each party in the fiscal year ended June 30, 2009. The amount of unearned revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2020 was \$0.5 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(11) Letters of Credit

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

The terms of the letters of credit, as of June 30, 2020 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	\$ 55,615	May 16, 2022
Sumitomo Mitsui:			
2008 Series A Refunding	Bank of New York Mellon	47,188	July 21, 2021
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	26,959	December 15, 2021
2009 Series A Consolidated	U.S. Bank	55,615	December 15, 2021

(12) Net Position

Net position at June 30, 2020 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	\$1,987,800
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(562,645)
Certificates of participation	(143,028)
Notes payable	(419)
Deferred refunding charges	2,111
Total net investment in capital assets	<u>1,283,819</u>
Restricted net position:	
Restricted for water services	350,032
Restricted for sewer services	357,926
Total restricted net position	<u>707,958</u>
Total net position	<u><u>\$1,991,777</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Hire Date		
	Prior to October 1, 2012	On or after October 1, 2012 to December 31, 2012	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Minimum Retirement Age	50	50	52
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rate	8.00%	7.00%	6.50%
Required Employer Normal Cost Rate	8.480%	8.480%	8.480%

In addition, the District made a \$5.2 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2018 (valuation date), the following employees were covered by the benefit terms for the Plan:

Active Employees	376
Inactive Employees or Beneficiaries Currently Receiving Benefits	293
Inactive Employees Entitled to But not Yet Receiving Benefits	<u>193</u>
Total	<u><u>862</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Contributions

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

As of June 30, 2020, the total pension liability was determined using the following actuarial methods and assumptions:

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return

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

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

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

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

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

⁽¹⁾ In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

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

Pension Plan Fiduciary Net Position

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

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2019	\$275,457	\$211,320	\$64,137
Changes Recognized for the Period:			
Service Cost	5,498	0	5,498
Interest	19,651	0	19,651
Changes of Assumptions	0	0	0
Difference between Expected and Actual Experience	2,535	0	2,535
Contributions – Employer	0	7,185	(7,185)
Contributions – Employees	0	2,511	(2,511)
Net Investment Income	0	13,809	(13,809)
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(11,807)	0
Administrative Expense	0	(151)	151
Net Change	15,877	11,547	4,330
Balance at June 30, 2020	\$291,334	\$222,867	\$68,467

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	\$107,934	\$68,467	\$35,825

Funding of CalPERS Plan and Pension Benefits Trust

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue and in 2013, established a Pension Benefits Trust to substantially fund its PERS unfunded liability. The Pension Benefits Trust provides the District with an alternative to PERS that allows for investment by a professional fund management team selected and monitored by the District. The Pension Benefits Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan. Future contributions will be transferred from the Pension Benefits Trust to CalPERS at the District's discretion.

As of June 30, 2020, the total value of the assets in the Pension Benefits Trust was approximately \$83.1 million.

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

Fiscal Year ⁽¹⁾	Total Pension Liability	CalPERS Assets	Net Pension Liability/ (Asset)	Pension Benefits Trust Assets	CalPERS Assets as a Percentage of the Total Pension Liability	Pension Benefits Trust Assets as of Percentage of the Total Pension Liability	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/18	\$264,399	\$197,718	\$66,681	\$66,101	74.8%	25.0%	99.8%
06/30/19	275,457	211,320	64,137	73,106	76.7%	26.5%	103.2%
06/30/20	291,334	222,867	68,467	78,389	76.5%	26.9%	103.4%

⁽¹⁾ As of the measurement date June 30, 2017, 2018, and 2019 respectively.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Subsequent Events

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

Recognition of Gains and Losses

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

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

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

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

The EARSL for the Plan for the fiscal year ended June 30, 2020 was 4.8 years, which was obtained by dividing the total service years of 4,099 (the sum of remaining service lifetimes of the active employees) by 849 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing (leaving employment) due to an event other than receiving a cash refund.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(13) Defined Benefit Pension Plan (Continued)

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

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$13.0 million. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions made Subsequent to the Measurement Date	\$ 8,429	\$ 0
Differences between Expected and Actual Experiences	2,007	872
Changes in Assumptions	5,061	922
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	1,135
Total	\$15,497	\$2,929

\$8.4 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. \$4.1 million net of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2020	\$3,708
2021	(172)
2022	(55)
2023	658
Total	\$4,139

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits

Plan Descriptions

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

- **PEMHCA:** The District provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. 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 \$139 per month per participating retiree.
- **RHCAP:** The District also administers a single-employer defined benefit Retiree Health Costs Assistance Program (RHCAP), which provides medical benefits to covered employees and their eligible dependents. The duration of the benefit is based on employees' years of service as follows: 12 months of benefits for employees with 3-7 years of service; 24 months of benefits for employees with 8-9 years of services; 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least three years of service. The District reimburses retirees for eligible healthcare costs of up to \$160 per month (for retirees with at least three years of service at the District), to a maximum of \$600 per month after 25 years of service.
- **Retiree Death Benefit Only Plan:** The District administers a single-employer defined benefit plan. Employees hired on or before December 31, 2008 and who retire from the District on or after age 55 with at least 10 years of service at the District are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 are not currently eligible for this plan.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms under each Plan:

	PEMHCA	RHCAP	Retiree Death Benefit Only	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	100	51	0	151
Inactive Employees Entitled to But not Yet Receiving Benefits	93	0	166	259
Active Employees	371	371	147	889
Total	564	422	313	1,299

Contributions

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

For the fiscal year ended June 30, 2020, the District's cash contributions were \$0.5 million and estimated implied subsidy was \$0.3 million resulting in total payments of \$0.8 million. The following shows contributions by each OPEB plan (in thousands):

	PEMHCA	RHCAP	Retiree Death Benefit Only	Total
Cash Contributions	\$175	\$361	\$ 0	\$536
Estimated Implied Subsidy	295	0	0	295
Total	\$470	\$361	\$ 0	\$831

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2018 valuation was used to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

	PEMHCA	RHCAP	Retiree Death Benefit Only
Actuarial Method	Entry Age Normal		
Actuarial Assumptions:			
Contribution Policy	Pay-as-you-go		
Discount Rate	3.50% at June 30, 2019 and 3.87% at June 30, 2018 (Bond Buyer 20-Bond Index)		
Inflation	2.75% Annually		
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Post-retirement Mortality Projected Fully Generational with Scale MP-2018		
Salary Increases	3% Annually and CalPERS 1997-2015 Experience Study		
Medical Trend	Non-Medicare –7.5% for 2020, decreasing to 4.0% in 2076 Medicare – 6.5% for 2020, decreasing to 4.0% in 2076	Not Applicable	
Minimum Increase	4.25% Annually	Not Applicable	
Participation at Retirement	Medical Coverage: 70% if eligible for RHCAP. Otherwise, 50% if currently in District's medical plan, 0% if not.	100% Participate	

Change in Assumptions

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent which was based on the Bond Buyer 20-Bond G.O. Index.

Changes in the OPEB Liability

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

	PEMHCA	RHCAP	Retiree Death Benefit Only	Total
Balance at June 30, 2019	\$11,981	\$3,206	\$1,485	\$16,672
Changes Recognized for the Period:				
Service Cost	594	161	27	782
Interest	479	125	58	662
Changes in Assumptions	727	69	41	837
Benefit Payments	(377)	(332)	(10)	(719)
Net Change	1,423	23	116	1,562
Balance at June 30, 2020	\$13,404	\$3,229	\$1,601	\$18,234

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2019 (in thousands).

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
OPEB Liability	(2.50%)	(3.50%)	(4.50%)
PEMHCA	\$15,722	\$13,404	\$11,570
RHCAP	3,424	3,229	3,045
Retiree Death Benefit Only	1,720	1,601	1,494
Total	\$20,866	\$18,234	\$16,109

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

Sensitivity of OPEB Liability to Changes in the Healthcare Trend Rates (Continued)

The following presents the OPEB liability, calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2019 (in thousands).

OPEB Liability	Healthcare Trend Rates -1%	Curent Healthcare Trend Rates	Healthcare Trend Rates +1%
PEMHCA	\$11,199	\$13,404	\$16,295
RHCAP	3,229	3,229	3,229
Retiree Death Benefit Only	1,601	1,601	1,601
Total	\$16,029	\$18,234	\$21,125

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability is recognized in OPEB expense systematically over time.

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

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$1.5 million which consisted of \$1.2 million for PEMHCA, \$0.3 million for RHCAP and \$0.03 million for Retiree Death Benefit Only.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(14) Other Post-Employment Benefits (Continued)

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

At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Retiree Death			Total
	PEMHCA	RHCAP	Benefit Only	
Deferred Outflows of Resources:				
OPEB Contributions made Subsequent to the Measurement Date	\$ 470	\$361	\$ 0	\$ 831
Changes in Assumptions	\$1,188	\$ 64	\$33	\$1,285
Difference between Expected and Actual Experience	\$ 751	\$100	\$ 0	\$ 851
Deferred Inflows of Resources:				
Changes in Assumptions	\$ 754	\$ 91	\$43	\$ 888
Difference between Expected and Actual Experience	\$ 0	\$ 0	\$97	\$ 97

The District has \$0.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2021. The District has \$1.2 million deferred outflows and deferred inflows of resources related to OPEB which will be recognized as OPEB expense as follows (in thousands):

Fiscal Year	Retiree Death			Total
	PEMHCA	RHCAP	Benefit Only	
2021	\$ 110	\$ 4	\$ (48)	\$ 66
2022	110	4	(48)	66
2023	110	4	(18)	96
2024	110	4	7	121
2025	110	4	0	114
Thereafter	635	53	0	688
Total	\$1,185	\$73	\$(107)	\$1,151

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(15) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides retirement benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. For the year ended June 30, 2020, the District's payroll covered by the plan was \$166,663. The District made no employer contributions. Employees contributed \$12,782 for the year ended June 30, 2020.

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 2020 is \$19,500.

Effective January 1, 2008, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. All full-time employees who have completed two years of regular, full-time service with the District, are eligible for an additional District contribution. Beginning with the first month following an employee's second anniversary date, the District will deposit to the employee's 401 (a) Plan account on a per-pay period basis an amount equal to 1% of the employee's base salary. During the fiscal year ended June 30, 2020, the District contributed \$1,272,674 to employee accounts under the 401(a) plan.

