

AGENDA
 IRVINE RANCH WATER DISTRICT
 FINANCE AND PERSONNEL COMMITTEE MEETING
 TUESDAY, NOVEMBER 5, 2024

This meeting will be held in-person at the District’s headquarters located at 15600 Sand Canyon Avenue, Irvine, California. The meeting will also be broadcasted via Webex for those wanting to observe the meeting virtually.

To observe this meeting virtually, please join online using the link and information below:

Via Web: <https://irwd.webex.com/irwd/j.php?MTID=m2ded6b2db33362e1a6d4c85a407cf3a6>
 Meeting number (access code): 2487 425 3947
 Meeting password: Usi2PKRbU23

As courtesy to the other participants, please mute your phone when you are not speaking.

PLEASE NOTE: Participants joining the meeting will be placed into the Webex lobby when the Committee enters closed session. Participants who remain in the “lobby” will automatically be returned to the open session of the Committee once the closed session has concluded. Participants who join the meeting while the Committee is in closed session will receive a notice that the meeting has been locked. They will be able to join the meeting once the closed session has concluded.

CALL TO ORDER 11:30 a.m.

ATTENDANCE Chair: Peer Swan _____ Member: Steve LaMar _____

ALSO PRESENT

| | |
|-----------------------|----------------------------|
| Paul Cook _____ | Neveen Adly _____ |
| Wendy Chambers _____ | Kevin Burton _____ |
| Paul Weghorst _____ | Christopher Smithson _____ |
| Lance Kaneshiro _____ | Tiffany Mitcham _____ |
| Eileen Lin _____ | Jennifer Davis _____ |
| Stephen Aryan _____ | _____ |
| _____ | _____ |
| _____ | _____ |

PUBLIC COMMENT NOTICE

Public comments are limited to three minutes per speaker on each subject. If you wish to address the Committee on any item, you may attend the meeting in person and submit a “speaker slip.” You may also submit a public comment in advance of the meeting by emailing comments@irwd.com before 7:30 a.m. on Tuesday, November 5, 2024.

COMMUNICATIONS

1. Notes: Adly
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced, which came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

5. EMPLOYEE POPULATION AND RETENTION STATUS REPORT – SRADER / MITCHAM
Recommendation: Receive and file.
6. PERFORMANCE RECOGNITION PROGRAM QUARTERLY UPDATE – HALL / MITCHAM
Recommendation: Receive and file.
7. MONTHLY INVESTMENT AND DEBT REVIEW – MENDOZA / DAVIS / ADLY
Recommendation: Receive and file.
8. EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER PAID THROUGH THE FIRST QUARTER OF FISCAL YEAR 2024-25 – PULLES / ADLY
Recommendation: Receive and file.
9. FISCAL YEAR 2024-25 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS QUARTERLY UPDATE – LI / SMITHSON / ADLY
Recommendation: Receive and file.
10. INFORMATION TECHNOLOGY PROJECT STATUS REPORT – KANESHIRO / ADLY
Recommendation: Receive and file.

ACTION

11. ENTERPRISE IT MAINTENANCE AND BUDGET INCREASE
KANESHIRO / ADLY

Recommendations: That the Board authorize the General Manager to execute the Microsoft Enterprise Agreement for a three-year period effective December 1, 2024 through November 30, 2027 in the amount of \$386,642.56 annually, or \$1,159,927.68 over the three-year term and that the Board authorize the General Manager to execute a contract with Sirius Computer Solutions, LLC in the amount of \$796,950 for the Enterprise Server Upgrade project, and increase the Fiscal Year 2024-25 Capital Budget by \$250,000, to a total project budget of \$900,000.

12. FISCAL YEAR 2023-24 ANNUAL COMPREHENSIVE FINANCIAL REPORT
LIN / ADLY

Recommendation: That the Board approve the Fiscal Year 2023-24 Annual Comprehensive Financial Report.


OTHER BUSINESS

13. Directors' Comments

14. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Committee in connection with a matter subject to discussion or consideration at an open meeting of the Committee are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Committee Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the meeting room at the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

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November 5, 2024
Prepared by: L. Srader
Submitted by: T. Mitcham
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

EMPLOYEE POPULATION AND RETENTION STATUS REPORT

SUMMARY:

Staff has prepared various population status reports for the Committee's review.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

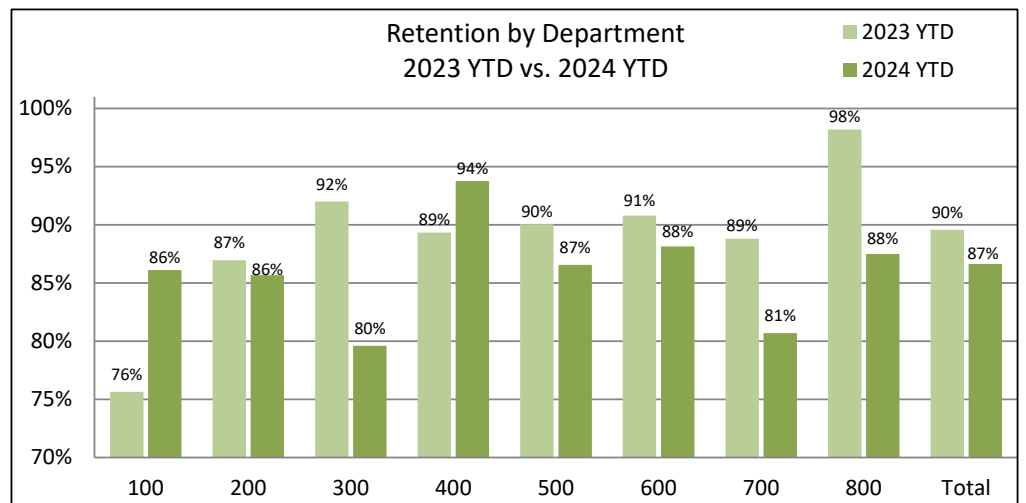
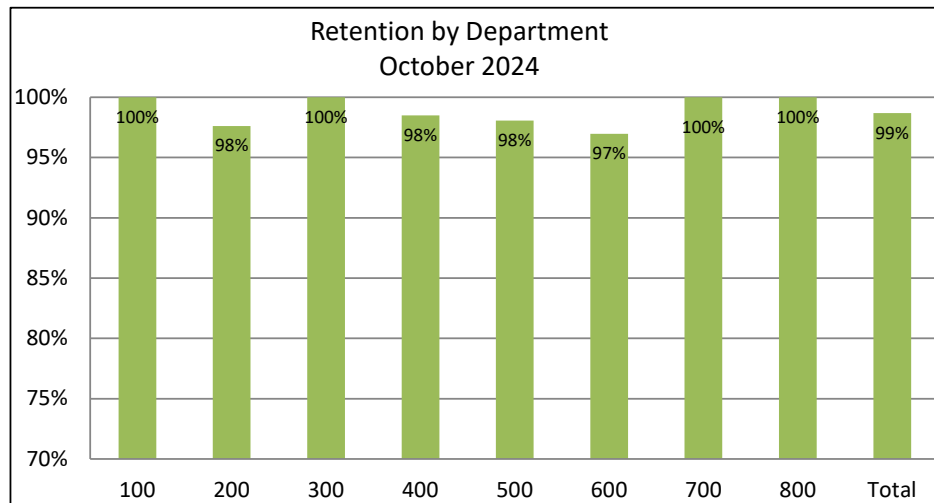
LIST OF EXHIBITS:

Exhibit "A" – Employee Population & Retention Status Report

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EXHIBIT A
IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
OCTOBER 2024

| @10/01/24 | | Current Month Activity | | | | | | | @10/31/24 | | FY 24/25 | Avg FYTD | Avg FYTD | Avg FYTD | Retention | |
|---------------|------------------|------------------------|----------|----------|--------------|----------|----------------|----------|------------------|--------------------|--------------------|-------------------------|--------------|------------------------|----------------|------------|
| Dept | Positions Filled | New Hires | Terms | | Promo Trnsfr | | Lateral Trnsfr | | Positions Filled | Positions Unfilled | Budgeted Positions | Filled Budget Positions | Temp Emp FTE | Total Filled Positions | Current Period | 2024 YTD |
| | | | Vol | Invol | In | Out | In | Out | | | | | | | | |
| 100 | 22 | | | | | | | | 22 | 3 | 25 | 21 | - | 21 | 100% | 86% |
| 200 | 84 | 3 | 2 | | | | | | 85 | 13 | 98 | 83 | 7 | 90 | 98% | 86% |
| 300 | 42 | 2 | | | | | | | 44 | 7 | 51 | 43 | 5 | 48 | 100% | 80% |
| 400 | 66 | | 1 | | | | | | 65 | 6 | 71 | 66 | - | 66 | 98% | 94% |
| 500 | 52 | 3 | 1 | | 1 | | | | 55 | 11 | 66 | 52 | 2 | 54 | 98% | 87% |
| 600 | 33 | 1 | 1 | | | | | | 33 | 2 | 35 | 34 | 3 | 37 | 97% | 88% |
| 700 | 25 | 1 | | | | | | | 26 | 1 | 27 | 25 | 1 | 26 | 100% | 81% |
| 800 | 57 | 1 | | | | 1 | | | 57 | 6 | 63 | 56 | - | 57 | 100% | 88% |
| Totals | 381 | 11 | 5 | - | 1 | 1 | - | - | 387 | 49 | 436 | 380 | 19 | 399 | 99% | 87% |
| 10/23 | 379 | 6 | 3 | - | - | - | 1 | - | 383 | 42 | 425 | 382 | 11 | 392 | 99% | 91% |



100-GM, HR, Safety, Commun; 200-Fin., Cust. Serv., IS, Purch.; 300-Eng.; 400-Water Ops; 500-Recycling Ops; 600-WQ&RC; 700-Water Res., Recyc. Water; 800-Adm. & Maint. Ops

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION AND RETENTION REPORT
OCTOBER 2024**

| NEW HIRES | | | | | |
|------------------|-------------|----------------------|--|---|--|
| Date | Dept | Employee Name | Position | Prior Company/Agency | |
| 10/07/24 | 200 | Cory Nguyen | Accountant | Cedar Fair/Knott's Berry Farm | |
| 10/14/24 | 300 | Brian Ige | Engineer | City of Santa Ana | |
| 10/14/24 | 300 | Teofilo Pasillas | Construction Inspection Assistant Manger | Complete Plumbing & Rooter | |
| 10/16/24 | 500 | Louis Velasco | Operator II | City of San Jose | |
| 10/14/24 | 500 | Anthony Sanchez | Collection System Technician I | Securitas Security USA | |
| 10/21/24 | 500 | Andy Padilla | Collection System Technician I | Moulton Niguel Water District | |
| 10/21/24 | 600 | Loc Tran | Regulatory Compliance Specialist | City of Oceanside | |
| 10/21/24 | 700 | Moises Gomez | Water Efficiency Specialist | PlaceWorks | |
| 10/21/24 | 200 | Arnold Cuyuch | Payroll Administrator | National Services Group | |
| 10/21/24 | 800 | Samuel Pritchard | Electrical & Instrumentation Technician | International Brotherhood of Electrical Workers | |
| 10/26/24 | 200 | Gina Byrd | Customer Service Specialist I | Waste Management | |

| TERMINATIONS | | | | | |
|---------------------|-------------|----------------------|-----------------|---------------|-----------------|
| Date | Dept | Employee Name | Position | Reason | Comments |
| 10/03/24 | 200 | | | INVOL | |
| 10/04/24 | 600 | | | VOL | |
| 10/07/24 | 200 | | | VOL | |
| 10/19/24 | 500 | | | VOL | |
| 10/24/24 | 400 | | | VOL | |

| RETIREMENTS | | | | | |
|--------------------|-------------|----------------------|-----------------|---------------|-----------------|
| Date | Dept | Employee Name | Position | Reason | Comments |
| | | | | | |

| PROMOTIONS | | | | | |
|-----------------------|-----------------------|----------------------|---------------------------------|-----------------|----------------------------------|
| Effective Date | Departing Dept | Employee Name | Departing Position | New Dept | New Position |
| 10/12/24 | 500 | Ethan Fike | Automation Supervisor | 500 | Senior Automation Administrator |
| 10/12/24 | 400 | Max Contreras | Water Maintenance Technician II | 400 | Water Maintenance Technician III |
| 10/26/24 | 400 | Jack Haug | Water Maintenance Technician I | 400 | Water Maintenance Technician II |
| 10/26/24 | 300 | Robert Meripol | Safety & Security Specialist | 300 | Safety & Security Supervisor |

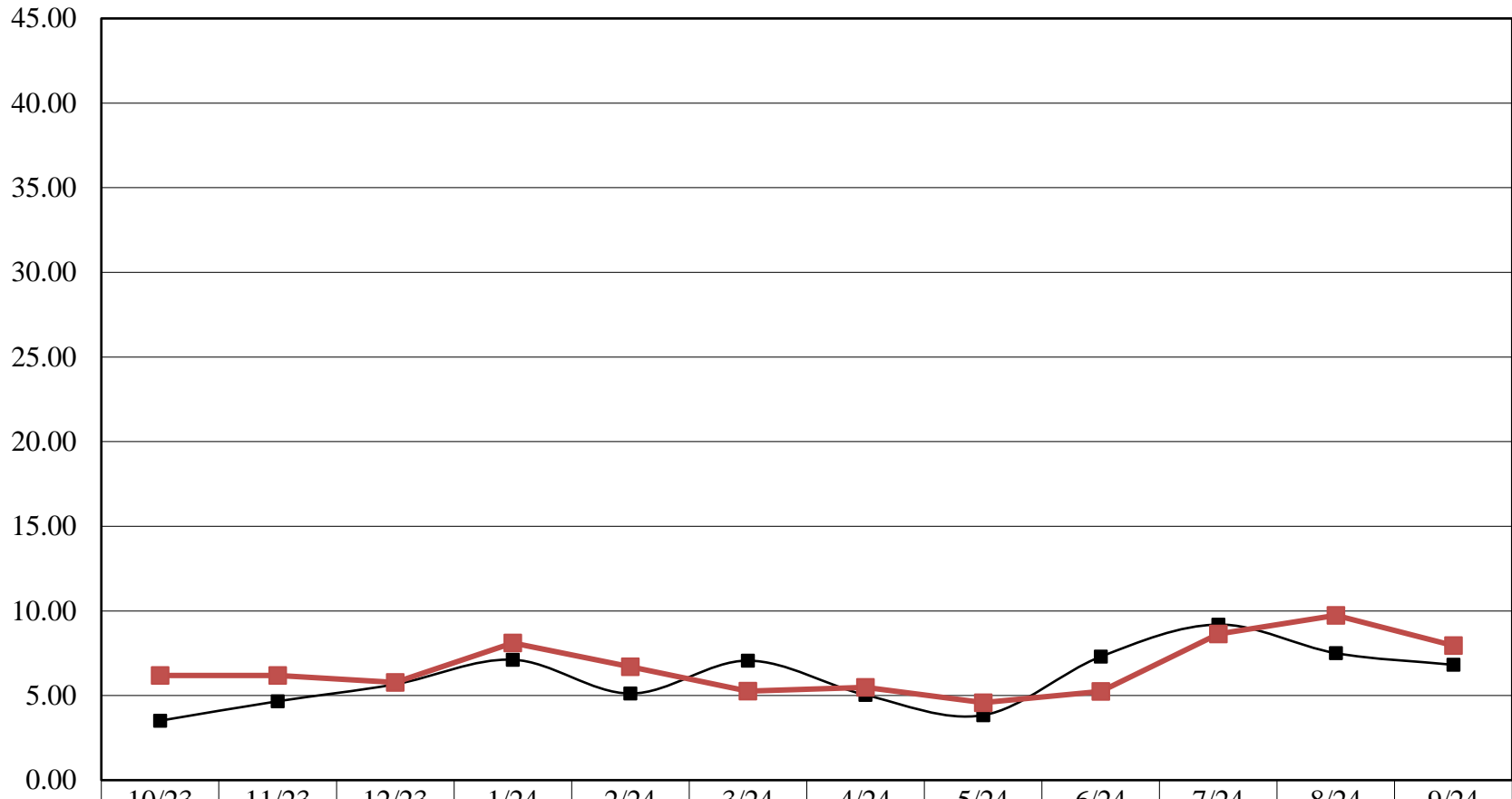
| TRANSFERS | | | | | |
|-----------------------|-----------------------|----------------------|-----------------------------------|-----------------|---------------------|
| Effective Date | Departing Dept | Employee Name | Departing Position | New Dept | New Position |
| 10/26/24 | 800 | Brett Wilson | Senior Vehicle/Equipment Mechanic | 500 | Operator I |

| CROSS TRAINING | | | | | |
|-----------------------|-----------------------|----------------------|---------------------------|-----------------|---------------------|
| Effective Date | Departing Dept | Employee Name | Departing Position | New Dept | New Position |
| | | | | | |

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION AND RETENTION REPORT
OCTOBER 2024**


| UNFILLED POSITIONS | | | |
|---------------------------|--|---------------------|-----------------|
| Dept | Position | Salary Grade | Comments |
| 100 | Visual Communications Analyst | U10.E | Interviewing |
| 100 | Senior Executive Assistant | U29.N | |
| 100 | Human Resources Technician | U25.N | |
| 200 | Controller | U21.E | |
| 200 | Senior Accounting Clerk | 20.N | Recruiting |
| 200 | Accounting Supervisor | U14.E | Recruiting |
| 200 | User Support Specialist | 31.N | Recruiting |
| 200 | Network Administrator | U35.N | |
| 200 | Customer Service Field Technician | 17.N | Recruiting |
| 200 | Customer Service Field Technician | 17.N | Recruiting |
| 200 | Accountant | 27.N | Interviewing |
| 200 | Applications Analyst | U15.E | Recruiting |
| 200 | Database Administrator | U15.E | Recruiting |
| 200 | Cybersecurity Analyst | U18.E | Recruiting |
| 200 | GIS Manager | U22.E | Recruiting |
| 200 | GIS Applications Analyst | U15.E | |
| 300 | Associate Engineer | U14.E | Interviewing |
| 300 | GIS Technician | 25.N | |
| 300 | Senior Engineer | U20.E | Interviewing |
| 300 | Senior Engineer | U20.E | Interviewing |
| 300 | Engineer | U17.E | Interviewing |
| 300 | Senior Engineer | U20.E | Recruiting |
| 300 | Safety & Security Specialist | U29.N | Recruiting |
| 400 | Water Maintenance Technician I | 26.N | Recruiting |
| 400 | Water Maintenance Technician I | 16.N | Recruiting |
| 401 | Water Maintenance Technician I | 16.N | Recruiting |
| 400 | Operator III | 30.N | Interviewing |
| 400 | Operator III | 30.N | Interviewing |
| 400 | Metering Systems Technician III | 26.N | Interviewing |
| 500 | Manager of Biosolids & Energy Recovery | U21.E | Recruiting |
| 500 | Operator III | 30.N | Interviewing |
| 500 | Collection Systems CCTV Tech | 23.N | Recruiting |
| 500 | Wetlands Ecologist | 29.N | Recruiting |
| 500 | SCADA Network Administrator | U35.N | Recruiting |
| 500 | Automation Supervisor | S36.N | |
| 500 | Operator III | 30.N | Interviewing |
| 500 | Operator III | 30.N | Interviewing |
| 500 | Operator III | 30.N | Interviewing |
| 500 | Process Engineer | U22.E | |
| 500 | Senior Collection Systems Tech | 25.N | Recruiting |
| 600 | QA/QC Compliance Administrator | U14.E | Interviewing |
| 600 | Senior Laboratory Scientist | 32.N | Recruiting |
| 700 | Recyld Water & Cross Con. Ctrl Mngr | U19.E | Recruiting |
| 800 | Mechanical Services Manager | U19.E | |
| 800 | Asset Systems Supervisor | S36.N | |
| 800 | Maintenance Mechanic | 23.N | Interviewing |
| 800 | Senior Vehicle/Equipment Mechanic | 28.N | |
| 800 | Maintenance Mechanic | 23.N | Interviewing |
| 800 | Maintenance Mechanic | 23.N | Interviewing |

**Temporary Employees
Full Time Equivalency
District Totals as of September 30, 2024**



Temp Total
 Intern Totals

| | 10/23 | 11/23 | 12/23 | 1/24 | 2/24 | 3/24 | 4/24 | 5/24 | 6/24 | 7/24 | 8/24 | 9/24 |
|---------------|-------|-------|-------|------|------|------|------|------|------|------|------|------|
| Temp Total | 3.51 | 4.66 | 5.67 | 7.12 | 5.12 | 7.06 | 5.03 | 3.84 | 7.30 | 9.19 | 7.50 | 6.81 |
| Intern Totals | 6.18 | 6.19 | 5.77 | 8.11 | 6.70 | 5.26 | 5.48 | 4.58 | 5.24 | 8.64 | 9.74 | 7.95 |

November 5, 2024
Prepared by: A. Hall
Submitted by: T. Mitcham
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

PERFORMANCE RECOGNITION PROGRAM QUARTERLY UPDATE

SUMMARY:

This item presents the activities within IRWD’s Performance Recognition Program through the first quarter of Fiscal Year (FY) 2024-25.

BACKGROUND:

IRWD’s Performance Recognition Program recognizes employees who exhibit outstanding performance, depicting efforts above and beyond the performance requirements of their positions and aligning with / exemplifying IRWD’s Values.

During the first quarter of FY 2024-25, there were 11 Performance Recognition Award nominations totaling and involving 30 IRWD employees. As described in Exhibit “A”, the awards include employees from Technical Services, Operations, Finance and Administration.

Exhibit “A” summarizes the Performance Recognition Awards for the first quarter of FY 2024-25.

FISCAL IMPACTS:

The District’s annual budget for its Performance Recognition Program in FY 2024-25 is \$225,000; \$3,720 was distributed for performance recognition through the first quarter of this fiscal year.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LISTS OF EXHIBITS:

Exhibit “A” – Performance Recognition Program Update for the First Quarter of FY 2024-25

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Exhibit "A"

**PERFORMANCE RECOGNITION PROGRAM
QUARTERLY UPDATE
Fiscal Year 2024-2025
Q1 July 2024 - September 2024**



| QTR. | DATE | EMPLOYEE | PERFORMANCE RECOGNIZED | AWARD | GROSS AMOUNT |
|---------------|--|--|--|----------------|----------------|
| 1st Qtr. | 7/19/2024 | Kevin Reideler Mark Nelson Michael Drew | Recognized for preparing for and assisting with the ACE-AWWA Conference tour of the Baker Plant on June 12. They demonstrated the values of Teamwork and collaboration. | Gift Cards | 30 |
| | | | | " | 30 |
| | | | | " | 30 |
| | 7/24/2024 | Randy Williams Phillip Hornung Rhett Kuseski Wilson Lui Alfrazuddin Haquani | Recognized for their diligent efforts on July 23 to ensure service disruptions were minimized as a result of the Crowd Strike's defective software update. They demonstrated the values of Teamwork and Collaboration. | Payroll Check | 500 |
| | | | | " | 500 |
| | | | | " | 500 |
| | | | | " | 500 |
| | 8/13/2024 | Brianna Hansberger Michael Brungardt | Recognized for sharing their experience as interns with the District as part of the 'National Intern Day' celebration in honor of our current interns on July 25. They demonstrated the values of Teamwork and Collaboration and Opportunity. | Gift Card " | 30 30 |
| | 8/13/2024 | Steven Samaniego | Recognized for his efforts during the Serrano Creek Raw Water Relocation Project. Steven was very helpful to the residents as he responded and addressed their concerns during the water outage caused by a contractor who struck a service lateral with his backhoe. Steven explained the situation and assisted customers in getting their water service back online. His friendly demeanor made customers feel valued. He demonstrated the values of Customer Service, Respect and Kindness, Accountability, Safety, Teamwork and Collaboration. | Gift Cards | 30 |
| | 8/13/2024 | Victor Zamora | Recognized for his efforts in responding to multiple requests for assistance related to damage to customers' landscape caused during the Serrano Creek Pipeline Project. Victor had a water truck come on-site to water the HOA landscape that had gone without irrigation for weeks, due to the project. He provided detailed information on road conditions and responded promptly to requests for the repair of a damaged bridge accessing the road. He demonstrated the value of Customer Care, Respect and Kindness, Environmental, Stewardship and Safety. | Gift Cards | 30 |
| | 9/18/2024 | Casey Karpan Sergio DeLaTorre Steven Samaniego Jeremy Hartoog Brandon Joseph Joshua Leonard | Recognized for their efforts in assisting the OCFA set up a temporary water and sewer service for the command center at the Great Park during the Airport Fire. Everyone dropped everything to meet with the OCFA Fire Captain at the site. They demonstrated the values of Customer Care, Innovation, and Teamwork. | Gift Cards | 30 |
| | | | | " | 30 |
| | | | | " | 30 |
| | | | | " | 30 |
| | | | | " | 30 |
| 9/18/2024 | Briana Hansberger Romuel-Dave Chaves | Recognized for going above and beyond with assisting the group with glassware and bottle preparation for regulatory monitoring. This has expedited the work Regulatory Compliance can achieve. They demonstrated the values of Teamwork and Collaboration. | Gift Cards " | 30 30 | |
| 9/18/2024 | Lizandro Ramirez Joseph Rempel | Recognized for assisting during unexpected outages in the department. Lizandro went above-and-beyond covering the responsibilities of others while ensuring his tasks were completed without issue and ensured the team could continue to operate smoothly and effectively. He demonstrated Accountability and Teamworking. Joseph was recognized for his exemplary efforts and persistence in developing an analytical method for EPA 1633 PFAS in wastewater testing. He demonstrated the values of Innovation and Teamwork and Collaboration. | Gift Cards " | 30 30 | |
| 9/18/2024 | David Paulson | Recognized for his instrumental role in getting the District to switch our chemicals at our PTP and 21/22 plants to Liquid Ammonia Sulfate (LAS) which is odorless, non-toxic, and non-hazardous. The District was previously using 19% aqua ammonia to meet our proper chloramine ratios, which is hazardous and toxic and requires continuous CALARP permitting and inspections along with the potential for off-gassing and possible nitrification in the distribution system. He demonstrated the value of Safety. | Payroll Check | 500 | |
| 9/20/2024 | Cole Stupy | Recognized for his research on obtaining railroad training required for all construction inspectors. The training is hard to obtain in Orange County. Cole worked with Safety and learned a training course was offered in Pomona, CA. In addition, IRWD can directly contract with RailPros versus working through Metrolink for the training. He demonstrated the value of Innovation. | Gift Cards | 30 | |
| 9/30/2024 | Richard Brown Mark Stone Jay Eggers Jessee Hesch Daniel Jara Steve Tolerico | Recognized for their hard work planning for and handling the logistics for the 2024 Health & Wellness Fair. Richard and his team were extremely accommodating and efficient. Additionally, their "can-do" attitudes were refreshing and very much appreciated. The facilities team represented our Values of Teamwork and Collaboration, and Customer Care. | Gift Cards | 30 | |
| | | | " | 30 | |
| | | | " | 30 | |
| | | | " | 30 | |
| | | | " | 30 | |
| | | | First Quarter Total Awards: | \$3,720 | |
| Awards | Recipients | | | | |
| 11 | 30 | | FISCAL YEAR TO DATE TOTAL | | \$3,720 |

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November 5, 2024
Prepared by: O. Mendoza / J. Davis
Submitted by: N. Adly
Approved by: Paul A. Cook *PA*

FINANCE AND PERSONNEL COMMITTEE

MONTHLY INVESTMENT AND DEBT REVIEW

SUMMARY:

The following items are submitted for the Committee's review and consideration:

- The Investment Portfolio Summary Report as of October 25, 2024, as outlined in Exhibit "A";
- The U.S. Treasury Yield Curve as of October 25, 2024, as shown in Exhibit "B";
- The Summary of Fixed and Variable Debt as of October 25, 2024, as outlined in Exhibit "C"; and
- The Summary of Variable Rate Debt Rates as of October 25, 2024, as outlined in Exhibit "D".

BACKGROUND:

Investment Portfolio:

Due to the timing of the Committee meeting, the final rate of return for October 2024 is not available. Preliminary calculations indicate a rate of return for the fixed income investment portfolio of 4.49%, which was a 0.03% increase from September's rate of 4.46%. Including real estate investments, the weighted average rate of return for IRWD's investment portfolio annualized for October 2024 was 6.84%, which was a 0.09% increase from September's rate of 6.75%, due to the change in the fixed income average balance from \$385.5 million to \$372.5 million.

Debt Portfolio:

As of October 25, 2024, IRWD's weighted average all-in variable rate for debt was 2.77%, which was a 0.38% decrease from September's rate of 3.15%. Including IRWD's weighted average fixed rate bond issues of 3.73% and the negative cash accruals from fixed payer interest rate swaps (which hedge a portion of the District's variable rate debt), the total average debt rate was 3.46%, a 0.10% decrease from September's rate of 3.56%. The decrease was due to lower average rates for the District's variable rate debt.

FISCAL IMPACTS:

Fiscal impacts are outlined above and included in the exhibits provided.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Investment Portfolio Summary as of October 25, 2024

Exhibit "B" – Yield Curve as of October 25, 2024

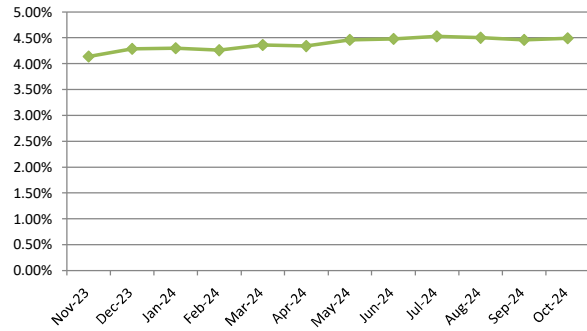
Exhibit "C" – Summary of Fixed and Variable Debt as of October 25, 2024

Exhibit "D" – Summary of Variable Rate Debt Rates as of October 25, 2024

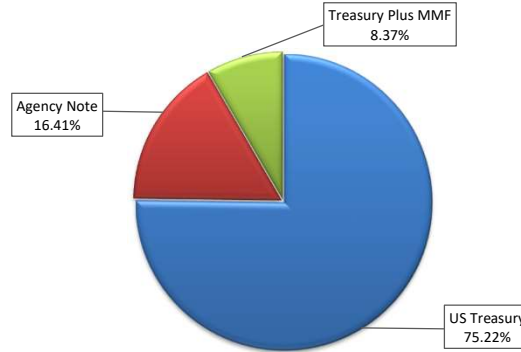
Exhibit "A"

Irvine Ranch Water District Investment Portfolio Summary October 2024

Monthly Fixed Income Yield



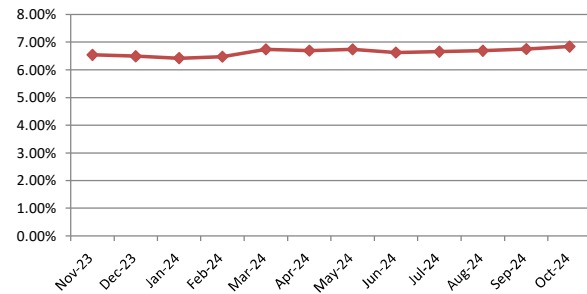
Portfolio Distribution



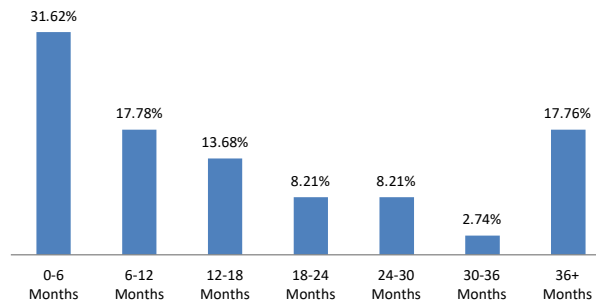
Investment Summary

| Type | PAR | Book Value | Market Value |
|--------------------|--------------------|--------------------|--------------------|
| US Treasury | 275,000,000 | 272,215,527 | 274,979,450 |
| Agency Note | 60,000,000 | 59,567,392 | 59,538,850 |
| Treasury Plus MMF | 30,586,253 | 30,586,253 | 30,586,253 |
| Grand Total | 365,586,253 | 362,369,171 | 365,104,553 |

Weighted Average Return Including Real Estate Portfolio



Maturity Distribution



Top Issuers

| Issuer | PAR | % Portfolio |
|-----------------------------|--------------------|----------------|
| US Treasury | 275,000,000 | 75.22% |
| Fed Farm Credit Bank | 35,000,000 | 9.57% |
| Wells Fargo / Allspring | 30,586,253 | 8.37% |
| Fed Home Loan Mortgage Corp | 15,000,000 | 4.10% |
| Fed Home Loan Bank | 10,000,000 | 2.74% |
| Grand Total | 365,586,253 | 100.00% |

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/25/24

| SETTLMT | Call Schedule | Initial Call | Maturity Date | Rating | INVESTMENT TYPE | INSTITUTION / ISSUER | PAR Amount | COUPON DISCOUNT | YIELD | ORIGINAL COST | CARRY VALUE | MARKET VALUE ⁽¹⁾ 10/25/2024 | UNREALIZED ⁽²⁾ GAIN/(LOSS) |
|----------|------------------|--------------|---------------|-------------|-------------------|-----------------------------|---------------|-----------------|--------|---------------|---------------|--|---------------------------------------|
| 04/06/23 | | | 10/26/24 | | LAIF | State of California Tsy. | \$0.00 | | 4.510% | \$0.00 | \$0.00 | 0.00 | 0.00 |
| 10/25/24 | | | 10/26/24 | | Treasury Plus MMF | Wells Fargo / Allspring | 30,586,252.64 | | 4.690% | 30,586,252.64 | 30,586,252.64 | 30,586,252.64 | 0.00 |
| 03/14/24 | NA | NA | 10/31/24 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.250% | 5.257% | 4,908,007.81 | 5,000,000.00 | 4,989,150.00 | (10,850.00) |
| 10/31/22 | NA | NA | 11/15/24 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.250% | 4.489% | 4,783,984.38 | 4,995,946.09 | 4,983,950.00 | (11,996.09) |
| 12/22/22 | NA | NA | 11/18/24 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 0.875% | 4.260% | 4,693,316.75 | 4,992,519.92 | 4,974,000.00 | (18,519.92) |
| 10/31/22 | NA | NA | 12/31/24 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.250% | 4.471% | 4,773,046.88 | 4,982,806.58 | 4,970,000.00 | (12,806.58) |
| 10/31/22 | NA | NA | 12/31/24 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.250% | 4.483% | 4,771,875.00 | 4,982,717.80 | 4,970,000.00 | (12,717.80) |
| 10/31/22 | NA | NA | 01/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 1.125% | 4.476% | 4,651,562.50 | 4,967,617.33 | 4,950,600.00 | (17,017.33) |
| 10/31/22 | NA | NA | 01/31/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.500% | 4.483% | 4,789,843.75 | 4,980,468.75 | 4,966,450.00 | (14,018.75) |
| 11/30/23 | NA | NA | 01/31/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 2.500% | 5.097% | 9,708,593.75 | 9,938,042.13 | 9,932,900.00 | (5,142.13) |
| 02/07/23 | NA | NA | 02/14/25 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 1.750% | 4.500% | 4,737,350.00 | 4,962,631.10 | 4,947,750.00 | (14,881.10) |
| 12/30/22 | NA | NA | 02/28/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.750% | 4.317% | 4,839,453.13 | 4,975,846.93 | 4,966,200.00 | (9,646.93) |
| 02/07/23 | NA | NA | 03/14/25 | Aaa/AA+/NR | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 4.250% | 4.518% | 4,973,050.00 | 4,995,320.69 | 4,992,350.00 | (2,970.69) |
| 12/30/22 | NA | NA | 03/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 1.750% | 4.329% | 4,731,250.00 | 4,955,319.48 | 4,942,450.00 | (12,869.48) |
| 04/12/23 | NA | NA | 03/31/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 20,000,000 | 3.875% | 4.073% | 19,925,781.25 | 19,984,516.26 | 19,951,400.00 | (33,116.26) |
| 12/22/22 | NA | NA | 04/01/25 | Aaa/AA+/AAA | FHLB - Note | Fed Home Loan Bank | 5,000,000 | 4.200% | 4.160% | 5,004,550.00 | 5,000,826.77 | 5,001,650.00 | 823.23 |
| 04/18/24 | NA | NA | 04/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 2.625% | 5.163% | 9,757,617.18 | 9,889,521.64 | 9,907,300.00 | 17,778.36 |
| 12/08/22 | Quarterly | 02/12/2023 | 05/12/25 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 5,000,000 | 3.050% | 4.427% | 4,843,000.00 | 4,965,977.43 | 4,962,300.00 | (3,677.43) |
| 01/11/23 | NA | NA | 05/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.750% | 4.148% | 4,845,312.50 | 4,964,720.39 | 4,953,550.00 | (11,170.39) |
| 12/13/22 | NA | NA | 06/13/25 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 4.250% | 4.340% | 4,989,400.00 | 4,997,399.34 | 5,000,850.00 | 3,450.66 |
| 12/13/22 | NA | NA | 06/13/25 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 4.250% | 4.352% | 4,988,000.00 | 4,997,055.86 | 5,000,850.00 | 3,794.14 |
| 08/01/23 | NA | NA | 07/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 3.000% | 4.917% | 9,646,875.00 | 9,873,389.36 | 9,918,600.00 | 45,210.64 |
| 04/24/23 | NA | NA | 07/24/25 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 10,000,000 | 4.250% | 4.253% | 10,000,000.00 | 10,000,000.00 | 10,005,000.00 | 5,000.00 |
| 04/21/23 | NA | NA | 09/23/25 | Aaa/AA+/AAA | FHLMC - Note | Fed Home Loan Mortgage Corp | 10,000,000 | 0.375% | 4.127% | 9,143,400.00 | 9,684,817.61 | 9,654,100.00 | (30,717.61) |
| 12/01/22 | NA | NA | 10/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 4.250% | 4.298% | 4,993,359.38 | 4,997,797.01 | 5,014,850.00 | 17,052.99 |
| 12/01/23 | NA | NA | 11/15/25 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 2.250% | 4.719% | 9,543,750.00 | 9,758,155.59 | 9,826,000.00 | 67,844.41 |
| 12/01/22 | Continuous after | 9/12/2023 | 12/12/25 | Aaa/AA+/AAA | FFCB - Note | Fed Farm Credit Bank | 5,000,000 | 4.125% | 4.694% | 4,920,500.00 | 4,970,842.82 | 5,000,000.00 | 29,157.18 |
| 04/18/24 | NA | NA | 01/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 3.875% | 5.033% | 9,808,593.75 | 9,867,788.46 | 10,004,700.00 | 136,911.54 |
| 02/21/24 | NA | NA | 02/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 15,000,000 | 4.000% | 4.553% | 14,844,140.63 | 14,898,745.15 | 15,040,500.00 | 141,754.85 |
| 04/30/24 | NA | NA | 03/31/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 4.500% | 5.017% | 4,953,125.00 | 4,965,513.39 | 5,053,300.00 | 87,786.61 |
| 07/06/23 | NA | NA | 06/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 15,000,000 | 4.125% | 4.566% | 14,819,531.25 | 14,900,784.16 | 15,100,200.00 | 199,415.84 |
| 06/03/24 | NA | NA | 07/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 4.500% | 4.843% | 4,965,625.00 | 4,972,348.61 | 5,068,550.00 | 96,201.39 |
| 09/27/23 | NA | NA | 09/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.625% | 4.846% | 9,939,453.13 | 9,961,851.00 | 10,178,100.00 | 216,249.00 |
| 11/03/23 | NA | NA | 10/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.625% | 4.784% | 9,956,640.63 | 9,971,295.05 | 10,187,100.00 | 215,804.95 |
| 12/28/23 | NA | NA | 12/15/26 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.375% | 4.020% | 10,098,046.88 | 10,070,072.29 | 10,156,300.00 | 86,227.71 |
| 01/31/24 | NA | NA | 01/15/27 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.000% | 4.171% | 9,952,734.38 | 9,964,769.61 | 10,079,700.00 | 114,930.39 |
| 03/11/24 | NA | NA | 09/30/27 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.125% | 4.195% | 9,976,953.13 | 9,981,125.71 | 10,157,000.00 | 175,874.29 |
| 05/24/24 | NA | NA | 01/31/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 3.500% | 4.621% | 9,623,437.50 | 9,668,446.08 | 9,973,800.00 | 305,353.92 |
| 07/18/24 | NA | NA | 04/30/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 1.250% | 4.152% | 4,496,484.38 | 4,535,104.25 | 4,608,600.00 | 73,495.75 |
| 06/27/24 | NA | NA | 07/31/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.125% | 4.394% | 9,900,000.00 | 9,908,494.98 | 10,189,500.00 | 281,005.02 |
| 08/16/24 | NA | NA | 08/15/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 5,000,000 | 2.875% | 3.854% | 4,820,312.50 | 4,829,789.17 | 4,870,100.00 | 40,310.83 |
| 08/09/24 | NA | NA | 09/30/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 1.250% | 3.863% | 9,008,593.75 | 9,063,635.47 | 9,133,200.00 | 69,564.53 |