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(16) Commitments and Contingencies

Legal Actions

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

(17) Risk Management

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

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

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

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

Fiscal Year	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year	Due within One Year	Due in more than One Year
2019	\$1,394	\$142	\$(19)	\$1,517	\$570	\$947
2020	\$1,517	\$255	\$(34)	\$1,738	\$791	\$947

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

(18) Subsequent Events

Serrano Summit – Lennar Homes Loan Agreement

As of August 12, 2020, the District received the remaining outstanding principal balance and accrued interest totaling approximately \$85.9 million from Lennar Homes of California Inc. related to the September 2017 sale of the IRWD's Serrano Summit property located in Lake Forest.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020

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

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

	Measurement Date: June 30		
	2019	2018	2017
Total Pension Liability			
Service Cost	\$ 5,498	\$ 5,098	\$ 4,825
Interest	19,651	18,570	17,806
Changes of Assumptions	0	(1,605)	15,182
Difference between Expected and Actual Experience	2,535	(235)	(1,702)
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(10,770)	(9,721)
Net Change in Total Pension Liability	15,877	11,058	26,390
Total Pension Liability – Beginning	275,457	264,399	238,009
Total Pension Liability – Ending (a)	\$291,334	\$275,457	\$264,399
 Plan Fiduciary Net Position			
Contributions – Employer	\$ 7,185	\$ 6,157	\$ 5,450
Contributions – Employees	2,511	2,401	2,280
Net Investment Income	13,809	16,707	20,205
Benefit Payments, Including Refunds of Employee Contributions	(11,807)	(10,770)	(9,721)
Administrative Expense	(151)	(308)	(265)
Other Miscellaneous Income / (Expense) ⁽¹⁾	0	(585)	0
Net Change in Fiduciary Net Position	11,547	13,602	17,949
Plan Fiduciary Net Position – Beginning ⁽²⁾	211,320	197,718	179,769
Plan Fiduciary Net Position – Ending (b)	\$222,867	\$211,320	\$197,718
Plan Net Pension Liability – Ending (a) - (b)	\$ 68,467	\$ 64,137	\$ 66,681
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.50%	76.72%	74.78%
 Covered Payroll	\$ 33,758	\$ 32,213	\$ 30,823
Plan Net Pension Liability as a Percentage of Covered Payroll	202.82%	199.10%	216.33%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

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

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

	Measurement Date: June 30		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 4,066	\$ 4,005	\$ 3,942
Interest	17,092	16,343	15,436
Changes of Assumptions	0	(4,127)	0
Difference between Expected and Actual Experience	(1,856)	530	0
Benefit Payments, Including Refunds of Employee Contributions	(9,089)	(8,365)	(7,631)
Net Change in Total Pension Liability	10,213	8,386	11,747
Total Pension Liability – Beginning	227,796	219,410	207,663
Total Pension Liability – Ending (a)	\$238,009	\$227,796	\$219,410
Plan Fiduciary Net Position			
Contributions – Employer	\$ 4,926	\$ 4,524	\$ 4,330
Contributions – Employees	2,519	2,170	2,712
Net Investment Income	946	4,049	26,787
Benefit Payments, Including Refunds of Employee Contributions	(9,089)	(8,365)	(7,632)
Administrative Expense	(110)	(208)	0
Other Miscellaneous Income / (Expense) ⁽¹⁾	0	0	0
Net Change in Fiduciary Net Position	(808)	2,170	26,197
Plan Fiduciary Net Position – Beginning ⁽²⁾	180,577	178,407	152,210
Plan Fiduciary Net Position – Ending (b)	\$179,769	\$180,577	\$178,407
Plan Net Pension Liability – Ending (a) - (b)	\$ 58,240	\$ 47,219	\$ 41,003
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.53%	79.27%	81.31%
Covered Payroll	\$ 28,802	\$ 27,596	\$ 26,264
Plan Net Pension Liability as a Percentage of Covered Payroll	202.21%	171.11%	156.12%

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

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

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

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

Notes to Schedule of Changes in the Net Pension Liability and Related Ratio

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

(b) Schedule of Contributions (in thousands)

	Fiscal Year Ended June 30 ⁽¹⁾					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution ⁽²⁾	\$ 8,429	\$ 7,184	\$ 6,157	\$ 5,450	\$ 4,926	\$ 4,524
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(8,429)	(7,184)	(6,157)	(5,450)	(4,926)	(4,524)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$34,134	\$33,758	\$32,213	\$30,823	\$28,802	\$27,596
Contributions as a Percentage of Covered Payroll	24.69%	21.28%	19.11%	17.68%	17.10%	16.39%

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2020
(Continued)

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

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

- (1) Historical information is required only for measurement periods from which GASB 68 is applicable. Fiscal Year 2015 was the first year of GASB 68 implementation.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 were from the June 30, 2017 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Fair Value of Assets
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. Post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

Changes in Assumptions: On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 were calculated using a discount rate of 7.25 percent.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

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

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

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent will be used in the following valuation.

(2) **Other Post-Employment Benefits**

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

PEMHCA				
Measurement Date: June 30	2019	2018	2017	
Service Cost	\$ 594	\$ 472	\$ 549	
Interest	479	364	310	
Changes of Assumptions	727	682	(1,173)	
Difference between Expected and Actual Experience	0	951	0	
Benefit Payments	(377)	(343)	(304)	
Net Change in Total OPEB Liability	\$ 1,423	\$ 2,126	(618)	
Total OPEB Liability – Beginning	11,981	9,855	10,473	
Total OPEB Liability – Ending	\$13,404	\$11,981	\$ 9,855	
Covered Employee Payroll	\$37,226	\$35,629	\$30,823	
OPEB Liability as a Percentage of Covered Employee Payroll	36.01%	33.63%	31.97%	

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

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

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

RHCAP			
Measurement Date: June 30	2019	2018	2017
Service Cost	\$ 161	\$ 148	\$ 161
Interest	125	112	94
Changes of Assumptions	69	1	(\$136)
Difference between Expected and Actual Experience	0	125	0
Benefit Payments	(332)	(306)	(286)
Net Change in Total OPEB Liability	23	80	(\$167)
Total OPEB Liability – Beginning	3,206	3,126	3,293
Total OPEB Liability – Ending	\$ 3,229	\$ 3,206	\$ 3,126
Covered Employee Payroll	\$36,529	\$35,629	\$30,823
OPEB Liability as a Percentage of Covered Employee Payroll	8.84%	9.00%	10.14%
Retiree Death Benefit Only			
Measurement Date: June 30	2019	2018	2017
Service Cost	\$ 27	\$ 28	\$ 32
Interest	58	58	47
Changes of Assumptions	41	(\$10)	(\$92)
Difference between Expected and Actual Experience	0	(\$168)	0
Benefit Payments	(10)	(20)	(10)
Net Change in Total OPEB Liability	116	(\$112)	(\$23)
Total OPEB Liability – Beginning	1,485	1,597	1,620
Total OPEB Liability – Ending	\$ 1,601	\$ 1,485	\$ 1,597
Covered Employee Payroll	\$18,455	\$19,775	\$16,028
OPEB Liability as a Percentage of Covered Employee Payroll	8.68%	7.51%	9.96%

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

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2020
 (Continued)

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

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

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

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

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

PEMHCA	RHCAP	Retiree Death Benefit Only
Discount rate was increased from 3.581% to 3.87% based on municipal bond rate as of the measurement date.		
Demographic assumptions were updated to CalPERS 1997-2015 Experience Study.		
Mortality improvement scale was updated to Scale MP-2018.		
Medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model.	Not Applicable	
Short term medical trend was developed in consultation with Axene Health Partners' healthcare actuaries. Long-term medical trend developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends.	Not Applicable	
Participation at retirement for medical coverage was updated to 70% if eligible for RHCAP.	Not Applicable	
A 2% load on the cash liability was added to estimate the ACA Excise Tax.	Not Applicable	

For the fiscal year ended June 30, 2017 measurement period, the discount rate increased from 2.85 percent to 3.581 percent.

Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2020

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

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

- Net Position
- Changes in Net Position

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

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

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

- Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue
- Direct and Overlapping Property Tax Rates
- Principal Property Taxpayers
- Property Tax Collections/Delinquency
- Outstanding Debt by Type
- Outstanding General Obligation Bonds by Improvement District
- Ratio of General Obligation Debt to Assessed Values
- Ratio of Annual Debt Service Expenditures to Total General Expenditures
- Debt Service Coverage

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

Principal Employers
Demographic and Economic Statistics

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

Operating Indicators by Function – Water and Sewer Service Connections
Operating Indicators by Function – New Service Connections
Operating Indicators by Function – Average Monthly Usage
Source of Supply and Demand in Acre Feet
Capital Asset Statistics
Full-Time Employees

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2011	2012	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽²⁾
Assets					
Current and other assets	\$1,300.0	\$1,167.0	\$1,128.2	\$ 462.7	\$ 332.9
Capital assets	1,430.3	1,508.8	1,506.1	1,567.5	1,647.4
Total assets	2,730.3	2,675.8	2,634.3	2,030.2	1,980.3
Deferred Outflows of Resources	32.7	53.0	47.3	37.7	43.3
Liabilities					
Current and other liabilities	97.7	99.0	672.7	54.9	51.5
Long-term liabilities	1,323.7	1,281.8	647.7	623.4	602.8
Total liabilities	1,421.4	1,380.8	1,320.4	678.3	654.3
Deferred Inflows of Resources	0	0	0	0	14.6
Net Position					
Net investment in capital assets	900.6	943.1	918.1	981.3	1,074.6
Restricted for water services	213.6	179.3	185.4	165.1	148.6
Restricted for sewer services	227.4	225.6	257.7	243.2	131.5
Total net position	\$1,341.6	\$1,348.0	\$1,361.2	\$1,389.6	\$1,354.7

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

(Continued)