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/25/24

| SETTLMT | Call Schedule | Initial Call | Maturity Date | Rating | INVESTMENT TYPE | INSTITUTION / ISSUER | PAR Amount | COUPON DISCOUNT | YIELD | ORIGINAL COST | CARRY VALUE | MARKET VALUE ⁽¹⁾ 10/25/2024 | UNREALIZED ⁽²⁾ GAIN/(LOSS) |
|--------------------------|---------------|--------------|---------------|-------------|-----------------|----------------------|----------------------|-----------------|--------|-------------------------|-------------------------|--|---------------------------------------|
| 11/28/23 | NA | NA | 10/31/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 10,000,000 | 4.875% | 4.464% | 10,179,687.50 | 10,145,827.54 | 10,483,600.00 | 337,772.46 |
| 12/15/23 | NA | NA | 11/30/28 | Aaa/AA+/AA+ | Treasury - Note | US Treasury | 15,000,000 | 4.375% | 3.897% | 15,319,921.88 | 15,263,070.42 | 15,451,800.00 | 188,729.58 |
| SUB-TOTAL | | | | | | | <u>\$365,586,253</u> | | | <u>\$358,212,413.19</u> | <u>\$362,369,170.88</u> | <u>\$365,104,552.64</u> | <u>\$2,735,381.76</u> |
| <u>TOTAL INVESTMENTS</u> | | | | | | | <u>\$365,586,253</u> | | | <u>\$358,212,413.19</u> | <u>\$362,369,170.88</u> | <u>\$365,104,552.64</u> | <u>\$2,735,381.76</u> |
| | | | | | Petty Cash | | | | | 600.00 | | | |
| | | | | | Ck Balance | Bank of America | | ECR | 1.77% | 2,319,844.49 | | | |
| | | | | | Ck Balance | Wells Fargo | | ECR | 2.00% | 0.00 ⁽⁵⁾ | | | |
| | | | | | | | | | | <u>\$360,532,857.68</u> | | | |

| | | |
|--|--|---------------|
| <p>⁽¹⁾ LAIF market value is as of the most recent quarter-end as reported by LAIF. Security market values are determined using Bank of New York ("Trading Prices"), Bloomberg and/or broker dealer pricing.</p> <p>⁽²⁾ Gain (loss) calculated against carry value using the trading value provided by Bank of New York/or Brokers</p> <p>⁽³⁾ Real estate rate of return is based on most recent quarter end return.</p> <p>⁽⁴⁾ Original Cost updated to reflect capital tenant improvements added for Fiscal Year 2023. of capital tenant improvements during FY 2023.</p> <p>⁽⁵⁾ Cash balance in this account are funds that are pending purchase into the current money market fund.</p> <p>*S - Step up</p> <p>This Investment Summary Report is in conformity with the 2024 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.</p> | Outstanding Variable Rate Debt | \$202,300,000 |
| | Net Outstanding Variable Rate Debt (Less \$60 million fixed-payer swaps) | \$142,300,000 |
| | Investment Balance: | \$360,532,858 |
| | Investment to Variable Rate Debt Ratio: | 253% |
| | Portfolio - Average Number of Days To Maturity | 518 |

| | Investment Portfolio | Real Estate ⁽³⁾⁽⁴⁾ Portfolio | Weighted Avg. Return |
|-----------|----------------------|---|----------------------|
| October | 4.49% | 15.08% | 6.84% |
| September | 4.46% | 15.08% | 6.75% |
| Change | 0.03% | 0.00% | 0.09% |

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

10/25/24

| DATE | TOTAL | % | LAIF | Agency Notes | Agency Discount Notes | Municipal Bonds | US Treasury | Investment Sweep |
|-----------|---------------|--------|------|--------------|-----------------------|-----------------|--------------|------------------|
| 10/24 | 35,586,253 | 9.73% | | | | | 5,000,000 | 30,586,253 |
| 11/24 | 10,000,000 | 2.74% | | 5,000,000 | | | 5,000,000 | |
| 12/24 | 10,000,000 | 2.74% | | | | | 10,000,000 | |
| 1/25 | 20,000,000 | 5.47% | | | | | 20,000,000 | |
| 2/25 | 10,000,000 | 2.74% | | 5,000,000 | | | 5,000,000 | |
| 3/25 | 30,000,000 | 8.21% | | 5,000,000 | | | 25,000,000 | |
| 4/25 | 15,000,000 | 4.10% | | 5,000,000 | | | 10,000,000 | |
| 5/25 | 10,000,000 | 2.74% | | 5,000,000 | | | 5,000,000 | |
| 6/25 | 10,000,000 | 2.74% | | 10,000,000 | | | | |
| 7/25 | 20,000,000 | 5.47% | | 10,000,000 | | | 10,000,000 | |
| 8/25 | | | | | | | | |
| 9/25 | 10,000,000 | 2.74% | | 10,000,000 | | | | |
| SUB-TOTAL | \$180,586,253 | 49.40% | | \$55,000,000 | | | \$95,000,000 | \$30,586,253 |

| 13 MONTHS - 3+ YEARS | | | | | | | | |
|-------------------------|---------------|---------|--|--------------|--|--|---------------|--------------|
| 10/01/2025 - 12/31/2025 | \$20,000,000 | 5.47% | | 5,000,000 | | | 15,000,000 | |
| 01/01/2026 - 03/31/2026 | \$30,000,000 | 8.21% | | | | | 30,000,000 | |
| 04/01/2026 - 06/30/2026 | \$15,000,000 | 4.10% | | | | | 15,000,000 | |
| 07/01/2026 - 9/30/2026 | \$15,000,000 | 4.10% | | | | | 15,000,000 | |
| 10/01/2026 - 12/31/2026 | \$20,000,000 | 5.47% | | | | | 20,000,000 | |
| 01/01/2027 - 03/31/2027 | \$10,000,000 | 2.74% | | | | | 10,000,000 | |
| 04/01/2027 - 06/30/2027 | | | | | | | | |
| 07/01/2027 - 9/30/2027 | \$10,000,000 | 2.74% | | | | | 10,000,000 | |
| 10/01/2027 - 12/31/2027 | | | | | | | | |
| 01/01/2028 - 03/31/2028 | \$10,000,000 | 2.74% | | | | | 10,000,000 | |
| 04/01/2028 - 06/30/2028 | \$5,000,000 | 1.37% | | | | | 5,000,000 | |
| 7/01/2028 + | \$50,000,000 | 13.68% | | | | | 50,000,000 | |
| SUB-TOTAL | \$185,000,000 | 50.60% | | \$5,000,000 | | | \$180,000,000 | |
| TOTALS | \$365,586,253 | 100.00% | | \$60,000,000 | | | \$275,000,000 | \$30,586,253 |

% OF PORTFOLIO

16.41%

75.22%

8.37%

Irvine Ranch Water District
Summary of Real Estate - Income Producing Investments
9/30/2024

| | ACQUISITION DATE | PROPERTY TYPE | OWNERSHIP INTEREST | ORIGINAL COST | MARKET VALUE 9/30/2024 | ANNUALIZED RATE OF RETURN QUARTER ENDED 9/30/2024 |
|---|---------------------|------------------|-----------------------|-----------------------|---------------------------|--|
| Sycamore Canyon | Dec-92 | Apartments | Fee Simple | \$ 45,457,369 | \$ 220,000,000 | 24.28% |
| Wood Canyon Villas | Jun-91 | Apartments | Limited Partner | \$ 6,000,000 | \$ 38,420,894 | 8.60% |
| ITC (230 Commerce) | Jul-03 | Office Building | Fee Simple | \$ 5,568,747 | \$ 10,000,000 | 9.85% |
| Waterworks Business Pk. | Nov-08 | Research & Dev. | Fee Simple | \$ 8,983,395 | \$ 13,500,000 | 6.93% |
| Sand Canyon Professional Center - Medical Office | Jul-12 | Medical Office | Fee Simple | \$ 8,715,929 | \$ 12,000,000 | 9.33% |
| Sand Canyon Professional Center - General Office ⁽¹⁾ | Sep-20 | Office Building | Fee Simple | \$ 31,404,103 | \$ 32,000,000 | 7.86% |
| Total - Income Properties | | | | \$ 106,129,543 | \$ 325,920,894 | 15.08% |

(1) Original Cost updated to reflect capital tenant improvements added for Fiscal Year 2023.

IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY⁽¹⁾
Oct-24

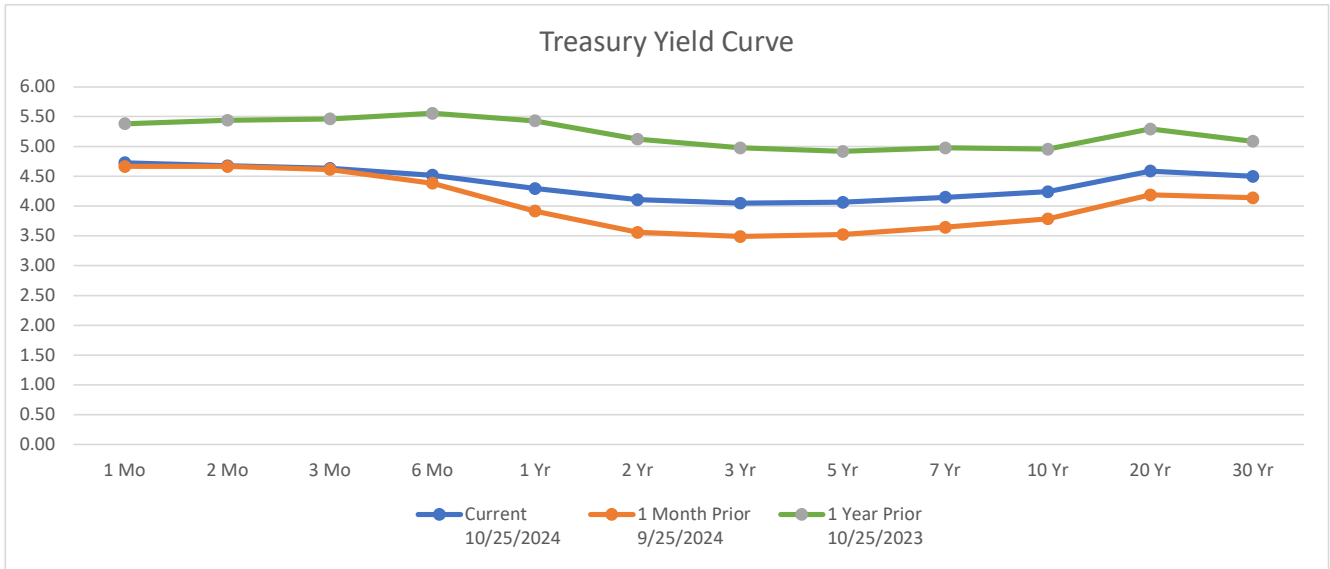
MATURITIES/SALES/CALLS

PURCHASES

| DATE | SECURITY TYPE | PAR | YIELD | Settlement Date | Maturity Date | SECURITY TYPE | PAR | YIELD TO MATURITY |
|-------------------|------------------------|--------------------|--------------|-----------------|---------------|---------------|-----|-------------------|
| 10/15/2024 | Treasury - Bill | \$15,000,000 | 4.63% | | | | | |
| 10/17/2024 | FFCB - Note | \$10,000,000 | 4.53% | | | | | |
| <i>10/31/2024</i> | <i>Treasury - Note</i> | <i>\$5,000,000</i> | <i>5.26%</i> | | | | | |

(1) Italicized entries indicate securities that are scheduled but not yet matured, sold, called, or purchased. There may be additional investment purchases if there are pending maturities for the month.

Exhibit "B"

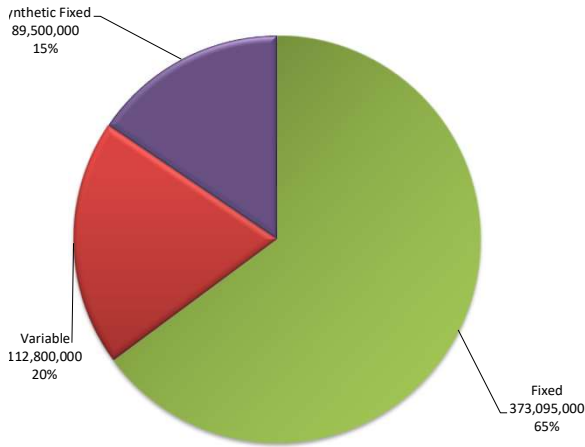


| Tenor | Current 10/25/2024 | 1 Month Prior 9/25/2024 | 1 Year Prior 10/25/2023 |
|-------|-----------------------|----------------------------|----------------------------|
| 1 Mo | 4.73 | 4.66 | 5.38 |
| 2 Mo | 4.68 | 4.67 | 5.44 |
| 3 Mo | 4.63 | 4.62 | 5.46 |
| 6 Mo | 4.52 | 4.38 | 5.56 |
| 1 Yr | 4.30 | 3.92 | 5.43 |
| 2 Yr | 4.11 | 3.56 | 5.12 |
| 3 Yr | 4.05 | 3.49 | 4.98 |
| 5 Yr | 4.06 | 3.53 | 4.92 |
| 7 Yr | 4.15 | 3.64 | 4.98 |
| 10 Yr | 4.24 | 3.79 | 4.96 |
| 20 Yr | 4.59 | 4.19 | 5.29 |
| 30 Yr | 4.50 | 4.14 | 5.09 |

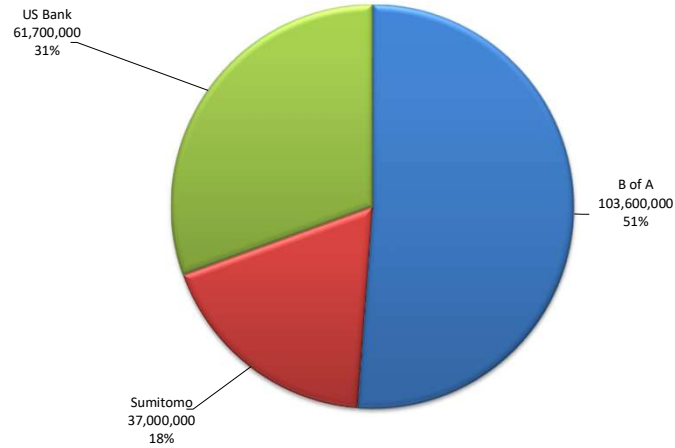
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Exhibit "C"
Irvine Ranch Water District
Summary of Fixed and Variable Rate Debt
October 2024

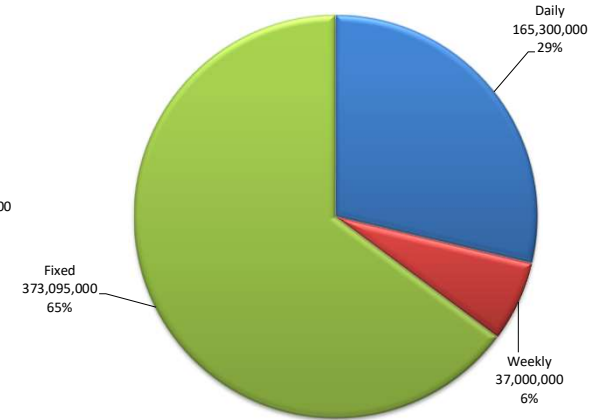
Current Debt Mix By Type



Letters of Credit / Support



Current Debt Rate Reset



Outstanding Par by Series

| Series | Issue Date | Maturity Date | Remaining Principal | Percent | Letter of Credit/Support | Rmkt Agent | Mode | Reset |
|---------------------------------|------------|---------------|----------------------|----------------|--------------------------|------------|----------|--------|
| Series 1993 | 05/19/93 | 04/01/33 | \$19,200,000 | 3.34% | US Bank | BAML | Variable | Daily |
| Series 2008-A Refunding | 04/24/08 | 07/01/35 | \$37,000,000 | 6.43% | Sumitomo | BAML | Variable | Weekly |
| Series 2011-A-1 Refunding | 04/15/11 | 10/01/37 | \$36,660,000 | 6.37% | B of A | Goldman | Variable | Daily |
| Series 2011-A-2 Refunding | 04/15/11 | 10/01/37 | \$24,440,000 | 4.25% | B of A | Goldman | Variable | Daily |
| Series 2009 - A | 06/04/09 | 10/01/41 | \$42,500,000 | 7.39% | US Bank | US Bank | Variable | Daily |
| Series 2009 - B | 06/04/09 | 10/01/41 | \$42,500,000 | 7.39% | B of A | Goldman | Variable | Daily |
| 2016 COPS | 09/01/16 | 03/01/46 | \$101,490,000 | 17.64% | N/A | N/A | Fixed | Fixed |
| 2010 Build America Taxable Bond | 12/16/10 | 05/01/40 | \$175,000,000 | 30.41% | N/A | N/A | Fixed | Fixed |
| Series 2016 | 10/12/16 | 02/01/46 | \$96,605,000 | 16.79% | N/A | N/A | Fixed | Fixed |
| Total | | | \$575,395,000 | 100.00% | | | | |

IRVINE RANCH WATER DISTRICT
SUMMARY OF FIXED & VARIABLE RATE DEBT

October-24

| GENERAL BOND INFORMATION | | | | | | | LETTER OF CREDIT INFORMATION | | | | | | | TRUSTEE INFORMATION | | | | | | | | | | | |
|---------------------------|------------|---------------|------------------------|--------------|---------------------|----------------------|-------------------------------------|------------------------------|---------------|------------|----------|---------|-------------------|----------------------|-----------------|------------|----------------|-----------|------------------|------------|--------------|--|--|------------------|--|
| VARIABLE RATE ISSUES | Issue Date | Maturity Date | Principal Payment Date | Payment Date | Original Par Amount | Remaining Principal | Letter of Credit | Reimbursement Agreement Date | L/C Exp. Date | MOODY'S | S&P | FITCH | LOC Stated Amount | LOC Fee | Annual LOC Cost | Rmkt Agent | Reset | Rmkt Fees | Annual Cost | Trustee | | | | | |
| SERIES 1993 | 05/19/93 | 04/01/33 | Apr 1 | 5th Bus. Day | \$38,300,000 | \$19,200,000 | US BANK | 05/07/15 | 05/01/25 | Aa3/VMIG1 | AA-/A-1+ | N/R | \$19,458,805 | 0.3000% | \$58,376 | BAML | DAILY | 0.10% | \$19,200 | BANK OF NY | | | | | |
| SERIES 2008-A Refunding | 04/24/08 | 07/01/35 | Jul 1 | 5th Bus. Day | \$60,215,000 | \$37,000,000 | SUMITOMO | 04/01/11 | 05/28/25 | A1/P-1 | A/A-1 | A/F1 | \$37,547,397 | 0.3150% | \$118,274 | BAML | WED | 0.07% | \$25,900 | BANK OF NY | | | | | |
| SERIES 2011-A-1 Refunding | 04/15/11 | 10/01/37 | Oct 1 | 1st Bus. Day | \$60,545,000 | \$36,660,000 | B of A | 02/01/24 | 02/08/27 | Aa1/VMIG1 | A+/A-1 | AAA/F1+ | \$37,069,788 | 0.3200% | \$118,623 | Goldman | DAILY | 0.07% | \$25,662 | BANK OF NY | | | | | |
| SERIES 2011-A-2 Refunding | 04/15/11 | 10/01/37 | Oct 1 | 1st Bus. Day | \$40,370,000 | \$24,440,000 | B of A | 02/01/24 | 02/08/27 | Aa1/VMIG1 | A+/A-1 | AAA/F1+ | \$24,713,192 | 0.3200% | \$79,082 | Goldman | DAILY | 0.07% | \$17,108 | BANK OF NY | | | | | |
| SERIES 2009 - A | 06/04/09 | 10/01/41 | Oct 1 | 1st Bus. Day | \$75,000,000 | \$42,500,000 | US BANK | 04/01/11 | 05/01/25 | Aa2/VMIG 1 | AA-/A-1+ | AA/F1+ | \$42,975,068 | 0.3000% | \$128,925 | US Bank | DAILY | 0.07% | \$29,750 | US BANK | | | | | |
| SERIES 2009 - B | 06/04/09 | 10/01/41 | Oct 1 | 1st Bus. Day | \$75,000,000 | \$42,500,000 | B of A | 04/01/11 | 04/21/25 | Aa2/VMIG 1 | A/A-1 | A1/F1+ | \$42,975,068 | 0.2800% | \$120,330 | Goldman | DAILY | 0.07% | \$29,750 | US BANK | | | | | |
| \$349,430,000 | | | | | | \$202,300,000 | SUB-TOTAL VARIABLE RATE DEBT | | | | | | | \$204,739,321 | | | 0.3046% | | \$623,612 | | 0.07% | | | \$147,370 | |
| | | | | | | | | | | | | | | | | (Wt. Avg) | | | (Wt. Avg) | | | | | | |

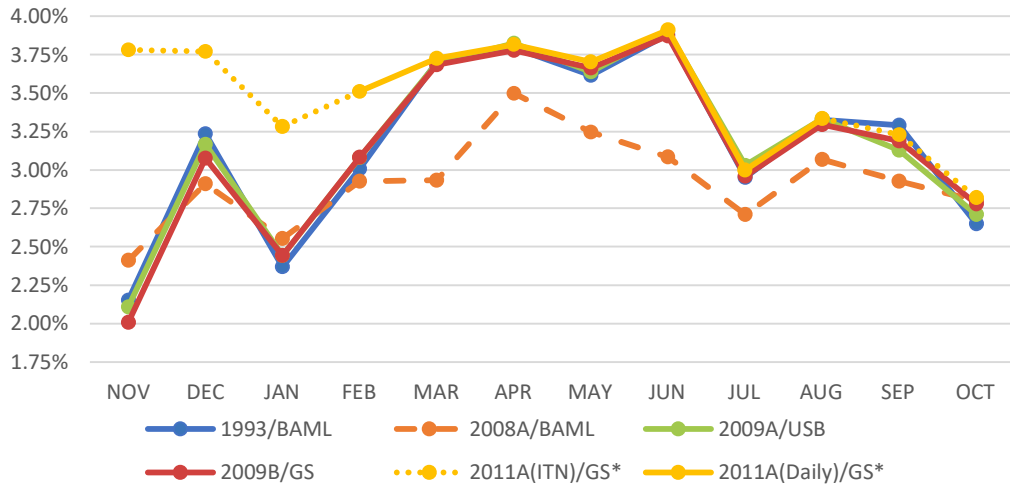
| FIXED RATE ISSUES | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|----------|----------|------------|----------|---------------|----------------------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------------|--|--|--|
| 2010 GO Build America Taxable Bonds | 12/16/10 | 05/01/40 | May (2025) | May/Nov | \$175,000,000 | \$175,000,000 | N/A | N/A | N/A | Aa1 | AAA | NR | N/A | N/A | N/A | N/A | N/A | N/A | N/A | US BANK | | | |
| 2016 COPS | 09/01/16 | 03/01/46 | Mar 1 | Mar/Sept | \$116,745,000 | \$101,490,000 | N/A | N/A | N/A | NR | AAA | AAA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | US BANK | | | |
| SERIES 2016 | 10/12/16 | 02/01/46 | Feb 1 | Feb/Aug | \$103,400,000 | \$96,605,000 | N/A | N/A | N/A | NR | AAA | AAA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | BANK OF NY | | | |
| \$395,145,000 | | | | | | \$373,095,000 | SUB-TOTAL FIXED RATE DEBT | | | | | | | | | | | | | | | | |
| \$744,575,000 | | | | | | \$575,395,000 | TOTAL - FIXED & VARIABLE RATE DEBT | | | | | | | | | | | | | | | | |

| Remarketing Agents | | | GO VS COP'S | | |
|--------------------|--------------------|-----|-------------|--------------------|-----|
| Goldman | 103,600,000 | 51% | GO: | 473,905,000 | 82% |
| BAML | 56,200,000 | 28% | COPS: | 101,490,000 | 18% |
| US Bank | 42,500,000 | 21% | Total | <u>575,395,000</u> | |
| | <u>202,300,000</u> | | | | |

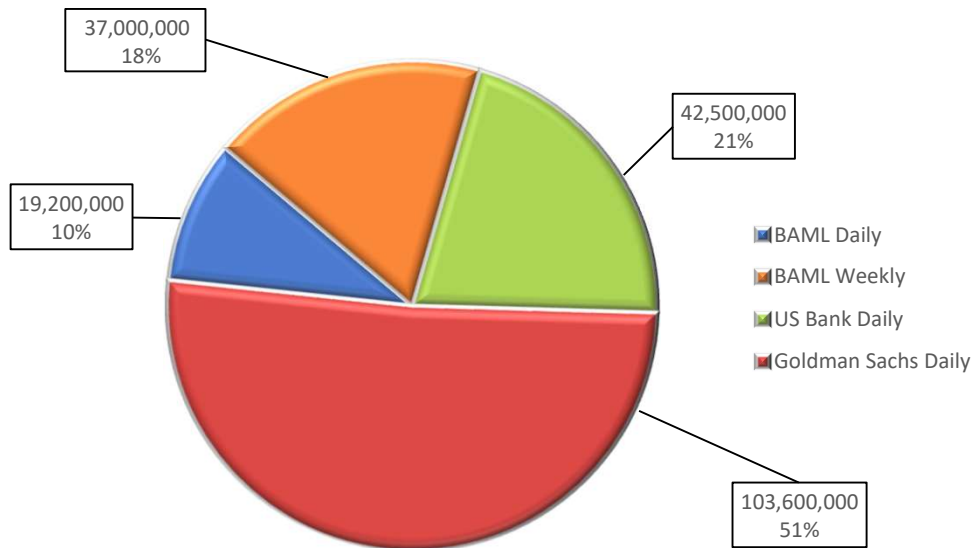
| LOC Banks | | | Breakdown Between Variable & Fixed Rate Mode | | |
|-----------------|--------------------|-----|--|--------------------|------|
| SUMITOMO | 37,000,000 | 18% | Daily Issues | 165,300,000 | 29% |
| BANK OF AMERICA | 103,600,000 | 51% | Weekly Issues | 37,000,000 | 6% |
| US BANK | 61,700,000 | 30% | Sub-Total | <u>202,300,000</u> | |
| | <u>202,300,000</u> | | Fixed Rate Issues | \$373,095,000 | 65% |
| | | | Sub-Total - Fixed | <u>373,095,000</u> | |
| | | | TOTAL DEBT | | |
| | | | FIXED & VAR. | <u>575,395,000</u> | 100% |

Irvine Ranch Water District Summary of Remarketing Performance October 2024

All-in Variable Rate



Total Outstanding Principal By
Remarketing Agent



*2011A(ITN)s are based on SIFMA + 5. Please note that the 2011A(ITN)s converted to a daily rate mode on February 8th 2024.

REMARKETING AGENT PERFORMANCE COMPARISON
Oct-24

| Daily Variable Rate Comparison | | | |
|--------------------------------|--------------------------|----------------------------------|----------------------------|
| Date | Goldman Sachs vs US Bank | Goldman Sachs vs Bank of America | US Bank vs Bank of America |
| 10/1/2024 | -0.25% | 0.35% | 0.60% |
| 10/2/2024 | -0.10% | 0.35% | 0.45% |
| 10/3/2024 | -0.05% | 0.35% | 0.40% |
| 10/4/2024 | -0.10% | 0.20% | 0.30% |
| 10/5/2024 | -0.10% | 0.20% | 0.30% |
| 10/6/2024 | -0.10% | 0.20% | 0.30% |
| 10/7/2024 | 0.00% | 0.35% | 0.35% |
| 10/8/2024 | 0.05% | 0.05% | 0.00% |
| 10/9/2024 | 0.80% | 0.35% | -0.45% |
| 10/10/2024 | 0.55% | 0.25% | -0.30% |
| 10/11/2024 | 0.40% | 0.55% | 0.15% |
| 10/12/2024 | 0.40% | 0.55% | 0.15% |
| 10/13/2024 | 0.40% | 0.55% | 0.15% |
| 10/14/2024 | 0.40% | 0.55% | 0.15% |
| 10/15/2024 | -0.05% | 0.15% | 0.20% |
| 10/16/2024 | -0.20% | 0.10% | 0.30% |
| 10/17/2024 | -0.10% | -0.10% | 0.00% |
| 10/18/2024 | -0.10% | -0.40% | -0.30% |
| 10/19/2024 | -0.10% | -0.40% | -0.30% |
| 10/20/2024 | -0.10% | -0.40% | -0.30% |
| 10/21/2024 | 0.00% | -0.10% | -0.10% |
| 10/22/2024 | -0.15% | 0.00% | 0.15% |
| 10/23/2024 | 0.25% | 0.50% | 0.25% |
| 10/24/2024 | 0.45% | 0.27% | -0.18% |
| 10/25/2024 | 0.00% | 0.05% | 0.05% |
| Average Spread | 0.09% | 0.18% | 0.09% |

| | | | |
|-------------------|--------------------------------|--------------------------------|---------------------------|
| Rmkt Agent | GS / US Bank | GS / Bank of America | US Bank / Bank of America |
| Mode | Daily | Daily | Daily |
| Bond Issue | 2011A & 2009B / 2009A | 2011A & 2009B / 1993 | 2009A / 1993 |
| Par Amount | \$61.1MM & \$42.5MM / \$42.5MM | \$61.1MM & \$42.5MM / \$19.2MM | \$42.5MM / \$19.2MM |
| LOC Bank | Bank of America / US Bank | Bank of America / US Bank | US Bank / US Bank |

SUMMARY OF DEBT RATES
Oct-24

| Rmkt Agent Mode | GOLDMAN DAILY | GOLDMAN DAILY | GOLDMAN DAILY | MERRILL LYNCH DAILY | MERRILL LYNCH WEEKLY | US BANK DAILY |
|--------------------|---------------|---------------|---------------|---------------------|-----------------------|---------------|
| Bond Issue | 2009 - B | 2011 A-1 | 2011 A-2 | 1993 | 2008-A | 2009-A |
| Par Amount | 42,500,000 | 36,660,000 | 24,440,000 | 19,200,000 | 37,000,000 | 42,500,000 |
| LOC Bank Reset | BOFA | BOFA | BOFA | US BANK | Sumitomo Wednesday | US BANK |
| 10/1/2024 | 2.05% | 2.05% | 2.05% | 1.70% | 2.21% | 2.30% |
| 10/2/2024 | 1.50% | 1.50% | 1.50% | 1.15% | 2.21% | 1.60% |
| 10/3/2024 | 1.20% | 1.20% | 1.20% | 0.85% | 2.06% | 1.25% |
| 10/4/2024 | 1.00% | 1.00% | 1.00% | 0.80% | 2.06% | 1.10% |
| 10/5/2024 | 1.00% | 1.00% | 1.00% | 0.80% | 2.06% | 1.10% |
| 10/6/2024 | 1.00% | 1.00% | 1.00% | 0.80% | 2.06% | 1.10% |
| 10/7/2024 | 1.05% | 1.05% | 1.05% | 0.70% | 2.06% | 1.05% |
| 10/8/2024 | 1.05% | 1.05% | 1.05% | 1.00% | 2.06% | 1.00% |
| 10/9/2024 | 2.05% | 2.05% | 2.05% | 1.70% | 2.06% | 1.25% |
| 10/10/2024 | 2.75% | 2.75% | 2.75% | 2.50% | 2.11% | 2.20% |
| 10/11/2024 | 3.85% | 3.85% | 3.85% | 3.30% | 2.11% | 3.45% |
| 10/12/2024 | 3.85% | 3.85% | 3.85% | 3.30% | 2.11% | 3.45% |
| 10/13/2024 | 3.85% | 3.85% | 3.85% | 3.30% | 2.11% | 3.45% |
| 10/14/2024 | 3.85% | 3.85% | 3.85% | 3.30% | 2.11% | 3.45% |
| 10/15/2024 | 3.50% | 3.50% | 3.50% | 3.35% | 2.11% | 3.55% |
| 10/16/2024 | 3.05% | 3.05% | 3.05% | 2.95% | 2.11% | 3.25% |
| 10/17/2024 | 2.70% | 2.70% | 2.70% | 2.80% | 3.08% | 2.80% |
| 10/18/2024 | 2.70% | 2.70% | 2.70% | 3.10% | 3.08% | 2.80% |
| 10/19/2024 | 2.70% | 2.70% | 2.70% | 3.10% | 3.08% | 2.80% |
| 10/20/2024 | 2.70% | 2.70% | 2.70% | 3.10% | 3.08% | 2.80% |
| 10/21/2024 | 2.70% | 2.70% | 2.70% | 2.80% | 3.08% | 2.70% |
| 10/22/2024 | 2.40% | 2.40% | 2.40% | 2.40% | 3.08% | 2.55% |
| 10/23/2024 | 2.50% | 2.50% | 2.50% | 2.00% | 3.08% | 2.25% |
| 10/24/2024 | 2.75% | 2.75% | 2.75% | 2.48% | 2.60% | 2.30% |
| 10/25/2024 | 2.95% | 2.95% | 2.95% | 2.90% | 2.60% | 2.95% |
| Avg Interest Rates | 2.43% | 2.43% | 2.43% | 2.25% | 2.41% | 2.34% |
| Rmkt Fee | 0.07% | 0.07% | 0.07% | 0.10% | 0.07% | 0.07% |
| LOC Fee | 0.28% | 0.32% | 0.32% | 0.30% | 0.32% | 0.30% |
| All-In Rate | 2.78% | 2.82% | 2.82% | 2.65% | 2.80% | 2.71% |
| Par Amount | 103,600,000 | | | 56,200,000 | | 42,500,000 |

| Interest Rate Mode | Percent of Total Variable Rate Debt | Par Outstanding | Weighted All-In Average Rate | Base Rate Average |
|---|-------------------------------------|----------------------|------------------------------|-------------------|
| Daily | 81.71% | 165,300,000 | 2.76% | 2.38% |
| Weekly | 18.29% | 37,000,000 | 2.80% | 2.41% |
| | 100.00% | \$202,300,000 | 2.77% | 2.39% |
| Fixed | | | | |
| COPS 2016 | 27.20% | 101,490,000 | 2.90% | |
| BABS 2010 | 46.90% | 175,000,000 | 4.44% | (1) |
| SERIES 2016 | 25.89% | 96,605,000 | 3.32% | |
| | 100.00% | \$373,095,000 | 3.73% | |
| All-In Debt Rate Including \$60 Million Notional Amount of Swaps | | | | 3.46% |

(1) Rate adjusted up from 4.35% as a result of sequestration reducing BAB's subsidy by 5.7%

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November 5, 2024
 Prepared by: M. Pulles
 Submitted by: N. Adly
 Approved by: Paul A. Cook *PA*

FINANCE AND PERSONNEL COMMITTEE

EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER
PAID THROUGH THE FIRST QUARTER OF FISCAL YEAR 2024-25

SUMMARY:

Pursuant to the policy regarding Business Expense Reimbursement, Travel, Meeting Compensation, and Representation, staff has assembled for Committee review an Expense Summary, as shown in Exhibits “A” and “B”, for IRWD’s Board members and the General Manager through the first quarter of Fiscal Year (FY) 2024-25. Provided below is a summary of expenses paid to date.

| | Name | Conference, Travel, and Other District-Related Expenses | Meeting Fees | Total |
|------------------|---------------|---|-----------------|-----------------|
| Board Members: | LaMar | \$8,086 | \$9,930 | \$18,016 |
| | McLaughlin | 0 | 4,303 | 4,303 |
| | Reinhart | 882 | 9,930 | 10,812 |
| | Swan | 4,146 | 9,599 | 13,745 |
| | Withers | 139 | 6,951 | 7,090 |
| | <i>Total:</i> | <i>\$13,253</i> | <i>\$40,713</i> | <i>\$53,966</i> |
| General Manager: | Cook | \$2,234 | N/A | \$2,234 |

FISCAL IMPACTS:

Meeting fees through the first quarter totaled \$40,713 compared with the fiscal year budget of \$50,000 (through the first quarter). Conference and meeting-related travel expenses for both the Board of Directors and the General Manager totaled \$15,487 versus a budget of \$37,500. The remaining balance for travel expenses is \$22,013 for FY 2024-25.