	Fiscal Year				
	2016 ⁽³⁾	2017 ⁽⁴⁾	2018 ⁽⁵⁾	2019	2020
Assets					
Current and other assets	\$ 456.6	\$ 735.1	\$ 797.4	\$ 803.9	\$ 828.7
Capital assets	1,731.6	1,848.3	1,890.8	1,958.7	1,987.8
Total assets	2,188.2	2,583.4	2,688.2	2,762.6	2,816.5
Deferred Outflows of Resources	49.7	61.6	41.7	41.2	47.6
Liabilities					
Current and other liabilities	65.4	78.5	52.5	53.8	56.0
Long-term liabilities	589.8	790.9	831.7	817.4	812.4
Total liabilities	655.2	869.4	884.2	871.2	868.4
Deferred Inflows of Resources	4.4	3.6	4.8	4.5	3.9
Net Position					
Net investment in capital assets	1,178.5	1,087.9	1,155.5	1,238.8	1,283.8
Restricted for water services	221.5	264.3	289.5	313.0	350.0
Restricted for sewer services	178.3	419.8	395.9	376.2	358.0
Total net position	\$1,578.3	\$1,772.0	\$1,840.9	\$1,928.0	\$1,991.8

Source: Irvine Ranch Water District Basic Financial Statements

Notes:

- (1) The District implemented GASB Statement No. 65 for the fiscal year ended June 30, 2014 and restated the financial statements for the fiscal year ended June 30, 2013.
- (2) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (3) The District implemented GASB Statement No. 72 for the fiscal year ended June 30, 2016. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (4) The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (5) The District implemented GASB Implementation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

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

	Fiscal Year				
	2011	2012	2013	2014	2015 ⁽¹⁾
Operating Revenues					
Water sales and service charges	\$ 54,796	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Total operating revenues	100,171	106,792	115,650	124,430	132,918
Operating Expenses					
Water:					
Water services	45,961	44,883	51,163	57,624	57,978
General and administrative	12,327	12,305	14,619	13,660	9,319
Sewer:					
Sewer services	33,382	33,086	38,189	37,715	54,575
General and administrative	6,569	7,792	8,048	8,612	5,826
Depreciation	43,592	41,378	47,539	46,809	51,015
Total operating expenses	141,831	139,444	159,558	164,420	178,713
Operating income (loss)	(41,660)	(32,652)	(43,908)	(39,990)	(45,795)
Nonoperating Revenues (Expenses)					
Property taxes	38,679	38,062	41,068	42,751	42,431
Investment income	2,599	3,132	224	1,079	1,214
Increase (decrease) in fair value of investments	(20,172)	(23,586)	(29,180)	(16,177)	(28)
JPA investment income	53,708	51,530	49,178	29,522	0
Real estate income	9,719	11,039	10,789	11,899	12,518
Increase (decrease) in fair value of real estate investments	0	0	0	0	0
Pension benefits trust interest and dividends income	0	0	0	0	0
Increase (decrease) in fair value of pension benefits trust investments	0	0	0	0	0
Other income	7,987	6,141	8,323	10,974	7,899
Interest expense	(14,174)	(16,924)	(16,770)	(15,836)	(13,903)
JPA interest expense	(41,264)	(39,603)	(28,884)	(17,166)	0
Real estate expense	(6,004)	(6,016)	(6,047)	(6,139)	(6,251)
Pension benefits trust expense	0	0	0	0	0
Other expenses	(989)	(10,713)	(6,110)	(7,163)	(9,752)
Total nonoperating revenue (expenses)	30,089	13,062	22,591	33,744	34,128
Income (loss) before capital contributions	(11,571)	(19,590)	(21,317)	(6,246)	(11,667)
Contributed capital assets	18,506	25,948	34,535	34,684	42,540
Increase (decrease) in net position	6,935	6,358	13,218	28,438	30,873
Net position at beginning of year	1,334,666	1,341,601	1,347,959	1,361,177	1,389,615
Prior period adjustments	0	0	0	0	(65,825)
Net position at end of year	\$1,341,601	\$1,347,959	\$1,361,177	\$1,389,615	\$1,354,663

Irvine Ranch Water District
Changes in Net Position
For the Past Ten Fiscal Years

(in thousands)

(Continued)

	Fiscal Year				
	2016 ⁽²⁾	2017 ⁽³⁾	2018 ⁽⁴⁾	2019	2020
Operating Revenues					
Water sales and service charges	\$ 76,692	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213
Sewer sales and service charges	67,682	72,054	76,789	76,841	77,187
Total operating revenues	144,374	149,306	161,364	170,948	167,400
Operating Expenses					
Water:					
Water services	57,499	55,296	63,671	64,004	67,792
General and administrative	11,827	15,906	20,554	19,860	21,600
Sewer:					
Sewer services	40,413	42,752	38,115	43,734	49,497
General and administrative	7,625	9,059	12,332	15,786	17,106
Depreciation	58,330	61,841	63,877	64,835	67,554
Total operating expenses	175,694	184,854	198,549	208,219	223,549
Operating income (loss)	(31,320)	(35,548)	(37,185)	(37,271)	(56,149)
Nonoperating Revenues (Expenses)					
Property taxes	46,303	51,321	57,247	63,057	66,375
Investment income	1,249	2,843	4,133	6,199	7,790
Increase (decrease) in fair value of investments	(32)	(1,624)	(1,571)	5,188	2,319
JPA investment income	0	0	0	0	0
Real estate income	13,056	13,434	16,689	17,813	18,175
Increase (decrease) in fair value of real estate investments	5,597	10,084	4,091	6,095	552
Pension benefits trust interest and dividends income	0	0	3,003	2,140	3,274
Increase (decrease) in fair value of pension benefits trust investments	0	0	2,173	3,196	1,500
Other income	7,837	7,117	7,504	8,876	6,606
Interest expense	(15,415)	(18,784)	(26,034)	(25,481)	(22,167)
JPA interest expense	0	0	0	0	0
Real estate expense	(4,363)	(4,358)	(13,284)	(9,441)	(5,627)
Pension benefits trust expense	0	0	(51)	(53)	(61)
Other expenses	(2,800)	(1,997)	(174)	(2,615)	(5,239)
Total nonoperating revenue (expenses)	51,432	58,036	53,726	74,974	73,497
Income (loss) before capital contributions	20,112	22,488	16,541	37,703	17,348
Contributed capital assets	53,278	41,913	60,588	49,346	46,427
Increase (decrease) in net position	73,390	64,401	77,129	87,049	63,775
Net position at beginning of year	1,354,663	1,578,311	1,772,014	1,840,953	1,928,002
Prior period adjustments	150,258	129,302	(8,190)	0	0
Net position at end of year	\$1,578,311	\$1,772,014	\$1,840,953	\$1,928,002	\$1,991,777

Source: IRWD Basic Financial Statements

Notes:

- (1) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (2) The District implemented GASB Statement No 72 for the fiscal years ended June 30, 2016 and 2017. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (3) The prior period adjustment for the fiscal year ended June 30, 2017 was related to the reclassification of certain assets from capital assets to real estate investments. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.
- (4) The District implemented GASB Implementation Guide No. 2017-1 and GASB Statement No. 75 for the fiscal year ended June 30, 2018. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Residential	31,127	32,262	33,166	34,068	32,375
Commercial	7,632	8,021	8,353	8,803	8,391
Industrial	4,733	4,713	4,783	4,891	6,233
Public Authority	2,305	2,373	2,458	2,458	2,583
Construction & Temporary	174	275	378	739	863
Landscape	4,252	4,741	5,316	5,671	5,327
Agricultural	3,208	2,433	2,749	3,277	2,547
Landscape/Agricultural	20,147	25,011	28,259	30,021	32,139
Total	73,578	79,829	85,462	89,928	90,458

	Fiscal Year				
	2016	2017	2018	2019	2020
Residential	28,573	30,384	32,848	31,642	33,073
Commercial	8,377	8,179	8,769	8,624	7,818
Industrial	5,118	5,084	4,923	4,831	4,636
Public Authority	2,234	2,282	2,633	2,369	1,972
Construction & Temporary	1,230	874	1,292	542	480
Landscape	3,843	4,126	4,740	4,065	4,229
Agricultural	2,216	1,856	1,839	1,114	1,013
Landscape/Agricultural	26,386	26,374	29,736	26,153	29,659
Total	77,977	79,159	86,780	79,340	82,880

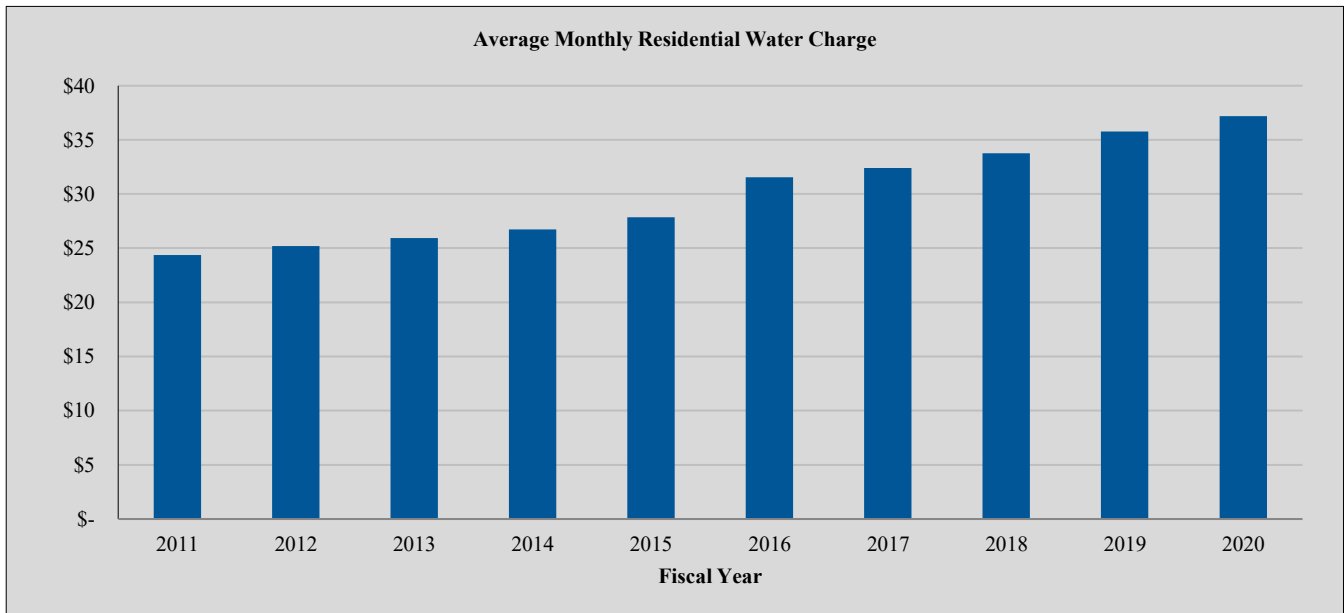
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates ⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Base Commodity Rate (per ccf) ⁽²⁾	Average Monthly Residential Charge
2011	\$8.00	\$1.21	\$24.35
2012	\$8.75	\$1.22	\$25.19
2013	\$9.30	\$1.24	\$25.92
2014	\$9.85	\$1.27	\$26.74
2015	\$10.50	\$1.34	\$27.84
2016	\$10.30	\$1.62	\$31.54
2017	\$10.30	\$1.65	\$32.41
2018	\$10.30	\$1.70	\$33.76
2019	\$10.35	\$1.89	\$35.76
2020	\$10.35	\$2.00	\$37.17