The total cost for Board and General Manager conference, travel, and other District-related expenses, including meeting fees, through the first quarter FY 2024-25 is \$56,200 with a remaining budget of \$31,300 for the fiscal year.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

Finance and Personnel Committee: Expenses and Fees of Board Members and General Manager
Paid through the First Quarter of Fiscal Year 2024-25
November 5, 2024
Page 2

LIST OF EXHIBITS:

Exhibit "A" – Expense Summary Overview for the Board Members and General Manager
Exhibit "B" – Expense Summaries by Individual



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter, FY 2024-25**

All Board Members/General Manager

| Name | Registration Fees | Airfare | Lodging | Meals | Taxi/Shuttle/ Auto Rental | Parking Fees | Other | Mileage Reimb | | Reimb. To District | Total |
|-------------------------|-------------------|-----------------|-----------------|---------------|------------------------------|---------------|---------------|---------------|-----------------|--------------------|------------------|
| | | | | | | | | # Miles | Amount | | |
| Board Members: | | | | | | | | | | | |
| Steven LaMar | 3,265 | 618 | 3,115 | 106 | 457 | 239 | - | 428 | 286 | - | \$ 8,086 |
| Karen McLaughlin | - | - | - | - | - | - | - | - | - | - | - |
| Doug Reinhart | - | - | 551 | 155 | - | 55 | 15 | 225 | 151 | (45) | 882 |
| Peer Swan | 1,290 | - | 2,023 | 41 | - | 181 | - | 912 | 611 | - | 4,146 |
| John Withers | 60 | - | - | - | - | 40 | - | 58 | 39 | - | 139 |
| | | | | | | | | | | | - |
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| | | | | | | | | | | | - |
| General Manager: | | | | | | | | | | | |
| Paul Cook | 899 | 490 | - | 76 | 69 | - | 700 | - | - | - | 2,234 |
| | | | | | | | | | | | - |
| | | | | | | | | | | | - |
| Total | \$ 5,514 | \$ 1,108 | \$ 5,689 | \$ 378 | \$ 526 | \$ 515 | \$ 715 | 1,623 | \$ 1,087 | \$ (45) | \$ 15,487 |

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**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter, FY 2024-25**

Steven LaMar

| Paid | Date Incurred | Description/Location | Registration Fees | Airfare | Lodging | Meals | Taxi/Shuttle/ Auto Rental | Parking Fees | Other | Mileage Reimb | | Reimb. By ACWA | Total |
|--|----------------|---|--------------------|------------------|--------------------|------------------|------------------------------|------------------|-------------|---------------|------------------|-------------------|--------------------|
| | | | | | | | | | | # Miles | Amount | | |
| Monthly Expense Reports | | | | | | | | | | | | | |
| Paid | July 2024 | So. Calif. Water Coalition's Quarterly meeting and luncheon, Downey, CA | | | | | | | | 57 | \$ 38.12 | | \$ 38.12 |
| | August 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | September 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | October 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | November 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | December 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | January 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | February 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | March 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | April 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | May 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | June 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | | | | | | | | | | | | | - |
| | | | | | | | | | | | | | - |
| | | | | | | | | | | | | | - |
| Conferences/Seminars and Other Non-local Travel | | | | | | | | | | | | | |
| Paid | 07/07/2024 | Calif. Council of Environmental & Economic Balance, Olympic Valley, | 2,670.00 | 617.96 | 1,438.00 | 26.33 | 456.59 | 125.00 | | 54 | 35.91 | | 5,369.79 |
| Paid | 08/06/2024 | Annual Forecast Informed Reservoir Operations (FIRO), La Jolla, CA | | | 1,126.73 | 47.40 | | 84.00 | | 151 | 101.17 | | 1,359.30 |
| Paid | 08/21/2024 | Urban Water Institute Annual Summer/Fall Conf., San Diego, CA | 595.00 | | 550.50 | 32.18 | | 30.00 | | 166 | 111.22 | | 1,318.90 |
| | | | | | | | | | | | | | - |
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| | | | | | | | | | | | | | - |
| Total | | | \$ 3,265.00 | \$ 617.96 | \$ 3,115.23 | \$ 105.91 | \$ 456.59 | \$ 239.00 | \$ - | 428.00 | \$ 286.42 | \$ - | \$ 8,086.11 |

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter, FY 2024-25**

Doug Reinhart

| Paid | Date Incurred | Description/Location | Registration Fees | Airfare | Lodging | Meals | Taxi/Shuttle/ Auto Rental | Parking Fees | Other | Mileage Reimb | | Reimb. To District | Total | |
|--|----------------|---|-------------------|---------|-----------|-----------|------------------------------|--------------|----------|---------------|--------|--------------------|------------|-----------|
| | | | | | | | | | | # Miles | Amount | | | |
| Monthly Expense Reports | | | | | | | | | | | | | | |
| Paid | July 2024 | So. Calif. Water Coalition's Quarterly mtg., Downey, CA | | | | | | | | | 64 | \$ 42.95 | \$ | 42.95 |
| | August 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| Paid | September 2024 | OC Coastkeeper's Toast the Coast, Newport Beach, CA | | | | | | 25.00 | | | | | | 25.00 |
| | October 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | November 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | December 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | January 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | February 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | March 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | April 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | May 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| | June 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | | - |
| Conferences/Seminars and Other Non-local Travel | | | | | | | | | | | | | | |
| Paid | 08/21/2024 | Urban Water Institute Annual Summer/Fall Conf., San Diego | | | 550.50 | 154.75 | | 30.00 | 15.00 | | 161 | 108.00 | (44.75) | 813.50 |
| | | | | | | | | | | | | | | - |
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| | | | | | | | | | | | | | | - |
| Total | | | \$ - | \$ - | \$ 550.50 | \$ 154.75 | \$ - | \$ 55.00 | \$ 15.00 | | 225 | \$ 150.95 | \$ (44.75) | \$ 881.45 |

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter, FY 2024-25**

Peer Swan


| Paid | Date Incurred | Description/Location | Registration Fees | Airfare | Lodging | Meals | Taxi/Shuttle/ Auto Rental | Parking Fees | Other | Mileage Reimb | | Reimb. By ACWA | Total |
|--|----------------|--|--------------------|-------------|--------------------|-----------------|------------------------------|------------------|-------------|---------------|------------------|-------------------|--------------------|
| | | | | | | | | | | # Miles | Amount | | |
| Monthly Expense Reports * | | | | | | | | | | | | | |
| | July 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | \$ - |
| | August 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | September 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | October 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | November 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | December 2024 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | January 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | February 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | March 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | April 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | May 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| | June 2025 | Monthly Expense Report (no activity this period) | | | | | | | | | | | - |
| Conferences/Seminars and Other Non-local Travel | | | | | | | | | | | | | |
| Paid | 07/30/2024 | CASA 2024 Annual Summer Conference, Monterey, CA | 695.00 | | 1,197.00 | 21.01 | | 135.90 | | | 738 | 494.46 | 2,543.37 |
| Paid | 08/20/2024 | Urban Water Institute Annual Summer/Fall Conf., San Diego, C | 595.00 | | 825.75 | 20.13 | | 45.00 | | | 174 | 116.98 | 1,602.86 |
| | | | | | | | | | | | | | - |
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| | | | | | | | | | | | | | - |
| Total | | | \$ 1,290.00 | \$ - | \$ 2,022.75 | \$ 41.14 | \$ - | \$ 180.90 | \$ - | 912 | \$ 611.44 | \$ - | \$ 4,146.23 |

*Detail of Description/Location provided on Expense Report

November 5, 2024

Prepared by: V. Li / C. Smithson

Submitted by: N. Adly

Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

FISCAL YEAR 2024-25 OPERATING AND NON-OPERATING FINANCIAL HIGHLIGHTS QUARTERLY UPDATE

SUMMARY:

Staff has completed the financial analysis of the unaudited operating statements through the first quarter of Fiscal Year (FY) 2024-25. Operating net revenue was \$59.8 million and total system operating expenses were \$47.9 million resulting in net operating income of \$11.8 million compared to the budget of \$5.1 million. Consolidated expenses, including capital, were \$53.5 million, which is \$5.6 million below budget. Non-operating net income was \$15.7 million, which is \$11.3 million favorable to budget.

BACKGROUND:

Details of unaudited actual results through the first quarter of FY 2024-25 are provided in the following documents:

- Operating revenues and expenses by system, provided as Exhibit “A”;
- Operating expenses, provided as Exhibit “B”; and
- Non-operating revenues and expenses, provided as Exhibit “C”.

Summary of Operating Revenues and Expenses:

Net revenues were \$59.8 million and operating expenses were \$47.9 million resulting in a net operating income through the first quarter of FY 2024-25 of \$11.8 million. Exhibit “A” shows a detailed comparison and explanations for significant variances of actual to budget revenues and expenses by system through the first quarter of FY 2024-25. A summary by system is outlined below.

Potable Water System:

Net revenues were above budget by \$1.0 million and total expenses were above budget by \$0.2 million. *Potable Water System* sales were 499 AF and \$2.6 million above budget, primarily due to the purchase of imported water to replace the less expensive pumped water. Purchased water exceeded the budget by \$3.3 million, while electricity costs came in \$2.4 million under budget.

Additional information is provided in Exhibits “A-2” and “A-3”.

Recycled Water System:

Net revenues were below budget by \$1.0 million and total expenses were below budget by \$2.8 million. *Recycled Water System* sales were 904 AF and \$0.2 million below budget,

primarily due to ongoing conservation efforts. Electricity expenses were \$1.9 million below the budgeted amount.

Additional information is provided in Exhibits “A-4” and “A-5”.

Sewer System:

Net revenues were above budget by \$0.3 million and total expenses were below budget by \$2.5 million.

The following expenses were below budget by more than \$0.5 million:

- Salaries and Benefits (\$0.5 M);
- Electricity (\$0.7 M);
- All Other Operating Expenses (\$0.9 M).

Additional information is provided in Exhibit “A-6”.

Conservation, Natural Treatment System (NTS), and Water Banking (Over-allocation Fund):

Net revenues were above budget by \$0.4 million and total expenses were below budget by \$1.0 million. All Other Operating Expenses were \$0.7 million below the budgeted amount.

Additional information is provided in Exhibit “A-7”.

Summary of Operating Expenses:

Exhibit “B” includes a summary of actual versus budgeted expenses by major category, including capital, through the first quarter of FY 2024-25. Net operating expenses were \$53.5 million, which is \$5.6 million below budget. Additional information is provided in Exhibit “B-2”. Salary and employee benefits information is provided in Exhibit “B-3”.

Summary of Non-Operating Revenues and Expenses:

Exhibit “C” is a summary of non-operating revenues and expenses. IRWD’s non-operating revenues are income generated from sources other than user rates. These include property taxes, investment income, connection fees, and real estate. A portion of the non-operating revenue pays for debt service. Property taxes and connection fees help pay for new infrastructure.

The non-operating net income was \$15.7 million, which was favorable to budget by \$11.3 million. Revenues exceeded the budget by \$11.3 million, while expenses remained on target.

FISCAL IMPACTS:

Fiscal impacts are outlined above and are included in the exhibits provided.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Actual to Budget Operating Revenues and Expenses by System

Exhibit "B" – Consolidated Actual to Budget and Forecast Operating Expenses

Exhibit "C" – Consolidated Actual to Budget and Forecast Non-Operating Net Income

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Exhibit "A"
Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25
(in thousands)

| Consolidated | | | |
|---|------------------|------------------|-----------------|
| Revenues: | Actual | Budget | Variance |
| Commodity | \$ 34,804 | \$ 34,642 | \$ 162 |
| Fixed Service Charges and Other | 33,884 | 33,904 | (20) |
| Total Revenues | \$ 68,688 | \$ 68,546 | \$ 142 |
| Contribution to Enhancement and Replacement Funds | (8,935) | (9,401) | 466 |
| Net Revenues | \$ 59,753 | \$ 59,145 | \$ 608 |
| Expenses: | | | |
| Salaries and Benefits | \$ 10,989 | \$ 12,029 | \$ 1,040 |
| Water | 19,399 | 16,262 | (3,137) |
| Electricity | 4,210 | 9,221 | 5,011 |
| Repairs and Maintenance - OC San Sewer | 1,030 | 1,117 | 87 |
| All Other Repairs and Maintenance | 3,612 | 4,186 | 574 |
| All Other Operating Expense | 8,709 | 11,274 | 2,565 |
| Total Expenses | \$ 47,949 | \$ 54,089 | \$ 6,140 |
| Net Operating Income (Loss) | \$ 11,804 | \$ 5,056 | \$ 6,748 |

Explanations for significant variances greater than \$500K are included in the details of each system.

Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25
(in thousands)

| Potable (treated and untreated systems) | | | |
|---|------------------|------------------|-----------------|
| Revenues: | Actual | Budget | Variance |
| Commodity | \$ 19,390 | \$ 18,440 | \$ 950 |
| Fixed Service Charges and Other | 12,761 | 12,811 | (50) |
| Total Revenues | \$ 32,151 | \$ 31,251 | \$ 900 |
| Contribution to Enhancement and Replacement Funds | (2,506) | (2,583) | 77 |
| Net Revenues | \$ 29,645 | \$ 28,668 | \$ 977 |
| Expenses: | | | |
| Salaries and Benefits | \$ 4,399 | \$ 4,599 | \$ 200 |
| Water | 16,363 | 13,062 | (3,301) |
| Electricity | 2,800 | 5,196 | 2,396 |
| Repairs and Maintenance | 1,577 | 1,607 | 30 |
| All Other Operating Expense | 2,701 | 3,194 | 493 |
| Total Expenses | \$ 27,840 | \$ 27,658 | \$ (182) |
| Net Operating Income (Loss) | \$ 1,805 | \$ 1,010 | \$ 795 |

Revenues:

Commodity Revenue was over budget by \$1.0M due to:

- IRWD’s land within the Palo Verde Irrigation District (PVID) secured additional following payments through a recent conservation program agreement.

Expenses:

Water expense was over budget by 3.3M due to:

- Dyer Road Well Field (DRWF) and Potable Treatment Plant (PTP) water production declined due to required well maintenance and inspections. Orange Park Acres Well #1 (OPA) remains offline.
- Increased cost of import water was partially offset by the use and sale of native water.

Electricity expense was below budget by \$2.4M due to:

- Dyer Road Well Field (DRWF) and Potable Treatment Plant (PTP) pumping were reduced due to required well maintenance and inspections. Orange Park Acres Well #1 (OPA) remains offline.
- Increased use of imported water led to decreased pumping needs, resulting in lower electricity costs.

**Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25**

| Potable (treated and untreated systems) | | | | | | |
|---|----------------|---------------|--------------|--------------------|----------------|-----------------|
| | Acre Feet (AF) | | | Cost (in Millions) | | |
| | Actual | Budget | Variance | Actual | Budget | Variance |
| Treated | | | | | | |
| Pumped | 9,295 | 13,503 | 4,208 | \$7.7 | \$8.9 | \$1.2 |
| Imported | 5,911 | 1,473 | (4,438) | 8.2 | 2.7 | (5.5) |
| Baker Treatment Plant (Baker) | 1,811 | 1,800 | (11) | 1.8 | 1.8 | 0.0 |
| Total Treated | 17,017 | 16,776 | (241) | 17.7 | 13.4 | (4.3) |
| Untreated | | | | | | |
| Native Water | 3,744 | 1,600 | (2,144) | 1.4 | 0.4 | (1.0) |
| Imported | 40 | 388 | 348 | 0.1 | 1.3 | 1.2 |
| Baker ILP | (1,194) | - | 1,194 | (1.0) | - | 1.0 |
| Transfer to Recycled | (2,438) | (1,950) | 488 | (2.6) | (2.1) | 0.5 |
| Evaporation | (10) | - | 10 | - | - | - |
| Total Untreated | 142 | 38 | (104) | (2.1) | (0.4) | 1.7 |
| Total | 17,159 | 16,814 | (345) | \$ 15.6 | \$ 13.0 | \$ (2.6) |
| Process Waste and System Loss | (1,018) | (1,172) | (154) | | | |
| Sales/Cost of Sales | 16,141 | 15,642 | (499) | \$ 15.6 | \$ 13.0 | \$ (2.6) |
| Baker Partners Reimbursement | (906) | | | (0.7) | | (0.7) |
| Total | | | | \$ 14.9 | \$ 13.0 | \$ (3.3) |

Pumped Water usage and costs were below budget by \$1.2M due to:

- Dyer Road Well Field (DRWF) and Potable Treatment Plant (PTP) pumping was reduced due to required well maintenance and inspections. Orange Park Acres Well #1 (OPA) remains offline.

Import Water usage and costs were over budget by \$5.5M due to:

- Dyer Road Well Field (DRWF) and Potable Treatment Plant (PTP) water production declined due to required well maintenance and inspections. Orange Park Acres Well #1 (OPA) remains offline.

Native Water usage and cost were over budget by \$1.0M due to:

- Availability was higher than budget and used to supply the recycled system and Baker.

Untreated Imported water usage and costs were below budget by \$1.2M due to:

- Reduction in water transferred to the Recycled System due to decreased demand.
- Less expensive native water replaced imported water.

Sales/Cost of Sales were over budget by \$2.6M due to:

- Imported water was purchase to replace less expensive pumped water.

***Cost reimbursement is included in Reimbursement from Partners.**

Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25
(in thousands)

| Recycled | | | |
|---|------------------|------------------|-------------------|
| Revenues: | Actual | Budget | Variance |
| Commodity | \$ 10,129 | \$ 11,278 | \$ (1,149) |
| Fixed Service Charges and Other | 2,717 | 2,578 | 139 |
| Total Revenues | \$ 12,846 | \$ 13,856 | \$ (1,010) |
| Contribution to Enhancement and Replacement Funds | (325) | (347) | 22 |
| Net Revenues | \$ 12,521 | \$ 13,509 | \$ (988) |
| Expenses: | | | |
| Salaries and Benefits | \$ 2,014 | \$ 2,079 | \$ 65 |
| Water | 3,036 | 3,200 | 164 |
| Electricity | 963 | 2,835 | 1,872 |
| Repairs and Maintenance | 160 | 420 | 260 |
| All Other Operating Expense | 2,268 | 2,742 | 474 |
| Total Expenses | \$ 8,441 | \$ 11,276 | \$ 2,835 |
| Net Operating Income (Loss) | \$ 4,080 | \$ 2,233 | \$ 1,847 |

Revenues:

Commodity Revenue was below budget by \$1.1M due to:

- Decrease in landscape and agricultural sales resulting from cooler temperatures and ongoing conservation efforts (904 AF below budget).

Expenses:

Electricity expense was below budget by \$1.9M due to:

- El Toro Remediation Project (ETGR) pumping was reduced due to required well maintenance and inspections.
- Reduction in sales demand resulted in reduced pumping and lower electricity costs.
- Delayed billing from Edison. Staff is working with Edison to receive updated bills.

**Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25**

| Recycled | | | | | | |
|-------------------------------|----------------|---------------|--------------|--------------------|---------------|---------------|
| | Acre Feet (AF) | | | Cost (in Millions) | | |
| | Actual | Budget | Variance | Actual | Budget | Variance |
| Produced/ Storage | 8,515 | 9,653 | 1,138 | \$ - | \$ - | \$ - |
| Untreated Supplemental | 2,438 | 1,950 | (488) | 2.6 | 2.1 | (0.5) |
| Pumped | 525 | 1,149 | 624 | 0.4 | 1.1 | 0.7 |
| Total | 11,478 | 12,752 | 1,274 | \$ 3.0 | \$ 3.2 | \$ 0.2 |
| Process Waste and System Loss | (257) | (628) | (371) | | | |
| Sales/Cost of Sales | 11,220 | 12,124 | 904 | \$ 3.0 | \$ 3.2 | \$ 0.2 |

Untreated Supplemental was over budget by \$0.5M due to:

- Supplemental water usage and costs exceeded the budget due to a reduction in pumping and available recycled storage.

Pumped water usage and cost were below budget by \$0.7M due to:

- El Toro Remediation Project (ETGR) pumping was reduced due to required well maintenance and inspections.

Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25
(in thousands)

| Sewer | | | |
|---|------------------|------------------|-----------------|
| Revenues: | Actual | Budget | Variance |
| Fixed Service Charges and Other | \$ 18,406 | \$ 18,515 | \$ (109) |
| Total Revenues | 18,406 | 18,515 | (109) |
| Contribution to Enhancement and Replacement Funds | (6,104) | (6,471) | 367 |
| Net Revenues | \$ 12,302 | \$ 12,044 | \$ 258 |
| Expenses: | | | |
| Salaries and Benefits | \$ 3,559 | \$ 4,097 | \$ 538 |
| Electricity | 420 | 1,092 | 672 |
| Repairs and Maintenance - OC San | 1,030 | 1,117 | 87 |
| All Other Repairs and Maintenance | 1,142 | 1,422 | 280 |
| All Other Operating Expense | 2,904 | 3,797 | 893 |
| Total Expenses | \$ 9,055 | \$ 11,525 | \$ 2,470 |
| Net Operating Income (Loss) | \$ 3,247 | \$ 519 | \$ 2,728 |

Expenses:

Salaries and Benefits were below budget by \$0.5M due to:

- The approved Cost of Living Adjustment (COLA) for FY 2023-24 was lower than budgeted.
- Total vacant positions were greater than budgeted.

Electricity expense was below budget by \$0.7M due to:

- Delayed billing from Edison. Staff is working with Edison to receive updated bills.

All Other Operating Expense were below budget by \$0.9M due to:

- Reduction in chemicals costs resulting from process optimization and timing of purchases.
- Allocated G&A Expense was applied based on salaries which was below budget as described above.
- Allocated Customer Service and Building Maintenance expenses were below expectations.

**Actual vs Budget Operating Net Income by System
Through the First Quarter of Fiscal Year 2024-25**
(in thousands)

| Conservation, NTS and Water Banking (Over-Allocation Fund) | | | |
|---|-----------------|-----------------|-----------------|
| Revenues: | Actual | Budget | Variance |
| Commodity | \$ 5,285 | \$ 4,924 | \$ 361 |
| Total Revenues | 5,285 | 4,924 | 361 |
| Contribution to Enhancement and Replacement Funds | - | - | - |
| Net Revenues | \$ 5,285 | \$ 4,924 | \$ 361 |
| Expenses: | | | |
| Salaries and Benefits | \$ 1,017 | \$ 1,254 | \$ 237 |
| Electricity | 27 | 98 | 71 |
| Repairs and Maintenance | 733 | 737 | 4 |
| All Other Operating Expense | 836 | 1,541 | 705 |
| Total Expenses | \$ 2,613 | \$ 3,630 | \$ 1,017 |
| Net Operating Income (Loss) | \$ 2,672 | \$ 1,294 | \$ 1,378 |

Expenses:

All Other Operating Expense was below budget by \$0.7M due to:

- Professional fees were below budget due to the timing of planned work and expense recognition.
- Allocated Customer Service and Building Maintenance expenses were below expectations.

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Exhibit "B"

**Irvine Ranch Water District
Operating Expenses**

(in thousands)

Through the First Quarter of Fiscal Year 2024-25

| Expense Name | Actual | Budget | Actual vs Budget | Act Vs Budget % |
|---------------------------------------|------------------|------------------|-------------------------|------------------------|
| Regular Labor | \$ 9,353 | \$ 10,073 | \$ 720 | 7.1% |
| Overtime Labor | 953 | 915 | (38) | -4.2% |
| Contract Labor | 356 | 426 | 70 | 16.5% |
| Employee Benefits | 7,851 | 7,177 | (674) | -9.4% |
| Salaries & Benefits Total | \$ 18,513 | \$ 18,591 | \$ 78 | 0.4% |
| Water | 19,398 | 16,262 | (3,136) | -19.3% |
| Electricity | 4,294 | 9,397 | 5,103 | 54.3% |
| Fuel | 199 | 372 | 173 | 46.6% |
| Telecommunication | 177 | 237 | 60 | 25.4% |
| Other Utilities | 45 | 82 | 37 | 45.4% |
| Water & Utilities Total | \$ 24,113 | \$ 26,351 | \$ 2,238 | 8.5% |
| Chemicals | 2,208 | 2,215 | 7 | 0.3% |
| Operating Supplies | 1,163 | 839 | (324) | -38.7% |
| Printing | 50 | 94 | 44 | 46.7% |
| Postage | 90 | 127 | 37 | 28.9% |
| Permits, Licenses and Fees | 201 | 447 | 246 | 55.1% |
| Office Supplies | 17 | 27 | 10 | 37.8% |
| Duplicating Equipment | 28 | 32 | 4 | 12.5% |
| Equipment Rental | 17 | 25 | 8 | 31.9% |
| Materials & Supplies Total | \$ 3,774 | \$ 3,805 | \$ 31 | 0.8% |
| Rep & Maint OC SAN & Others | 1,441 | 1,348 | (93) | -6.9% |
| Rep & Maint IRWD | 3,797 | 3,947 | 150 | 3.8% |
| Insurance | (19) | 924 | 943 | 102.1% |
| Legal Fees | 155 | 655 | 500 | 76.3% |
| Engineering Fees | 330 | 252 | (78) | -31.0% |
| Accounting Fees | 32 | 32 | (0) | -0.8% |
| Data Processing | 930 | 1,121 | 191 | 17.0% |
| Personnel Training | 250 | 471 | 221 | 46.9% |
| Personnel Physicals | 9 | 10 | 1 | 12.0% |
| Other Professional Fees | 1,090 | 1,725 | 635 | 36.8% |
| Directors' Fees | 41 | 50 | 9 | 18.0% |
| Professional Services Total | \$ 8,056 | \$ 10,535 | \$ 2,479 | 23.5% |
| Election Expense | 43 | 43 | (1) | -1.2% |
| Safety | 19 | 26 | 7 | 25.6% |
| Alarm and Patrol Services | 185 | 285 | 100 | 35.1% |
| Biosolids Disposals | 360 | 273 | (87) | -32.0% |
| Contract Meter Reading | 373 | 415 | 42 | 10.1% |
| Over-Allocation | 109 | 261 | 152 | 58.3% |
| Other | 90 | 141 | 51 | 36.2% |
| Other Total | \$ 1,179 | \$ 1,443 | \$ 264 | 18.3% |
| Total Expenses | \$ 55,635 | \$ 60,725 | \$ 5,090 | 8.4% |
| Less: Reimbursement from Partners | (2,155) | (1,664) | 491 | 29.5% |
| Grand Total | \$ 53,480 | \$ 59,061 | \$ 5,581 | 9.4% |

**Irvine Ranch Water District
Operating Expenses
Fiscal Year 2024-25**

Key variances (over)/under budget greater than \$0.5 Million are as follows:

Regular Labor is below budget by \$0.7M.

- The approved Cost of Living Adjustment (COLA) for FY 2023-24 was lower than expected.
- Total vacant positions were budgeted at 6% and actual vacancies are closer to 11%. HR continues to recruit to fill vacant positions.

Employee Benefits are over budget by \$0.7M.

- Health insurance costs exceeded budget in FY 2023-24. In addition, the increase anticipated for January exceeds the assumption included for FY 2024-25 for health insurance costs.
- Actual leave expense for FY 2024-25 exceeds the assumption included in the budget projections.

Water is over budget by \$3.1M.

- Dyer Road Well Field (DRWF) and Potable Treatment Plant (PTP) water production declined due to required well maintenance and inspections. Orange Park Acres Well #1 (OPA) remains offline.
- Increased cost of import water was partially offset by the use of native water.

Electricity is below budget by \$5.1M.

- Increased use of imported water led to decreased pumping needs, resulting in lower electricity costs.
- Reduction in sales demand resulted in reduced pumping and lower electricity costs.
- Dyer Road Well Field (DRWF), Potable Treatment Plant (PTP) and El Toro Remediation Project (ETGR) pumping were reduced due to required well maintenance and inspections. OPA Well 1 remains offline.
- Delayed billing from Edison. Staff is working with Edison to receive updated bills.

Insurance is below budget by \$0.9M.

- This was primarily due to a claim reimbursement received from our insurance carrier for expenses exceeding the District's self-insured retention.

Legal Fees are below budget by \$0.5M.

- There were no expected special projects and litigation & personnel issues were lower than anticipated.

Other Professional Fees are below budget by \$0.6M.

- Professional Fees were under budget due to a combination of time-related considerations and lower actual expenses.

Irvine Ranch Water District
Salary and Employee Benefits Summary
Through the First Quarter of Fiscal Year 2024-25
(in thousands)

| Expense Name | Actual | Budget | Actual vs Budget |
|---|---------------|---------------|-------------------------|
| District Labor Cost (2,080 hours) | \$ 10,714 | \$ 11,026 | \$ 312 |
| Paid Time Off Net Accrual | 44 | 168 | 124 |
| PERS Contribution and in Excess of ARC | 3,266 | 3,064 | (202) |
| Employee Medical (health, dental, vision) | 2,071 | 1,808 | (263) |
| Retiree Benefits | 50 | 272 | 223 |
| 401A Contributions | 342 | 400 | 58 |
| Workers Compensation (Premiums and Claims) | 441 | 375 | (66) |
| Other Employer Taxes (medicare, employment) | 170 | 197 | 26 |
| | Actual | Budget | Variance |
| General & Administrative Expense Allocation | 140% | 115% | -25% |

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Exhibit C
Irvine Ranch Water District
Non-Operating Net Income
Fiscal Year 2024-25
(in thousands)

Through the First Quarter of Fiscal Year 2024-25

| | Actual | Budget | Actual vs Budget |
|-----------------------|------------------|------------------|---------------------|
| Revenues: | | | |
| Property Taxes | \$ 2,369 | \$ 817 | \$ 1,552 |
| Investment Income* | 4,370 | 2,125 | 2,245 |
| Connection Fees | 7,910 | 2,750 | 5,160 |
| Real Estate Income | 5,333 | 5,077 | 256 |
| Other Income | 3,508 | 1,400 | 2,108 |
| Total Revenues | \$ 23,490 | \$ 12,169 | \$ 11,321 |
| Expenses: | | | |
| Interest Expense | \$ 5,572 | \$ 5,630 | \$ 58 |
| Real Estate Expense | 2,253 | 2,025 | (228) |
| Other Expenses | 10 | 150 | 140 |
| Total Expenses | \$ 7,835 | \$ 7,805 | \$ (30) |
| Net Income | \$ 15,655 | \$ 4,364 | \$ 11,291 |

Revenues:

Property Taxes were over budget.

- Ad valorem was higher than anticipated due to higher assessed values and other unsecured property taxes.

Investment Income was over budget.

- Investment income exceeded budget expectations, driven by a combination of higher average balances and increased interest rates.

Connection Fees were over budget.

- The surge in connections fees July is driven by a combination of projects by the Lennar Corporation, Irvine Company, and the County of Orange.

Other Income was over budget.

- The capital portion of native water revenue, operations paying the capital ID's, was not included in the budget.
- Revenue from Syphon grants was not included in the budget due to uncertainty about whether the grants would be received.

*Based on accounting standards, investment income in the general ledger is different due to the timing of recognition for bond premiums and discounts.

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November 5, 2024
Prepared by: L. Kaneshiro
Submitted by: N. Adly
Approved by: Paul A. Cook *P.A.*

FINANCE AND PERSONNEL COMMITTEE

INFORMATION TECHNOLOGY PROJECT STATUS REPORT

SUMMARY:

Provided for the Committee's review is a list of projects which Information Technology Department staff is currently working.

BACKGROUND:

Information Technology periodically submits a project status report for the Committee's review. The current project status report is provided as Exhibit "A".

FISCAL IMPACTS:

The fiscal impacts are shown in Exhibit "A".

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Information Technology Project Status


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Exhibit “A”

Information Technology Project Status Report
November 5, 2024

| Project Name | Project Summary | Schedule | Project Budget | Status |
|-----------------------------------|--|--------------------------------|----------------|--|
| ERP and CIS Software Selection | Evaluate and recommend new ERP and Customer Information System (CIS) software that best meets IRWD’s current and future needs. | Start: 10/24 Complete: 4/25 | \$200,000 | A Professional Services Agreement (PSA) was awarded to Plante Moran, a consulting firm who will assist with selecting a new ERP and CIS platform. The scope includes business process analysis, requirements, evaluation and recommendations. Learnings from the ERP RFI, the EDM Assessment, meetings with other agencies, and other sources will be incorporated into this effort. This project started on October 8 and is expected to take six months. |
| Department Share Drives Migration | Migrate IRWD electronic files to modern Microsoft systems and eliminate obsolete technologies. | Start: 1/24 Complete: 11/24 | \$25,000 | The share drive file migration to the new Microsoft servers is in progress. Approximately 60% of the computers have been migrated as of October 16. The project is on-track for completion in November. |
| Network Storage Upgrade | Upgrade existing network storage. | Start: 5/24 Complete: 12/24 | \$50,000 | A Proof of Concept (POC) for the new network storage appliance was completed and systems are now being migrated. Staff completed migrating the Oracle storage and are now working on migrating the remaining systems to the new solution. |

| Project Name | Project Summary | Schedule | | Project Budget | Status |
|-------------------------------------|---|----------------|----------------|----------------|--|
| Back-Up and Recovery Replacement | Replace existing back-up and recovery tool to improve disaster recovery/resilience. | Start Complete | 6/24 12/24 | \$50,000 | A POC test for the new back-up and recovery solution as well as a tabletop Disaster Recovery exercise were completed. Staff are in the process of procuring the new hardware. |
| Enterprise Server Upgrade | Upgrade existing enterprise servers. | Start Complete | 5/24 1/25 | \$900,000 | Evaluation of options to replace the District's enterprise servers, which will be reaching end of support in January 2025, is complete. Staff are in the process of procuring the new hardware. |
| Windows 11 Operating System Upgrade | Upgrade laptops, PCs and other computer devices with Windows 10 to Windows 11. | Start Complete | 6/24 10/25 | \$200,000 | Planning and testing of upgrading existing laptops, PCs and other devices with Windows 10 operating systems to Windows 11 have begun. Microsoft's end of support date for Windows 10 is in October 2025. |
| Core Network Redesign and Upgrade | Redesign and upgrade the core network to increase capacity, security, and resilience. | Start Complete | 10/24 11/25 | \$1,500,000 | Planning has begun to redesign and upgrade the core enterprise network. The scope includes redesigning and modernizing the network to include a second core switch, internet services redundancy, and failover capability. This will make the network more resilient and enable greater cloud and mobile services in the future. |

November 5, 2024
Prepared by: Lance Kaneshiro
Submitted by: Neveen Adly
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

ENTERPRISE IT MAINTENANCE AND BUDGET INCREASE

SUMMARY:

Enterprise Information Technology (IT) systems maintenance ensures that IRWD's hardware and software systems continue to be reliable, current, and secure to support the District's business operations. It is part of the technology refresh cycle and includes upgrades, security patches, bug fixes and telephone/online assistance.

To maintain the District's Microsoft products, staff recommends that the Board authorize the General Manager to renew the Microsoft Enterprise Agreement (EA) for a three-year period effective December 1, 2024 through November 30, 2027 in the amount of \$386,642.56 annually, or \$1,159,927.68 over the three-year term. To upgrade the District's enterprise servers, staff recommends that the Board authorize the General Manager to execute a contract with Sirius Computer Solutions, LLC in the amount of \$796,950 and increase the Fiscal Year (FY) 2024-25 Capital Budget by \$250,000, to a total project budget of \$900,000.

BACKGROUND:

This item for Enterprise IT Maintenance and Budget Increase includes two sub-items, which are the Microsoft EA and the Enterprise Server Upgrade and Budget Increase.

Microsoft Enterprise Agreement:

IRWD performs its business functions using Microsoft software, including Microsoft Windows Desktop operating system, Microsoft 365 suite (Word, Excel, PowerPoint, Teams, SharePoint, OneDrive, Access, and Outlook), Teams Rooms, Microsoft Power BI data analytics, Microsoft Azure Active Directory, Microsoft Intune mobile device management, Microsoft SQL database, Microsoft Server operating system, and other Microsoft software products.

As with other software, Microsoft requires software maintenance, subscriptions and licenses in order to continue to use its software. The Microsoft EA covers all of IRWD's existing Microsoft software products and provides for upgrades to new versions as they become available, security patches, bug fixes, and telephone/online assistance. IRWD participates in the Microsoft EA for state and local government entities, which provides discounted pricing.

The current Microsoft EA was approved by the Board in November 2021 for \$1,011,000 over a term of three years: from December 1, 2021, through November 30, 2024. The proposed Microsoft EA is for \$1,159,927.68 over a term of three years, from December 1, 2024, through November 30, 2027. This represents a 14.7% increase in cost from 2021, which is primarily due to software unit price increases and expanded usage over the past three years.

Enterprise Server Upgrade and Budget Increase:

The Enterprise Server Upgrade project is needed because IRWD’s existing enterprise servers will be reaching end-of-support in January 2025. End-of-support is when the vendor stops supporting the servers, including no longer providing security patches, updates, and problem resolution. As with other computer hardware, this upgrade is part of the technology refresh cycle, which typically occurs every four to six years for servers.

The scope of this project is to purchase and install Nutanix hyperconverged enterprise servers and related infrastructure that will enhance staff’s ability to support the IRWD’s current and future server needs. This project will improve performance, capacity, and storage for the District’s critical applications and data, including Oracle applications and databases, GIS, Maximo, network storage, and other systems.

Staff evaluated three proposals. The proposal with the Nutanix servers was the most qualified and as well as the lowest cost. The other two proposals were from Dell and Cisco. Cisco scored third in qualifications and did not provide a quote after the vendor demonstration phase.

The Enterprise Server Upgrade project is in the FY 2024-25 Capital Budget with an amount of \$650,000. Staff requests a budget increase of \$250,000, to a total project budget of \$900,000, due to actual prices that are higher than originally estimated.

FISCAL IMPACTS:

The Microsoft EA is included in the Information Technology Operating Budget, Department 250, Account 585008. For the Enterprise Server Upgrade project, the FY 2024-25 Capital Budget would increase by \$250,000, to a total project budget of \$900,000, as shown below:

| Project No. | Current Budget | Addition <Reduction> | Total Budget |
|-------------|----------------|----------------------|--------------|
| 12544 | \$216,000 | \$84,000 | \$300,000 |
| 13010 | \$217,000 | \$83,000 | \$300,000 |
| 13011 | \$217,000 | \$83,000 | \$300,000 |

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.


RECOMMENDATION:

That the Board authorize the General Manager to execute the Microsoft Enterprise Agreement for a three-year period effective December 1, 2024 through November 30, 2027 in the amount of \$386,642.56 annually, or \$1,159,927.68 over the three-year term and that the Board authorize the General Manager to execute a contract with Sirius Computer Solutions, LLC in the amount of \$796,950 for the Enterprise Server Upgrade project, and increase the Fiscal Year 2024-25 Capital Budget by \$250,000, to a total project budget of \$900,000.

LIST OF EXHIBITS:

None.

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November 5, 2024
Prepared by: E. Lin
Submitted by: N. Adly
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

FISCAL YEAR 2023-24 ANNUAL COMPREHENSIVE FINANCIAL REPORT

SUMMARY:

IRWD's auditor Davis Farr LLP has completed its annual audit of the District's financial statements for the Fiscal Year (FY) ended June 30, 2024. As stated in its report, Davis Farr concluded that in all material aspects, the statements fairly present the District's financial position as of June 30, 2024 and conform with generally accepted accounting principles.

A draft of the Annual Comprehensive Financial Report (ACFR), including the Introductory Section, audited financial statements, accompanying auditor's report, Management's Discussion and Analysis, and Statistical Section is provided as Exhibit "A". The draft is being presented for review and comment by the Committee.

BACKGROUND:

The auditors have provided the required Auditor Communication pursuant to the Statement on Auditing Standards 114, *The Auditor's Communication with Those Charged with Governance*. This letter, provided as Exhibit "B", reflects the auditor's understanding of key management assumptions and practices, and indicates that there were no disagreements with management during the scope of the audit. The auditors have also provided a *Report on Management Letter Comments*, provided as Exhibit "C", which states that the audit did not identify any material weakness or significant deficiencies in internal control. The report did recommend that Finance Department should increase its involvement in the capital budgeting process as well as the accounting of capital assets. This will improve the existing internal controls and apply the best practice to the capital asset management processes and provide oversight in the criteria for capitalization of capital projects.

The IRWD Annual Comprehensive Financial Report:

The FY 2023-24 ACFR is being prepared for the 21st consecutive year by IRWD. All of IRWD's previous ACFRs have won awards from the Government Finance Officers Association (GFOA), which encourages state and local governments to prepare and publish expanded financial reports in conformity with generally accepted accounting principles (GAAP) and provides awards to recognize contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance.

Staff plans to present the FY 2023-24 ACFR to the IRWD Board on November 25, 2024. Staff will continue to produce an enhanced electronic version with key references hyperlinked throughout the document. The final ACFR will be made available on IRWD's website.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

That the Board approve the Fiscal Year 2023-24 Annual Comprehensive Financial Report.

LIST OF EXHIBITS:

Exhibit "A" – Draft FY 2023-24 Annual Comprehensive Financial Report

Exhibit "B" – SAS 114 Auditor's Communication with Those Charged with Governance from Davis Farr LLP

Exhibit "C" – Report on Management Letter Comments from Davis Farr LLP

Building Regional Reliability



Irvine Ranch Water District
Orange County, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for fiscal year ended June 30, 2024

Exhibit "A"

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Annual Comprehensive Financial Report

For fiscal year ended June 30, 2024

Irvine Ranch Water District

Irvine, California

Board of Directors

Douglas J. Reinhart, President

Steven E. LaMar, Vice President

Karen McLaughlin

Peer A. Swan

John B. Withers

General Manager

Paul A. Cook

Prepared by:

Irvine Ranch Water District

Finance Department

Exhibit "A"

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Exhibit "A"

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2024

Exhibit "A"

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November 25, 2024

To the Board of Directors and Customers,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared an Annual Comprehensive Financial Report of IRWD for the fiscal year ended June 30, 2024. 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, 2024 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, 2024 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 24 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, energy management, and water banking. The District is a pioneer in financial management practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

The District serves a 181 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County. Extending from the Pacific Coast to the top of the foothills of eastern Orange County, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated daytime population served is approximately 634,000 and includes approximately 125,000 water and 120,000 sewer service and recycled water connections. The number of service connections has increased by approximately 20% over the last ten years.

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

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

People



IRWD's Staff

The District employed an average of 394 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 9 years.

Services

The District is functionally organized into four core service areas:

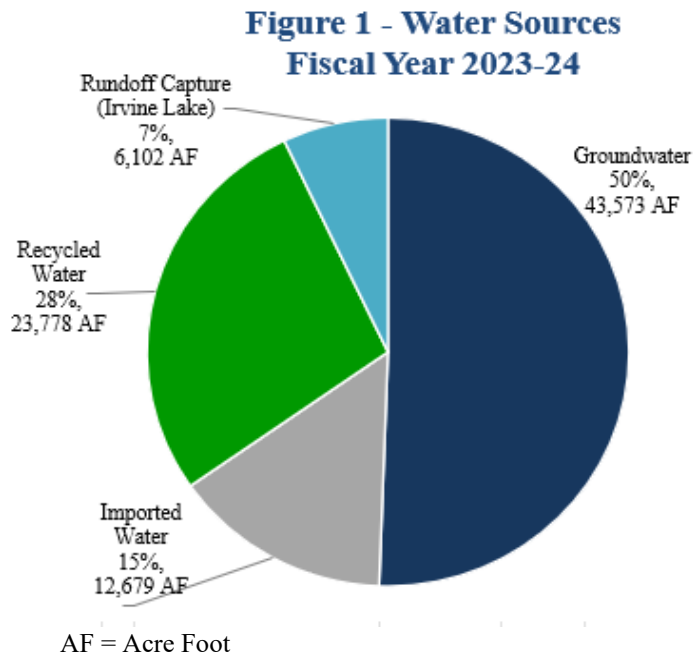
Drinking or “Potable” Water System

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 began developing a series of local wells known as the Dyer Road Wellfield to access high quality groundwater from the Orange County Groundwater Basin, managed by the Orange County Water District (OCWD).

IRWD also operates other groundwater wells, and several groundwater wells require treatment before use. In Fiscal Year (FY) 2023-24, local groundwater accounted for 50% of the District’s total water supply (Figure 1).

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

As shown in Figure 1, the District purchased 15% of its water supply in FY 2023-24 from the Municipal Water District of Orange County (MWDOC), the regions local wholesale water supplier who purchases its water from the Metropolitan Water District of Southern California. This water is imported from both the Colorado River, which is transported approximately 240 miles to Southern California, and from the Delta, from which water is transported approximately 400 miles from Northern California.



Recycled and Non-Potable Water Systems

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

Once treated, the recycled water is distributed throughout the service area and in FY 2023-24 accounted for approximately 28% of the District’s total water supply (Figure 1). Approximately 86% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) within the District’s service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD’s goal is to continue recycling its sewage flows to provide 25% to 30% of its total water supply once the District’s service area is fully developed.

Exhibit "A"

The District operates a non-potable system which includes 5 wells, 5 open reservoirs and 12 storage tanks that store water for non-potable uses. In total, the District has approximately 3,500 acre feet of active recycled water storage capacity. IRWD has 75% ownership in Irvine Lake, a 25,000 acre-foot reservoir that can capture and store both stormwater and imported water supplies.

Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District-owned water recycling plants or to the Orange County Sanitation District (OC San). In FY 2023-24, the District treated approximately 74% of its sewage, and the remainder was diverted for treatment to OC San treatment facilities. The MWRP Biosolids and Energy Recovery Facility treated solids generated at the Michelson Water Recycling Plant which eliminates the need to send them to OC San for treatment. The biogas produced from the anaerobic digesters was used as fuel for the microturbines to generate electricity to power the facility. The District plans to expand its treatment capacity when and if necessary to serve its growing population.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff and conduct various projects and programs as part of an effort to protect water quality in the San Diego Creek watershed. In the 1990s, the District constructed wetlands at the San Joaquin Marsh, where natural biological processes remove a substantial pollutant load from San Diego Creek's dry weather flow before it reaches the environmentally sensitive Upper Newport Bay State Ecological Reserve. In addition, the District operates a regional urban runoff treatment network known as the Natural Treatment System (NTS). As of June 30, 2024, the NTS consists of 45 constructed wetland treatment sites located throughout the San Diego Creek Watershed and one outside the IRWD service area. The Peters Canyon Wash, Muddy Canyon, and Los Trancos diversion facilities add to these sites and pump runoff high in selenium into the OC San's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.



IRWD Manhole Cover

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 2015 to 2024.

| Infrastructure Assets | | |
|---|-------------|-------------|
| | 2015 | 2024 |
| Potable System | | |
| Miles of Water Line | 1,622 | 2,127 |
| Number of Storage Tanks | 36 | 37 |
| Maximum Storage Capacity (acre feet) | 456 | 466 |
| Number of Pumping Stations | 39 | 36 |
| Number of Wells | 27 | 27 |
| Well Production Capacity (cfs) | 128 | 123 |
| Water Banking Storage Capacity (acre feet) | 109,600 | 126,000 |
| Potable Treatment Plants | 4 | 5 |
| Non-Potable and Recycled Systems | | |
| Miles of Recycled Line | 509 | 583 |
| Number of Storage Tanks | 12 | 12 |
| Number of Open Reservoirs | 5 | 5 |
| Maximum Storage Capacity (acre feet) | 24,155 | 24,160 |
| Number of Pumping Plants | 20 | 21 |
| Number of Wells | 5 | 3 |
| Well Production Capacity (cfs) | 10.0 | 6.2 |
| Sewer System | | |
| Miles of Sewer Line | 1,019 | 1,518 |
| Number of Lift Stations | 13 | 11 |
| Treatment Plants | 2 | 3 |
| Treatment Capacity (mgd) (Tertiary) | 33.5 | 33.5 |
| Sewage Flows to Michelson Plant | 69% | 63% |
| Sewage Flows to Los Alisos Plant | 12% | 11% |
| Sewage Flows to Orange County Sanitation District | 19% | 26% |
| Natural Treatment System | | |
| Urban Runoff Treatment Facilities | N/A | 45 |
| Nuisance Water Diversions | N/A | 3 |
| 1 acre foot = 325,900 gallons | | |
| cfs = cubic feet per second | | |
| mgd = millions gallons per day | | |
| N/A = Not Available | | |

Water Use Efficiency

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

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

In 2018, legislation was passed to "Make Conservation a Way of Life In California". As a result, the State adopted new long-term water efficiency objectives on July 3, 2024. IRWD has a long history of implementing cost-effective water efficiency programs, and is well positioned to meet the newly adopted efficiency standards. The District's customers have one of the lowest residential gallons per capita per day (gpcd) rates in California.

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

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

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives. During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 24,000 acre feet of recycled water sold in FY 2023-24 representing 28% of the District's total water supply (Figure 1). The use of recycled water reduced the District's need to import more expensive potable supplies. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD is well prepared to withstand the effects of climate change, including more frequent period so drought. IRWD does not project any water shortages and will continue to provide reliable, high quality water to its customers in a cost-effective manner.

Water Shortage Contingency Planning

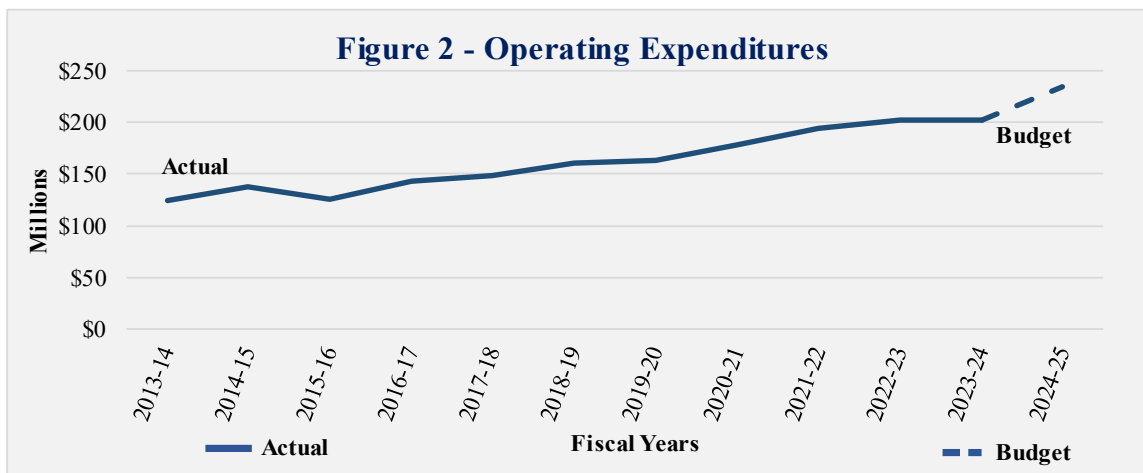
In compliance with California Water Code Section 10632, IRWD adopted an updated Water Shortage Contingency Plan (WSCP) in June 2021. The WSCP allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The WSCP incorporates six standard water shortage levels corresponding to progressive ranges of up to 10%, 20%, 30%, 40%, 50%, and greater shortages. For each level or shortage, the WSCP includes a list of voluntary measures, non-rate response measures, and potential cost-of-service based rate response strategies. The WSCP provides the Board with the framework to respond to water shortages should they occur. In June 2021, the Board implemented the voluntary responses associated with Level 2 of the WSCP. As of June 5, 2024, the State Water Board has lifted the statewide emergency water conservation regulations.

Legislative and Regulatory Affairs

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

Financial Plan

In April 2023, the Board approved a two-year (biennial) operating budget for FY 2023-24 and FY 2024-25. The goal of the District’s operating budget process is to appropriately fund the resources required to provide quality service to IRWD customers as cost-efficiently as possible. As shown in Figure 2, the actual operating expenditures through FY 2023-24, as well as the Board approved operating budget for 2024-25.

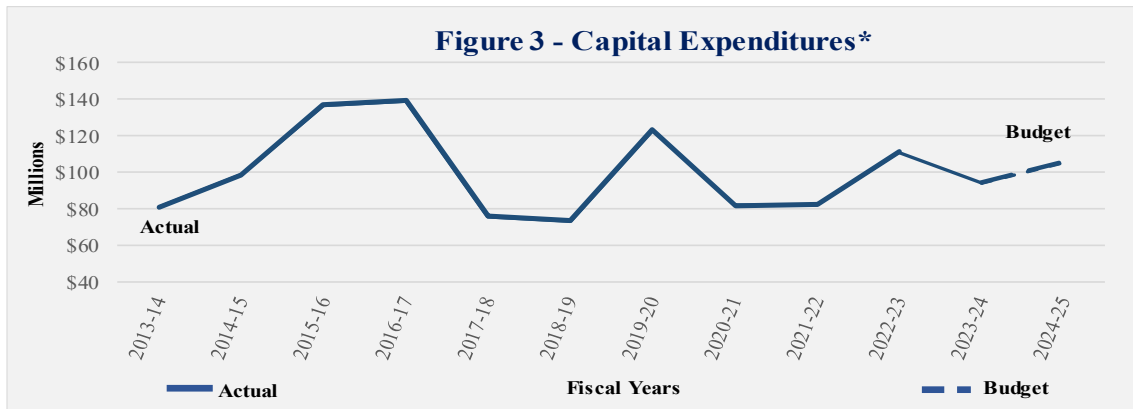


Increases reflect costs associated with customer growth within the District, as well as an increase in overall operating expenses. Increases have been kept to a minimum by aggressively pursuing reductions in expenses to offset uncontrollable expenses, such as pass-through rate increases from outside agencies.

Exhibit "A"

The approved two-year budget anticipated an increase from \$187.7 million in FY 2022-23 to \$220.7 million in FY 2023-24 and to \$234.5 million in FY 2024-25. The primary reasons were increases in labor, higher costs of water, electricity, and chemicals due to expected rate increases from outside agencies, and increased operating and maintenance costs associated with maintenance of aging infrastructure of facilities.

The Board also approved a two-year capital budget in April 2023 based on new, enhancement and replacement infrastructure needs. As shown in Figure 3, the actual capital expenditures through FY 2023-24 and the budget for FY 2024-25.



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

The reduced spending in FY 2017-18 from prior years represents the District's completion of several large projects including the Baker Water Treatment Plant. Higher spending beginning in FY 2013-14 represents the design and construction phases for the Michelson Biosolids and Energy Recovery Facilities, which began construction in FY 2013-14 and spending peaked in FY 2016-17. The Board approved capital budget is \$105.6 million for FY 2024-25. Many capital budget projects extend beyond one fiscal year.

User Rates & Charges

User rates and charges are primarily used to fund the District's operation and maintenance expenses. The District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District collects replacement funds in advance of their need and invests for future use. This helps stabilize rates and avoid significant potential future rate spikes. In 2021, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services. The District allocates capital costs within its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund new capital projects. Ad valorem property tax rates paid by landowners and connection fees paid by property developers are set biennially by the District and reviewed annually. 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 2023-24, the District’s water fixed service charge was \$11.85 for a 5/8-inch by 3/4-inch meter. The District has a long history of planning for the inevitable replacement of capital infrastructure and sets monies aside into enhancement and replacement funds for this purpose to avoid large, sudden rate increases in the future. The FY 2023-24 monthly fixed service charge includes a user enhancement and replacement component of \$0.70 and \$2.33 respectively, which is intended to fund current and future replacement and refurbishment costs that provide reliability and redundancy to the District’s infrastructure.

The District has a four-tiered rate structure that promotes water-use efficiency. A basic use allocation is established for each customer account that provides a reasonable amount of water for the customer’s needs based on factors such as the number of occupants, type or classification of use, size of the irrigated area, evapotranspiration rate for the billing period and other consistently applied criteria. As of

| Tier | Percent of Estimated Customer Need | Cost per ccf* |
|-------------|---|----------------------|
| Low Volume | 0 - 40% | \$1.75 |
| Base Rate | 41 - 100% | \$2.52 |
| Inefficient | 101 - 140% | \$6.25 |
| Wasteful | 141% + | \$15.49 |

*One ccf (100 cubic feet) = 748 gallons

June 2024, approximately 81% of the District’s customers were within the first two tiers and approximately 93% of customers fell within the first three tiers. IRWD residential bills are consistently among the lowest in Orange County. The chart above illustrates the four-tier structure that reflects the FY 2023-24 rates and higher cost associated with usage in the higher tiers.

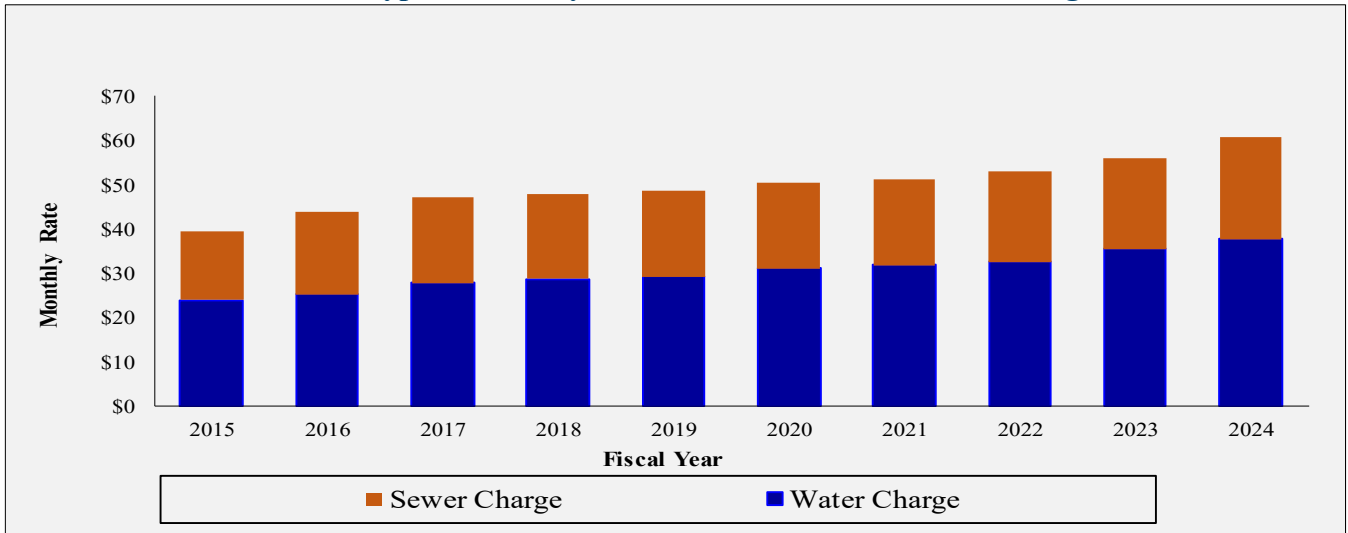
Sewer Rates

The District’s sewer service rates are the lowest in Orange County. For a typical residential customer, the fixed monthly service charge was \$23.10. The monthly service charge includes a monthly user enhancement and replacement component of \$0.82 and \$10.62 respectively, 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 charge for a typical customer’s water and sewer service through FY 2023-24. Increased costs reflect pass-through increases from outside agencies and wholesale supplies and increased operational costs for both water and sewer, including funding for future infrastructure replacement.

FY 2023-24 Typical Monthly District Residential Customer Charges*



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

Factors Affecting Financial Condition

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

State and Local Economy

Orange County is the third most populous county in California with over 3.2 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District’s service area is the home to numerous corporate headquarters such as Oakley, Edwards Life Sciences, Blizzard Entertainment, Bandai Namco Holdings USA Inc. and Glidewell Laboratories. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses. The total estimated daytime population served is approximately 630,000.

During FY 2023-24, the District continued to expand its operating facilities to accommodate approximately 2,200 new water and sewer service connections constructed within District boundaries. Development and entitlement needs of the builders continue to change and requirements for development have been included in the planning and new 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 \$47.1 billion in 2015 to more than \$91.3 billion in 2024, demonstrating the strength of the local economy.

Long-Term Water Use Efficiency

IRWD has a long history of implementing cost-effective water efficiency programs and is well prepared to meet 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.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets every two years and allocates required funding accordingly. Board approval is required for any overall increase or substantial changes. Throughout the fiscal year, actual operating 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 identify 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 2023-24, the combined funds for water and sewer user enhancement/replacement were \$33.3 million.

Over time, the District has transitioned from a newly developing to a more fully developed area. While 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. The District utilizes a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other criteria in order to project rate setting for funding future capital needs.

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

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

Pension and Other Post-Employment Benefits 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 Trust to substantially fund its CalPERS unfunded liability. The Pension Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan and will be transferred from the Pension Trust to CalPERS at the District’s discretion. In January 2023, the District approved establishing a new Section 115 Trust to fund a portion of its unfunded Other Post-Employment Benefits (OPEB) liability, collectively known as the 115 Trusts. In addition to being irrevocable, both Trusts provide funding specific to the purpose for which they were formed. Investment policy and asset allocation decisions relating to 115 Trusts will be made by the 115 Trust Board, which is composed of two members from the IRWD Board of Directors (specifically, the members of the Finance and Personnel Committee) and the IRWD General Manager.

The District made initial contributions of \$35.0 million to the Pension Trust, and since then has made additional contributions to the Pension Trust ranging from \$1.9 million to \$12.8 million. As of June 30, 2024, the fair value of the assets in the Pension Trust was approximately \$123.7 million. The following schedule shows the recent history of pension plan assets and liabilities including the Pension Trust assets (in millions):

| Fiscal Year ⁽¹⁾ | Total Pension Liability | Total Pension Assets | Total Pension Assets as a Percentage of the Total Pension Liability |
|-------------------------------|-------------------------------|----------------------------|--|
| 06/30/22 | \$323.1 | \$391.2 | 121.1% |
| 06/30/23 | 345.9 | 355.4 | 102.7% |
| 06/30/24 | 364.2 | 382.3 | 105.0% |

⁽¹⁾ As of the measurement date June 30, 2021, 2022, and 2023 respectively.

The District made initial contributions of \$10.0 million to the OPEB Trust. As of June 30, 2024, the fair value of the assets in the OPEB Trust was approximately \$11.6 million. As of the measurement period ended June 30, 2023, \$10.0 million of the OPEB Trust assets as a percentage of \$22.1 million of the OPEB liability was 45.3 percent.

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.

At June 30, 2024, the District's cash and investments (excluding real property investments) totaled approximately \$393.5 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Debt Service Fund and others.

Real Property Investments

As a means to match a portion of its long-term replacement cost for water and sewer facilities when they reach the end of their useful lives with long-term funding investments, the District obtained legislative authority from the State to invest a portion of its capital facilities Replacement Fund (up to 30%) in real property located in Orange County.

As of June 30, 2024, the District owns or has an interest in six properties with an approximate fair value of \$325.9 million. The District's income-producing real estate investments have a weighted average return (based on cost) for FY 2023-24 of 14.7%. Net revenues of \$15.7 million generated in FY 2023-24 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. The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2024, its debt portfolio included 64.0% of fixed rate debt and 36.0% of variable rate debt. The average all-in cost of debt, including the District's fixed rate payer swaps, was 3.54% for the fiscal year.

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

As of June 30, 2024, 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 |

As of June 30, 2024, there were eight outstanding General Obligation (GO) bond issues consisting of \$212.8 million in variable rate mode and \$271.6 million in fixed rate mode (excluding any unamortized premium or discount). As of June 30, 2024, the District also had one outstanding Certificate of Participation (COP) issue with a balance of \$101.5 million in fixed rate mode.

The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt. The GO bond issues are secured by the District's ability to levy ad valorem property taxes to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund GO bond debt service through such ad valorem taxes. In addition to the ad valorem tax pledge, certain GO bond issues and the COPs issue are secured by the net revenues of the District. The District is required under its debt covenants to collect revenues sufficient to provide net revenues equal to 125% (1.25 times) of senior debt service coverage during the fiscal year. As of June 30, 2024, the District had net revenues equal to 4.2 times senior debt service coverage.

Exhibit "A"

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

In 2017, the U.K. Financial Conduct Authority announced that it will no longer require its participating banks to provide daily submissions of LIBOR rates in the future, which will effectively discontinue the LIBOR index when that occurs. In January 2021, IRWD's Board of Directors approved the adherence to the ISDA LIBOR Fallback Protocol, and the District has completed the adherence process. The 1-month LIBOR index was discontinued on July 1, 2023 and the fixed payer swaps transitioned to the selected Fallback Rate (SOFR + spread).

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 2023-24, Federal subsidy payments were cut by 5.7% under permanent congressionally mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.44%.

Risk Management

One function of the Human Resources/Risk Management Department is identifying potential risk and loss exposures and safeguarding the District, its capital assets, and employees through its self-insurance and loss control programs, purchasing of appropriate insurance coverages, and developing risk management policies and procedures. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property claims, third-party liability claims, and workers compensation claims. The District self-insures the first \$50,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims, \$125,000 per occurrence for workers compensation, and \$250,000 per claim for cyber liability incidents. 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 also engages an outside firm to periodically evaluate its network security. External network security and cybersecurity assessments coupled with ongoing staff education/awareness, are just a few of the continuous efforts the District enacts to safeguard information.

Major Initiatives

The District's major initiatives during FY 2023-24 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. Additionally, IRWD collaborates closely with the Orange County Water District to ensure that IRWD's groundwater program is equipped to meet all federal and state PFAS requirements.

Water Banking

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

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

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

The District has entered into an agreement with Metropolitan Water District of Southern California (MWD) which allows the District to convey water through Metropolitan facilities from the IRWD Water Bank into the District's service area.

Since 2010, the District has delivered a total of approximately 115,200 acre feet of water to the IRWD Water Bank through its water supply partnerships. The District has approximately 14,000 acre feet of its partner's share of the water and holds approximately 41,000 acre feet of water in storage for future use in IRWD's service area. The District is currently pursuing additional potential water supply opportunities for diversion into the IRWD Water Bank.

Kern Fan Groundwater Storage Project

The Kern Fan Groundwater Storage Project (Kern Fan Project) will become a regional water bank in the Kern Fan area to capture, recharge and store unallocated Article 21 water from the State Water Project (SWP) and other water supplies during wet hydrologic periods. Water stored in the Kern Fan Project

would be extracted when needed to provide ecosystem, emergency supply and water supply benefits. IRWD's share of the Kern Fan Project would be used in conjunction with the Strand Ranch and Stockdale West Integrated Banking Projects to meet IRWD's contingency storage needs at build-out. IRWD's goal for contingency storage is to secure supplies adequate to backfill the loss of imported supplies for three consecutive years. The Kern Fan Project, along with the IRWD Water Bank will allow IRWD to meet this goal. The project will be developed, implemented, and operated by the Groundwater Banking Joint Powers Authority, which was formed between IRWD and Rosedale-Rio Bravo Water Storage District in April 2020.

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). The CWC has conditionally awarded \$89.1 million to the Kern Fan Project. In addition, in 2023 the first phase of the Kern Fan Project was awarded a total of \$8.7 million in federal funding from the Bureau of Reclamation under the Small Surface Water and Groundwater Storage Projects Program. The GBJPA continues to pursue 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 also owns approximately 3,100 acres of agricultural land (Palo Verde Properties) in Riverside County, California. IRWD's Palo Verde Properties are located within Palo Verde Irrigation District (PVID), which has first priority rights on the Colorado River. The properties are included in a Metropolitan Water District of Southern California and PVID fallowing program under which MWD makes payments to landowners (up to approximately 970 acres of IRWD's Palo Verde Properties) in exchange for letting land lie fallow. Water that is conserved through fallowing is available for use within MWD's service area (which includes the District's service area). The District leases the Palo Verde Properties to tenant farmers for agricultural uses.

Syphon Recycled Water Seasonal Storage Reservoir

Syphon Reservoir, constructed in 1943 and located north of Irvine, is a water storage reservoir historically used for agricultural purposes. The District purchased Syphon Reservoir in January 2010, and in 2015 completed the process of converting the reservoir into a recycled water seasonal storage facility. Seasonal storage reservoirs allow the District to store excess recycled water produced in the winter months for use in higher demand summer months. This will increase water reliability by reducing the District's dependency on imported water from MWD used to supplement the recycled water system.

In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to approximately 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to approximately 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP. The District completed the preliminary design for the reservoir expansion and is advancing final design, which is anticipated to be complete in 2025. Construction of the expanded reservoir is anticipated to be complete in Summer 2030.

Community Education and Outreach

Fiscal Year 2023-24 was IRWD’s most successful year yet for digital outreach — breaking records with new digital platforms, strategies, and technologies to target specific audiences. The District also enhanced its face-to-face outreach with popular new events and programs.

Events: IRWD ramped up its community events, adding H2O Show & Tell, a family-friendly touch-a-truck celebration that drew more than 400 people to District headquarters. Children sat behind the controls of heavy equipment, guided the CCTV camera used for pipeline inspections, performed water testing experiments, splashed in a makeshift Natural Treatment System pond, and learned about water banking by making edible aquifers with layers of Froot Loops, chocolate chips, gummy bears and crumbled Oreos. The event was held in conjunction with California Water Professionals Appreciation Week to celebrate the work that all IRWD employees do to keep the water flowing.

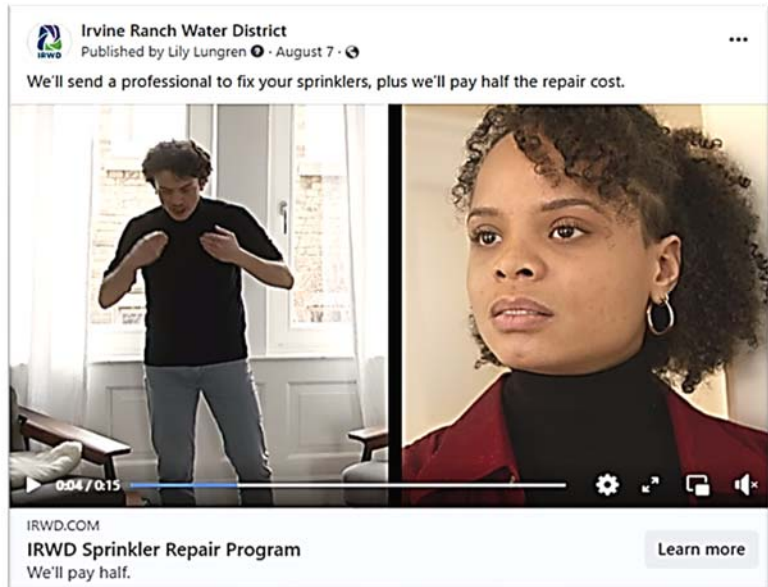


Business Outreach: The District’s Business Outreach Program — which since 2010 had centered around a once-a-year luncheon — was expanded to create IRWD Connect, an ongoing program for collaboration, innovation and opportunity. IRWD Connect encourages vendors to build strong relationships with District staff and one another. The program creates open lines of communication and provides opportunities for internal and external partnerships on IRWD projects. Periodic tours of

District facilities have been added to the program’s list of activities, which still includes the popular luncheon at District headquarters. More than 650 professionals, representing a wide variety of industries, are members of the program.

Exhibit "A"

Social Media: IRWD’s digital outreach delivered 11.5 million impressions. The fiscal year kicked off with a Chinese- and Korean-language reboot of the District’s Shed Show series, opening the educational video shorts to new audiences that yielded nearly 2 million impressions and 603,562 video completions. A subsequent campaign — featuring a couple in humorous and poorly dubbed videos squabbling over their broken irrigation system — promoted IRWD’s Sprinkler Repair Program. The campaign yielded 4.3 million impressions, with an engagement rate of 12.44% (four times Meta’s average). To promote the District’s turf replacement rebate program, IRWD created #NoMoMow — a fun series of animated illustrations that played on the concept of removing unwanted items like a scruffy beard, a worn-out couch or a racoon in the fireplace. The slogan was, “We can’t help you remove that, but we can help you remove your lawn.” That campaign yielded another 2-million-plus impressions.



Meanwhile, customer participation in IRWD’s water-efficiency programs increased, coinciding with the timing of those campaigns.

Emergency Communication: A new IRWD Alert emergency communications platform significantly improved the District’s ability to reach customers and employees by phone, text and email during critical events. The platform was used to provide information on drinking water and recycled water pipeline breaks, temporary water outages, conserve-water alerts, and road closures, reaching more than 50,000 customer touchpoints from the time of the platform’s inception in 2023 to the end of the fiscal year. In nonemergency situations, IRWD Alert has also proven to be a valuable resource for customer contact information that could be used to build lists for direct communication via email and phone for long-term construction projects.

Student Education: The District’s longstanding water education partnership with Discovery Cube Orange County rebounded after suffering substantial decreases in participation during and after the COVID-19 pandemic. In FY 2023-24, K-12 student participation in school assemblies, workshops and field trips — all tailored to Next Generation Science Standards — reflected an 84% increase at 7,380 when compared to 4,019 in FY 2022-23. Almost no in-person programming took place the previous year. FY 2024-25 attendance is anticipated to continue growing as teachers and administrators new to local school districts become more acquainted with the free educational programs offered through this partnership.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its annual comprehensive financial report (ACFR) for the fiscal years ended June 30, 2004 through June 30, 2023. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized ACFR that satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Paul A. Cook
General Manager

Neveen Adly
Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

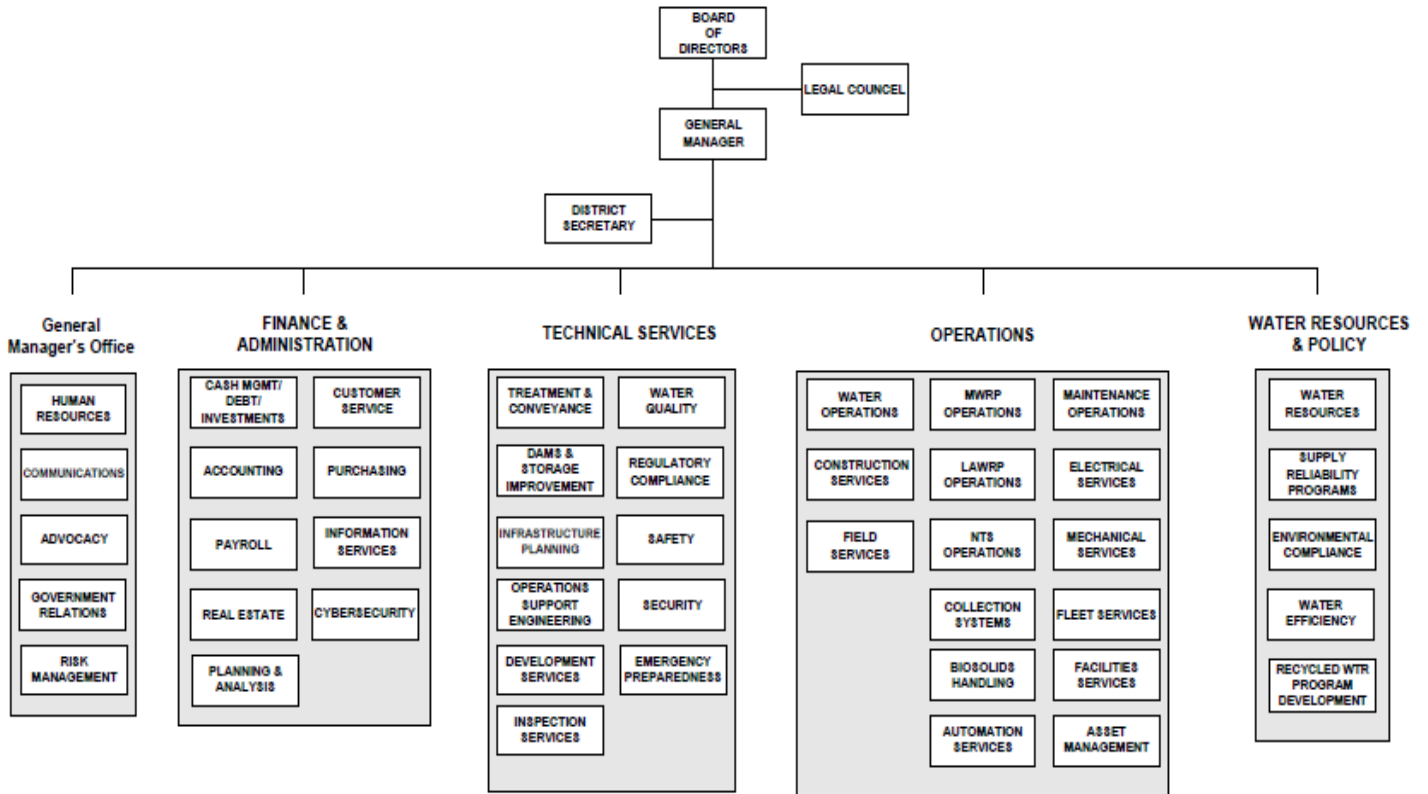
Board of Directors

| | |
|-----------------------------|---------------------|
| President and Director | Douglas J. Reinhart |
| Vice President and Director | Steven E. LaMar |
| Director | Karen McLaughlin |
| Director | Peer A. Swan |
| Director | John B. Withers |

Executive Management

| | |
|---|-------------------------|
| General Manager | Paul A. Cook |
| Executive Director of Finance & Administration | Neveen Adly |
| Executive Director of Technical Services | Kevin L. Burton |
| Executive Director of Operations | Wendy L. Chambers |
| Executive Director of Water Policy | Paul A. Weghorst |
| Director of Safety and Security | Steve S. Choi |
| Director of Water Quality & Regulatory Compliance | James E. Colston |
| Director of Strategic Communications & Advocacy/Deputy General Counsel | Christine A. Compton |
| Director of Information Technology | Lance H. Kaneshiro |
| Director of Accounting & Treasury | Eileen Lin |
| Director of Maintenance | Jason R. Manning |
| Director of Human Resources | Tiffany A. Mitcham |
| Director of Water Resources | Fiona M. Sanchez |
| Director of Financial Planning & Data Analytics | Christopher F. Smithson |
| Director of Recycling Operations | Jose Zepeda |

Irvine Ranch Water District
 Organizational Chart
 (By Function)
 Fiscal Year 2023-24





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Irvine Ranch Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2024

Independent Auditor's Report

Board of Directors
Irvine Ranch Water District
Irvine, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District (the District), as of and for the year June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

Exhibit "A"

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the District's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November xx, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Irvine, California
November xx, 2024

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, 2024. 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 exceeded total liabilities and deferred inflows of resources by \$2,295.6 million (net position), consisting of \$1,485.0 million in net investment in capital assets, \$67.8 million restricted for net pension assets, \$299.3 million restricted for water services, and \$443.5 million restricted for sewer services. This is an increase of \$106.1 million or 4.8 percent over the prior fiscal year net position of \$2,189.5 million.
- Total assets are \$3,053.0 million, an increase of \$94.6 million or 3.2 percent over the prior fiscal year. Total assets consist primarily of \$393.5 million in cash and investments, \$44.9 million in receivables, \$23.6 million in other current assets, \$2,111.7 million in net capital assets, and \$479.3 million in noncurrent assets. The increase from the prior year is due primarily to a \$36.8 million increase in real estate investments, a \$30.0 million increase in net capital assets, and a \$22.2 million increase in the District's cash and investments.
- Total liabilities are \$792.7 million, a decrease of \$14.5 million or 1.8 percent from the prior fiscal year. Liabilities consist primarily of \$628.1 million of debt, \$110.8 million of net pension and OPEB liabilities, \$49.9 million of accounts payable and other liabilities, and \$3.8 million of swap liability. The total decrease over the prior year is due primarily to a total principal debt payments of \$19.0 million made during the fiscal year, partially offset by a \$5.0 million increase in net pension and OPEB liability.
- The Irvine Ranch Water District Pension Trust (Pension Trust) was established in June 2013 to assist in funding the District's CalPERS unfunded liability. As of June 30, 2024, the District's total pension assets (including the CalPERS and Pension Trust assets) as a percentage of its total pension liability is 105.0 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- The Irvine Ranch Water District Other Post-Employment Benefits Trust (OPEB Trust) was established in January 2023 to "pre-fund" a portion of the OPEB unfunded liability. The District made an initial \$10.0 million contribution to the OPEB Trust in June 2023. As of June 30, 2024, the total value of the assets in the OPEB Trust was approximately \$11.6 million. For more detail, see Note 14 of the Notes to the Basic Financial Statements.
- Total revenues are \$388.8 million, an increase of \$67.8 million or 21.1 percent over the prior fiscal year. Operating revenues increased \$18.4 million due primarily to a Board approved rate increase effective August 2023, partially offset by reductions in customer sales. Nonoperating revenues increased \$49.4 million due primarily to increases in the fair value of real estate investments and pension trust investments, the District's fixed income investment interest income, and property taxes.
- Total expenses are \$326.4 million, an increase of \$28.6 million or 9.6 percent over the prior fiscal year. Operating expenses consist primarily of \$211.0 million in water and sewer related revenues to operating the systems and \$82.6 million of depreciation. Operating expenses increased by \$27.5 million due primarily to increased costs relating to the potable and untreated systems. Nonoperating expenses increased by \$1.1 million due to an increase of \$0.8 million in real estate expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Financial Highlights (Continued)**

- Capital contributions are \$43.7 million, a decrease of \$10.6 million or 19.5 percent over the prior fiscal year. This is due primarily to a \$26.4 million decrease in the number of donated facilities that were completed and donated from developers to the District, partially offset by a \$12.5 million increase in connection fees paid by developers.