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The water charge to the average residential customer is based upon an average of 15 ccf per month. The first 6 ccf are at the District's low volume rate, which is \$0.53 less than the commodity base rate in FY 2020. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District
Largest Water Customers
Current Year and Nine Years Ago

Customer Name	2020			2011		
	Total Sales	Rank	Percentage of Water Sales Revenues	Total Sales	Rank	Percentage of Water Sales Revenues
The Irvine Company	\$ 7,863,799	1	8.72%	\$3,023,324	1	5.52%
Jazz Semiconductor	1,222,084	2	1.35%	652,709	4	1.19%
B Braun Medical, Inc	1,122,729	3	1.24%	488,557	5	0.89%
University of California - Irvine	1,070,434	4	1.19%	1,222,850	2	2.23%
Woodbridge Village Association	524,264	5	0.58%	346,758	6	0.63%
City of Lake Forest	397,366	6	0.44%			
City of Irvine	300,980	7	0.33%	833,014	3	1.52%
ERP Operating LP	299,796	8	0.33%			
Maruchan, Inc	261,729	9	0.29%			
Allergan Sales, LLC	260,519	10	0.29%	260,651	10	0.48%
Caltrans District 12				312,094	7	0.57%
County of Orange				268,173	8	0.49%
Irvine Unified School District				260,920	9	0.48%
Total	\$13,323,700		14.76%	\$7,669,050		14.00%

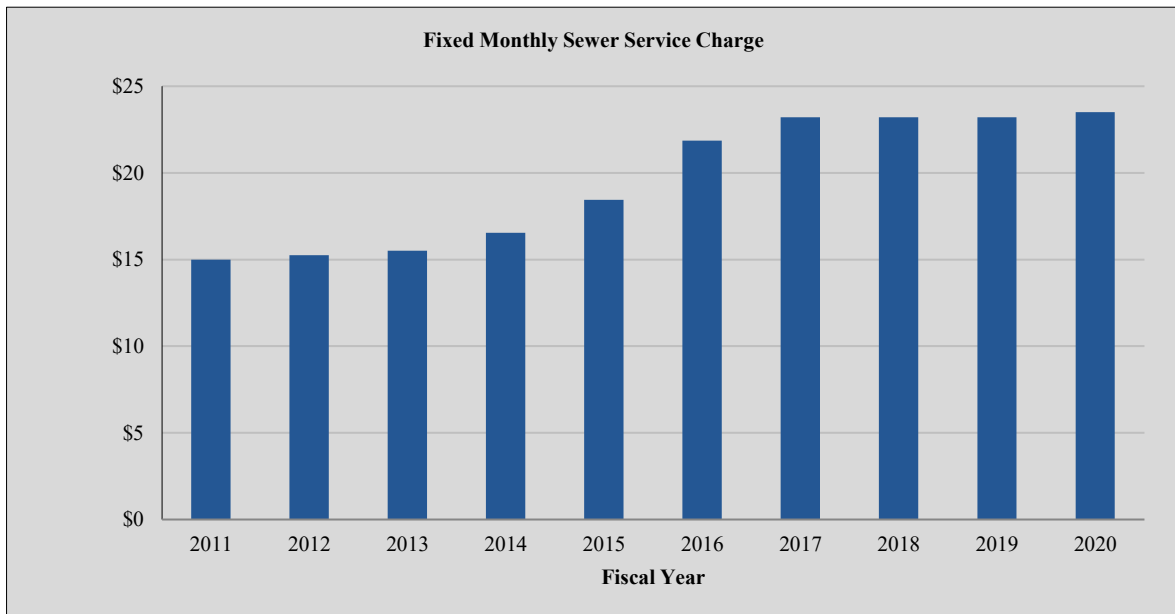
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2011	\$15.00
2012	15.25
2013	15.50
2014	16.55
2015	18.45
2016	21.85
2017	23.20
2018	23.20
2019	23.20
2020	23.50



Source: Irvine Ranch Water District

Note:

- ⁽¹⁾ The fixed monthly sewer service charge is based on an average residential customer's water usage of between 5 and 10 ccf for the lowest three months in the prior calendar year. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District
Largest Sewer Customers
Current Year and Nine Years Ago

Customer Name	2020			2011		
	Total Sales	Rank	Percentage of Sewer Sales Revenues	Total Sales	Rank	Percentage of Sewer Sales Revenues
The Irvine Company	\$12,393,661	1	16.06%	\$ 6,809,444	1	15.01%
City of Irvine	2,370,182	2	3.07%	1,315,581	3	2.90%
University of California - Irvine	1,843,344	3	2.39%	1,488,293	2	3.28%
B Braun Medical, Inc	880,504	4	1.14%	310,767	7	0.68%
Irvine Unified School District	600,536	5	0.78%	359,923	5	0.79%
ERP Operating, LP	353,432	6	0.46%			
Maruchan, Inc	341,303	7	0.44%	256,866	10	0.57%
Allergan Sales, LLC	310,835	8	0.40%	266,904	9	0.59%
Crystal Cove Community Assn	304,276	9	0.39%			
City of Tustin	288,119	10	0.37%			
Strawberry Farms Golf Club				388,639	4	0.86%
Caltrans District 12				344,898	6	0.76%
Royal Carpet Mills				272,714	8	0.60%
Total	\$19,686,192		25.50%	\$11,814,029		26.04%

Source: Irvine Ranch Water District

Irvine Ranch Water District
Ad Valorem Property Tax Rates⁽¹⁾
For the Past Ten Fiscal Years

Improvement District	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
112	\$0.07920	\$0.03168	\$0.03168	\$0.03168	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000
113	0.01980	0.05940	0.05940	0.05940	0.03000	0.03000	0.04000	0.04000	0.04000	0.04000
120	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
121	0.01311	0.01311	0.01311	0.01311	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	N/A	N/A	N/A	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300
130	0.00680	0.00680	0.00680	0.00680	N/A	N/A	N/A	N/A	N/A	N/A
135	0.00842	0.00421	0.00421	0.00421	N/A	N/A	N/A	N/A	N/A	N/A
140	0.00001	0.01000	0.01000	0.01000	N/A	N/A	N/A	N/A	N/A	N/A
150	0.00990	0.01980	0.01980	0.01980	N/A	N/A	N/A	N/A	N/A	N/A
153	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02000	0.02000	0.02000
160	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
161	0.01758	0.01758	0.01758	0.01758	N/A	N/A	N/A	N/A	N/A	N/A
182	0.01350	0.02700	0.02700	0.02700	N/A	N/A	N/A	N/A	N/A	N/A
184	0.00001	0.01350	0.01350	0.01350	N/A	N/A	N/A	N/A	N/A	N/A
185	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02300	0.02300	0.02300
186	0.03191	0.04787	0.04787	0.04787	N/A	N/A	N/A	N/A	N/A	N/A
188	0.03590	0.21540	0.21540	0.21540	0.21540	0.21540	0.21540	0.07350	0.07350	0.07350
210	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
212	0.12420	0.07452	0.07452	0.07452	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500
213	0.14533	0.08720	0.08720	0.08720	0.03800	0.03800	0.05900	0.05900	0.05900	0.05900
220	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
221	0.01800	0.01700	0.01700	0.01700	N/A	N/A	N/A	N/A	N/A	N/A
225	N/A	N/A	N/A	N/A	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
230	0.02200	0.02200	0.02200	0.02200	N/A	N/A	N/A	N/A	N/A	N/A
235	0.00532	0.00266	0.00266	0.00266	N/A	N/A	N/A	N/A	N/A	N/A
240	0.03140	0.02140	0.02140	0.02140	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
250	0.03600	0.03600	0.03600	0.03600	N/A	N/A	N/A	N/A	N/A	N/A
252	0.00001	0.00001	0.00001	0.00001	N/A	N/A	N/A	N/A	N/A	N/A
253	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.02100	0.02100	0.02100
260	0.00001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
261	0.02830	0.02830	0.02830	0.02830	N/A	N/A	N/A	N/A	N/A	N/A
282	0.01890	0.01890	0.01890	0.01890	N/A	N/A	N/A	N/A	N/A	N/A
284	0.03239	0.03239	0.03239	0.03239	N/A	N/A	N/A	N/A	N/A	N/A
285	N/A	N/A	N/A	N/A	0.00001	0.00001	0.00001	0.03050	0.03050	0.03050
286	0.00001	0.00201	0.00201	0.00201	N/A	N/A	N/A	N/A	N/A	N/A
288	0.00001	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000