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

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis of the District

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

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:

| | 2024 | 2023 | Increase/(Decrease) | |
|---------------------------------------|-------------------|-------------------|---------------------|--------------|
| | | | Amount | Percentage |
| Assets | | | | |
| Current assets | \$ 462.0 | \$ 455.3 | \$ 6.7 | 1.5% |
| Capital assets, net | 2,111.7 | 2,081.7 | 30.0 | 1.4% |
| Other noncurrent assets | 479.3 | 421.4 | 57.9 | 13.7% |
| Total assets | 3,053.0 | 2,958.4 | 94.6 | 3.2% |
| Deferred Outflows of Resources | 44.4 | 48.3 | (3.9) | -8.1% |
| Liabilities | | | | |
| Current liabilities | 67.2 | 60.2 | 7.0 | 11.6% |
| Long-term liabilities | 725.5 | 747.0 | (21.5) | -2.9% |
| Total liabilities | 792.7 | 807.2 | (14.5) | -1.8% |
| Deferred Inflows of Resources | 9.1 | 10.0 | (0.9) | -9.0% |
| Net Position | | | | |
| Net investment in capital assets | 1,485.0 | 1,434.5 | 50.5 | 3.5% |
| Restricted for net pension assets | 67.8 | 55.0 | 12.8 | 23.3% |
| Restricted for water services | 299.3 | 309.3 | (10.0) | -3.2% |
| Restricted for sewer services | 443.5 | 390.7 | 52.8 | 13.5% |
| Total net position | \$ 2,295.6 | \$ 2,189.5 | \$ 106.1 | 4.8% |

As shown in Table 1, the District's total assets increased \$94.6 million or 3.2 percent during the current fiscal year. Current assets increased \$6.7 million or 1.5 percent due primarily to a \$22.2 million increase in cash and investments balances and a \$2.9 million increase in inventories. The increase was partially offset by a 19.3 million decrease in amounts due from other agencies relating to cash deposits held by OC San, the District's third-party provider for excess sewage flows based on the agreements between the two agencies for future obligations.

Capital assets increased \$30.0 million or 1.4 percent during the current fiscal year. The District added \$74.2 million in water and sewer assets during the year partially offset by an increase of \$79.3 million in accumulated depreciation. The largest capital spending during the current fiscal year was \$7.6 million for the San Joaquin Reservoir Filtration Facility, \$6.6 million for the Fleming Reservoir and Pump Station Improvements, and \$5.2 million for the Syphon Reservoir Expansion.

Other noncurrent assets increased \$57.9 million or 13.7 percent during the current fiscal year. The increase primarily due a \$36.8 million increase in real estate investments, a \$17.0 million increase in the fair value of pension trust investments, and a \$2.5 million in the investments in joint venture.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary (Continued)

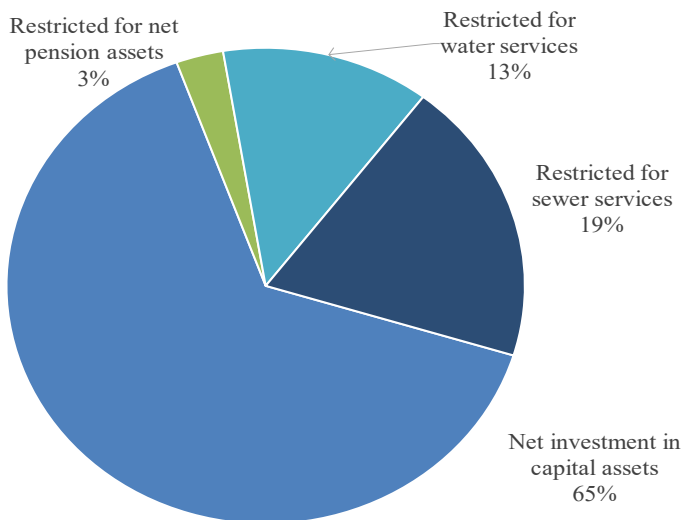
The District’s deferred outflows of resources decreased by \$3.9 million or 8.1 percent over the prior fiscal year. The decrease is due primarily to a \$1.7 million decrease in pension actuarial related changes in assumptions and experiences and a \$1.5 million decrease in accumulated losses associated with the fair value of interest rate swaps.

The District’s total liabilities decreased \$14.5 million or 1.8 percent in the current fiscal year. This was due primarily to a \$19.0 million in principal payments of the District’s general obligation bonds and certificates of participation during the current fiscal year and a \$2.3 million premium amortization, partially offset by a \$3.3 million increase in net pension liability, a 3.0 million increase in the accounts payable to various vendors, and a \$1.8 million increase in OPEB liability.

The District’s deferred inflows of resources decreased \$0.9 million or 9.0 percent in the current fiscal year. This is primarily due to a \$0.6 million decrease in pension actuarial related changes in assumptions and experiences and a \$0.5 million decrease in OPEB actuarial related changes in assumptions and experiences, partially offset by a 0.2 million increase in lease related deferred inflows of resources.

Net position at the end of the current fiscal year increased \$106.1 million or 4.8 percent. Net position consists of net investment in capital assets and restricted net positions (Figure 1).

Figure 1 - Net Position at June 30, 2024



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 \$1,485.0 million or 65.0 percent of total net position, an increase of \$50.5 million from the prior fiscal year. The change is due primarily to \$30.0 million in net capital asset additions, \$19.0 million debt principal payments and \$2.3 million amortizations of premiums in the current fiscal year.

Restricted net position for net pension assets was \$67.8 million or 3.0 percent of total net position. Restricted net position for water services was \$299.3 million or 13.0 percent of total net position. Restricted net position for sewer services was \$443.5 million or 19.0 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) | | | | |
|---|-------------------|-------------------|----------------------------|-------------------|
| | 2024 | 2023 | Increase/(Decrease) | |
| | | | Amount | Percentage |
| Operating revenues | | | | |
| Water sales and service charges | \$ 112.3 | \$ 103.6 | \$ 8.7 | 8.4% |
| Sewer sales and service charges | 94.4 | 84.7 | 9.7 | 11.5% |
| Total operating revenues | 206.7 | 188.3 | 18.4 | 9.8% |
| Nonoperating revenues | | | | |
| Property taxes | 81.8 | 77.0 | 4.8 | 6.2% |
| Interest income | 15.7 | 7.3 | 8.4 | 115.1% |
| Increase in fair value of investments | 3.7 | 2.6 | 1.1 | 42.3% |
| Real estate income | 20.7 | 18.7 | 2.0 | 10.7% |
| Increase in fair value of real estate investments | 31.4 | 7.8 | 23.6 | 302.6% |
| Pension trust interest and dividends income | 7.4 | 8.3 | (0.9) | -10.8% |
| Increase in fair value of pension trust investments | 9.6 | 3.7 | 5.9 | 159.5% |
| OPEB trust interest and dividends income | 0.5 | - | 0.5 | 100.0% |
| Increase in fair value of OPEB trust investments | 1.1 | - | 1.1 | 100.0% |
| Other income | 10.2 | 7.3 | 2.9 | 39.7% |
| Total nonoperating revenues | 182.1 | 132.7 | 49.4 | 37.2% |
| Total revenues | 388.8 | 321.0 | 67.8 | 21.1% |
| Operating expenses | | | | |
| Water services expenses | 129.0 | 110.2 | 18.8 | 17.1% |
| Sewer services expenses | 82.0 | 72.4 | 9.6 | 13.3% |
| Depreciation | 82.6 | 83.5 | (0.9) | -1.1% |
| Total operating expenses | 293.6 | 266.1 | 27.5 | 10.3% |
| Nonoperating expenses | | | | |
| Interest expense | 22.6 | 22.4 | 0.2 | 0.9% |
| Real estate expense | 8.1 | 7.3 | 0.8 | 11.0% |
| Other expense | 2.1 | 2.0 | 0.1 | 5.0% |
| Total nonoperating expenses | 32.8 | 31.7 | 1.1 | 3.5% |
| Total expenses | 326.4 | 297.8 | 28.6 | 9.6% |
| Income (loss) before capital contributions | 62.4 | 23.2 | 39.2 | 169.0% |
| Capital contributions | 43.7 | 54.3 | (10.6) | -19.5% |
| Change in net position | 106.1 | 77.5 | 28.6 | 36.9% |
| Beginning net position | 2,189.5 | 2,112.0 | 77.5 | 3.7% |
| Ending net position | \$ 2,295.6 | \$ 2,189.5 | \$ 106.1 | 4.8% |

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Revenues

As shown in Table 2, the District’s operating revenues total \$206.7 million or 53.2 percent of total revenues. Water sales contributed \$112.3 million or 54.3 percent to total operating revenues and sewer sales contributed \$94.4 million or 45.7 percent to total operating revenues. Operating revenues increased by \$18.4 million or 9.8 percent from the prior fiscal year. The increase is primarily due to a Board approved rate increase effective August 2023, partially offset by reductions in customer sales.

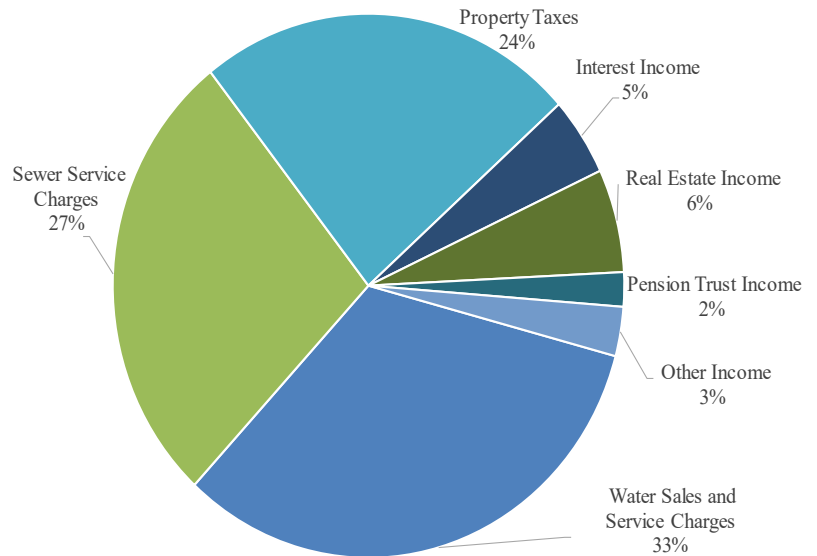
The chart below (Figure 2) illustrates the sources of revenue for the fiscal year ended June 30, 2024.

Nonoperating revenues total \$182.1 million and account for 46.8 percent of total revenues for the fiscal year ended June 30, 2024. This is an increase of \$49.4 million or 37.2 percent from the prior fiscal year. The increase in the current fiscal year is due to:

- An increase of \$31.7 million in changes in the fair value of the real estate investments, pension and OPEB trust investments, and District’s fixed income investments.
- An increase of \$8.4 million in the District’s fixed income investment interest income.
- An increase of \$4.8 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District’s service area.
- An increase of \$2.0 million in income from the real estate investments.
- An increase of \$1.3 million in nonoperating revenue from joint venture.
- An increase of \$1.2 million in federal grant for customer payment subsidy.

Figure 2 - Revenues for Fiscal Year Ended June 30, 2024

(excluding changes in fair value of investments, real estate investments, and pension and OPEB trust investments)



Expenses

As shown in Table 2, operating expenses total \$293.6 million, of which \$211.0 million relates to the cost of providing water and sewer services to the District’s customers. Water service operating costs are 114.9 percent of water operating revenues and sewer service operating costs are 86.9 percent of sewer operating revenues. Water and sewer operating expenses, excluding depreciation, increased by \$28.4 million or 15.6 percent over the prior fiscal year.

Water expenses totaled \$129.0 million, an increase of \$18.8 million or 17.1 percent from the prior fiscal year primarily due to:

- An increase of \$11.1 million in expensed water projects relating to the District’s capital program.
- An increase of \$4.8 million in labor and employee benefits.
- An increase of \$1.6 million in operating supplies and chemicals for potable and untreated water treatment and system maintenance.
- Other net increases of \$1.3 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued)

Sewer service expenses totaled \$82.0 million, an increase of \$9.6 million or 13.3 percent from the prior fiscal year primarily due to:

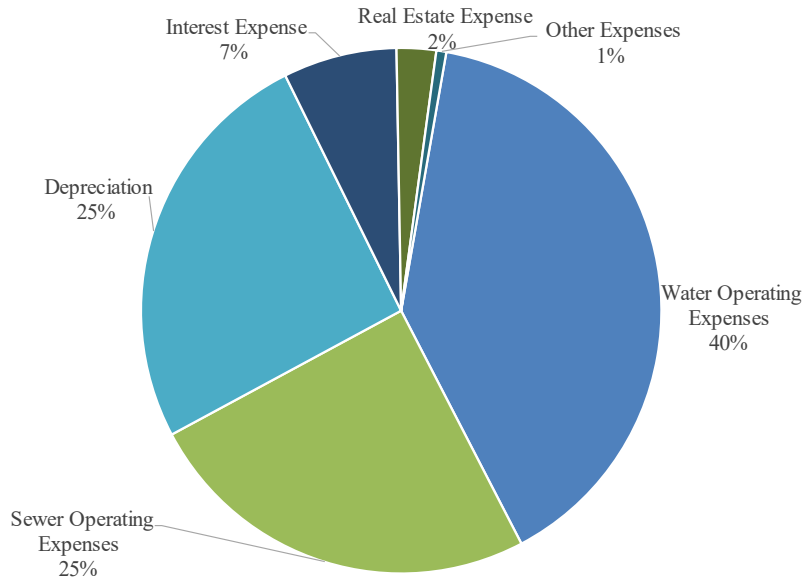
- An increase of \$6.1 million in expensed sewer and recycled water projects relating to the District’s capital program.
- An increase of \$3.4 million in labor and employee benefits.
- Other net increases of \$0.1 million.

Depreciation expense totaled \$82.6 million, a decrease of \$0.9 million or 1.1 percent over the prior fiscal year. The decrease is the result of the deletions of capital assets.

Nonoperating expenses totaled \$32.8 million, an increase of \$1.1 million or 3.5 percent from the prior fiscal year primarily due to:

- An increase of \$0.8 million in real estate expense.
- An increase of \$0.2 million in interest expense associated with the District’s debt.

Figure 3 - Functional Expenses for Fiscal Year Ended June 30, 2024



Capital Contributions

Capital contributions totaled \$43.7 million, a decrease of \$10.6 million or 19.5 percent from the prior fiscal year. Donated facilities from developers decreased \$26.4 million due to fewer projects that were completed and donated to the District. Connection fees paid by developers were \$26.9 million, an increase of \$12.5 million from the prior year due to a higher number of new units in the building industry. The District also received \$3.3 million more from grants / contributions from federal, state, and local agencies compared to the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Capital Assets**

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

| | 2024 | 2023 | Increase/(Decrease) | |
|--------------------------------|-------------------|-------------------|----------------------------|-------------------|
| | | | Amount | Percentage |
| Water assets | \$ 1,342.6 | \$ 1,326.2 | \$ 16.4 | 1.2% |
| Sewer assets | 1,787.9 | 1,730.1 | 57.8 | 3.3% |
| Less: accumulated depreciation | (1,292.3) | (1,213.0) | (79.3) | 6.5% |
| Land and water rights | 127.5 | 127.5 | - | 0.0% |
| Construction in progress | 146.0 | 110.9 | 35.1 | 31.7% |
| Total | \$ 2,111.7 | \$ 2,081.7 | \$ 30.0 | 1.4% |

Capital assets, net of depreciation increased \$30.0 million or 1.4 percent in the current fiscal year. Construction in Progress added \$83.0 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, 2024 were \$48.1 million. The District's accumulated depreciation increased by \$79.3 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 51.4 percent of total capital assets additions incurred in the current fiscal year (in millions):

| Project Description | Amount |
|---|----------------|
| San Joaquin Reservoir Filtration Facility | \$ 7.6 |
| Fleming Reservoir and Pump Station Improvements | 6.6 |
| Syphon Reservoir Expansion | 5.2 |
| Santiago Dam Outlet Replacement | 3.8 |
| Woodbridge Recycled Water Pipeline Replacement | 3.7 |
| Turtle Rock Zone 3 Reservoir Chloramine Booster Station | 3.4 |
| Santiago Canyon Area Pump Station Improvements | 3.3 |
| Well ET-1 PFAS Treatment | 3.3 |
| MWRP Tertiary Filter Rehabilitation | 3.0 |
| SGU PFAS Treatment | 2.8 |
| Total | \$ 42.7 |

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, 2024, the District had total debt outstanding of \$628.1 million, a decrease of \$20.7 million or 3.2 percent from the prior fiscal year.

| | 2024 | 2023 | Increase/(Decrease) | |
|-------------------------------|-----------------|-----------------|---------------------|--------------|
| | | | Amount | Percentage |
| General Obligation bonds | \$ 504.4 | \$ 520.0 | \$ (15.6) | -3.0% |
| Certificates of participation | 122.3 | 127.9 | (5.6) | -4.4% |
| Notes payable | 0.1 | 0.2 | (0.1) | -50.0% |
| Leases payable | 1.0 | 0.7 | 0.3 | 42.9% |
| Subscription payable | 0.3 | - | 0.3 | 100.0% |
| Total | \$ 628.1 | \$ 648.8 | \$ (20.7) | -3.2% |

During the current fiscal year, the decreases in the District's total debt were primarily due to \$19.0 million in debt payments and \$2.3 million of premium amortization. The decrease was offset by a \$0.3 million increase in leases payable and a \$0.3 million increase in subscription payable. The District's rated debt obligations have received the following ratings from the three major rating agencies:

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

Additional information on the District's long-term debt can be found in Note 10 of the Notes to the Basic Financial Statements.

Contacting the District's Financial Management

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

Exhibit "A"

Irvine Ranch Water District

Statement of Net Position

June 30, 2024

(with comparative data as of June 30, 2023)

(in thousands)

| | <u>2024</u> | <u>2023</u> |
|--|--------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments (note 2) | \$ 393,484 | \$ 371,239 |
| Receivables: | | |
| Customer accounts receivable | 13,024 | 12,038 |
| Interest receivable | 3,104 | 2,286 |
| Notes receivable, current portion | 89 | 92 |
| Due from other agencies (note 6) | 17,389 | 36,660 |
| Leases receivable, current portion (note 7) | 148 | 106 |
| Other receivables | 11,123 | 12,181 |
| Total receivables | <u>44,877</u> | <u>63,363</u> |
| Other Current Assets: | | |
| Inventories (note 4) | 22,244 | 19,328 |
| Prepaid items and deposits | 1,347 | 1,375 |
| Total other current assets | <u>23,591</u> | <u>20,703</u> |
| Total current assets | <u>461,952</u> | <u>455,305</u> |
| Noncurrent Assets: | | |
| Capital Assets (note 5): | | |
| Water assets | 1,342,581 | 1,326,221 |
| Sewer assets | 1,787,892 | 1,730,077 |
| Subtotal | <u>3,130,473</u> | <u>3,056,298</u> |
| Less accumulated depreciation | <u>(1,292,287)</u> | <u>(1,213,020)</u> |
| Total capital assets being depreciated, net | 1,838,186 | 1,843,278 |
| Land and water rights | 127,546 | 127,466 |
| Construction in progress | 145,938 | 110,962 |
| Total capital assets, net | <u>2,111,670</u> | <u>2,081,706</u> |
| Other Noncurrent Assets: | | |
| Notes receivable, net of current portion | 173 | 258 |
| Leases receivable, net of current portion (note 7) | 2,214 | 2,114 |
| Real estate investments (note 8) | 332,122 | 295,299 |
| Pension trust investments (note 2) | 123,707 | 106,742 |
| OPEB trust investments (note 2) | 11,601 | 10,000 |
| Investment in joint venture (note 9) | 9,508 | 6,972 |
| Total other noncurrent assets | <u>479,325</u> | <u>421,385</u> |
| Total noncurrent assets | <u>2,590,995</u> | <u>2,503,091</u> |
| TOTAL ASSETS | <u>3,052,947</u> | <u>2,958,396</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred refunding charges | 1,485 | 1,643 |
| Accumulated decrease in fair value of swap agreements (note 3) | 3,829 | 5,307 |
| Pension contributions (note 13) | 12,026 | 11,830 |
| Pension actuarial changes (note 13) | 22,509 | 24,206 |
| OPEB contributions (note 14) | 804 | 808 |
| OPEB actuarial changes (note 14) | 3,736 | 4,521 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>44,389</u> | <u>48,315</u> |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District
Statement of Net Position
June 30, 2024
(with comparative data as of June 30, 2023)
(in thousands)
(Continued)

| | 2024 | 2023 |
|---|---------------------|---------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | 25,526 | 22,543 |
| Customer deposits and advance payments | 7,144 | 6,598 |
| Accrued interest: | | |
| General obligation bonds | 4,067 | 4,026 |
| Other accrued interest payable | 1,721 | 1,879 |
| Current portion of long-term liabilities: | | |
| General obligation bonds (note 10) | 18,939 | 15,699 |
| Certificates of participation (note 10) | 5,931 | 5,596 |
| Notes payable (note 10) | 79 | 77 |
| Leases payable (note 10) | 119 | 24 |
| Subscription payable (note 10) | 119 | - |
| Other long term liabilities (note 10) | 2,471 | 2,643 |
| Unearned revenue (note 11) | 565 | 565 |
| Claims liability (note 16) | 506 | 522 |
| Total current liabilities | 67,187 | 60,172 |
| Long-Term Liabilities: | | |
| General obligation bonds, net of current portion (note 10) | 485,414 | 504,353 |
| Certificates of participation, net of current portion (note 10) | 116,340 | 122,271 |
| Notes payable, net of current portion (note 10) | 40 | 120 |
| Leases payable, net of current portion (note 10) | 912 | 691 |
| Subscription payable, net of current portion (note 10) | 239 | - |
| Other long-term liabilities (note 10) | 4,190 | 4,363 |
| Unearned revenue, net of current portion (note 11) | 2,568 | 3,133 |
| Claims liability, net of current portion (note 16) | 1,170 | 1,046 |
| Net pension liability (note 13) | 88,674 | 85,407 |
| OPEB liability (note 14) | 22,095 | 20,333 |
| Swap liability (note 3) | 3,829 | 5,307 |
| Total long-term liabilities | 725,471 | 747,024 |
| TOTAL LIABILITIES | 792,658 | 807,196 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Lease related (note 7) | 2,364 | 2,198 |
| Pension actuarial changes (note 13) | 1,789 | 2,386 |
| OPEB actuarial changes (note 14) | 4,918 | 5,465 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 9,071 | 10,049 |
| NET POSITION (note 18) | | |
| Net investment in capital assets | 1,485,023 | 1,434,518 |
| Restricted for net pension assets | 67,780 | 54,985 |
| Restricted for water services | 299,318 | 309,260 |
| Restricted for sewer services | 443,486 | 390,703 |
| TOTAL NET POSITION | \$ 2,295,607 | \$ 2,189,466 |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2024
(with comparative data for the Fiscal Year Ended June 30, 2023)
(in thousands)

| | 2024 | 2023 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| Water sales and service charges | \$ 112,267 | \$ 103,623 |
| Sewer sales and service charges | 94,386 | 84,693 |
| Total operating revenues | 206,653 | 188,316 |
| OPERATING EXPENSES | | |
| Water: | | |
| Water services | 107,609 | 87,070 |
| General and administrative | 21,382 | 23,091 |
| Sewer: | | |
| Sewer services | 62,799 | 50,751 |
| General and administrative | 19,227 | 21,644 |
| Depreciation | 82,615 | 83,535 |
| Total operating expenses | 293,632 | 266,091 |
| Operating income (loss) | (86,979) | (77,775) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property taxes | 81,800 | 77,021 |
| Interest income (loss) | 15,684 | 7,274 |
| Increase (decrease) in fair value of investments | 3,725 | 2,639 |
| Real estate income (note 8) | 20,675 | 18,694 |
| Increase (decrease) in fair value of real estate investments (note 8) | 31,364 | 7,810 |
| Pension trust interest and dividends income | 7,441 | 8,250 |
| Increase (decrease) in fair value of pension trust investments | 9,585 | 3,725 |
| OPEB trust interest and dividends income | 539 | - |
| Increase (decrease) in fair value of OPEB trust investments | 1,081 | - |
| Other income | 10,255 | 7,267 |
| Interest expense | (22,614) | (22,378) |
| Real estate expense (note 8) | (8,065) | (7,297) |
| Pension trust expense | (61) | (60) |
| OPEB trust expense | (19) | - |
| Other expenses | (2,025) | (1,971) |
| Total nonoperating revenues (expenses) | 149,365 | 100,974 |
| Income (loss) before capital contributions | 62,386 | 23,199 |
| CAPITAL CONTRIBUTIONS | | |
| Donated facilities | 12,113 | 38,546 |
| Connection fees | 26,902 | 14,355 |
| Other | 4,740 | 1,381 |
| Total capital contributions | 43,755 | 54,282 |
| Increase (decrease) in net position | 106,141 | 77,481 |
| NET POSITION AT BEGINNING OF YEAR | 2,189,466 | 2,111,985 |
| NET POSITION AT END OF YEAR | \$ 2,295,607 | \$ 2,189,466 |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year ended June 30, 2024

(with comparative data for the Fiscal Year Ended June 30, 2023)

(in thousands)

| | <u>2024</u> | <u>2023</u> |
|--|------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers and users | \$ 205,364 | \$ 190,314 |
| Cash paid to suppliers of goods and services | (105,361) | (100,482) |
| Cash paid for employees services | <u>(74,169)</u> | <u>(84,254)</u> |
| Net cash provided by (used for) operating activities | <u>25,834</u> | <u>5,578</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property tax receipts | 81,800 | 77,021 |
| Operating grant | <u>1,366</u> | <u>105</u> |
| Net cash provided by (used for) noncapital financing | <u>83,166</u> | <u>77,126</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (101,229) | (97,630) |
| Proceeds from disposition of capital assets | 147 | 242 |
| Proceeds from long term debt | 850 | 242 |
| Principal payments on long-term liabilities | (19,122) | (18,424) |
| Interest and fiscal agent costs on long term liabilities | (24,873) | (25,041) |
| Developer connection fees and related receipts | <u>31,642</u> | <u>15,736</u> |
| Net cash provided by (used for) capital and related financing activities | <u>(112,585)</u> | <u>(124,875)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment earnings | 22,753 | 13,556 |
| Investment earnings in real estate | 8,265 | 11,327 |
| Acquisition and construction of real estate investments | (1,114) | (7,080) |
| Proceeds from sale or maturity of investments | 239,542 | 396,777 |
| Purchases of investments | (291,833) | (384,640) |
| Collections on notes receivable | <u>88</u> | <u>102</u> |
| Net cash provided by (used for) investing activities | <u>(22,299)</u> | <u>30,042</u> |
| Net increase (decrease) in cash and cash equivalents | (25,884) | (12,129) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>34,022</u> | <u>46,151</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 8,138</u></u> | <u><u>\$ 34,022</u></u> |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year ended June 30, 2024

(with comparative data for the Fiscal Year Ended June 30, 2023)

(in thousands)

(Continued)

| | <u>2024</u> | <u>2023</u> |
|--|-------------------------|-------------------------|
| Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position: | | |
| Cash and investments | \$ 393,484 | \$ 371,239 |
| Pension trust investments | 123,707 | 106,742 |
| OPEB trust investments | 11,601 | 10,107 |
| Subtotal | <u>528,792</u> | <u>488,088</u> |
| Less long-term investments | <u>(520,654)</u> | <u>(454,066)</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 8,138</u></u> | <u><u>\$ 34,022</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (86,979) | \$ (77,775) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | |
| Other nonoperating income | 10,255 | 7,162 |
| Other nonoperating expenses | (2,025) | (1,866) |
| (Gain) loss on disposition of capital assets | 616 | 503 |
| Depreciation and amortization | 82,615 | 83,535 |
| (Increase) decrease in customer receivables | (2,352) | 3,819 |
| (Increase) decrease in leases receivables | (142) | 305 |
| (Increase) decrease in other receivables | 1,058 | (2,380) |
| (Increase) decrease in inventories | (2,916) | (3,208) |
| (Increase) decrease due from other agencies | 19,271 | 17,166 |
| (Increase) decrease in prepaid expenses and other assets | 28 | (505) |
| (Increase) decrease in investment in joint venture | (2,536) | (918) |
| (Increase) decrease in deferred outflows | 2,290 | (31,353) |
| Increase (decrease) in accounts payable and accrued expenses | 2,983 | (10,809) |
| Increase (decrease) in customer deposits and advance payments | 546 | 1,103 |
| Increase (decrease) in compensated absences | (472) | (237) |
| Increase (decrease) in claims payable | 108 | (82) |
| Increase (decrease) in unearned revenue | (565) | (565) |
| Increase (decrease) in net OPEB liability | 1,762 | (4,406) |
| Increase (decrease) in net pension liability | 3,267 | 45,566 |
| Increase (decrease) in deferred inflows | (978) | (19,477) |
| Net cash provided by (used for) operating activities | <u><u>\$ 25,834</u></u> | <u><u>\$ 5,578</u></u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Contributions of capital assets from developers | <u><u>\$ 12,113</u></u> | <u><u>\$ 38,546</u></u> |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District
Statement of Fiduciary Net Position
June 30, 2024
(with comparative data as of June 30, 2023)
(in thousands)

| | Custodial Fund | |
|--------------------------------|-----------------------|---------------|
| | <u>2024</u> | <u>2023</u> |
| ASSETS | | |
| Cash and investments (note 2) | \$ 993 | \$ 958 |
| Interest receivable | 4 | 3 |
| TOTAL ASSETS | <u>997</u> | <u>961</u> |
| NET POSITION | | |
| Restricted for: | | |
| San Joaquin Wildlife Sanctuary | 997 | 961 |
| TOTAL NET POSITION | <u>\$ 997</u> | <u>\$ 961</u> |

See accompanying notes to the basic financial statements.

Exhibit "A"

Irvine Ranch Water District
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2024
 (with comparative data for the Fiscal Year Ended June 30, 2023)
 (in thousands)

| | Custodial Fund | |
|--|-----------------------|--------|
| | 2024 | 2023 |
| ADDITIONS | | |
| Contributions | \$ - | \$ 5 |
| Interest and dividends income | 42 | 24 |
| Total additions | 42 | 29 |
| DEDUCTIONS | | |
| Administrative expenses | 6 | 2 |
| Total deductions | 6 | 2 |
| Increase (decrease) in net position | 36 | 27 |
| NET POSITION AT BEGINNING OF YEAR | 961 | 934 |
| NET POSITION AT END OF YEAR | \$ 997 | \$ 961 |

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, 2024

(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 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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, the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, 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 fiduciary fund types include a custodial fund. The custodial fund is used to account for assets held by the District as a custodian for the activities of the San Joaquin Wildlife Sanctuary (SJWS).

Both the enterprise fund and fiduciary custodial fund are reported using the *economic resources measurement focus* and 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.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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 nonoperating 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 nonoperating 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 is not included in the calculation of net investment in capital assets.

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

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

(d) **Property Taxes**

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

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

(d) **Property Taxes (Continued)**

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

(e) **Cash and Cash Equivalents**

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

(f) **District Investments**

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

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

(g) **Pension and OPEB Trusts Investments**

Investments of the Pension Trust and OPEB 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 an increase (decrease) in fair value of investments reported for that fiscal year. Interest income is recorded on the accrual basis. Dividends are recorded on the payment date.

(h) **Real Estate Investments**

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

(i) **Fair Value Measurements**

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

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

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(i) Fair Value Measurements (Continued)

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

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

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

(j) Inventory and Prepaid Items

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

(k) Capital Assets and Depreciation

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated acquisition value on the date received. The District capitalizes all assets including right-to-use lease assets and subscription-based information technology arrangements (SBITA) with a cost of at least \$10,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation and amortization are 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.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

(m) **Pensions**

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

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

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2022 |
| Measurement Date (MD) | June 30, 2023 |
| Measurement Period (MP) | July 1, 2022 to June 30, 2023 |

(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, 2022 |
| Measurement Date (MD) | June 30, 2023 |
| Measurement Period (MP) | July 1, 2022 to June 30, 2023 |

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

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

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

(p) **Leases**

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

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

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

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

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

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

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

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

(p) **Leases (Continued)**

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

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

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

(q) **Subscription Based Information Technology Arrangements (SBITA)**

The District enters into software subscription agreements valued at \$10,000 or more and useful life of at least three years. It recognizes a SBITA liability and an intangible right-to-use SBITA asset in the basic financial statements. At the commencement of a SBITA, the District measures the liability at a present value of payments expected to be made during the lease term and then reduces the liability when principal payments are made. The SBITA asset is also recorded at the present value of payments to be made after commencement plus any additional costs necessary to place the SBITA in service and is then amortized on a straight-line basis over the SBITA term. SBITA assets are reported with capital assets and SBITA liabilities are reported with long-term liabilities on the Statement of Net Position. If the interest rate charged by the subscription vendor is not provided, the District's incremental borrowing rate is used as the discount rate. The SBITA term includes the non-cancellable period of the subscription, including options to extend, and must be more than 12 months.

(r) **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.

(s) **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.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(2) **Cash and Investments**

Cash and investments as of June 30, 2024 are classified in the accompanying financial statements as follows (in thousands):

| | |
|---|-------------------|
| Proprietary Fund: | |
| District Cash and Investments | \$ 393,484 |
| Pension Trust Investments | 123,707 |
| OPEB Trust Investments | 11,601 |
| Total Proprietary Fund | 528,792 |
| Fiduciary Fund - Custodial Fund: | |
| Cash and investments | 993 |
| Total Cash and Investments | \$ 529,785 |

Cash and investments as of June 30, 2024 consist of the following (in thousands):

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 847 |
| Investments | 528,938 |
| Total Cash and Investments | \$ 529,785 |

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 Section 35912.

Exhibit "A"
Irvine Ranch Water District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024
 (Continued)

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

Pension and Other Post-Employment Benefits (OPEB) Trusts (The 115 Trusts) 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 Trust to substantially fund its CalPERS unfunded liability. In 2023, the District established a new OPEB section 115 Trust to fund a portion of its unfunded OPEB liability. The 115 Trusts' 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 115 Trusts' investment policy.

The 115 Trusts are governed by a 115 Trusts 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:

| <u>Asset Classes</u> | <u>Minimum</u> | <u>Maximum</u> |
|---|----------------|----------------|
| 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 115 Trusts 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. Money Market funds must attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organization (NRSRO).

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

Pension and Other Post-Employment Benefits (OPEB) Trusts (The 115 Trusts) 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 deposit 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.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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 115 Trusts' investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity at June 30, 2024 (in thousands):

| Investment Type | Amount | Remaining Maturity | | | Not Applicable |
|--|-------------------|---------------------------|------------------------|--------------------------|-----------------------|
| | | 12 Months Or Less | 13 to 36 Months | 37 Months Or More | |
| Federal Agency Securities | \$ 163,363 | \$ 84,400 | \$ 24,290 | \$ 54,673 | \$ - |
| US Treasury Note | 222,207 | 108,611 | 113,596 | - | - |
| Money Market | 8,060 | 8,060 | - | - | - |
| Total District Investments | 393,630 | 201,071 | 137,886 | 54,673 | - |
| Mutual Funds - Equities | 87,420 | - | - | - | 87,420 |
| Mutual Funds - Fixed Income Bonds | 36,253 | 519 | 4,946 | 30,788 | - |
| Mutual Funds - Money Market | 34 | 34 | - | - | - |
| Total Pension Trust Investments | 123,707 | 553 | 4,946 | 30,788 | 87,420 |
| Mutual Funds - Equities | 8,189 | - | - | - | 8,189 |
| Mutual Funds - Fixed Income Bonds | 3,400 | 49 | 464 | 2,887 | - |
| Mutual Funds - Money Market | 12 | 12 | - | - | - |
| Total OPEB Trust Investments | 11,601 | 61 | 464 | 2,887 | 8,189 |
| Total Investments | \$ 528,938 | \$ 201,685 | \$ 143,296 | \$ 88,348 | \$ 95,609 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that the issuer of the 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>AAA</u> ⁽¹⁾ | <u>Not Rated</u> |
|---------------------------|-------------------|---------------------------|------------------|
| Federal Agency Securities | \$ 108,690 | \$ 103,709 | \$ 4,981 |
| US Treasury Note | 276,880 | 276,880 | - |
| Money Market | 8,060 | 8,060 | - |
| Total | <u>\$ 393,630</u> | <u>\$ 388,649</u> | <u>\$ 4,981</u> |

Pension Trust Investments:

| <u>Investment Type</u> | <u>Amount</u> |
|-----------------------------------|--------------------------|
| Mutual Funds - Equities | \$ 87,420 ⁽²⁾ |
| Mutual Funds - Fixed Income Bonds | 36,253 ⁽³⁾ |
| Mutual Funds - Money Market | 34 ⁽⁴⁾ |
| Total | <u>\$ 123,707</u> |

OPEB Trust Investments:

| <u>Investment Type</u> | <u>Amount</u> |
|-----------------------------------|-------------------------|
| Mutual Funds - Equities | \$ 8,189 ⁽⁵⁾ |
| Mutual Funds - Fixed Income Bonds | 3,400 ⁽⁶⁾ |
| Mutual Funds - Money Market | 12 ⁽⁷⁾ |
| Total | <u>\$ 11,601</u> |

(1) Based on Moody's rating.

(2) Equity Mutual Funds as of 6/30/2024 include four "index funds" and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

(3) Fixed Income Mutual Funds are comprised of two diversified portfolios of fixed income securities. As of 6/30/2024, 44.90% of the holdings were rated A-AAA, 52.67% of the holdings were rated B-BBB, and 2.43% of the holdings were rated below B or Not Rated.

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

(5) Equity Mutual Funds as of 6/30/2024 include four "index funds" and are comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

(6) Fixed Income Mutual Funds are comprised of two diversified portfolios of fixed income securities. As of 6/30/2024, 45.00% of the holdings were rated A-AAA, 52.58% of the holdings were rated B-BBB, and 2.42% of the holdings were rated below B or Not Rated.

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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):

| <u>Issuer</u> | <u>Investment Type</u> | <u>Amount</u> |
|---------------|-------------------------|-------------------------|
| FFCB | Federal Agency Security | \$ 54,488 |
| FHLB | Federal Agency Security | 34,842 |
| Total | | <u><u>\$ 89,330</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, 2024 (in thousands):

District Cash and Investments:

| <u>Investment Type</u> | <u>Amount</u> | <u>Fair Value Measurements</u> | |
|---------------------------|--------------------------|--------------------------------|--------------------------|
| | | <u>Level 1</u> | <u>Level 2</u> |
| Federal Agency Securities | \$ 108,690 | \$ - | \$ 108,690 |
| US Treasury Note | 276,880 | 276,880 | - |
| Money Market | 8,060 ⁽¹⁾ | - | - |
| Total | <u><u>\$ 393,630</u></u> | <u><u>\$ 276,880</u></u> | <u><u>\$ 108,690</u></u> |

Pension Trust Cash and Investments:

| <u>Investment Type</u> | <u>Amount</u> | <u>Fair Value</u> |
|-----------------------------------|--------------------------|--------------------------|
| | | <u>Measurements</u> |
| | | <u>Level 1</u> |
| Mutual Funds - Equities | \$ 87,420 | \$ 87,420 |
| Mutual Funds - Fixed Income Bonds | 36,253 | 36,253 |
| Mutual Funds - Money Market | 34 ⁽¹⁾ | - |
| Total | <u><u>\$ 123,707</u></u> | <u><u>\$ 123,673</u></u> |

OPEB Cash and Investments:

| <u>Investment Type</u> | <u>Amount</u> | <u>Fair Value</u> |
|-----------------------------------|-------------------------|-------------------------|
| | | <u>Measurements</u> |
| | | <u>Level 1</u> |
| Mutual Funds - Equities | \$ 8,189 | \$ 8,189 |
| Mutual Funds - Fixed Income Bonds | 3,400 | 3,400 |
| Mutual Funds - Money Market | 12 ⁽¹⁾ | - |
| Total | <u><u>\$ 11,601</u></u> | <u><u>\$ 11,589</u></u> |

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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 may authorize general parameters for interest rate swap transactions while the Finance and Personnel Committee would structure any specific transactions within the Board-authorized parameters. The Treasurer, with the concurrence of the Chairman of the Finance and Personnel Committee, is authorized to enter into interest rate swap transactions that are within all authorized parameters.

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

The outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2024, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(3.8) million, respectively. For the year ended June 30, 2024, the increase in fair value of the fixed payer interest rate swaps was \$1.5 million.

The fair value of the swap agreements at June 30, 2024 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.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2024, along with the credit rating of the associated counterparty.

Current Year Active Interest Rate Swaps (in thousands):

| Type | Objective | Notional Amount | Effective Date | Maturity Date | Terms | Counterparty Rating |
|-------------|---|-----------------|----------------|---------------|---------------------------------|---------------------|
| Fixed Payer | Hedge of changes in cash flows on pool of variable rate debt issues | \$30,000 | 3/10/07 | 3/10/29 | Pay 5.687%; receive 1-Mo. LIBOR | Aa1/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, 2024, the mark-to-market value of the total interest rate swaps with Citibank N.A. and Bank of America, N.A. as counterparties did not exceed the threshold amount.

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

The District has executed interest rate swap transactions with Bank of America, N.A. and Citibank N.A. Their ratings are Aa1/A+/AA (50% of net exposure to credit risk) and Aa3/A+/A+ (50% of net exposure to credit risk), respectively, as of June 30, 2024.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

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

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

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

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

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no collateral has been posted at June 30, 2024.

(4) **Inventories**

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2024, the District had 46,630 acre-feet of banked water in various water bank facilities at a cost of \$11.0 million. Inventories at June 30, 2024 consisted of the following (in thousands):

| | |
|------------------------|-------------------------|
| Water in storage | \$ 10,978 |
| Materials and supplies | 11,266 |
| Total | <u><u>\$ 22,244</u></u> |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2024 is as follows (in thousands):

| | Balance June 30, 2023 | Additions | Deletions | Balance June 30, 2024 |
|--|----------------------------------|------------------|--------------------|----------------------------------|
| Capital assets, depreciable: | | | | |
| Land leasehold | \$ 4,860 | \$ - | \$ - | \$ 4,860 |
| Right-to-use leased asset | 766 | 396 | - | 1,162 |
| Right-to-use subscription asset | - | 454 | - | 454 |
| Buildings and structures | 817,023 | 31,298 | (37) | 848,284 |
| Transmissions and distributions | 1,948,392 | 42,688 | (465) | 1,990,615 |
| Machinery and equipment | 285,257 | 3,450 | (3,609) | 285,098 |
| Sub-total | 3,056,298 | 78,286 | (4,111) | 3,130,473 |
| Less: Accumulated depreciation: | | | | |
| Land leasehold | (1,747) | (97) | - | (1,844) |
| Right-to-use leased asset | (54) | (98) | - | (152) |
| Right-to-use subscription asset | - | (113) | - | (113) |
| Buildings and structures | (376,152) | (17,816) | 21 | (393,947) |
| Transmissions and distributions | (639,907) | (57,205) | 450 | (696,662) |
| Machinery and equipment | (195,160) | (7,286) | 2,877 | (199,569) |
| Sub-total | (1,213,020) | (82,615) | 3,348 | (1,292,287) |
| Total depreciable capital assets, net | 1,843,278 | (4,329) | (763) | 1,838,186 |
| Capital assets, non-depreciable: | | | | |
| Land and water rights | 127,466 | 80 | - | 127,546 |
| Construction in progress | 110,962 | 83,027 | (48,051) | 145,938 |
| Total capital assets, net | \$ 2,081,706 | \$ 78,778 | \$ (48,814) | \$ 2,111,670 |

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2024 were \$48.1 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets increased \$29.4 million during the fiscal year ended June 30, 2024.

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, 2024 was \$8.6 million.

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

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

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, 2024, the District paid \$22.4 million of the equity integration adjustment of OC San’s capital assets. In addition, the District’s CORF and collection projects payments to OC San for the current fiscal year totaled \$7.0 million.

The District’s share of the jointly funded capital assets and CORF in the amount of \$106.5 million is included in capital assets in the District’s basic financial statements.

The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OC San. Periodically this information is subjected to further review based on the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available. As of June 30, 2024, the District had a net receivable of \$17.4 million from OC San which is reflected as a due from other agencies in the District’s basic financial statements.

(7) Leases Receivable

The District, as a lessor, entered into non-cancellable lease agreements for farming, recreational activities, and cell sites. These leases expire at various dates through 2041. Payments to the District are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease receivable. During the fiscal year, the District recognized \$1.0 million in lease revenue and \$0.06 million in interest revenue related to these leases. As of June 30, 2024, the District's receivable for lease payments was \$2.4 million. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2024, the balance of the deferred inflow of resources was \$2.4 million. The following schedule is the expected future minimum payments under these agreements (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|-----------------|
| 2025 | \$ 148 | \$ 51 | \$ 199 |
| 2026 | 208 | 50 | 258 |
| 2027 | 216 | 45 | 261 |
| 2028 | 138 | 40 | 178 |
| 2029 | 125 | 37 | 162 |
| 2030-2034 | 687 | 140 | 827 |
| 2035-2039 | 656 | 58 | 714 |
| 2040-2041 | 184 | 3 | 187 |
| Total | \$ 2,362 | \$ 424 | \$ 2,786 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(8) **Real Estate Investments**

Real estate investments as of June 30, 2024 consist of the following (in thousands):

| | |
|---------------------------------------|-------------------|
| Real estate investments at fair value | \$ 325,921 |
| Other assets | 6,201 |
| Total | \$ 332,122 |

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

| | Balance June 30, 2023 | Increase / Decrease in Fair Value | Capital Additions | Balance June 30, 2024 |
|---------------------------------|----------------------------------|--|------------------------------|----------------------------------|
| Wood Canyon Villas, L.P. | \$ 36,246 | \$ 2,175 | \$ - | \$ 38,421 |
| Sycamore Canyon Apartments | 179,544 | 39,184 | 1,272 | 220,000 |
| 230 Commerce Office Property | 12,485 | (2,485) | - | 10,000 |
| Waterworks Way Business Park | 12,069 | 1,431 | - | 13,500 |
| Sand Canyon Professional Center | 12,381 | (381) | - | 12,000 |
| Sand Canyon General Office | 40,560 | (8,560) | - | 32,000 |
| Total | \$ 293,285 | \$ 31,364 | \$ 1,272 | \$ 325,921 |

Net real estate income as of June 30, 2024 is as follows (in thousands):

| | |
|--|------------------|
| Real estate income | \$ 20,675 |
| Increase/decrease in fair value of real estate investments | 31,364 |
| Real estate expense | (8,065) |
| Net real estate income | \$ 43,974 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(8) Real Estate Investments (Continued)

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

The construction of Wood Canyon Villas, a 230-unit apartment property, was completed in 1993. The property is located in Orange County, California, and was 97% occupied at June 30, 2024. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (\$6.0 million contribution). The property's fair value and the District's partnership interest were based on a fixed growth factor included in the limited partnership agreement.

In 1992, the District acquired a 450-unit apartment property (original cost, \$34.1 million) in Orange County, California known as Sycamore Canyon Apartments. The property was 93% occupied as of June 30, 2024. The property's fair value was determined using an appraisal valuation in 2024.

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. The building was 89.1% occupied as of June 30, 2024. The property's fair value was determined using an appraisal valuation in 2024.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. The building was constructed on land owned by IRWD adjacent to a District water treatment facility. Land and construction costs for the office project totaled \$9.0 million. As of June 30, 2024, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2024.

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. The building was 100% occupied as of June 30, 2024. The property's fair value was determined using an appraisal valuation in 2024.

In August 2020, the District completed construction of a new for-lease 70,000 square foot office building located in Irvine, California known as the Sand Canyon General Office. Land and construction costs for the project totaled \$31.4 million. The building was 100% occupied as of June 30, 2024. The property's fair value was determined using an appraisal valuation in 2024.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(9) Investment in Joint Venture

The District is a participant with the Rosedale-Rio Bravo Water Storage District (RRB) in a joint venture to design, build and operate a Kern Fan Groundwater Storage Project. Groundwater Banking Joint Powers Authority (GBJPA), a legally separate public agency, was created for that purpose effective July 1, 2020. GBJPA is governed by a four-member board composed of two appointees from the District and two appointees from the RRB. The District and the RRB are each obligated by contract to provide equal funding (50-50) of the costs and are each entitled to one-half of GBJPA's annual operating income or loss, if any. The District's net investment in the joint venture represents its proportionate share of capital and operating expenses of GBJPA. The District's investment in GBJPA was \$9.5 million at June 30, 2024. Complete financial statements for GBJPA can be obtained from GBJPA's office at 849 Allen Road, Bakersfield, CA 93314.

(10) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024 was as follows (in thousands):

| | Balance June 30, 2023 | Additions | Deletions | Balance June 30, 2024 | Due within One Year | Due in more than one Year |
|---------------------------------------|--------------------------|------------------|--------------------|--------------------------|------------------------|------------------------------|
| General Obligation Bonds: | | | | | | |
| 1993 C Consolidated | \$ 21,200 | \$ - | \$ (2,000) | \$ 19,200 | \$ 1,900 | \$ 17,300 |
| 2008A Refunding | 41,000 | - | (2,000) | 39,000 | 2,000 | 37,000 |
| 2009A Consolidated | 47,500 | - | (2,500) | 45,000 | 2,500 | 42,500 |
| 2009B Consolidated | 47,500 | - | (2,500) | 45,000 | 2,500 | 42,500 |
| 2010B BABS | 175,000 | - | - | 175,000 | 3,120 | 171,880 |
| 2011A-1 Refunding | 40,800 | - | (2,040) | 38,760 | 2,100 | 36,660 |
| 2011A-2 Refunding | 27,200 | - | (1,360) | 25,840 | 1,400 | 24,440 |
| 2016 Consolidated | 98,980 | - | (2,375) | 96,605 | 2,495 | 94,110 |
| Unamortized Premium | 20,872 | - | (924) | 19,948 | 924 | 19,024 |
| Sub-total | 520,052 | - | (15,699) | 504,353 | 18,939 | 485,414 |
| Certificates of Participation: | | | | | | |
| 2016 Certificates | 105,710 | - | (4,220) | 101,490 | 4,555 | 96,935 |
| Unamortized Premium | 22,157 | - | (1,376) | 20,781 | 1,376 | 19,405 |
| Sub-total | 127,867 | - | (5,596) | 122,271 | 5,931 | 116,340 |
| Notes Payable | 197 | - | (78) | 119 | 79 | 40 |
| Leases Payable | 715 | 395 | (79) | 1,031 | 119 | 912 |
| Subscription Payable | - | 454 | (96) | 358 | 119 | 239 |
| Other Long-Term Liabilities: | | | | | | |
| Compensated Absences | 6,394 | 6,215 | (6,687) | 5,922 | 2,369 | 3,553 |
| Other Long-Term Liabilities | 612 | 4,409 | (4,282) | 739 | 102 | 637 |
| Sub-total | 7,006 | 10,624 | (10,969) | 6,661 | 2,471 | 4,190 |
| Total Long-Term Liabilities | \$ 655,837 | \$ 11,473 | \$ (32,517) | \$ 634,793 | \$ 27,658 | \$ 607,135 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(10) Long-Term Liabilities (Continued)

The following summarizes the major terms of outstanding long-term debt at June 30, 2024 (in thousands):

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

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

General Obligation Bonds

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2024 ranging from 2.70% to 3.53% and the fixed rate for the 2010B BABS issue and 2016 Consolidated issue) were as follows (in thousands):

| Fiscal Year | Principal | Interest | Hedging Instruments Net | BAB Federal Subsidy | Total |
|---------------------------|-------------------|-------------------|-------------------------|---------------------|-------------------|
| 2025 | \$ 18,015 | \$ 23,721 | \$ 154 | \$ (3,825) | \$ 38,065 |
| 2026 | 18,710 | 22,972 | 154 | (3,756) | 38,080 |
| 2027 | 19,265 | 22,208 | 154 | (3,695) | 37,932 |
| 2028 | 20,000 | 21,413 | 154 | (3,628) | 37,939 |
| 2029 | 20,570 | 20,577 | 154 | (3,551) | 37,750 |
| 2030-2034 | 125,310 | 89,003 | - | (17,179) | 197,134 |
| 2035-2039 | 176,380 | 53,687 | - | (10,979) | 219,088 |
| 2040-2044 | 72,340 | 11,232 | - | (658) | 82,914 |
| 2045-2046 | 13,815 | 1,097 | - | - | 14,912 |
| Sub-total | 484,405 | 265,910 | 770 | (47,271) | 703,814 |
| Plus: Unamortized premium | 19,948 | - | - | - | 19,948 |
| Total | \$ 504,353 | \$ 265,910 | \$ 770 | \$ (47,271) | \$ 723,762 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(10) Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

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

Certificates of Participation

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

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

| Fiscal Year | Principal | Interest | Total |
|---------------------------|-------------------|------------------|-------------------|
| 2025 | \$ 4,555 | \$ 5,074 | \$ 9,629 |
| 2026 | 4,905 | 4,847 | 9,752 |
| 2027 | 5,225 | 4,602 | 9,827 |
| 2028 | 5,600 | 4,340 | 9,940 |
| 2029 | 5,985 | 4,060 | 10,045 |
| 2030-2034 | 26,280 | 15,627 | 41,907 |
| 2035-2039 | 16,990 | 10,618 | 27,608 |
| 2040-2044 | 21,680 | 5,925 | 27,605 |
| 2045-2046 | 10,270 | 777 | 11,047 |
| Sub-total | 101,490 | 55,870 | 157,360 |
| Plus: Unamortized premium | 20,781 | - | 20,781 |
| Total | \$ 122,271 | \$ 55,870 | \$ 178,141 |

Notes Payable

The District has one outstanding loan, which was assumed because 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, 2024 were as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------|---------------|-------------|---------------|
| 2025 | \$ 79 | \$ 2 | \$ 81 |
| 2026 | 40 | 1 | 41 |
| Total | \$ 119 | \$ 3 | \$ 122 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(10) Long-Term Liabilities (Continued)**Leases Payable**

The District, as a lessee, has entered into noncancellable lease agreements for production well sites, antenna sites, and equipment. These leases expire at various dates through 2043. The District's payments are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease payable. As of June 30, 2024, leased assets and the related accumulated depreciation totaled \$1.2 million and \$0.2 million, respectively. The lease liability at June 30, 2024 was \$1.0 million.

The annual lease payment requirements, including principal and interest payments, are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|-----------------|
| 2025 | \$ 119 | \$ 23 | \$ 142 |
| 2026 | 123 | 20 | 143 |
| 2027 | 91 | 17 | 108 |
| 2028 | 100 | 15 | 115 |
| 2029 | 43 | 14 | 57 |
| 2030-2034 | 167 | 57 | 224 |
| 2035-2039 | 204 | 35 | 239 |
| 2040-2043 | 184 | 10 | 194 |
| Total | \$ 1,031 | \$ 191 | \$ 1,222 |

Subscription-Based Information Technology Arrangements (SBITA) Payable

The District has entered into subscription-based information technology arrangements (SBITAs), to use software for its operational needs. The SBITA arrangements expire at various dates through 2027. As of June 30, 2024, SBITA assets and the related accumulated amortization totaled \$0.4 million and \$0.1 million, respectively. The subscription payable at June 30, 2024 was \$0.4 million.

The annual SBITA payment requirements, including principal and interest payments, are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|---------------|
| 2025 | \$ 119 | \$ 8 | \$ 127 |
| 2026 | 116 | 4 | 120 |
| 2027 | 123 | 2 | 125 |
| Total | \$ 358 | \$ 14 | \$ 372 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(11) **Unearned Revenue**

Unearned revenue at June 30, 2024 consisted of the following (in thousands):

| | |
|--|------------------------|
| Unearned revenue, current portion | \$ 565 |
| Unearned revenue, net of current portion | <u>2,568</u> |
| Total | <u>\$ 3,133</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, 2024 was \$0.5 million.

(12) **Letters of Credit**

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

The terms of the letters of credit, as of June 30, 2024 are summarized as follows (in thousands):

| Letter of Credit | Trustee | Amount | Expiration Date |
|----------------------------|-------------------------|-----------|------------------|
| Bank of America: | | | |
| 2009 Series B Consolidated | U.S. Bank | \$ 45,503 | April 21, 2025 |
| 2011 Series A-1 Refunding | Bank of New York Mellon | 39,193 | February 8, 2027 |
| 2011 Series A-2 Refunding | Bank of New York Mellon | 26,129 | February 8, 2027 |
| Sumitomo Mitsui: | | | |
| 2008 Series A Refunding | Bank of New York Mellon | 39,577 | May 28, 2025 |
| U.S. Bank: | | | |
| 1993 Consolidated | Bank of New York Mellon | 19,459 | May 1, 2025 |
| 2009 Series A Consolidated | U.S. Bank | 45,503 | May 1, 2025 |

Exhibit "A"
Irvine Ranch Water District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024
 (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, 2024, 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% | 7.50% |
| Required Employer Normal Cost Rate | 10.16% | 10.16% | 10.16% |

In addition, the District made a \$7.7 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2022 (valuation date), the following employees were covered by the benefit terms for the Plan:

| | |
|--|-------------------|
| Active Employees | 388 |
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 335 |
| Inactive Employees Entitled to But not Yet Receiving Benefits | <u>236</u> |
| Total | <u><u>959</u></u> |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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, 2024, the total pension liability was determined using the following actuarial methods and assumptions:

| Actuarial Cost Method | Entry Age Actuarial Cost Method |
|-------------------------------------|---|
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Price Inflation | 2.30% |
| 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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter |

⁽¹⁾ The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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.

Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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

| Asset Class ⁽¹⁾ | Assumed Asset Allocation | Real Return ^{(1), (2)} |
|----------------------------------|--------------------------------|---------------------------------|
| Global Equity – Cap-weighted | 30.00% | 4.54% |
| Global Equity – Non-Cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | (5.00)% | (0.59)% |
| Total | 100% | |

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ Figures are based on the 2021 Asset Liability Management study.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 valuation.

Changes in the Net Pension Liability

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

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (c) = (a) - (b) |
| Balance at June 30, 2023 | \$ 345,944 | \$ 260,537 | \$ 85,407 |
| Changes Recognized for the Period: | | | |
| Service Cost | 7,058 | - | 7,058 |
| Interest | 23,790 | - | 23,790 |
| Changes of Benefit Terms | 227 | - | 227 |
| Changes of Assumptions | - | - | - |
| Difference between Expected and Actual Experience | 3,008 | - | 3,008 |
| Contributions – Employer | - | 11,773 | (11,773) |
| Contributions – Employees | - | 3,100 | (3,100) |
| Net Investment Income | - | 16,136 | (16,136) |
| Benefit Payments, Including Refunds of Employee Contributions | (15,860) | (15,860) | - |
| Administrative Expense | - | (193) | 193 |
| Net Change | 18,223 | 14,956 | 3,267 |
| Balance at June 30, 2024 | \$ 364,167 | \$ 275,493 | \$ 88,674 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate (in thousands):

| | Discount Rate -1% (5.90%) | Current Discount Rate (6.90%) | Discount Rate +1% (7.90%) |
|------------------------------|--|--|--|
| Plan's Net Pension Liability | \$ 137,950 | \$ 88,674 | \$ 47,985 |

Subsequent Events

During the time period between the valuation date and the publication of this report, price inflation has been higher than the assumed rate of 2.3% per annum. Since inflation influences cost of living adjustments for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on the pension expense and the net pension liability in future valuations. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, CalPERS continues to believe the long-term price inflation assumption of 2.3% per annum is appropriate.

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The expected average remaining service lifetime for the Plan for the fiscal year ended June 30, 2024 was 4.8 years, which was obtained by dividing the total service years of 4,563 (the sum of remaining service lifetimes of the active employees) by 959 (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 due to an event other than receiving a cash refund.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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, 2024, the District recognized pension expense of \$16.2 million. At June 30, 2024, 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 | \$ 12,026 | \$ - |
| Differences between Expected and Actual Experiences | 3,405 | 1,789 |
| Changes in Assumptions | 6,611 | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 12,493 | - |
| Total | \$ 34,535 | \$ 1,789 |

\$12.0 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, 2025. \$20.7 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 |
|--------------------|--|
| 2025 | \$ 5,194 |
| 2026 | 3,889 |
| 2027 | 10,781 |
| 2028 | 856 |
| Total | \$ 20,720 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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 CalPERS Health. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a CalPERS pension. Participation in PEMHCA is financed in part by the District through a contribution of \$157 per month per participating retiree.
- **RHCRP:** The District also administers a single-employer defined benefit Retiree Health Costs Reimbursement Plan (RHCRP), 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. On February 27, 2023, the Board approved an enhancement to the RHCRP by increasing each tier by \$200 for eligible employees who retire from (and become eligible retirees of) the District on or after July 1, 2023.
- **Death Benefit:** The District administers a single-employer defined benefit Retiree Death Only plan (Death Benefit). Employees hired on or before December 31, 2008 and who retire from the District on or after age 55 with at least 10 years of service at the District are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 are not currently eligible for this plan.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2023 measurement date, the following employees were covered by the benefit terms under each Plan:

| | PEMHCA | RHCRP | Death Benefit | Total |
|---|---------------|--------------|--------------------------|--------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 118 | 47 | - | 165 |
| Inactive Employees Entitled to But not Yet Receiving Benefits | 97 | - | 134 | 231 |
| Active Employees | 395 | 395 | 117 | 907 |
| Total | 610 | 442 | 251 | 1,303 |

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, 2024, 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 | RHCRP | Death Benefit | Total |
|---------------------------|---------------|---------------|--------------------------|---------------|
| Cash Contributions | \$ 224 | \$ 299 | \$ - | \$ 523 |
| Estimated Implied Subsidy | 281 | - | - | 281 |
| Total | \$ 505 | \$ 299 | \$ - | \$ 804 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2023 measurement date was used to determine the June 30, 2024 total OPEB liability, based on the following actuarial methods and assumptions:

| | PEMHCA | RHCRP | Death Benefit |
|---|--|--|--------------------------|
| Actuarial Method | Entry Age Normal | | |
| Actuarial Assumptions: | | | |
| Contribution Policy | Pay-as-you-go | | |
| Discount Rate | 3.65% at June 30, 2023 and 3.54% at June 30, 2022 (Bond Buyer 20-Bond Index) | | |
| Inflation | 2.50% Annually | | |
| Mortality, Disability, Termination, Retirement | CalPERS 2000-2019 Experience Study | | |
| Mortality Improvement | Mortality Projected Fully Generational with Scale MP-2021 | | |
| Salary Increases | 2.75% Annually and CalPERS 2000-2019 Experience Study | | |
| Medical Trend | Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076 Medicare - 7.50% for 2024, decreasing to 3.45% in 2076 | Not Applicable | |
| Minimum Increase | 3.50% | Not Applicable | |
| Participation at Retirement | Medical Coverage: 90% if eligible for RHCRP. Otherwise, 50% if currently in District's medical plan, 0% if not. | 3 years of District Service: 100% Participate | 100% Participate |

Change in Assumptions

For the fiscal year ended June 30, 2023 measurement period, the discount rate was increased from 3.54 percent to 3.65 percent based on the municipal bond rate.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65 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 | RHCRP | Death Benefit | Total |
|---|-----------|----------|------------------|-----------|
| Balance at June 30, 2023 | \$ 15,600 | \$ 3,289 | \$ 1,444 | \$ 20,333 |
| Changes Recognized for the Period: | | | | |
| Service Cost | 877 | 185 | 39 | 1,101 |
| Interest | 574 | 118 | 53 | 745 |
| Changes of Benefit Terms | - | 1,018 | - | 1,018 |
| Assumptions Changes | (257) | (30) | (11) | (298) |
| Benefit Payments | (513) | (291) | - | (804) |
| Net Change | 681 | 1,000 | 81 | 1,762 |
| Balance at June 30, 2024 | \$ 16,281 | \$ 4,289 | \$ 1,525 | \$ 22,095 |

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, 2023 (in thousands).

| | Discount Rate - 1% (2.65%) | Current Discount Rate (3.65%) | Discount Rate + 1% (4.65%) |
|----------------|----------------------------------|-------------------------------------|----------------------------------|
| OPEB Liability | | | |
| PEMHCA | \$ 18,852 | \$ 16,281 | \$ 14,198 |
| RHCRP | 4,567 | 4,289 | 4,028 |
| Death Benefit | 1,625 | 1,525 | 1,435 |
| Total | \$ 25,044 | \$ 22,095 | \$ 19,661 |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(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, 2023 (in thousands).

| OPEB Liability | Healthcare Trend Rates -1% | Current Healthcare Trend Rates | Healthcare Trend Rates +1% |
|----------------|----------------------------------|--------------------------------------|----------------------------------|
| PEMHCA | \$ 13,677 | \$ 16,281 | \$ 19,642 |
| RHCRP | 4,289 | 4,289 | 4,289 |
| Death Benefit | 1,525 | 1,525 | 1,525 |
| Total | \$ 19,491 | \$ 22,095 | \$ 25,456 |

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are 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, 2024, the District recognized OPEB expense of \$2.8 million which consisted of \$1.5 million for PEMHCA and, \$1.3 million for RHCRP.

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

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

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

On June 30, 2024, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

| | Deferred Outflows of Resources | | | | Deferred Inflows of Resources | | | |
|--|--------------------------------|---------------|--------------|-----------------|-------------------------------|---------------|---------------|-----------------|
| | PEMHCA | RHCRP | Death | | PEMHCA | RHCRP | Death | |
| | | | Benefit | Total | | | Benefit | Total |
| OPEB Contributions made Subsequent to the Measurement Date | \$ 505 | \$ 299 | \$ - | \$ 804 | \$ - | \$ - | \$ - | \$ - |
| Changes in Assumptions | 2,399 | 210 | 45 | 2,654 | 3,065 | 330 | 198 | 3,593 |
| Difference between Expected and Actual Experience | 927 | 155 | - | 1,082 | 1,217 | 34 | 74 | 1,325 |
| Total | \$ 3,831 | \$ 664 | \$ 45 | \$ 4,540 | \$ 4,282 | \$ 364 | \$ 272 | \$ 4,918 |

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, 2025. \$(1.2) million net of deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense (income) as follows (in thousands):

| Fiscal Year | PEMHCA | RHCRP | Death | |
|--------------|-----------------|-------------|-----------------|-------------------|
| | | | Benefit | Total |
| 2025 | \$ 7 | \$ 8 | \$ (80) | \$ (65) |
| 2026 | 90 | 8 | (85) | 13 |
| 2027 | 146 | 21 | (62) | 105 |
| 2028 | 60 | 23 | - | 83 |
| 2029 | (72) | 14 | - | (58) |
| Thereafter | (1,187) | (73) | - | (1,260) |
| Total | \$ (956) | \$ 1 | \$ (227) | \$ (1,182) |

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(15) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension benefits for all 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, 2024, the District's payroll covered by the plan was \$254,530. The District made no employer contributions. Employees contributed \$22,704 for the fiscal year ended June 30, 2024.

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 2024 is \$23,000.

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, 2024, the District contributed \$1.8 million to employee accounts under the 401(a) plan.

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

(16) Risk Management

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(16) Risk Management (Continued)

Property, Boiler and Machinery insurance is provided by the Public Risk Innovation, Solutions, and Management (PRISM). 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 excess workers’ compensation insurance are provided through participation in the PRISM program. Pollution and legal liability coverage for the Irvine Desalter Project is provided through a policy with Indian Harbor Insurance Company, an AXA XL Company.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated to meet or exceed self-insured retention limits. 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 \$50,000 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 |
|-------------|-----------------------------------|---------------------------------------|-------------------|-----------------------------|---------------------------|---------------------------------|
| 2023 | \$ 1,650 | \$ (82) | \$ - | \$ 1,568 | \$ 522 | \$ 1,046 |
| 2024 | 1,046 | 630 | - | 1,676 | 506 | 1,170 |

(17) Commitments and Contingencies

Legal Actions

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

Exhibit "A"
Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024
(Continued)

(18) Net Position

Net position at June 30, 2024 consisted of the following (in thousands):

| | |
|--|---------------------|
| Net investment in capital assets: | |
| Property, plant and equipment, net | \$ 2,111,670 |
| Less: | |
| Outstanding debt issued to construct capital assets: | |
| General obligation bonds | (504,353) |
| Certificates of participation | (122,271) |
| Notes payable | (119) |
| Leases payable | (1,031) |
| Subscription payable | (358) |
| Deferred refunding charges | 1,485 |
| Total net investment in capital assets | 1,485,023 |
| Restricted net position: | |
| Restricted for net pension assets | 67,780 |
| Restricted for water services | 299,318 |
| Restricted for sewer services | 443,486 |
| Total restricted net position | 810,584 |
| Total net position | \$ 2,295,607 |

Exhibit "A"
Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024

(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 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 7,058 | \$ 6,872 | \$ 6,161 | \$ 6,001 | \$ 5,498 |
| Interest | 23,790 | 22,582 | 21,815 | 20,700 | 19,651 |
| Changes of Benefit Terms | 227 | - | - | - | - |
| Changes of Assumptions | - | 11,019 | - | - | - |
| Difference between Expected and Actual Experience | 3,008 | (2,982) | 1,990 | 1,509 | 2,535 |
| Benefit Payments, Including Refunds of Employee Contributions | (15,860) | (14,694) | (13,708) | (12,655) | (11,807) |
| Net Change in Total Pension Liability | 18,223 | 22,797 | 16,258 | 15,555 | 15,877 |
| Total Pension Liability – Beginning | 345,944 | 323,147 | 306,889 | 291,334 | 275,457 |
| Total Pension Liability – Ending (a) | \$ 364,167 | \$ 345,944 | \$ 323,147 | \$ 306,889 | \$ 291,334 |
| Plan Fiduciary Net Position | | | | | |
| Contributions – Employer | \$ 11,773 | \$ 10,467 | \$ 9,569 | \$ 8,430 | \$ 7,185 |
| Contributions – Employees | 3,100 | 3,117 | 2,855 | 2,741 | 2,511 |
| Net Investment Income | 16,136 | (21,483) | 52,638 | 11,115 | 13,809 |
| Benefit Payments, Including Refunds of Employee Contributions | (15,860) | (14,694) | (13,708) | (12,655) | (11,807) |
| Administrative Expense | (193) | (176) | (232) | (314) | (151) |
| Other Miscellaneous Income / (Expense) ⁽¹⁾ | - | - | - | - | - |
| Net Change in Fiduciary Net Position | 14,956 | (22,769) | 51,122 | 9,317 | 11,547 |
| Plan Fiduciary Net Position – Beginning ⁽²⁾ | 260,537 | 283,306 | 232,184 | 222,867 | 211,320 |
| Plan Fiduciary Net Position – Ending (b) | \$ 275,493 | \$ 260,537 | \$ 283,306 | \$ 232,184 | \$ 222,867 |
| Plan Net Pension Liability – Ending (a) - (b) | \$ 88,674 | \$ 85,407 | \$ 39,841 | \$ 74,705 | \$ 68,467 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.65% | 75.31% | 87.67% | 75.66% | 76.50% |
| Covered Payroll | \$ 40,357 | \$ 39,474 | \$ 38,702 | \$ 37,389 | \$ 33,758 |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 219.72% | 216.36% | 102.94% | 199.80% | 202.82% |

Exhibit "A"
Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024
 (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 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 5,098 | \$ 4,825 | \$ 4,066 | \$ 4,005 | \$ 3,942 |
| Interest | 18,570 | 17,806 | 17,092 | 16,343 | 15,436 |
| Changes of Benefit Terms | - | - | - | - | - |
| Changes of Assumptions | (1,605) | 15,182 | - | (4,127) | - |
| Difference between Expected and Actual Experience | (235) | (1,702) | (1,856) | 530 | - |
| Benefit Payments, Including Refunds of Employee Contributions | (10,770) | (9,721) | (9,089) | (8,365) | (7,631) |
| Net Change in Total Pension Liability | 11,058 | 26,390 | 10,213 | 8,386 | 11,747 |
| Total Pension Liability – Beginning | 264,399 | 238,009 | 227,796 | 219,410 | 207,663 |
| Total Pension Liability – Ending (a) | \$ 275,457 | \$ 264,399 | \$ 238,009 | \$ 227,796 | \$ 219,410 |
| Plan Fiduciary Net Position | | | | | |
| Contributions – Employer | \$ 6,157 | \$ 5,450 | \$ 4,926 | \$ 4,524 | \$ 4,330 |
| Contributions – Employees | 2,401 | 2,280 | 2,519 | 2,170 | 2,712 |
| Net Investment Income | 16,707 | 20,205 | 946 | 4,049 | 26,787 |
| Benefit Payments, Including Refunds of Employee Contributions | (10,770) | (9,721) | (9,089) | (8,365) | (7,632) |
| Administrative Expense | (308) | (265) | (110) | (208) | - |
| Other Miscellaneous Income / (Expense) ⁽¹⁾ | (585) | - | - | - | - |
| Net Change in Fiduciary Net Position | 13,602 | 17,949 | (808) | 2,170 | 26,197 |
| Plan Fiduciary Net Position – Beginning ⁽²⁾ | 197,718 | 179,769 | 180,577 | 178,407 | 152,210 |
| Plan Fiduciary Net Position – Ending (b) | \$ 211,320 | \$ 197,718 | \$ 179,769 | \$ 180,577 | \$ 178,407 |
| Plan Net Pension Liability – Ending (a) - (b) | \$ 64,137 | \$ 66,681 | \$ 58,240 | \$ 47,219 | \$ 41,003 |
| | | | | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 76.72% | 74.78% | 75.53% | 79.27% | 81.31% |
| | | | | | |
| Covered Payroll | \$ 32,213 | \$ 30,823 | \$ 28,802 | \$ 27,596 | \$ 26,264 |
| | | | | | |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 199.10% | 216.33% | 202.21% | 171.11% | 156.12% |

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

(2) Includes any beginning of year adjustment.

Exhibit "A"
Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024
 (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)**

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

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

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes of Assumptions: There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15 percent to 6.90 percent. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65 percent for measurement dates June 30, 2015 through June 30, 2016, and 7.50 percent for measurement date June 30, 2014.

(b) Schedule of Contributions (in thousands)

| Fiscal Year Ended June 30 | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|-----------|-----------|-----------|-----------|-----------|
| Actuarially Determined Contribution ⁽¹⁾ | \$ 12,026 | \$ 11,773 | \$ 10,467 | \$ 9,569 | \$ 8,430 |
| Contributions in Relation to the Actuarially Determined Contribution ⁽¹⁾ | (12,026) | (11,773) | (10,467) | (9,569) | (8,430) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 44,704 | \$ 40,357 | \$ 39,474 | \$ 38,702 | \$ 37,389 |
| Contributions as a Percentage of Covered Payroll | 26.90% | 29.17% | 26.52% | 24.72% | 22.55% |
| Fiscal Year Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Actuarially Determined Contribution ⁽¹⁾ | \$ 7,185 | \$ 6,157 | \$ 5,450 | \$ 4,926 | \$ 4,524 |
| Contributions in Relation to the Actuarially Determined Contribution ⁽¹⁾ | (7,185) | (6,157) | (5,450) | (4,926) | (4,524) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 33,758 | \$ 32,213 | \$ 30,823 | \$ 28,802 | \$ 27,596 |
| Contributions as a Percentage of Covered Payroll | 21.28% | 19.11% | 17.68% | 17.10% | 16.39% |

⁽¹⁾ 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.

Exhibit "A"
Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024
 (Continued)

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

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

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2024 were from the June 30, 2021 funding valuation report.