Source: Irvine Ranch Water District

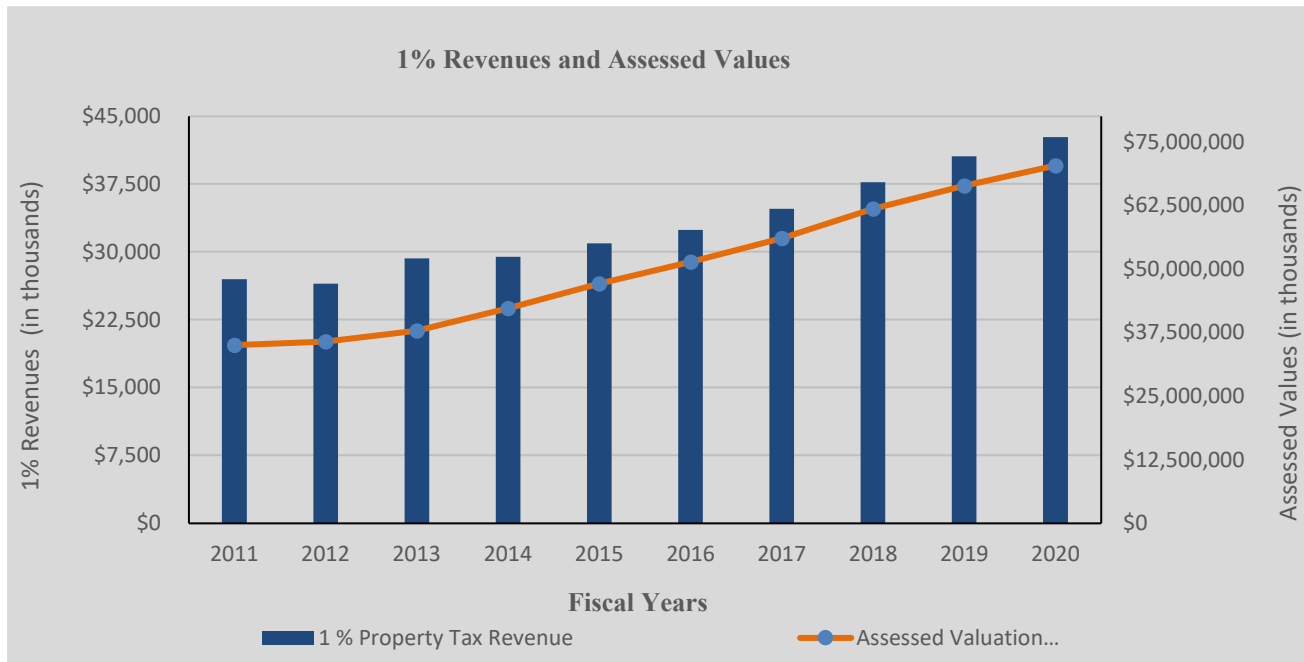
Note:

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

Irvine Ranch Water District

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

Fiscal Year	Assessed Valuation (Land only)	1 % Property Tax Revenue
2011	\$35,008,276	\$26,989
2012	35,661,242	26,478
2013	37,809,660	29,265
2014	42,205,844	29,445
2015	47,059,437	30,924
2016	51,340,888	32,427
2017	56,028,731	34,761
2018	61,803,980	37,693
2019	66,341,210	40,543
2020	70,305,737	42,669



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

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

Irvine Ranch Water District
Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2020

Direct Rate:

Irvine Ranch Water District I.D. No. 112	\$0.03000
Irvine Ranch Water District I.D. No. 113	0.04000
Irvine Ranch Water District I.D. No. 125	0.01300
Irvine Ranch Water District I.D. No. 153	0.02000
Irvine Ranch Water District I.D. No. 185	0.02300
Irvine Ranch Water District I.D. No. 188	0.07350
Irvine Ranch Water District I.D. No. 212	0.04500
Irvine Ranch Water District I.D. No. 213	0.05900
Irvine Ranch Water District I.D. No. 225	0.01500
Irvine Ranch Water District I.D. No. 240	0.01500
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 253	0.02100
Irvine Ranch Water District I.D. No. 285	0.03050
Irvine Ranch Water District I.D. No. 288	0.01000

Overlapping Rates:

School Districts:

Coast Community College District	0.03100
Rancho Santiago Community College District	0.02818
Rancho Santiago Community College District SFID 1	0.02360
Irvine Unified School District SFID No. 1	0.02533
Laguna Beach Unified School District	0.01266
Newport Mesa Unified School District	0.01682
Orange Unified School District	0.02288
Saddleback Valley Unified School District	0.02295
Santa Ana Unified School District	0.07300
Tustin Unified School District SFID 2002-1	0.01842
Tustin Unified School District SFID 2008-1	0.02969
Tustin Unified School District SFID 2012-1	0.01565

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2020

Property Owner's Name	Type of Business	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	Developer/Real Estate	\$3,277,678,884	4.18%
Irvine Apartment Communities	Real Estate	524,087,291	0.67%
Allergan USA Inc	Pharmaceutical (R&D/Marketing)	463,181,986	0.59%
Five Point Office Venture I LLC	Developer/Real Estate	442,999,914	0.56%
Jamboree Center LLC	Developer/Real Estate	410,419,676	0.52%
B Braun Medical Inc	Bio-Medical Manufacturing	388,000,778	0.49%
LBA IV-PPI LLC	Real Estate Investment and Management	379,452,894	0.48%
Park Place Michelson LLC	Real Estate	365,420,850	0.47%
Park I/II Spectrum LLC	Real Estate	353,535,651	0.45%
Calatlantic Group Inc	Developer/Real Estate	344,245,885	0.44%
		\$6,949,023,809	8.85%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019).
Data was not yet available for FY 2019/20 from the City of Irvine. The City of Irvine is only a part of the IRWD service area.

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

Fiscal Year	Levied During Fiscal Year		Collected During Fiscal Year	
	1 Percent⁽¹⁾	General Obligation⁽²⁾	1 Percent	General Obligation⁽³⁾
2011	\$ 26,493,900	\$ 10,323,198	\$ 25,892,653	\$ 11,180,391
2012	26,749,900	10,558,510	25,953,788	11,716,056
2013	26,749,900	10,733,998	29,265,283	11,802,915
2014	26,749,900	11,374,556	27,606,048	12,463,175
2015	29,000,000	9,203,641	28,668,756	9,585,904
2016	31,900,000	11,133,538	31,115,506	10,879,713
2017	33,500,000	11,679,081	33,318,168	12,822,313
2018	35,000,000	13,964,731	35,977,694	15,482,916
2019	39,000,000	16,142,433	38,717,848	17,906,438
2020	45,000,000	18,480,090	40,739,166	19,603,125
Total	\$320,143,600	\$123,593,776	\$317,254,910	\$133,442,946

Fiscal Year	Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent	General Obligation	1 Percent	General Obligation
2011	97.73%	108.30%	\$ 1,153,265	\$ 753,309
2012	97.02%	110.96%	733,450	118,691
2013	109.40%	109.96%	989,396	438,947
2014	103.20%	109.57%	1,148,873	988,796
2015	98.86%	104.15%	2,275,461	4,888
2016	97.54%	97.72%	1,192,700	884,301
2017	99.46%	109.79%	1,230,854	1,443,272
2018	102.79%	110.87%	1,542,713	1,635,416
2019	99.28%	110.93%	1,510,697	1,911,630
2020	90.53%	106.08%	1,749,765	1,515,136
Total			\$ 13,527,174	\$ 9,694,386

Source County of Orange Tax Ledger

Notes:

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

Irvine Ranch Water District
Outstanding Debt by Type ⁽¹⁾
For the Past Ten Fiscal Years

Fiscal Year	Total Service Connections ⁽²⁾	General Obligation Bonds ⁽³⁾	GO Debt per Connection	Certificates of Participation	COPS Debt per Connection
2011	191,474	\$562,051,000	\$2,935	\$88,043,000	\$460
2012	193,293	548,549,000	2,838	83,616,000	433
2013	196,596	534,343,000	2,718	78,698,000	400
2014	200,559	515,900,000	2,572	73,565,000	367
2015	203,762	503,800,000	2,472	67,293,000	330
2016	209,267	491,200,000	2,347	60,387,000	289
2017	215,573	608,118,000	2,821	153,626,000	713
2018	222,918	586,493,000	2,631	150,275,000	674
2019	227,749	574,669,000	2,523	146,744,000	644
2020	231,439	562,645,000	2,431	143,028,000	618

Irvine Ranch Water District
Outstanding Debt by Type ⁽¹⁾
For the Past Ten Fiscal Years
(Continued)

Fiscal Year	JPA Revenue Bonds	JPA Debt per Connection	Notes Payable	Notes Payable per Connection	Total Debt	Total Debt per Connection
2011	\$676,415,000	\$3,533	\$2,747,000	\$14	\$1,329,256,000	\$6,942
2012	638,521,000	3,303	2,494,000	13	1,273,180,000	6,587
2013	610,568,000	3,106	2,240,000	11	1,225,849,000	6,235
2014	0	0	1,984,000	10	591,449,000	2,949
2015	0	0	1,728,000	8	572,821,000	2,811
2016	0	0	1,469,000	7	553,056,000	2,643
2017	0	0	1,209,000	6	762,953,000	3,539
2018	0	0	947,000	4	737,715,000	3,309
2019	0	0	684,000	3	722,097,000	3,171
2020	0	0	419,000	2	706,092,000	3,051

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ More detail about the District's long-term liabilities can be found in Note 9 to the Basic Financial Statements.
- ⁽²⁾ Per Capita income information for the Irvine Ranch Water District is not readily available. Accordingly, the District presents this schedule by total service connections.
- ⁽³⁾ Includes unamortized discount/deferred loss on refunding for the fiscal year 2010 through the fiscal year 2013.

Irvine Ranch Water District
Outstanding General Obligation Bonds by Improvement District
As of June 30, 2020

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2020
112	\$ 28,512,300	\$ 8,111,000	\$ 20,401,300	\$ 7,385,000
113	25,769,500	16,300,000	9,469,500	14,038,000
125	735,246,000	429,729,000	305,517,000	178,837,000
153	237,300,000	7,601,000	229,699,000	7,601,000
154	4,839,000	0	4,839,000	0
185	13,500,000	1,493,000	12,007,000	1,493,000
188	8,174,000	4,590,000	3,584,000	1,585,000
Total	\$1,053,340,800	\$ 467,824,000	\$ 585,516,800	\$210,939,000
210	\$ 2,000,000	\$ 2,000,000	\$ 0	\$ 0
212	108,711,800	26,013,000	82,698,800	24,070,000
213	87,647,500	28,565,000	59,082,500	22,947,000
225	856,643,000	493,304,000	363,339,000	250,818,000
240	117,273,000	49,722,000	67,551,000	16,177,000
253	122,283,000	11,877,000	110,406,000	11,877,000
285	21,300,000	1,809,000	19,491,000	1,809,000
288	8,977,000	443,000	8,534,000	363,000
Total	\$1,324,835,300	\$ 613,733,000	\$ 711,102,300	\$328,061,000
Total	\$2,378,176,100	\$1,081,557,000	\$1,296,619,100	\$539,000,000