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | Level Percent of Payroll |
| Asset Valuation Method | Fair Value of Assets |
| Price Inflation | 2.30% |
| Salary Increases | Varies by Entry Age and Service |
| | |
| Payroll Growth | 2.80% |
| Investment Rate of Return | 6.80% (net of investment and administrative expenses) |
| Retirement Age | The probabilities of Retirement are based on the 2021 CalPERS Experience Study. |
| Mortality | The probabilities of mortality are based on the 2021 CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 15 years of projected on-going mortality improvement using 80% of the Society of Actuaries’ scale MP-2020. |

Changes in Assumptions: On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumptions for Public Agencies. These new assumptions are incorporated in this actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new asset portfolio as part of its Asset Liability Management process. The new asset mix supports a 6.80 percent discount rate, which reflects a change in the price inflation assumption to 2.30 percent.

Subsequent Event: The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2021. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

The projected employer contributions are calculated under the assumption that the discount rate remains at 6.8 percent going forward and that the realized rate of return on assets for FY 2021-22 is 6.8 percent.

This actuarial valuation report reflects statutory changes, regulatory changes, and board actions through January 2022. Any subsequent changes or actions are not reflected.

Exhibit "A"
Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024
 (Continued)

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

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

| PEMHCA | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| Measurement Date: June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 877 | \$ 1,245 | \$ 1,194 | \$ 671 | \$ 594 | \$ 472 | \$ 549 |
| Interest | 574 | 439 | 420 | 484 | 479 | 364 | 310 |
| Changes of Assumptions | (257) | (3,342) | 157 | 2,957 | 727 | 682 | (1,173) |
| Expected vs. Actual Experience | - | (1,542) | - | 1,005 | - | 951 | - |
| Benefit Payments | (513) | (532) | (493) | (467) | (377) | (343) | (304) |
| Net Change in Total OPEB Liability | 681 | (3,732) | 1,278 | 4,650 | 1,423 | 2,126 | (618) |
| Total OPEB Liability – Beginning | 15,600 | 19,332 | 18,054 | 13,404 | 11,981 | 9,855 | 10,473 |
| Total OPEB Liability – Ending | \$ 16,281 | \$ 15,600 | \$ 19,332 | \$ 18,054 | \$ 13,404 | \$ 11,981 | \$ 9,855 |
| Covered Employee Payroll | \$ 48,115 | \$ 41,479 | \$ 42,831 | \$ 42,190 | \$ 37,226 | \$ 35,629 | \$ 30,823 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 33.84% | 37.61% | 45.14% | 42.79% | 36.01% | 33.63% | 31.97% |

| RHCRP | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement Date: June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 185 | \$ 234 | \$ 225 | \$ 176 | \$ 161 | \$ 148 | \$ 161 |
| Interest | 118 | 80 | 81 | 113 | 125 | 112 | 94 |
| Changes of Benefit Terms | 1,018 | - | - | - | - | - | - |
| Changes of Assumptions | (30) | (333) | 11 | 263 | 69 | 1 | (136) |
| Expected vs. Actual Experience | - | (42) | - | 164 | - | 125 | - |
| Benefit Payments | (291) | (263) | (288) | (361) | (332) | (306) | (286) |
| Net Change in Total OPEB Liability | 1,000 | (324) | 29 | 355 | 23 | 80 | (167) |
| Total OPEB Liability – Beginning | 3,289 | 3,613 | 3,584 | 3,229 | 3,206 | 3,126 | 3,293 |
| Total OPEB Liability – Ending | \$ 4,289 | \$ 3,289 | \$ 3,613 | \$ 3,584 | \$ 3,229 | \$ 3,206 | \$ 3,126 |
| Covered Employee Payroll | \$ 48,036 | \$ 41,361 | \$ 42,795 | \$ 41,634 | \$ 36,529 | \$ 35,629 | \$ 30,823 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 8.93% | 7.95% | 8.44% | 8.61% | 8.84% | 9.00% | 10.14% |

| Death Benefit | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement Date: June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 39 | \$ 39 | \$ 38 | \$ 29 | \$ 27 | \$ 28 | \$ 32 |
| Interest | 53 | 39 | 39 | 57 | 58 | 58 | 47 |
| Changes of Assumptions | (11) | (332) | 6 | 160 | 41 | (10) | (92) |
| Expected vs. Actual Experience | - | (76) | - | (116) | - | (168) | - |
| Benefit Payments | - | (20) | (20) | - | (10) | (20) | (10) |
| Net Change in Total OPEB Liability | 81 | (350) | 63 | 130 | 116 | (112) | (23) |
| Total OPEB Liability – Beginning | 1,444 | 1,794 | 1,731 | 1,601 | 1,485 | 1,597 | 1,620 |
| Total OPEB Liability – Ending | \$ 1,525 | \$ 1,444 | \$ 1,794 | \$ 1,731 | \$ 1,601 | \$ 1,485 | \$ 1,597 |
| Covered Employee Payroll | \$ 16,852 | \$ 16,167 | \$ 16,053 | \$ 18,712 | \$ 18,455 | \$ 19,775 | \$ 16,028 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 9.05% | 8.93% | 11.18% | 9.25% | 8.68% | 7.51% | 9.96% |

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

Exhibit "A"
Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2024
(Continued)

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

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

Benefit Changes:

In February 2023 the Board approved a \$200 increase for each tier for retirement after June 30, 2023.

Changes of Assumptions:

For the fiscal year ended June 30, 2023 measurement period, the discount rate was 3.65 percent based on municipal bond rate.

For the fiscal year ended June 30, 2022 measurement period, the discount rate was 3.54 percent based on municipal bond rate. The inflation rate decreased from 2.75 percent was 2.50 percent. CalPERS 2000-2019 experience study was used. Medical and PEMHCA minimum trends were updated. Participation assumption was updated. Mortality improvement scale was updated to Scale MP-2021.

For the fiscal year ended June 30, 2021 measurement period, the discount rate was 2.16 percent based on municipal bond rate.

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

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

For the fiscal year ended June 30, 2018 measurement period, the discount rate was 3.87 percent based on municipal bond rate. CalPERS 1997-2015 Experience Study was used. 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. 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. Participation at retirement for medical coverage was updated to 70% if eligible for RHCRP. A 2% load on the cash liability was added to estimate the ACA Excise Tax.

For the fiscal year ended June 30, 2017 measurement period, the discount rate was 3.58 percent based on municipal bond rate.

Exhibit "A"

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Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2024

Exhibit "A"

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

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

- Net Position
- Changes in Net Position

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

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

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

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

Exhibit "A"

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 | | | | |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| | 2015⁽¹⁾ | 2016⁽²⁾ | 2017⁽³⁾ | 2018⁽⁴⁾ | 2019 |
| Assets | | | | | |
| Current and other assets | \$ 332.9 | \$ 456.6 | \$ 735.1 | \$ 797.4 | \$ 803.8 |
| Capital assets | 1,647.4 | 1,731.6 | 1,848.3 | 1,890.8 | 1,958.7 |
| Total assets | 1,980.3 | 2,188.2 | 2,583.4 | 2,688.2 | 2,762.5 |
| Deferred Outflows of Resources | 43.3 | 49.7 | 61.6 | 41.7 | 41.2 |
| Liabilities | | | | | |
| Current and other liabilities | 51.5 | 65.4 | 78.5 | 52.5 | 53.8 |
| Long-term liabilities | 602.8 | 589.8 | 790.9 | 831.7 | 817.4 |
| Total liabilities | 654.3 | 655.2 | 869.4 | 884.2 | 871.2 |
| Deferred Inflows of Resources | 14.6 | 4.4 | 3.6 | 4.8 | 4.5 |
| Net Position | | | | | |
| Net investment in capital assets | 1,074.6 | 1,178.5 | 1,087.9 | 1,155.5 | 1,238.8 |
| Restricted net position | 280.1 | 399.8 | 684.1 | 685.4 | 689.2 |
| Total net position | \$ 1,354.7 | \$ 1,578.3 | \$ 1,772.0 | \$ 1,840.9 | \$ 1,928.0 |

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

(in millions)

(Continued)

| | Fiscal Year | | | | |
|---------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Assets | | | | | |
| Current and other assets | \$ 828.7 | \$ 869.0 | \$ 882.3 | \$ 876.7 | \$ 941.3 |
| Capital assets | 1,987.8 | 2,023.8 | 2,029.8 | 2,081.7 | 2,111.7 |
| Total assets | 2,816.5 | 2,892.8 | 2,912.1 | 2,958.4 | 3,053.0 |
| Deferred Outflows of Resources | 47.6 | 44.9 | 32.1 | 48.3 | 44.4 |
| Liabilities | | | | | |
| Current and other liabilities | 56.0 | 64.4 | 69.9 | 60.2 | 67.2 |
| Long-term liabilities | 812.4 | 797.4 | 732.8 | 747.0 | 725.5 |
| Total liabilities | 868.4 | 861.8 | 802.7 | 807.2 | 792.7 |
| Deferred Inflows of Resources | 3.9 | 1.7 | 29.5 | 10.0 | 9.1 |
| Net Position | | | | | |
| Net investment in capital assets | 1,283.8 | 1,336.7 | 1,362.3 | 1,434.5 | 1,485.0 |
| Restricted net position | 708.0 | 737.5 | 749.7 | 755.0 | 810.6 |
| Total net position | \$ 1,991.8 | \$ 2,074.2 | \$ 2,112.0 | \$ 2,189.5 | \$ 2,295.6 |

Source: Irvine Ranch Water District 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 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.
- (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.

Exhibit "A"

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

(in millions)

| | Fiscal Year | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|-------------------|
| | 2015 ⁽¹⁾ | 2016 ⁽²⁾ | 2017 ⁽³⁾ | 2018 ⁽⁴⁾ | 2019 |
| Operating Revenues | | | | | |
| Water sales and service charges | \$ 70.1 | \$ 76.7 | \$ 77.2 | \$ 84.6 | \$ 94.1 |
| Sewer sales and service charges | 62.8 | 67.7 | 72.1 | 76.8 | 76.8 |
| Total operating revenues | 132.9 | 144.4 | 149.3 | 161.4 | 170.9 |
| Operating Expenses | | | | | |
| Water services expenses | 67.3 | 69.3 | 71.2 | 82.5 | 83.9 |
| Sewer services expenses | 60.4 | 48.1 | 51.8 | 52.1 | 59.5 |
| Depreciation | 51.0 | 58.3 | 61.8 | 63.9 | 64.8 |
| Total operating expenses | 178.7 | 175.7 | 184.8 | 198.5 | 208.2 |
| Operating income (loss) | (45.8) | (31.3) | (35.5) | (37.1) | (37.3) |
| Nonoperating Revenues (Expenses) | | | | | |
| Property taxes | 40.2 | 46.3 | 51.3 | 57.2 | 63.1 |
| Investment income | 1.2 | 1.2 | 2.8 | 4.1 | 6.2 |
| Increase (decrease) in fair value of investments | - | - | (1.6) | (1.6) | 5.2 |
| Real estate income | 12.5 | 13.1 | 13.4 | 16.7 | 17.8 |
| Increase (decrease) in fair value of real estate investments | - | 5.6 | 10.1 | 4.1 | 6.1 |
| Pension trust interest and dividends income | - | - | - | 3.0 | 2.1 |
| Increase (decrease) in fair value of pension trust investments | - | - | - | 2.2 | 3.2 |
| OPEB trust interest and dividends income | - | - | - | - | - |
| Increase (decrease) in fair value of OPEB trust investments | - | - | - | - | - |
| Other income | 10.1 | 7.8 | 7.1 | 7.4 | 8.9 |
| Interest expense | (13.9) | (15.4) | (18.8) | (26.0) | (25.5) |
| Real estate expense | (6.3) | (4.4) | (4.4) | (13.3) | (9.4) |
| Pension trust expense | - | - | - | - | (0.1) |
| Other expenses | (9.7) | (2.8) | (1.9) | (0.2) | (2.6) |
| Total nonoperating revenue (expenses) | 34.1 | 51.4 | 58.0 | 53.6 | 75.0 |
| Income (loss) before capital contributions | (11.7) | 20.1 | 22.5 | 16.5 | 37.7 |
| Contributed capital assets | 42.6 | 53.3 | 41.9 | 60.6 | 49.4 |
| Increase (decrease) in net position | 30.9 | 73.4 | 64.4 | 77.1 | 87.1 |
| Net position at beginning of year | 1,389.6 | 1,354.7 | 1,578.3 | 1,772.0 | 1,840.9 |
| Prior period adjustments | (65.8) | 150.2 | 129.3 | (8.2) | - |
| Net position at end of year | \$ 1,354.7 | \$ 1,578.3 | \$ 1,772.0 | \$ 1,840.9 | \$ 1,928.0 |

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

(in millions)

| | Fiscal Year | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Operating Revenues | | | | | |
| Water sales and service charges | \$ 90.2 | \$ 96.6 | \$ 103.3 | \$ 103.6 | \$ 112.3 |
| Sewer sales and service charges | 77.2 | 82.2 | 84.9 | 84.7 | 94.4 |
| Total operating revenues | 167.4 | 178.8 | 188.2 | 188.3 | 206.7 |
| Operating Expenses | | | | | |
| Water services expenses | 89.4 | 101.6 | 106.4 | 110.2 | 129.0 |
| Sewer services expenses | 66.6 | 71.0 | 64.9 | 72.4 | 82.0 |
| Depreciation | 67.6 | 68.0 | 79.0 | 83.5 | 82.6 |
| Total operating expenses | 223.6 | 240.6 | 250.3 | 266.1 | 293.6 |
| Operating income (loss) | (56.2) | (61.8) | (62.1) | (77.8) | (86.9) |
| Nonoperating Revenues (Expenses) | | | | | |
| Property taxes | 66.4 | 67.7 | 70.8 | 77.0 | 81.8 |
| Investment income | 7.8 | 5.3 | (0.8) | 7.3 | 15.7 |
| Increase (decrease) in fair value of investments | 2.3 | (4.6) | (3.8) | 2.6 | 3.7 |
| Real estate income | 18.2 | 15.4 | 16.4 | 18.7 | 20.7 |
| Increase (decrease) in fair value of real estate investments | 0.6 | 25.7 | 7.6 | 7.8 | 31.4 |
| Pension trust interest and dividends income | 3.3 | 4.4 | 5.0 | 8.3 | 7.4 |
| Increase (decrease) in fair value of pension trust investments | 1.5 | 20.5 | (18.0) | 3.7 | 9.6 |
| OPEB trust interest and dividends income | - | - | - | - | 0.5 |
| Increase (decrease) in fair value of OPEB trust investments | - | - | - | - | 1.1 |
| Other income | 6.6 | 6.3 | 6.5 | 7.3 | 10.2 |
| Interest expense | (22.2) | (20.8) | (20.7) | (22.4) | (22.6) |
| Real estate expense | (5.6) | (5.6) | (6.6) | (7.3) | (8.1) |
| Pension trust expense | (0.1) | (0.1) | - | - | - |
| Other expenses | (5.2) | (1.4) | (2.8) | (2.0) | (2.1) |
| Total nonoperating revenue (expenses) | 73.6 | 112.8 | 53.6 | 101.0 | 149.3 |
| Income (loss) before capital contributions | 17.4 | 51.0 | (8.5) | 23.2 | 62.4 |
| Contributed capital assets | 46.4 | 31.4 | 46.3 | 54.3 | 43.7 |
| Increase (decrease) in net position | 63.8 | 82.4 | 37.8 | 77.5 | 106.1 |
| Net position at beginning of year | 1,928.0 | 1,991.8 | 2,074.2 | 2,112.0 | 2,189.5 |
| Prior period adjustments | - | - | - | - | - |
| Net position at end of year | \$ 1,991.8 | \$ 2,074.2 | \$ 2,112.0 | \$ 2,189.5 | \$ 2,295.6 |

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 | | | | |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Residential | 32,375 | 28,573 | 30,384 | 32,848 | 31,642 |
| Commercial | 8,391 | 8,377 | 8,179 | 8,769 | 8,624 |
| Industrial | 6,233 | 5,118 | 5,084 | 4,923 | 4,831 |
| Public Authority | 2,583 | 2,234 | 2,282 | 2,633 | 2,369 |
| Construction & Temporary | 863 | 1,230 | 874 | 1,292 | 542 |
| Landscape | 5,327 | 3,843 | 4,126 | 4,740 | 4,065 |
| Agricultural | 2,547 | 2,216 | 1,856 | 1,839 | 1,114 |
| Landscape/Agricultural | 32,139 | 26,386 | 26,374 | 29,736 | 26,153 |
| Total | 90,458 | 77,977 | 79,159 | 86,780 | 79,340 |

| | Fiscal Year | | | | |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Residential | 33,073 | 35,851 | 34,787 | 31,943 | 32,258 |
| Commercial | 7,818 | 7,744 | 7,871 | 7,785 | 8,092 |
| Industrial | 4,636 | 4,819 | 4,931 | 4,567 | 4,367 |
| Public Authority | 1,972 | 1,617 | 1,857 | 2,157 | 2,177 |
| Construction & Temporary | 480 | 543 | 688 | 498 | 331 |
| Landscape | 4,229 | 5,014 | 4,949 | 3,748 | 3,471 |
| Agricultural | 1,013 | 471 | 399 | 291 | 312 |
| Landscape/Agricultural | 29,659 | 31,042 | 30,298 | 25,055 | 25,314 |
| Total | 82,880 | 87,101 | 85,780 | 76,044 | 76,322 |

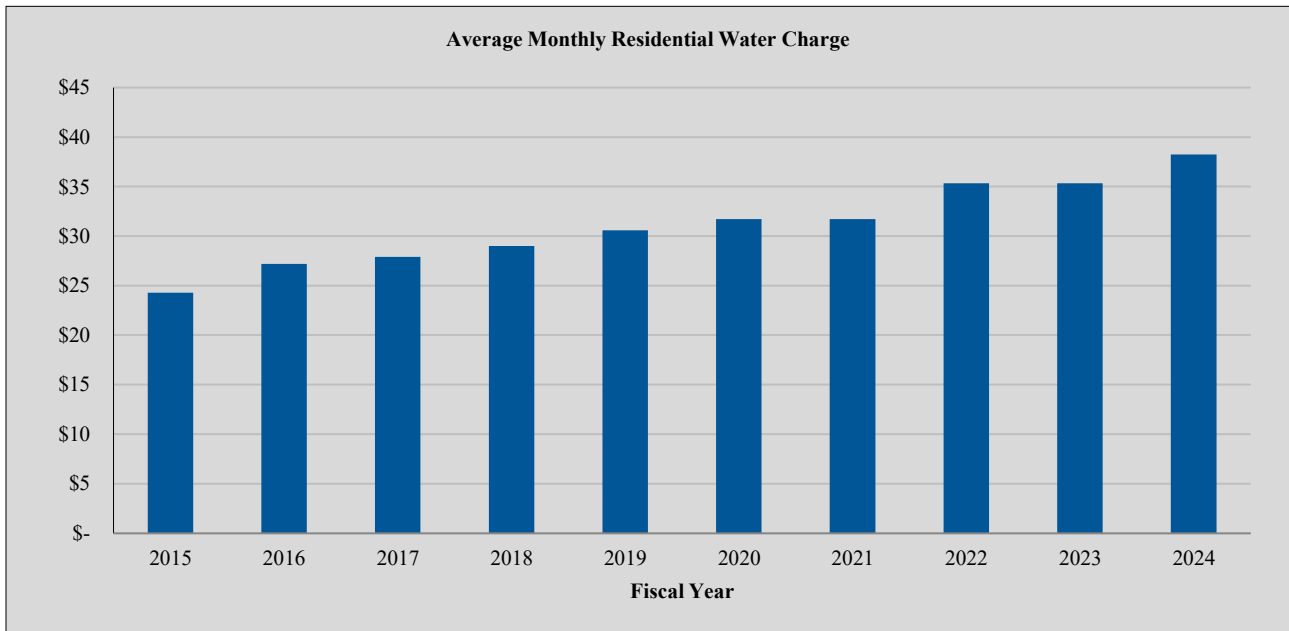
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates ⁽¹⁾

For the Past Ten Fiscal Years

| Fiscal Year | Fixed Service Charge | Base Commodity Rate (per ccf) | Average Monthly Residential Charge |
|---------------------|-----------------------------|--------------------------------------|---|
| 2015 | \$ 10.50 | \$ 1.34 | \$ 24.28 |
| 2016 | 10.30 | 1.62 | 27.19 |
| 2017 | 10.30 | 1.65 | 27.90 |
| 2018 | 10.30 | 1.70 | 29.00 |
| 2019 | 10.35 | 1.89 | 30.58 |
| 2020 | 10.35 | 2.00 | 31.70 |
| 2021 | 10.35 | 2.00 | 31.70 |
| 2022 ⁽²⁾ | 10.75 | 2.42 | 35.34 |
| 2023 | 10.75 | 2.42 | 35.34 |
| 2024 | 11.85 | 2.52 | 38.24 |



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The water charge to the typical residential customer is based upon an average of 12 ccf per month. The first 5 ccf are at the District's low volume rate, which is \$0.77 less than the commodity base rate in FY 2024.

The fixed monthly service charge includes components that are added to enhancement and replacement funds for future inevitable repair and replacement of IRWD's infrastructure.

⁽²⁾ Rate increase effective February 1, 2022 to June 2023.

Exhibit "A"

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

| Customer Name | 2024 | | | 2015 | | |
|------------------------------------|----------------------|------|------------------------------------|----------------------|------|------------------------------------|
| | Total Sales | Rank | Percentage of Water Sales Revenues | Total Sales | Rank | Percentage of Water Sales Revenues |
| The Irvine Company | \$ 10,081,791 | 1 | 8.97% | \$ 4,683,448 | 1 | 6.68% |
| University of California - Irvine | 5,417,843 | 2 | 4.83% | 1,644,733 | 3 | 2.35% |
| Jazz Semiconductor | 1,560,311 | 3 | 1.39% | 728,473 | 4 | 1.04% |
| B Braun Medical, Inc | 1,479,819 | 4 | 1.32% | 596,032 | 5 | 0.85% |
| Woodbridge Village Association | 615,910 | 5 | 0.55% | 584,581 | 6 | 0.83% |
| Allergan Sales, LLC | 488,954 | 6 | 0.44% | | | |
| City of Irvine | 474,277 | 7 | 0.42% | 1,926,487 | 2 | 2.75% |
| Maruchan, Inc | 467,689 | 8 | 0.42% | | | |
| Irvine Unified School District | 429,625 | 9 | 0.38% | 565,095 | 7 | 0.81% |
| Garden Communities | 345,552 | 10 | 0.31% | | | |
| Crystal Cove Community Association | | | | 299,655 | 8 | 0.43% |
| Caltrans District 12 | | | | 296,579 | 9 | 0.42% |
| Los Olivos Apartments | | | | 296,165 | 10 | 0.42% |
| Total | \$ 21,361,769 | | 19.01% | \$ 11,621,248 | | 16.58% |

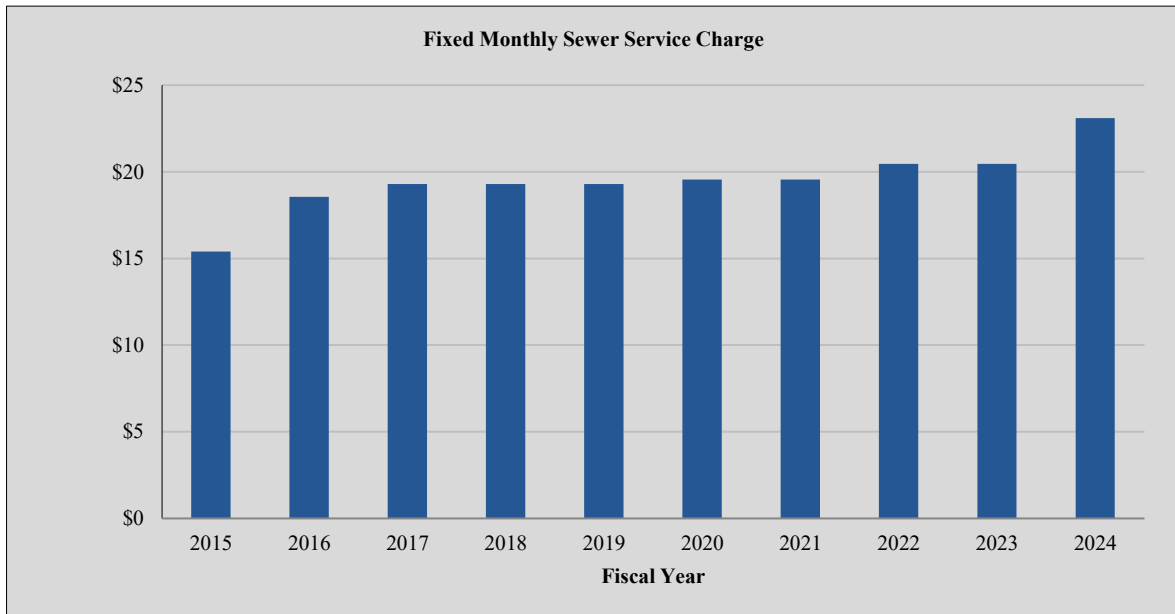
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

| Fiscal Year | Fixed Monthly Service Charge |
|---------------------|-------------------------------------|
| 2015 | \$ 15.40 |
| 2016 | 18.55 |
| 2017 | 19.30 |
| 2018 | 19.30 |
| 2019 | 19.30 |
| 2020 | 19.55 |
| 2021 | 19.55 |
| 2022 ⁽²⁾ | 20.45 |
| 2023 | 20.45 |
| 2024 | 23.10 |



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The fixed monthly sewer service charge is based on a typical residential customer's water usage for the lowest three months in the prior calendar year. The fixed monthly service charge includes components that are added to enhancement and replacement funds for future inevitable repair and replacement of IRWD's infrastructure.

⁽²⁾ Rate increase effective February 1, 2022 to June 2023.

Exhibit "A"

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

| Customer Name | 2024 | | | 2015 | | |
|--------------------------------------|----------------------|------|------------------------------------|----------------------|------|------------------------------------|
| | Total Sales | Rank | Percentage of Sewer Sales Revenues | Total Sales | Rank | Percentage of Sewer Sales Revenues |
| The Irvine Company | \$ 14,590,479 | 1 | 15.46% | \$ 3,210,461 | 1 | 5.11% |
| City of Irvine | 3,095,438 | 2 | 3.28% | 2,352,525 | 2 | 3.75% |
| University of California - Irvine | 2,845,358 | 3 | 3.01% | 1,845,757 | 3 | 2.94% |
| B Braun Medical, Inc | 1,013,616 | 4 | 1.07% | 629,363 | 6 | 1.00% |
| Irvine Unified School District | 843,052 | 5 | 0.89% | 556,324 | 7 | 0.89% |
| Crystal Cove Community Association | 502,640 | 6 | 0.53% | | | |
| ERP Operating, LP | 417,409 | 7 | 0.44% | | | |
| Great Park Neighborhoods Association | 415,196 | 8 | 0.44% | | | |
| Maruchan INC | 397,812 | 9 | 0.42% | | | |
| City of Tustin | 353,140 | 10 | 0.37% | | | |
| Westpark Maintenance District | | | | 1,150,337 | 4 | 1.83% |
| Caltrans | | | | 864,338 | 5 | 1.38% |
| Hertiage Fields, LLC | | | | 376,753 | 8 | 0.60% |
| Royalty Carpet Mills | | | | 356,983 | 9 | 0.57% |
| Allergan Sales, LLC | | | | 292,679 | 10 | 0.47% |
| Total | \$ 24,474,140 | | 25.91% | \$ 11,635,520 | | 18.54% |

Source: Irvine Ranch Water District

Exhibit "A"

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

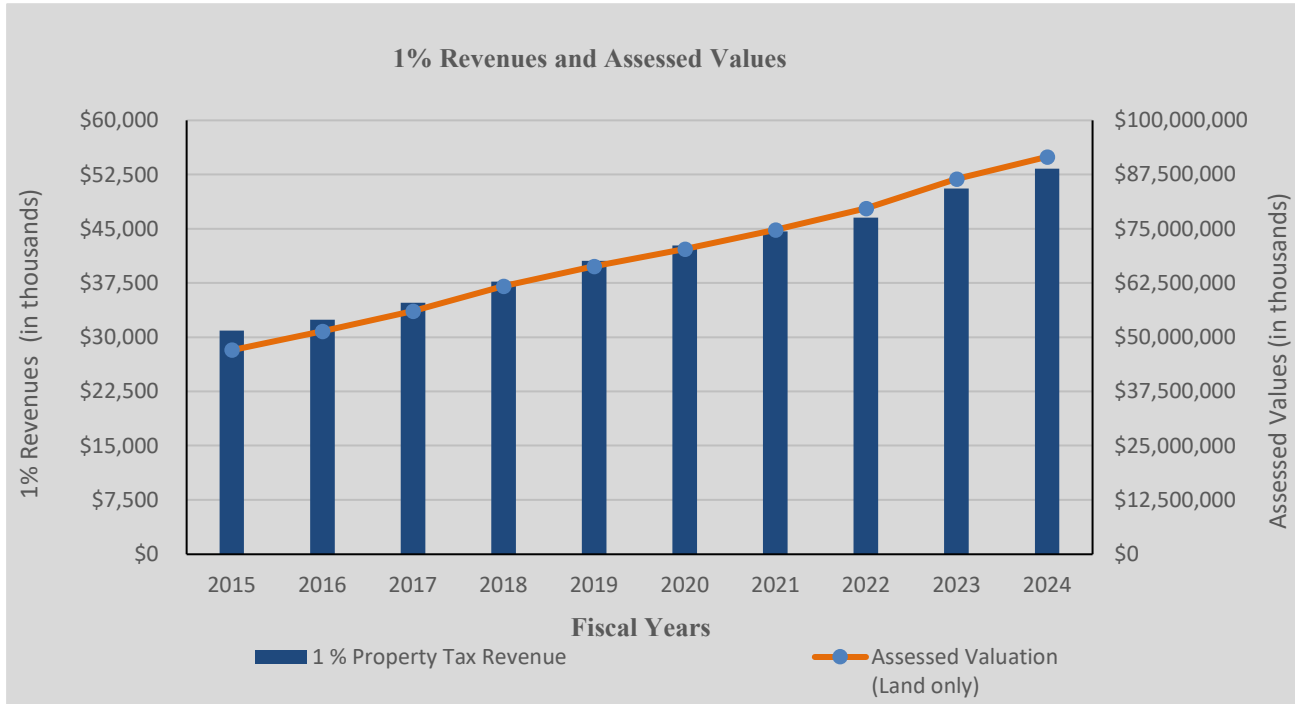
| Improvement District | Fiscal Year | | | | | | | | | |
|-------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 112 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.01560 | \$0.01100 | \$0.01100 | \$0.01100 |
| 113 | 0.03000 | 0.03000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 |
| 125 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.00850 |
| 153 | 0.00001 | 0.00001 | 0.00001 | 0.02000 | 0.02000 | 0.02000 | 0.00900 | 0.00900 | 0.00900 | 0.00100 |
| 185 | 0.00001 | 0.00001 | 0.00001 | 0.02300 | 0.02300 | 0.02300 | 0.00810 | 0.00810 | 0.00810 | 0.00810 |
| 188 | 0.21540 | 0.21540 | 0.21540 | 0.07350 | 0.07350 | 0.07350 | 0.03090 | 0.03090 | 0.03090 | 0.03090 |
| 212 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04860 | 0.03650 | 0.03650 | 0.03650 |
| 213 | 0.03800 | 0.03800 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 |
| 225 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01950 |
| 240 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01950 |
| 252 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 |
| 253 | 0.00001 | 0.00001 | 0.00001 | 0.02100 | 0.02100 | 0.02100 | 0.01300 | 0.01300 | 0.01300 | 0.02100 |
| 285 | 0.00001 | 0.00001 | 0.00001 | 0.03050 | 0.03050 | 0.03050 | 0.01370 | 0.01370 | 0.01370 | 0.01370 |
| 288 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.00850 | 0.00850 | 0.00850 | 0.00850 |

Source: Irvine Ranch Water District

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 |
|-------------|-----------------------------------|--------------------------|
| 2015 | \$ 47,059,437 | \$ 30,924 |
| 2016 | 51,340,888 | 32,427 |
| 2017 | 56,028,731 | 34,761 |
| 2018 | 61,803,980 | 37,693 |
| 2019 | 66,341,210 | 40,543 |
| 2020 | 70,305,737 | 42,669 |
| 2021 | 74,770,230 | 44,621 |
| 2022 | 79,714,452 | 46,530 |
| 2023 | 86,464,986 | 50,548 |
| 2024 | 91,578,795 | 53,297 |



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, 2024

Direct Rates:

| | |
|--|-----------|
| Irvine Ranch Water District I.D. No. 112 | \$0.01100 |
| Irvine Ranch Water District I.D. No. 113 | 0.04000 |
| Irvine Ranch Water District I.D. No. 125 | 0.00850 |
| Irvine Ranch Water District I.D. No. 153 | 0.00100 |
| Irvine Ranch Water District I.D. No. 185 | 0.00810 |
| Irvine Ranch Water District I.D. No. 188 | 0.03090 |
| Irvine Ranch Water District I.D. No. 212 | 0.03650 |
| Irvine Ranch Water District I.D. No. 213 | 0.05900 |
| Irvine Ranch Water District I.D. No. 225 | 0.01950 |
| Irvine Ranch Water District I.D. No. 240 | 0.01950 |
| 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 | 0.01370 |
| Irvine Ranch Water District I.D. No. 288 | 0.00850 |

Overlapping Rates:

School Districts:

| | |
|---|---------|
| Coast Community College District | 0.02850 |
| Rancho Santiago Community College District | 0.02666 |
| Rancho Santiago Community College District SFID 1 | 0.01889 |
| Irvine Unified School District SFID No. 1 | 0.02391 |
| Laguna Beach Unified School District | 0.00883 |
| Newport Mesa Unified School District | 0.01630 |
| Orange Unified School District | 0.02533 |
| Saddleback Valley Unified School District | 0.02037 |
| Santa Ana Unified School District | 0.05893 |
| Tustin Unified School District SFID 2002-1 | 0.01973 |
| Tustin Unified School District SFID 2008-1 | 0.02294 |
| Tustin Unified School District SFID 2012-1 | 0.01195 |

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2024

| Property Owner's Name | Assessed Valuation of Property, including Land & Improvements | Percentage of Total City Taxable Assessed Value |
|----------------------------------|--|--|
| The Irvine Company | \$ 2,348,311,416 | 2.34% |
| LBA IV-PPI LLC | 723,762,922 | 0.72% |
| B Braun Medical Inc | 601,979,563 | 0.60% |
| Allergan USA Inc | 551,243,778 | 0.55% |
| Edwards Lifesciences LLC | 525,175,008 | 0.52% |
| Irvine Apartment Communities LP | 471,540,764 | 0.47% |
| Jamboree Center LLC | 442,888,807 | 0.44% |
| Irvine Office Towers LLC | 424,155,721 | 0.42% |
| Park Place Michelson LLC | 391,731,858 | 0.39% |
| ParkI/II Spectrum LLC | 381,147,282 | 0.38% |
| | \$ 6,861,937,119 | 6.83% |

Source: City of Irvine Annual Comprehensive Financial Report
(Fiscal Year Ended June 30, 2023).
Data was not yet available for FY 2023/24 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⁾ |
| 2015 | \$ 29,000,000 | \$ 9,203,641 | \$ 28,668,756 | \$ 9,585,904 |
| 2016 | 31,900,000 | 11,133,538 | 31,115,506 | 10,879,713 |
| 2017 | 33,500,000 | 11,679,081 | 33,318,168 | 12,822,313 |
| 2018 | 35,000,000 | 13,964,731 | 35,977,694 | 15,482,916 |
| 2019 | 39,000,000 | 16,142,433 | 38,717,848 | 17,906,438 |
| 2020 | 45,000,000 | 18,480,090 | 40,739,166 | 19,603,125 |
| 2021 | 46,000,000 | 18,367,833 | 42,670,804 | 18,868,884 |
| 2022 | 50,000,000 | 18,933,891 | 47,107,934 | 16,600,820 |
| 2023 | 51,500,000 | 21,691,577 | 47,795,279 | 21,453,267 |
| 2024 | 54,600,000 | 24,300,000 | 50,582,191 | 24,369,008 |
| Total | \$ 415,500,000 | \$ 163,896,815 | \$ 396,693,346 | \$ 167,572,388 |

| Fiscal Year | Percentage Collected | | Amount of Levy Collected in Subsequent Periods | |
|--------------|----------------------|--------------------|--|----------------------|
| | 1 Percent | General Obligation | 1 Percent | General Obligation |
| 2015 | 98.86% | 104.15% | \$ 2,275,461 | \$ 4,888 |
| 2016 | 97.54% | 97.72% | 1,192,700 | 884,301 |
| 2017 | 99.46% | 109.79% | 1,230,854 | 1,443,272 |
| 2018 | 102.79% | 110.87% | 1,542,713 | 1,635,416 |
| 2019 | 99.28% | 110.93% | 1,510,697 | 1,911,630 |
| 2020 | 90.53% | 106.08% | 1,749,765 | 1,515,136 |
| 2021 | 92.76% | 102.73% | 2,072,539 | 1,183,562 |
| 2022 | 94.22% | 87.68% | 2,254,923 | 989,922 |
| 2023 | 92.81% | 98.90% | 2,865,206 | 1,471,983 |
| 2024 | 92.64% | 100.28% | 1,422,024 | 1,157,139 |
| Total | | | \$ 18,116,883 | \$ 12,197,250 |

Source County of Orange Tax Ledger

Notes:

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

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

| Fiscal Year | Total Service Connections ⁽²⁾ | General Obligation Bonds | GO Debt per Connection | Certificates of Participation | COPS Debt per Connection |
|--------------------|---|---------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| 2015 | 203,762 | \$ 503,800,000 | \$ 2,472 | \$ 67,293,000 | \$ 330 |
| 2016 | 209,267 | 491,200,000 | 2,347 | 60,387,000 | 289 |
| 2017 | 215,573 | 608,118,000 | 2,821 | 153,626,000 | 713 |
| 2018 | 222,918 | 586,493,000 | 2,631 | 150,275,000 | 674 |
| 2019 | 227,749 | 574,669,000 | 2,523 | 146,744,000 | 644 |
| 2020 | 231,439 | 562,645,000 | 2,431 | 143,028,000 | 618 |
| 2021 | 235,819 | 550,421,000 | 2,334 | 138,233,000 | 586 |
| 2022 | 239,735 | 535,341,000 | 2,233 | 133,182,000 | 556 |
| 2023 | 242,503 | 520,052,000 | 2,145 | 127,867,000 | 527 |
| 2024 | 244,713 | 504,353,000 | 2,061 | 122,271,000 | 500 |

Irvine Ranch Water District

Outstanding Debt by Type ⁽¹⁾

For the Past Ten Fiscal Years

(Continued)

| Fiscal Year | Notes Payable | Notes Payable per Connection | Leases and Subscription Payable | Leases and Subscription Payable per Connection | Total Debt | Total Debt per Connection |
|--------------------|----------------------|-------------------------------------|--|---|-------------------|----------------------------------|
| 2015 | \$ 1,728,000 | \$ 8 | \$ - | \$ - | \$ 572,821,000 | \$ 2,811 |
| 2016 | 1,469,000 | 7 | - | - | 553,056,000 | 2,643 |
| 2017 | 1,209,000 | 6 | - | - | 762,953,000 | 3,539 |
| 2018 | 947,000 | 4 | - | - | 737,715,000 | 3,309 |
| 2019 | 684,000 | 3 | - | - | 722,097,000 | 3,171 |
| 2020 | 419,000 | 2 | - | - | 706,092,000 | 3,051 |
| 2021 | 347,000 | 1 | - | - | 689,001,000 | 2,922 |
| 2022 | 273,000 | 1 | 494,000 | 2 | 669,290,000 | 2,792 |
| 2023 | 197,000 | 1 | 715,000 | 3 | 648,831,000 | 2,676 |
| 2024 | 119,000 | 0 | 1,389,000 | 6 | 628,132,000 | 2,567 |