Source: Irvine Ranch Water District

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

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 112				Improvement District 212			
2011	\$ 539,618,060	\$ 5,745,000	0.01064642	2011	\$ 539,618,060	\$ 15,705,000	0.02910392
2012	504,820,526	5,745,000	0.01138028	2012	504,820,526	15,705,000	0.03111007
2013	511,871,892	5,653,500	0.01104476	2013	511,871,892	15,461,500	0.03020580
2014	780,606,904	5,562,000	0.00712523	2014	780,606,904	15,218,000	0.01949509
2015	1,333,029,836	5,470,000	0.00410343	2015	1,333,029,836	14,974,000	0.01123306
2016	1,850,638,433	5,378,000	0.00290602	2016	1,850,638,433	14,731,000	0.00795996
2017	2,077,681,111	7,658,000	0.00368584	2017	2,077,681,111	24,801,000	0.01193687
2018	2,795,881,726	7,567,000	0.00270648	2018	2,795,881,726	24,558,000	0.00878363
2019	3,230,805,159	7,475,979	0.00231397	2019	3,230,805,159	24,313,823	0.00752562
2020	3,706,557,300	7,384,479	0.00199227	2020	3,706,557,300	24,070,323	0.00649398
Improvement District 113				Improvement District 213			
2011	\$ 553,458,157	\$ 9,770,000	0.01765264	2011	\$ 553,458,157	\$ 17,283,000	0.03122729
2012	536,369,090	15,794,500	0.02944707	2012	536,369,090	23,418,645	0.04366144
2013	562,239,093	15,541,750	0.02764260	2013	562,239,093	22,828,480	0.04060280
2014	674,596,339	14,150,000	0.02097551	2014	674,596,339	22,074,000	0.03272179
2015	827,524,085	13,900,000	0.01679709	2015	827,524,085	21,488,000	0.02596662
2016	885,391,548	13,638,000	0.01540335	2016	885,391,548	20,839,000	0.02353648
2017	1,031,821,023	14,870,000	0.01441141	2017	1,031,821,023	24,950,000	0.02418055
2018	1,143,798,184	14,597,000	0.01276187	2018	1,143,798,184	24,288,000	0.02123452
2019	1,186,452,170	14,319,920	0.01206953	2019	1,186,452,170	23,621,096	0.01990902
2020	1,283,110,993	14,037,420	0.01094015	2020	1,283,110,993	22,947,396	0.01788419
Improvement District 125				Improvement District 225			
2011	n/a	n/a	n/a	2011	n/a	n/a	n/a
2012	n/a	n/a	n/a	2012	n/a	n/a	n/a
2013	n/a	n/a	n/a	2013	n/a	n/a	n/a
2014	\$29,578,638,615	\$192,075,000	0.00649371	2014	\$24,757,488,949	\$240,995,000	0.00973423
2015	32,752,414,757	187,604,000	0.00572794	2015	27,557,606,802	235,865,000	0.00855898
2016	35,506,392,050	182,932,000	0.00515209	2016	29,945,134,379	230,535,000	0.00769858
2017	38,802,873,378	194,719,000	0.00501816	2017	32,838,922,602	268,655,000	0.00818099
2018	42,983,731,609	187,049,000	0.00435162	2018	36,549,538,031	260,260,000	0.00712075
2019	45,924,240,097	184,083,028	0.00400841	2019	39,234,190,651	256,320,180	0.00653308
2020	48,290,836,261	178,836,724	0.00370333	2020	41,383,837,339	250,818,303	0.00606078

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values ⁽¹⁾
for the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 240							
2011	\$ 4,903,741,743			2011	\$ 4,903,741,743	\$ 29,527,697	0.00602146
2012	4,973,007,663			2012	4,973,007,663	28,081,173	0.00564672
2013	5,343,804,951			2013	5,343,804,951	26,441,526	0.00494807
2014	5,609,174,229			2014	5,609,174,229	24,078,000	0.00429261
2015	6,031,968,996			2015	6,031,968,996	22,767,000	0.00377439
2016	6,449,202,772			2016	6,449,202,772	21,431,000	0.00332305
2017	7,000,292,817			2017	7,000,292,817	21,271,000	0.00303859
2018	7,667,626,922			2018	7,667,626,922	17,921,000	0.00233723
2019	8,000,510,347			2019	8,000,510,347	17,202,092	0.00215012
2020	8,281,189,054			2020	8,281,189,054	16,177,474	0.00195352
Improvement District 153				Improvement District 253			
2011	\$ 7,971,152	n/a	n/a	2011	\$ 7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a	2012	8,114,060	n/a	n/a
2013	8,475,848	n/a	n/a	2013	8,475,848	n/a	n/a
2014	8,687,744	n/a	n/a	2014	228,692,347	n/a	n/a
2015	666,622,225	n/a	n/a	2015	666,622,225	n/a	n/a
2016	1,287,363,937	n/a	n/a	2016	1,287,363,937	n/a	n/a
2017	2,893,148,966	\$ 7,601,000	0.00262724	2017	2,893,148,966	\$ 11,877,000	0.00410522
2018	4,097,566,306	7,601,000	0.00185500	2018	4,097,566,306	11,877,000	0.00289855
2019	5,118,350,587	7,601,244	0.00148510	2019	5,118,350,587	11,877,248	0.00232052
2020	5,812,018,792	7,601,244	0.00130785	2020	5,812,018,792	11,877,248	0.00204357
Improvement District 154							
2011	\$ 8,904,175	n/a	n/a				
2012	9,127,678	n/a	n/a				
2013	9,334,512	n/a	n/a				
2014	9,111,103	n/a	n/a				
2015	9,289,351	n/a	n/a				
2016	9,266,433	n/a	n/a				
2017	9,376,883	n/a	n/a				
2018	9,529,712	n/a	n/a				
2019	9,720,296	n/a	n/a				
2020	9,914,693	n/a	n/a				

Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values ⁽¹⁾
for the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 185				Improvement District 285			
2010	n/a	n/a	n/a	2010	n/a	n/a	n/a
2011	n/a	n/a	n/a	2011	n/a	n/a	n/a
2012	n/a	n/a	n/a	2012	n/a	n/a	n/a
2013	n/a	n/a	n/a	2013	n/a	n/a	n/a
2014	\$ 85,119,097	n/a	n/a	2014	\$ 85,119,097	n/a	n/a
2015	209,634,682	n/a	n/a	2015	209,634,682	n/a	n/a
2016	586,316,903	n/a	n/a	2016	586,316,903	n/a	n/a
2017	836,640,799	\$ 1,493,000	0.00178452	2017	836,640,799	\$ 1,809,000	0.00216222
2018	1,209,166,559	1,493,000	0.00123473	2018	1,209,166,559	1,809,000	0.00149607
2019	1,465,394,626	1,492,889	0.00101876	2019	1,465,394,626	1,808,776	0.00123433
2020	1,262,000,047	1,492,889	0.00118295	2020	1,262,000,047	1,808,776	0.00143326
Improvement District 188				Improvement District 288			
2011	\$ 13,887,854	\$ 2,155,702	0.15522211	2011	\$ 13,887,854	\$ 300,000	0.02160161
2012	14,165,606	1,942,809	0.13714973	2012	14,165,606	300,000	0.02117806
2013	14,448,912	1,714,661	0.11867060	2013	14,448,912	290,000	0.02007072
2014	14,446,476	1,468,000	0.10161648	2014	14,446,476	280,000	0.01938189
2015	14,735,113	1,462,000	0.09921879	2015	14,735,113	270,000	0.01832358
2016	185,851,827	1,456,000	0.00783420	2016	185,851,827	260,000	0.00139896
2017	196,953,990	1,603,000	0.00813896	2017	196,953,990	393,000	0.00199539
2018	212,742,385	1,597,000	0.00750673	2018	212,742,385	383,000	0.00180030
2019	246,753,329	1,590,618	0.00644619	2019	246,753,329	373,106	0.00151206
2020	255,088,204	1,584,618	0.00621204	2020	255,088,204	363,106	0.00142345

Source: Irvine Ranch Water District

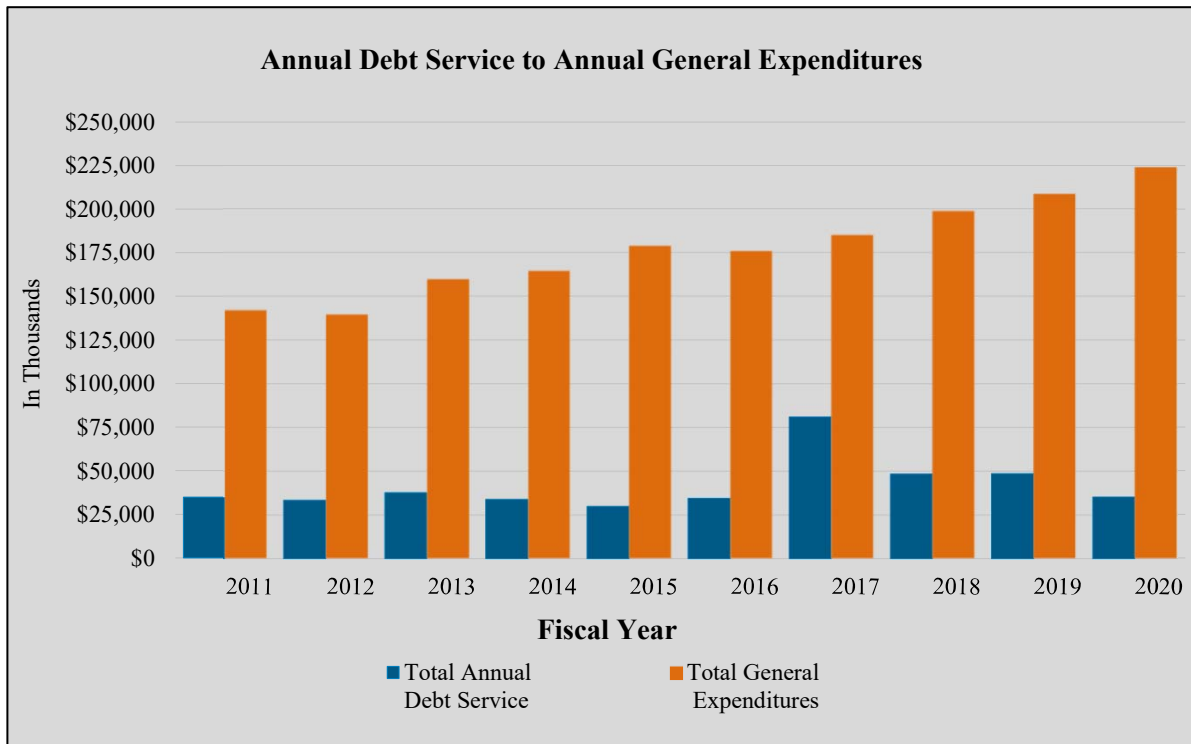
Note:

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

Irvine Ranch Water District

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

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2011	\$34,842	\$141,831	24.6%
2012	33,437	139,444	24.0%
2013	37,734	159,558	23.6%
2014	34,009	164,420	20.7%
2015	29,921	178,713	16.7%
2016	34,560	175,694	19.7%
2017	81,029	184,854	43.8%
2018	48,349	198,549	24.4%
2019	48,529	208,219	23.3%
2020	35,247	223,549	15.8%



Source: Irvine Ranch Water District

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Water sales and service charges	\$ 54,796	\$ 57,558	\$ 62,565	\$ 66,321	\$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Developer Connection fees	10,572	9,030	17,314	22,429	29,183
Net real estate income	5,649	6,736	6,566	7,760	8,191
Interest income	2,599	1,739	1,549	1,671	1,515
Net earnings on JPA	12,444	11,927	20,294	12,356	0
Available 1% property tax revenue	22,396	23,165	25,796	28,532	29,770
Other	7,987	6,141	8,323	10,974	7,899
Total Revenues	161,818	165,530	195,492	208,152	209,476
Expenses					
Water supply services	45,961	44,883	51,163	57,624	57,978
Sewer services	33,382	33,086	38,189	37,715	54,575
Administrative and general	18,896	20,097	22,667	17,487	16,012
Pension and OPEB Expense	0	0	0	4,785	2,237
Other	989	10,713	6,110	7,163	9,752
Total Expenses	99,228	108,779	118,129	124,774	140,554
Net Revenues	\$ 62,590	\$ 56,751	\$ 77,363	\$ 83,378	\$ 68,922
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 0	\$ 5,823	\$ 5,838	\$ 6,409	\$ 4,839
Parity Obligations					
Certificates of Participation	\$ 7,680	\$ 8,016	\$ 8,388	\$ 8,753	\$ 9,098
1997 State Loan #3	226	226	226	227	227
Series 2010B Bonds	4,080	7,533	7,519	7,825	7,829
Series 2011-A Index Tender Notes	35	2,284	2,306	2,360	2,455
2016 General Obligation	0	0	0	0	0
Total Parity Obligations Debt Service	12,021	18,059	18,439	19,165	19,609
Remaining Revenues	\$ 50,569	\$ 44,515	\$ 64,762	\$ 70,622	\$ 54,152
Parity Obligation Coverage	5.2 x	3.5 x	4.5 x	4.7 x	3.8 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,734	\$ 7,734	\$ 7,452	\$ 7,475	\$ 7,734
State Loans and SCWD Debt	253	308	308	308	308
Total Subordinate Obligations	7,987	8,042	7,760	7,783	8,042
Remaining Revenues	\$ 42,582	\$ 36,473	\$ 57,002	\$ 62,839	\$ 46,110
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 4,593	\$ 3,313	\$ 3,470	\$ 3,013	\$ 3,358
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	11,690	5,761	5,965	4,797	4,463
Sub-total Pledged Revenues	58,865	45,547	66,437	70,649	53,931
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	22,396	23,165	25,796	28,532	29,770
Additional Net Revenues	20,186	13,308	25,248	34,307	16,340
Total with Additional Pledged Revenues	\$ 58,865	\$ 45,547	\$ 66,437	\$ 70,649	\$ 53,931
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 16,899	\$ 16,899	\$ 17,129	\$ 10,968	\$ 12,840
GO Bond Coverage	3.5 x	2.7 x	3.9 x	6.4 x	4.2 x
Remaining Revenues	\$ 41,966	\$ 28,648	\$ 49,308	\$ 59,681	\$ 41,091
Total Debt Coverage	2.1 x	1.7 x	2.1 x	2.6 x	2.0 x

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Water sales and service charges	\$ 76,692	\$ 77,252	\$ 84,575	\$ 94,107	\$ 90,213
Sewer sales and service charges	67,682	72,054	76,789	76,841	77,187
Developer Connection fees	32,109	25,563	32,674	18,205	10,943
Net real estate income	8,693	9,076	3,405	8,372	12,549
Interest income	1,585	3,210	4,133	6,199	7,790
Net earnings on JPA	0	0	0	0	0
Available 1% property tax revenue	31,645	34,247	29,649	42,389	44,463
Other	7,836	7,117	7,504	8,876	6,606
Total Revenues	226,242	228,519	238,729	254,989	249,751
Expenses					
Water supply services	57,499	55,296	63,671	64,004	67,792
Sewer services	40,413	42,752	38,115	43,734	49,497
Administrative and general	19,909	22,664	22,390	25,610	24,303
Pension and OPEB Expense	2,831	5,146	5,333	4,700	9,629
Other	2,800	1,997	174	2,615	5,240
Total Expenses	123,452	127,855	129,683	140,663	156,461
Net Revenues	\$102,790	\$100,664	\$109,046	\$114,326	\$ 93,290
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 6,036	\$ 8,605	\$ 10,499	\$ 12,554	\$ 13,548
Parity Obligations					
Certificates of Participation	\$ 9,487	\$ 11,675	\$ 7,722	\$ 7,821	\$ 7,916
1997 State Loan #3	227	194	194	194	194
Series 2010B Bonds	7,823	7,813	7,807	7,792	7,778
Series 2011-A Index Tender Notes	2,927	2,967	3,675	4,045	3,887
2016 General Obligation	0	1,605	5,301	5,301	5,301
Total Parity Obligations Debt Service	20,464	24,254	24,699	25,153	25,076
Remaining Revenues	\$ 88,362	\$ 85,015	\$ 94,846	\$101,727	\$ 81,762
Parity Obligation Coverage	5.3 x	4.5 x	4.8 x	5.0 x	4.3 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,712	\$ 6,798	\$ 5,739	\$ 4,513	\$ 2,496
State Loans and SCWD Debt	308	133	122	122	100
Total Subordinate Obligations	8,020	6,931	5,861	4,635	2,596
Remaining Revenues	\$ 80,342	\$ 78,084	\$ 88,985	\$ 97,092	\$ 79,166
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 3,226	\$ 3,128	\$ 10,834	\$ 1,192	\$ 1,141
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	5,396	5,341	6,265	6,922	7,223
Sub-total Pledged Revenues	88,964	86,553	106,084	105,206	87,530
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	31,645	34,247	29,649	42,389	44,463
Additional Net Revenues	48,697	43,837	59,336	54,703	34,703
Total with Additional Pledged Revenues	\$ 88,964	\$ 86,553	\$106,084	\$105,206	\$87,530
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 11,173	\$ 12,385	\$ 20,843	\$ 11,436	\$ 10,781
GO Bond Coverage	8.0 x	7.0 x	5.1 x	9.2 x	8.1 x
Remaining Revenues	\$ 77,791	\$ 74,168	\$ 85,241	\$ 93,770	\$ 76,749
Total Debt Coverage	3.0 x	2.7 x	2.7 x	3.3 x	3.0 x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2020

Name of Company	Number of Employees	Products	Percentage of Employment
University of California, Irvine	23,884	Educational	8.70%
Blizzard Entertainment, Inc	4,022	Technology	1.46%
Irvine Unified School District	3,856	Educational	1.40%
Edwards Lifesciences, LLC	2,987	Surgical Appliances and Supplies	1.09%
Amazon.com Services	2,327	Technology	0.85%
B Braun Medical	1,910	Bio-Medical Manufacturing	0.70%
Broadcom	1,900	Technology	0.69%
Parker Hannifin Corporation	1,650	Aircraft Parts	0.60%
Glidewell Laboratories	1,538	Dental Appliances	0.56%
Western Digital	1,350	Technology	0.49%
			16.54%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019)

Data was not yet available for FY 2019/20 from the City of Irvine.

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

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

Fiscal Year Ended	IRWD Population	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income (in thousands)	County of Orange Unemployment Rate
2011	330,000	219,156	\$ 93,258	\$ 8,481,794	9.2%
2012	334,000	223,729	90,939	8,886,628	7.9%
2013	340,000	231,117	92,599	8,174,011	6.1%
2014	370,000	242,651	92,663	9,595,168	5.0%
2015	370,000	250,384	90,585	10,593,508	4.2%
2016	390,000	258,386	91,999	10,946,242	3.6%
2017	390,000	267,086	92,278	12,840,224	3.2%
2018	390,000	276,176	93,823	12,272,130	2.6%
2019	422,000	280,202	104,185	12,272,130	2.4%
2020	425,208	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	13.7%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2019) and County of Orange website.

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

Note:

⁽¹⁾ City of Irvine Population, Median Family Income, and Total Personal Income for FY 2020 has not yet been published by the City of Irvine.

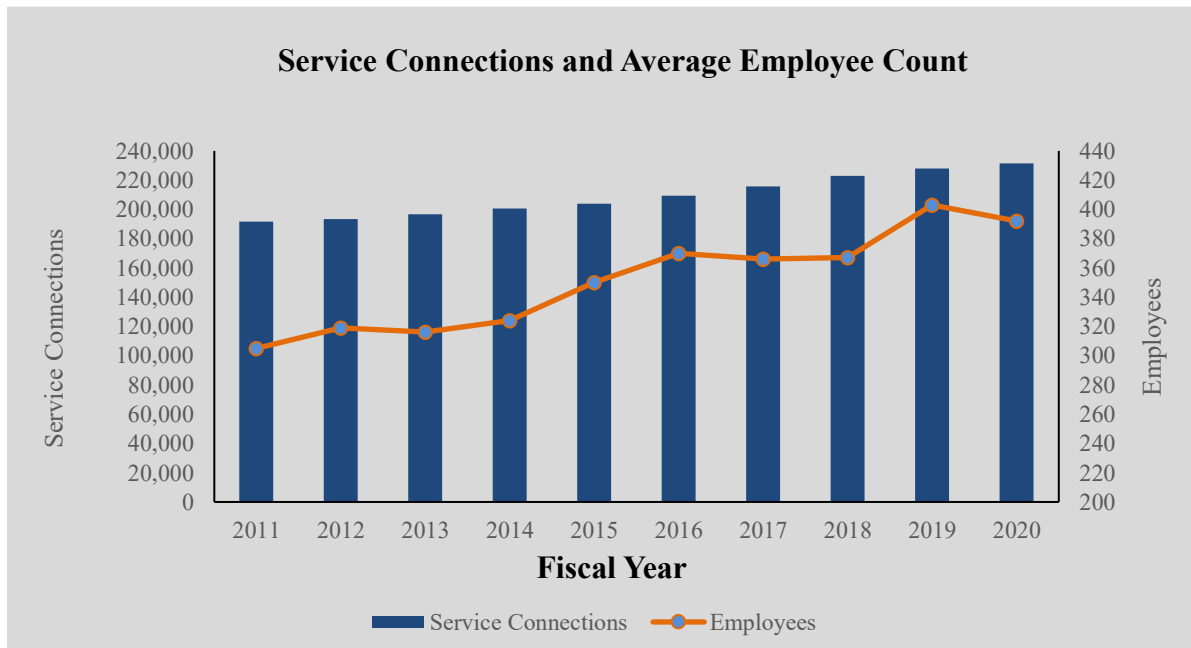
Irvine Ranch Water District

Operating Indicators by Function

Water and Sewer Service Connections

For the Past Ten Fiscal Years

Fiscal Year	Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population ⁽¹⁾	Service Connections per Employee
2011	98,637	92,837	191,474	305	628
2012	99,465	93,828	193,293	319	606
2013	101,108	95,488	196,596	316	622
2014	103,077	97,482	200,559	324	619
2015	104,678	99,084	203,762	350	582
2016	107,402	101,865	209,267	370	566
2017	110,520	105,053	215,573	366	589
2018	114,164	108,754	222,918	367	607
2019	116,539	111,210	227,749	403	565
2020	118,263	113,176	231,439	392	590



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016⁽¹⁾	2017	2018	2019	2020
Water										
Residential	1,469	862	1,520	1,848	1,727	2,513	2,928	3,355	2,314	1,783
Commercial/Industrial/ Public Authority	98	18	27	40	(126)	82	88	133	27	16
Fire Protection	40	37	55	50	29	107	83	99	68	21
Construction & Temporary	39	3	31	36	4	3	14	43	(23)	(28)
Landscape Irrigation	(21)	(89)	8	(4)	(30)	19	5	13	(11)	(65)
Agricultural	(11)	(3)	2	(1)	(3)	0	0	1	0	(3)
Total Water	1,614	828	1,643	1,969	1,601	2,724	3,118	3,644	2,375	1,724
Sewer										
Residential	1,462	861	1,521	1,829	1,727	2,501	2,894	3,340	2,314	1,781
Commercial/Industrial/ Public Authority	37	21	29	41	(232)	88	84	137	45	21
Construction & Temporary	0	0	0	0	0	0	0	0	0	1
Landscape Irrigation	85	102	112	127	113	0	0	0	0	0
Agricultural	1	7	(2)	(3)	(6)	0	0	0	0	0
Total Sewer	1,585	991	1,660	1,994	1,602	2,589	2,978	3,477	2,359	1,803
Recycled Water										
Residential	0	0	0	0	0	6	33	14	1	9
Commercial/Industrial/ Public Authority	0	0	0	0	0	8	9	14	12	6
Construction & Temporary	0	0	0	0	0	13	8	(5)	(1)	(9)
Landscape Irrigation	0	0	0	0	0	162	161	199	85	155
Agricultural	0	0	0	0	0	3	(1)	2	0	2
Total Recycled Water	0	0	0	0	0	192	210	224	97	163
Total	3,199	1,819	3,303	3,963	3,203	5,505	6,306	7,345	4,831	3,690

Source: Irvine Ranch Water District

Note:

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water										
Residential	9	9	9	9	12	11	11	12	11	11
Commercial	56	61	63	66	57	60	57	61	59	51
Industrial	201	201	204	192	267	222	232	213	212	201
Public Authority	295	296	306	305	378	287	260	260	242	164
Construction & Temporary	79	106	181	241	398	285	148	172	75	70
Treated - Landscape Irrigation	85	94	105	182	110	74	82	95	82	76
Treated - Agricultural	925	835	733	575	646	327	402	403	255	283
Untreated - Agricultural	4,714	4,768	5,799	6,314	8,504	8,047	6,315	6,274	4,700	2,953
Total	6,364	6,370	7,400	7,884	10,372	9,313	7,507	7,490	5,636	3,809
Recycled water										
Landscape Irrigation	134	152	169	182	192	186	170	195	145	128
Agricultural	2,247	3,768	4,145	3,882	4,992	3,891	3,197	3,292	2,438	5,451
Total	2,381	3,920	4,314	4,064	5,184	4,077	3,367	3,487	2,583	5,579

Source: Irvine Ranch Water District

Irvine Ranch Water District
Source of Supply and Water Deliveries / Sales in Acre Feet
For the Past Ten Fiscal Years

Source of Supply
(in Acre Feet)

Fiscal Year	Groudwater	Runoff Capture (Irvine Lake)	Imported Water	Recycled Water	Total Supply
2011	41,247	27	30,260	21,030	92,564
2012	35,257	4,152	26,155	20,602	86,166
2013	47,211	2,756	20,151	22,983	93,101
2014	55,015	0	22,508	21,038	98,561
2015	47,905	6,152	18,628	22,866	95,551
2016	46,901	25	11,853	23,206	81,985
2017	49,208	1,937	19,397	22,006	92,549
2018	48,109	6,109	15,436	25,255	94,909
2019	47,258	4,151	13,937	22,381	87,727
2020	47,810	6,524	13,002	24,627	91,963

Water Deliveries / Sales
(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled Water ⁽¹⁾	Total Demand
2011	53,642	19,936	73,578
2012	54,818	25,011	79,829
2013	57,203	28,259	85,462 ⁽²⁾
2014	59,907	30,021	89,928 ⁽²⁾
2015	58,319	32,139	90,458 ⁽²⁾
2016	51,098	26,879	77,977 ⁽³⁾
2017	51,299	27,860	79,159
2018	55,138	31,642	86,780
2019	51,651	27,689	79,340 ⁽⁴⁾
2020	51,761	31,119	82,880

Source: Irvine Ranch Water District

Notes:

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Potable System										
Miles of Water Line	⁽¹⁾ 1,460	1,490	1,516	1,597	1,622	1,760	1,810	1,905	1,919	1,955
Number of Storage Tanks	⁽²⁾ 37	37	36	36	36	36	36	36	36	37
Maximum Storage Capacity (Acre Feet)	456	456	456	456	456	456	456	456	456	467
Number of Pumping Stations	43	43	37	38	39	39	39	39	39	39
Number of Wells	24	24	26	26	27	27	27	27	27	27
Well Production Capacity (cfs)	117	117	124	124	128	128	118	118	118	118
Water Banking Storage (Acre Feet)	109,600	109,600	109,600	109,600	109,600	126,000	126,000	126,000	126,000	126,000
Potable Treatment Plants	3	3	4	4	4	4	5	5	5	5
Non-Potable and Recycled Systems										
Miles of Recycled Line	⁽¹⁾ 468	478	488	503	509	525	540	555	565	570
Number of Storage Tanks	11	11	12	12	12	12	11	12	12	12
Number of Open Reservoirs	4	4	5	5	5	5	5	5	5	5
Maximum Storage Capacity (Acre Feet)	⁽³⁾ 23,703	23,703	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155
Number of Pumping Plants	19	19	20	19	20	20	20	19	19	19
Number of Wells	⁽⁴⁾ 5	5	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Sewer System										
Miles of Sewer Line	950	962	971	1,009	1,019	1,070	1,081	1,123	1,134	1,143
Number of Lift Stations	⁽⁵⁾ 13	13	13	13	13	13	13	13	13	13
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity (mgd) (Tertiary)	23.5	23.5	23.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5

Source: Irvine Ranch Water District

Notes:

⁽¹⁾ Miles of Line include laterals.

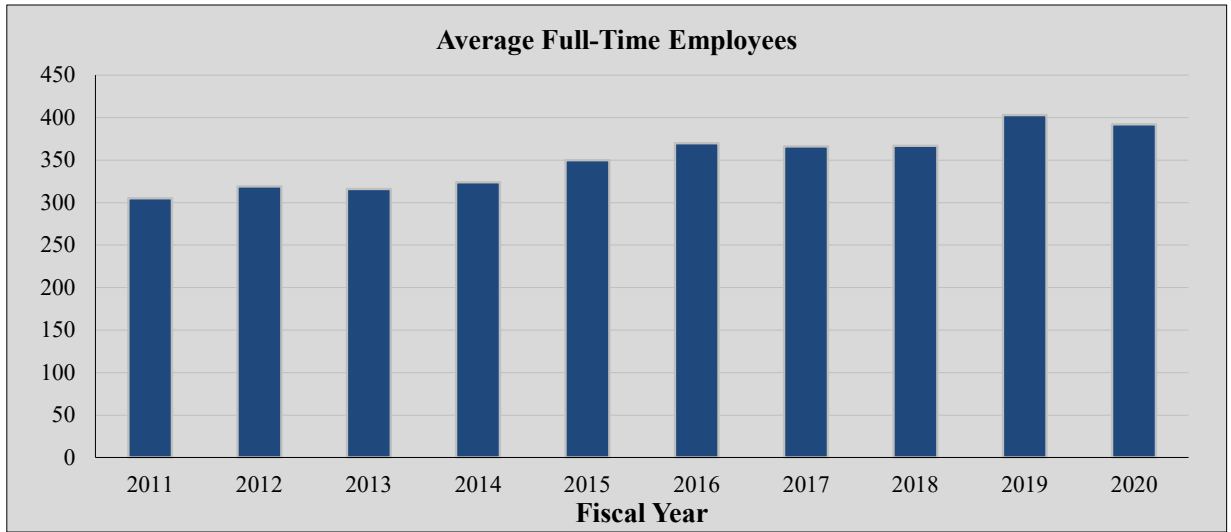
⁽²⁾ Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (456 AF). This number also includes the two 16-MG tanks at the Baker Location and the newly constructed 4.3 MG Zone 1 Tank at the existing Zone 1 tank location.

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

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Full-Time Employees ⁽¹⁾	305	319	316	324	350	370	366	367	403	392



Source: Irvine Ranch Water District

Note:

⁽¹⁾ FY2020 includes permanent, temporary and interns.