Source: Irvine Ranch Water District

Notes:

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

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

Exhibit "A"

Irvine Ranch Water District
 Outstanding General Obligation Bonds by Improvement District
 As of June 30, 2024

| Improvement District | General Obligation Bonds Authorized | General Obligation Bonds Issued | Remaining Unissued General Obligation Bonds Authorized | Amount Outstanding as of June 30, 2024 |
|----------------------|-------------------------------------|---------------------------------|--|--|
| 112 | \$ 28,512,300 | \$ 8,111,000 | \$ 20,401,300 | \$ 6,863,000 |
| 113 | 25,769,500 | 16,300,000 | 9,469,500 | 12,706,000 |
| 125 | 735,246,000 | 429,729,000 | 305,517,000 | 159,799,000 |
| 153 | 237,300,000 | 7,601,000 | 229,699,000 | 7,102,000 |
| 154 | 4,839,000 | - | 4,839,000 | - |
| 185 | 13,500,000 | 1,493,000 | 12,007,000 | 1,395,000 |
| 188 | 8,174,000 | 4,590,000 | 3,584,000 | 1,550,000 |
| Total | \$ 1,053,340,800 | \$ 467,824,000 | \$ 585,516,800 | \$ 189,415,000 |
| 210 | \$ 2,000,000 | \$ 2,000,000 | \$ - | \$ - |
| 212 | 108,711,800 | 26,013,000 | 82,698,800 | 22,418,000 |
| 213 | 87,647,500 | 28,565,000 | 59,082,500 | 19,580,000 |
| 225 | 856,643,000 | 493,304,000 | 363,339,000 | 227,631,000 |
| 240 | 117,273,000 | 49,722,000 | 67,551,000 | 12,260,000 |
| 253 | 122,283,000 | 11,877,000 | 110,406,000 | 11,097,000 |
| 285 | 21,300,000 | 1,809,000 | 19,491,000 | 1,690,000 |
| 288 | 8,977,000 | 443,000 | 8,534,000 | 314,000 |
| Total | \$ 1,324,835,300 | \$ 613,733,000 | \$ 711,102,300 | \$ 294,990,000 |
| Total | \$ 2,378,176,100 | \$ 1,081,557,000 | \$ 1,296,619,100 | \$ 484,405,000 |

Source: Irvine Ranch Water District

Exhibit "A"

Irvine Ranch Water District
 Ratio of General Obligation Debt to Assessed Values
 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 | | | |
| 2015 | \$ 1,333,029,836 | \$ 5,470,000 | 0.00410343 | 2015 | \$ 1,333,029,836 | \$ 14,974,000 | 0.01123306 |
| 2016 | 1,850,638,433 | 5,378,000 | 0.00290602 | 2016 | 1,850,638,433 | 14,731,000 | 0.00795996 |
| 2017 | 2,077,681,111 | 7,658,000 | 0.00368584 | 2017 | 2,077,681,111 | 24,801,000 | 0.01193687 |
| 2018 | 2,795,881,726 | 7,567,000 | 0.00270648 | 2018 | 2,795,881,726 | 24,558,000 | 0.00878363 |
| 2019 | 3,230,805,159 | 7,476,000 | 0.00231397 | 2019 | 3,230,805,159 | 24,314,000 | 0.00752568 |
| 2020 | 3,706,557,300 | 7,384,000 | 0.00199227 | 2020 | 3,706,557,300 | 24,070,000 | 0.00649398 |
| 2021 | 3,874,872,238 | 7,293,000 | 0.00188213 | 2021 | 3,874,872,238 | 23,827,000 | 0.00614911 |
| 2022 | 4,552,071,395 | 7,152,000 | 0.00157115 | 2022 | 4,552,071,395 | 23,368,000 | 0.00513349 |
| 2023 | 4,929,961,405 | 7,009,000 | 0.00142171 | 2023 | 4,929,961,405 | 22,899,000 | 0.00464486 |
| 2024 | 5,563,257,127 | 6,863,000 | 0.00123363 | 2024 | 5,563,257,127 | 22,418,000 | 0.00402965 |
| Improvement District 113 | | | | Improvement District 213 | | | |
| 2015 | \$ 827,524,085 | \$ 13,900,000 | 0.01679709 | 2015 | \$ 827,524,085 | \$ 21,488,000 | 0.02596662 |
| 2016 | 885,391,548 | 13,638,000 | 0.01540335 | 2016 | 885,391,548 | 20,839,000 | 0.02353648 |
| 2017 | 1,031,821,023 | 14,870,000 | 0.01441141 | 2017 | 1,031,821,023 | 24,950,000 | 0.02418055 |
| 2018 | 1,143,798,184 | 14,597,000 | 0.01276187 | 2018 | 1,143,798,184 | 24,288,000 | 0.02123452 |
| 2019 | 1,186,452,170 | 14,320,000 | 0.01206960 | 2019 | 1,186,452,170 | 23,621,000 | 0.01990894 |
| 2020 | 1,283,110,993 | 14,037,000 | 0.01094015 | 2020 | 1,283,110,993 | 22,947,000 | 0.01788419 |
| 2021 | 1,334,069,673 | 13,750,000 | 0.01030681 | 2021 | 1,334,069,673 | 22,267,000 | 0.01669103 |
| 2023 | 1,408,807,895 | 13,409,000 | 0.00951798 | 2022 | 1,408,807,895 | 21,383,000 | 0.01517808 |
| 2023 | 1,588,646,528 | 13,061,000 | 0.00822146 | 2023 | 1,588,646,528 | 20,487,000 | 0.01289588 |
| 2024 | 1,724,504,898 | 12,706,000 | 0.00736791 | 2024 | 1,724,504,898 | 19,580,000 | 0.01135398 |
| Improvement District 125 | | | | Improvement District 225 | | | |
| 2015 | \$ 32,752,414,757 | \$ 187,604,000 | 0.00572794 | 2015 | \$ 27,557,606,802 | \$ 235,865,000 | 0.00855898 |
| 2016 | 35,506,392,050 | 182,932,000 | 0.00515209 | 2016 | 29,945,134,379 | 230,535,000 | 0.00769858 |
| 2017 | 38,802,873,378 | 194,719,000 | 0.00501816 | 2017 | 32,838,922,602 | 268,655,000 | 0.00818099 |
| 2018 | 42,983,731,609 | 187,049,000 | 0.00435162 | 2018 | 36,549,538,031 | 260,260,000 | 0.00712075 |
| 2019 | 45,924,240,097 | 184,083,000 | 0.00400841 | 2019 | 39,234,190,651 | 256,320,000 | 0.00653308 |
| 2020 | 48,290,836,261 | 178,837,000 | 0.00370333 | 2020 | 41,383,837,339 | 250,818,000 | 0.00606078 |
| 2021 | 50,618,755,410 | 174,616,000 | 0.00344963 | 2021 | 43,435,406,719 | 245,995,000 | 0.00566347 |
| 2023 | 54,374,081,019 | 169,762,000 | 0.00312211 | 2022 | 46,663,295,492 | 239,979,000 | 0.00514278 |
| 2023 | 58,826,902,804 | 164,842,000 | 0.00280215 | 2023 | 50,684,289,211 | 233,876,000 | 0.00461437 |
| 2024 | 62,336,527,168 | 159,799,000 | 0.00256349 | 2024 | 53,700,047,342 | 227,631,000 | 0.00423893 |

Exhibit "A"

Irvine Ranch Water District
 Ratio of General Obligation Debt to Assessed Values
 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 | | | | | | | |
| 2015 | \$ 6,031,968,996 | \$ 22,767,000 | 0.00377439 | 2015 | \$ 666,622,225 | n/a | n/a |
| 2016 | 6,449,202,772 | 21,431,000 | 0.00332305 | 2016 | 1,287,363,937 | n/a | n/a |
| 2017 | 7,000,292,817 | 21,271,000 | 0.00303859 | 2017 | 2,893,148,966 | \$ 7,601,000 | 0.00262724 |
| 2018 | 7,667,626,922 | 17,921,000 | 0.00233723 | 2018 | 4,097,566,306 | 7,601,000 | 0.00185500 |
| 2019 | 8,000,510,347 | 17,202,000 | 0.00215011 | 2019 | 5,118,350,587 | 7,601,000 | 0.00148505 |
| 2020 | 8,281,189,054 | 16,177,000 | 0.00195352 | 2020 | 5,812,018,792 | 7,601,000 | 0.00130785 |
| 2021 | 8,600,764,183 | 15,240,000 | 0.00177194 | 2021 | 6,577,643,858 | 7,601,000 | 0.00115558 |
| 2023 | 9,219,006,303 | 14,277,000 | 0.00154865 | 2022 | 7,561,167,645 | 7,443,000 | 0.00098437 |
| 2023 | 9,751,138,008 | 13,313,000 | 0.00136528 | 2023 | 8,891,276,761 | 7,276,000 | 0.00081833 |
| 2024 | 10,343,422,222 | 12,260,000 | 0.00118529 | 2024 | 9,801,263,572 | 7,102,000 | 0.00072460 |
| Improvement District 153 | | | | | | | |
| Improvement District 253 | | | | | | | |
| 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 | 7,601,000 | 0.00148505 | 2019 | 5,118,350,587 | 11,877,000 | 0.00232047 |
| 2020 | 5,812,018,792 | 7,601,000 | 0.00130785 | 2020 | 5,812,018,792 | 11,877,000 | 0.00204357 |
| 2021 | 6,577,643,858 | 7,601,000 | 0.00115558 | 2021 | 6,577,643,858 | 11,877,000 | 0.00180566 |
| 2022 | 7,561,167,645 | 7,443,000 | 0.00098437 | 2022 | 7,561,167,645 | 11,630,000 | 0.00153812 |
| 2023 | 8,891,276,761 | 7,276,000 | 0.00081833 | 2023 | 8,891,276,761 | 11,370,000 | 0.00127878 |
| 2024 | 9,801,263,572 | 7,102,000 | 0.00072460 | 2024 | 9,801,263,572 | 11,097,000 | 0.00113220 |
| Improvement District 154 | | | | | | | |
| 2015 | \$ 9,289,351 | n/a | n/a | 2015 | \$ 9,289,351 | n/a | n/a |
| 2016 | 9,266,433 | n/a | n/a | 2016 | 9,266,433 | n/a | n/a |
| 2017 | 9,376,883 | n/a | n/a | 2017 | 9,376,883 | n/a | n/a |
| 2018 | 9,529,712 | n/a | n/a | 2018 | 9,529,712 | n/a | n/a |
| 2019 | 9,720,296 | n/a | n/a | 2019 | 9,720,296 | n/a | n/a |
| 2020 | 9,914,693 | n/a | n/a | 2020 | 9,914,693 | n/a | n/a |
| 2021 | 10,017,398 | n/a | n/a | 2021 | 10,017,398 | n/a | n/a |
| 2023 | 10,217,738 | n/a | n/a | 2023 | 10,217,738 | n/a | n/a |
| 2023 | 10,389,872 | n/a | n/a | 2023 | 10,389,872 | n/a | n/a |
| 2024 | 10,600,716 | n/a | n/a | 2024 | 10,600,716 | n/a | n/a |

Exhibit "A"

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

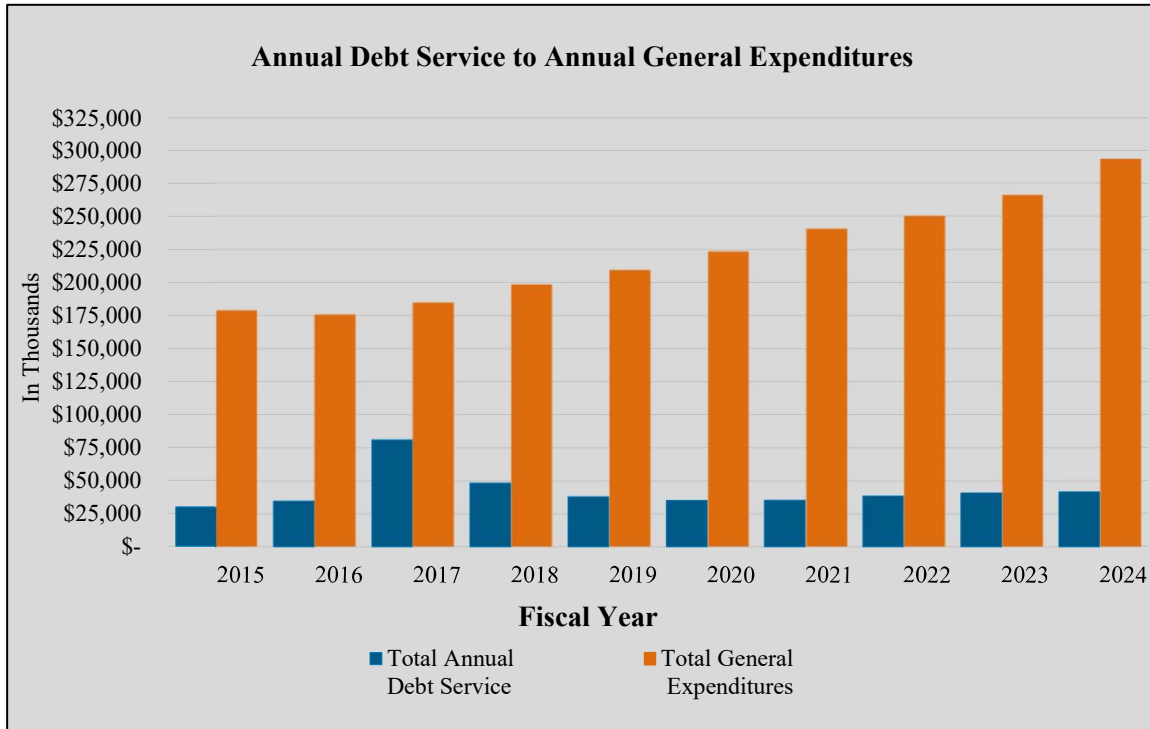
| Fiscal Year | Assessed Valuation | General Obligation Debt Outstanding | General Obligation Debt to Assessed Valuation | Fiscal Year | Assessed Valuation | General Obligation Debt Outstanding | General Obligation Debt to Assessed Valuation |
|---------------------------------|--------------------|-------------------------------------|---|---------------------------------|--------------------|-------------------------------------|---|
| Improvement District 185 | | | | Improvement District 285 | | | |
| 2015 | \$ 209,634,682 | n/a | n/a | 2015 | \$ 209,634,682 | n/a | n/a |
| 2016 | 586,316,903 | n/a | n/a | 2016 | 586,316,903 | n/a | n/a |
| 2017 | 836,640,799 | \$ 1,493,000 | 0.00178452 | 2017 | 836,640,799 | \$ 1,809,000 | 0.00216222 |
| 2018 | 1,209,166,559 | 1,493,000 | 0.00123473 | 2018 | 1,209,166,559 | 1,809,000 | 0.00149607 |
| 2019 | 1,465,394,626 | 1,493,000 | 0.00101884 | 2019 | 1,465,394,626 | 1,809,000 | 0.00123448 |
| 2020 | 1,262,000,047 | 1,493,000 | 0.00118295 | 2020 | 1,262,000,047 | 1,809,000 | 0.00143326 |
| 2021 | 1,299,866,233 | 1,493,000 | 0.00114858 | 2021 | 1,299,866,233 | 1,809,000 | 0.00139168 |
| 2023 | 1,424,002,022 | 1,462,000 | 0.00102668 | 2022 | 1,424,002,022 | 1,771,000 | 0.00124368 |
| 2023 | 1,563,921,378 | 1,429,000 | 0.00091373 | 2023 | 1,563,921,378 | 1,731,000 | 0.00110683 |
| 2024 | 1,636,972,734 | 1,395,000 | 0.00085218 | 2024 | 1,636,972,734 | 1,690,000 | 0.00103239 |
| Improvement District 188 | | | | Improvement District 288 | | | |
| 2015 | \$ 14,735,113 | \$ 1,462,000 | 0.09921879 | 2015 | \$ 14,735,113 | \$ 270,000 | 0.01832358 |
| 2016 | 185,851,827 | 1,456,000 | 0.00783420 | 2016 | 185,851,827 | 260,000 | 0.00139896 |
| 2017 | 196,953,990 | 1,603,000 | 0.00813896 | 2017 | 196,953,990 | 393,000 | 0.00199539 |
| 2018 | 212,742,385 | 1,597,000 | 0.00750673 | 2018 | 212,742,385 | 383,000 | 0.00180030 |
| 2019 | 246,753,329 | 1,591,000 | 0.00644773 | 2019 | 246,753,329 | 373,000 | 0.00151163 |
| 2020 | 255,088,204 | 1,585,000 | 0.00621204 | 2020 | 255,088,204 | 363,000 | 0.00142345 |
| 2021 | 284,644,152 | 1,579,000 | 0.00554728 | 2021 | 284,644,152 | 353,000 | 0.00124014 |
| 2023 | 329,117,953 | 1,569,000 | 0.00476729 | 2022 | 329,117,953 | 340,000 | 0.00103306 |
| 2023 | 388,854,365 | 1,560,000 | 0.00401178 | 2023 | 388,854,365 | 327,000 | 0.00084093 |
| 2024 | 409,635,549 | 1,550,000 | 0.00378385 | 2024 | 409,635,549 | 314,000 | 0.00076654 |

Source: Irvine Ranch Water District

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 |
|--------------------|----------------------------------|-----------------------------------|---|
| 2015 | \$ 29,921 | \$ 178,713 | 16.7% |
| 2016 | 34,560 | 175,694 | 19.7% |
| 2017 | 81,029 | 184,854 | 43.8% |
| 2018 | 48,349 | 198,549 | 24.4% |
| 2019 | 38,176 | 209,413 | 18.2% |
| 2020 | 35,247 | 223,549 | 15.8% |
| 2021 | 35,474 | 240,685 | 14.7% |
| 2022 | 38,563 | 250,269 | 15.4% |
| 2023 | 40,683 | 266,091 | 15.3% |
| 2024 | 41,609 | 293,632 | 14.2% |



Source: Irvine Ranch Water District

Exhibit "A"

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

| | Fiscal Year | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues | | | | | |
| Water sales and service charges | \$ 70,110 | \$ 76,692 | \$ 77,252 | \$ 84,575 | \$ 94,107 |
| Sewer sales and service charges | 62,808 | 67,682 | 72,054 | 76,789 | 76,841 |
| Developer Connection fees | 29,183 | 32,109 | 25,563 | 32,674 | 18,205 |
| Net real estate income | 8,191 | 8,693 | 9,076 | 3,405 | 8,372 |
| Interest income | 1,515 | 1,585 | 3,210 | 4,489 | 6,992 |
| Available 1% property tax revenue | 29,770 | 31,645 | 34,247 | 29,649 | 42,389 |
| Other | 7,899 | 7,836 | 7,117 | 7,504 | 8,876 |
| Total Revenues | 209,476 | 226,242 | 228,519 | 239,085 | 255,782 |
| Expenses | | | | | |
| Water supply services | 57,978 | 57,499 | 55,296 | 63,671 | 64,004 |
| Sewer services | 54,575 | 40,413 | 42,752 | 38,115 | 43,734 |
| Administrative and general | 16,012 | 19,909 | 22,664 | 25,748 | 28,220 |
| Pension and OPEB Expense | 2,237 | 2,831 | 5,146 | 6,173 | 7,906 |
| Other | 9,752 | 2,800 | 1,997 | 174 | 2,615 |
| Total Expenses | 140,554 | 123,452 | 127,855 | 133,881 | 146,479 |
| Net Revenues | | | | | |
| | \$ 68,922 | \$ 102,790 | \$ 100,664 | \$ 105,204 | \$ 109,303 |
| Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds | \$ 4,839 | \$ 6,036 | \$ 8,605 | \$ 10,499 | \$ 12,554 |
| Parity Obligations | | | | | |
| Certificates of Participation | \$ 9,098 | \$ 9,487 | \$ 11,675 | \$ 7,722 | \$ 7,821 |
| 1997 State Loan #3 | 227 | 227 | 194 | 194 | 194 |
| Series 2010B Bonds | 7,829 | 7,823 | 7,813 | 7,807 | 7,792 |
| Series 2011-A Index Tender Notes | 2,455 | 2,927 | 2,967 | 3,675 | 4,045 |
| 2016 General Obligation | - | - | 1,605 | 5,301 | 5,301 |
| Total Parity Obligations Debt Service | 19,609 | 20,464 | 24,254 | 24,699 | 25,153 |
| Remaining Revenues | \$ 54,152 | \$ 88,362 | \$ 85,015 | \$ 91,004 | \$ 96,704 |
| Parity Obligation Coverage | 3.8 x | 5.3 x | 4.5 x | 4.7 x | 4.8 x |
| Subordinate Obligations | | | | | |
| Fixed Payer Swap Payments | \$ 7,734 | \$ 7,712 | \$ 6,798 | \$ 5,739 | \$ 4,513 |
| State Loans and SCWD Debt | 308 | 308 | 133 | 122 | 122 |
| Total Subordinate Obligations | 8,042 | 8,020 | 6,931 | 5,861 | 4,635 |
| Remaining Revenues | \$ 46,110 | \$ 80,342 | \$ 78,084 | \$ 85,143 | \$ 92,069 |
| Non-Double-Barrel GO Bonds | | | | | |
| Revenues Pledged to Non-Double-Barrel GO Bonds | | | | | |
| 1% Property tax revenues (Pledged to Secured Bonds) | \$ 3,358 | \$ 3,226 | \$ 3,128 | \$ 10,834 | \$ 1,192 |
| Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds | 4,463 | 5,396 | 5,341 | 6,265 | 6,922 |
| Sub-total Pledged Revenues | 53,931 | 88,964 | 86,553 | 102,242 | 100,183 |
| Additional Funds Available for Non-Double-Barrel GO Bonds | | | | | |
| Remaining 1% Property Tax Revenues | 29,770 | 31,645 | 34,247 | 29,649 | 42,389 |
| Additional Net Revenues | 16,340 | 48,697 | 43,837 | 55,494 | 49,680 |
| Total with Additional Pledged Revenues | \$ 53,931 | \$ 88,964 | \$ 86,553 | \$ 102,242 | \$ 100,183 |
| Debt Service | | | | | |
| Non-Double-Barrel GO Bond Debt Service | \$ 12,840 | \$ 11,173 | \$ 12,385 | \$ 20,843 | \$ 11,436 |
| GO Bond Coverage | 4.2 x | 8.0 x | 7.0 x | 4.9 x | 8.8 x |
| Remaining Revenues | \$ 41,091 | \$ 77,791 | \$ 74,168 | \$ 81,399 | \$ 88,747 |
| Total Debt Coverage | 2.0 x | 3.0 x | 2.7 x | 2.6 x | 3.2 x |

Exhibit "A"

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

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|------------------|-------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Revenues | | | | | |
| Water sales and service charges | \$ 90,213 | \$ 96,609 | \$ 103,286 | \$ 103,623 | \$ 112,267 |
| Sewer sales and service charges | 77,187 | 82,234 | 84,955 | 84,693 | 94,386 |
| Developer Connection fees | 10,943 | 18,913 | 10,449 | 14,355 | 26,902 |
| Net real estate income | 12,549 | 9,822 | 9,756 | 11,398 | 12,610 |
| Interest income | 7,640 | 3,694 | 1,860 | 9,396 | 15,690 |
| Available 1% property tax revenue | 44,463 | 47,172 | 49,781 | 53,045 | 55,896 |
| Other | 6,606 | 6,336 | 6,529 | 7,267 | 10,255 |
| Total Revenues | 249,601 | 264,780 | 266,616 | 283,777 | 328,006 |
| Expenses | | | | | |
| Water supply services | 67,792 | 79,221 | 89,186 | 87,070 | 107,609 |
| Sewer services | 49,497 | 51,540 | 48,353 | 50,751 | 62,799 |
| Administrative and general | 28,336 | 30,170 | 29,377 | 34,533 | 31,636 |
| Pension and OPEB Expense | 9,260 | 10,373 | 11,286 | 12,638 | 12,830 |
| Other | 5,240 | 1,432 | 2,791 | 1,972 | 2,025 |
| Total Expenses | 160,125 | 172,736 | 180,993 | 186,964 | 216,899 |
| Net Revenues | | | | | |
| | \$ 89,476 | \$ 92,044 | \$ 85,623 | \$ 96,813 | \$ 111,107 |
| Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds | \$ 13,548 | \$ 13,009 | \$ 13,329 | \$ 15,260 | \$ 16,388 |
| Parity Obligations | | | | | |
| Certificates of Participation | \$ 7,916 | \$ 9,304 | \$ 9,341 | \$ 9,358 | \$ 9,506 |
| 1997 State Loan #3 | 194 | - | - | - | - |
| Series 2010B Bonds | 7,778 | 7,756 | 7,764 | 7,764 | 7,764 |
| Series 2011-A Index Tender Notes | 3,887 | 3,236 | 3,487 | 5,231 | 5,778 |
| 2016 General Obligation | 5,301 | 5,301 | 7,456 | 7,415 | 7,455 |
| Total Parity Obligations Debt Service | 25,076 | 25,597 | 28,048 | 29,768 | 30,503 |
| Remaining Revenues | \$ 77,948 | \$ 79,456 | \$ 70,904 | \$ 82,305 | \$ 96,992 |
| Parity Obligation Coverage | 4.1 x | 4.1 x | 3.5 x | 3.8 x | 4.2 x |
| Subordinate Obligations | | | | | |
| Fixed Payer Swap Payments | \$ 2,496 | \$ 3,331 | \$ 3,247 | \$ 1,081 | \$ 105 |
| State Loans and SCWD Debt | 100 | 108 | 100 | 100 | 100 |
| Total Subordinate Obligations | 2,596 | 3,439 | 3,347 | 1,181 | 205 |
| Remaining Revenues | \$ 75,352 | \$ 76,017 | \$ 67,557 | \$ 81,124 | \$ 96,787 |
| Non-Double-Barrel GO Bonds | | | | | |
| Revenues Pledged to Non-Double-Barrel GO Bonds | | | | | |
| 1% Property tax revenues (Pledged to Secured Bonds) | \$ 1,141 | \$ 860 | \$ 1,117 | \$ 1,427 | \$ 1,689 |
| Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds | 7,223 | 6,693 | 6,602 | 7,289 | 7,827 |
| Sub-total Pledged Revenues | 83,716 | 83,570 | 75,276 | 89,840 | 106,303 |
| Additional Funds Available for Non-Double-Barrel GO Bonds | | | | | |
| Remaining 1% Property Tax Revenues | 44,463 | 47,172 | 49,781 | 53,045 | 55,896 |
| Additional Net Revenues | 30,889 | 28,845 | 17,754 | 28,079 | 40,891 |
| Total with Additional Pledged Revenues | \$ 83,716 | \$ 83,570 | \$ 75,276 | \$ 89,840 | \$ 106,303 |
| Debt Service | | | | | |
| Non-Double-Barrel GO Bond Debt Service | \$ 10,781 | \$ 9,222 | \$ 9,689 | \$ 12,321 | \$ 13,325 |
| GO Bond Coverage | 7.8 x | 9.1 x | 7.8 x | 7.3 x | 8.0 x |
| Remaining Revenues | \$ 72,935 | \$ 74,348 | \$ 65,587 | \$ 77,519 | \$ 92,978 |
| Total Debt Coverage | 2.9 x | 2.9 x | 2.6 x | 2.8 x | 3.1 x |

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2024

| Name of Company | Number of Employees | Percentage of Employment |
|---------------------------------|----------------------------|---------------------------------|
| University of California Irvine | 27,216 | 9.82% |
| Peraton State and Local Inc. | 17,000 | 6.13% |
| Irvine Unified School District | 3,979 | 1.44% |
| Blizzard Entertainment Inc. | 2,327 | 0.84% |
| Mastec North America Inc. | 3,395 | 1.22% |
| Edwards Lifesciences LLC | 3,272 | 1.18% |
| Digital Insurance Inc. | 2,603 | 0.94% |
| SA Recycling LLC | 2,000 | 0.72% |
| B Braun Medical Inc. | 1,910 | 0.69% |
| Center for Autism | 1,892 | 0.68% |
| | | 23.66% |

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2023).
 Data was not yet available for FY 2023/24 from the City of Irvine.
 The City of Irvine is only a part of the IRWD service area.

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

| Fiscal Year | IRWD Population ⁽¹⁾ | City of Irvine Population | City of Irvine | | Total Personal Income (in thousands) | County of Orange Unemployment Rate ⁽³⁾ |
|-------------|--------------------------------|---------------------------|----------------------|--|--------------------------------------|---|
| | | | Median Family Income | | | |
| 2015 | 388,507 | 250,384 | \$ 90,585 | | \$ 10,593,508 | 4.2% |
| 2016 | 405,192 | 258,386 | 91,999 | | 10,946,242 | 3.6% |
| 2017 | 413,903 | 267,086 | 92,278 | | 12,840,224 | 3.2% |
| 2018 | 420,877 | 276,176 | 93,823 | | 12,272,130 | 2.6% |
| 2019 | 434,018 | 280,202 | 104,185 | | 12,272,130 | 2.4% |
| 2020 | 426,912 | 281,707 | 100,969 | | 12,788,062 | 13.7% |
| 2021 | 435,073 | 307,670 | 105,126 | | 13,662,292 | 6.4% |
| 2022 | 437,564 | 310,250 | 108,318 | | 13,944,948 | 2.9% |
| 2023 | 439,940 | 303,051 | 114,027 | | 16,321,418 | 3.7% |
| 2024 | 446,365 | N/A ⁽²⁾ | N/A ⁽²⁾ | | N/A ⁽²⁾ | 4.0% |

Source: City of Irvine Annual Comprehensive Financial Report (Fiscal Year Ended June 30, 2023) and State of California 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:

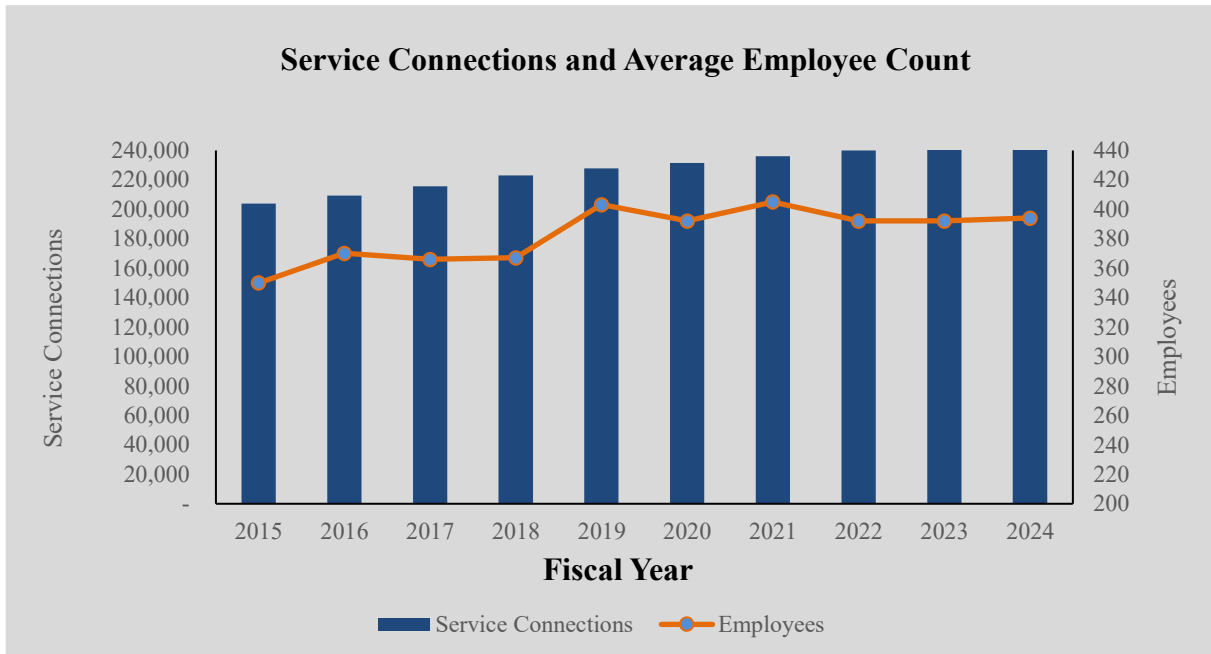
⁽¹⁾ Demographic Research Center at California State University, Fullerton

⁽²⁾ City of Irvine Population, Median Family Income, and Total Personal Income for FY 2024 have not yet been published by the City of Irvine.

⁽³⁾ State of California Employment Development Department

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

| Fiscal Year | Water | Sewer & Recycled Water | Total Service Connections | Average Employee Population ⁽¹⁾ | Service Connections per Employee |
|--------------------|--------------|-----------------------------------|----------------------------------|---|---|
| 2015 | 104,678 | 99,084 | 203,762 | 350 | 582 |
| 2016 | 107,402 | 101,865 | 209,267 | 370 | 566 |
| 2017 | 110,520 | 105,053 | 215,573 | 366 | 589 |
| 2018 | 114,164 | 108,754 | 222,918 | 367 | 607 |
| 2019 | 116,539 | 111,210 | 227,749 | 403 | 565 |
| 2020 | 118,263 | 113,176 | 231,439 | 392 | 590 |
| 2021 | 120,437 | 115,382 | 235,819 | 405 | 582 |
| 2022 | 122,401 | 117,334 | 239,735 | 392 | 612 |
| 2023 | 123,737 | 118,766 | 242,503 | 392 | 619 |
| 2024 | 124,854 | 119,859 | 244,713 | 394 | 621 |



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

Exhibit "A"

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

| | Fiscal Year | | | | | | | | | |
|--|--------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015 | 2016 ⁽¹⁾ | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Water | | | | | | | | | | |
| Residential | 1,727 | 2,513 | 2,928 | 3,355 | 2,314 | 1,783 | 2,077 | 1,895 | 1,310 | 1,085 |
| Commercial/Industrial/ Public Authority | (126) | 82 | 88 | 133 | 27 | 16 | 27 | 2 | 27 | 5 |
| Fire Protection | 29 | 107 | 83 | 99 | 68 | 21 | 57 | 38 | 36 | 21 |
| Construction & Temporary | 4 | 3 | 14 | 43 | (23) | (28) | (5) | 28 | (30) | 7 |
| Landscape Irrigation | (30) | 19 | 5 | 13 | (11) | (65) | 21 | 1 | (7) | (1) |
| Agricultural | (3) | 0 | 0 | 1 | 0 | (3) | (3) | 0 | 0 | 0 |
| Total Water | 1,601 | 2,724 | 3,118 | 3,644 | 2,375 | 1,724 | 2,174 | 1,964 | 1,336 | 1,117 |
| Sewer | | | | | | | | | | |
| Residential | 1,727 | 2,501 | 2,894 | 3,340 | 2,314 | 1,781 | 2,059 | 1,899 | 1,316 | 1,067 |
| Commercial/Industrial/ Public Authority | (232) | 88 | 84 | 137 | 45 | 21 | 46 | 4 | 34 | 0 |
| Construction & Temporary | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 0 |
| Landscape Irrigation | 113 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Agricultural | (6) | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Total Sewer | 1,602 | 2,589 | 2,978 | 3,477 | 2,359 | 1,803 | 2,105 | 1,904 | 1,352 | 1,067 |
| Recycled Water | | | | | | | | | | |
| Residential | 0 | 6 | 33 | 14 | 1 | 9 | 15 | 9 | 6 | 5 |
| Commercial/Industrial/ Public Authority | 0 | 8 | 9 | 14 | 12 | 6 | 11 | 2 | 9 | 4 |
| Construction & Temporary | 0 | 13 | 8 | (5) | (1) | (9) | (7) | 6 | (3) | (4) |
| Landscape Irrigation | 0 | 162 | 161 | 199 | 85 | 155 | 86 | 34 | 69 | 22 |
| Agricultural | 0 | 3 | (1) | 2 | 0 | 2 | (4) | (3) | (1) | (1) |
| Total Recycled Water | 0 | 192 | 210 | 224 | 97 | 163 | 101 | 48 | 80 | 26 |
| Total | 3,203 | 5,505 | 6,306 | 7,345 | 4,831 | 3,690 | 4,380 | 3,916 | 2,768 | 2,210 |

Source: Irvine Ranch Water District

Note:

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

Exhibit "A"

Irvine Ranch Water District

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

| | Fiscal Year | | | | | | | | | |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Water | | | | | | | | | | |
| Residential | 12 | 11 | 11 | 12 | 11 | 11 | 12 | 11 | 10 | 10 |
| Commercial | 57 | 60 | 57 | 61 | 59 | 51 | 53 | 53 | 52 | 54 |
| Industrial | 267 | 222 | 232 | 213 | 212 | 201 | 211 | 216 | 202 | 195 |
| Public Authority | 378 | 287 | 260 | 260 | 242 | 164 | 134 | 160 | 209 | 214 |
| Construction & Temporary | 398 | 285 | 148 | 172 | 75 | 70 | 97 | 111 | 84 | 62 |
| Treated - Landscape Irrigation | 110 | 74 | 82 | 95 | 82 | 76 | 100 | 98 | 74 | 69 |
| Treated - Agricultural | 646 | 327 | 402 | 403 | 255 | 283 | 387 | 166 | 107 | 117 |
| Untreated - Agricultural | 8,504 | 8,047 | 6,315 | 6,274 | 4,700 | 2,953 | 445 | 652 | 547 | 569 |
| Total | 10,372 | 9,313 | 7,507 | 7,490 | 5,636 | 3,809 | 1,439 | 1,467 | 1,285 | 1,290 |
| Recycled water | | | | | | | | | | |
| Landscape Irrigation | 192 | 186 | 170 | 195 | 145 | 128 | 168 | 166 | 127 | 120 |
| Agricultural | 4,992 | 3,891 | 3,197 | 3,292 | 2,438 | 2,797 | 4,414 | 3,716 | 2,369 | 2,634 |
| Total | 5,184 | 4,077 | 3,367 | 3,487 | 2,583 | 2,925 | 4,582 | 3,882 | 2,496 | 2,754 |

Source: Irvine Ranch Water District

Exhibit "A"

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 |
|-------------|------------|------------------------------------|-------------------|-------------------|--------------|
| 2015 | 47,905 | 6152 | 18,628 | 22,866 | 95,551 |
| 2016 | 46,901 | 25 | 11,853 | 23,206 | 81,985 |
| 2017 | 49,208 | 1,937 | 19,397 | 22,006 | 92,549 |
| 2018 | 48,109 | 6,109 | 15,436 | 25,255 | 94,909 |
| 2019 | 47,258 | 4,151 | 13,937 | 22,381 | 87,727 |
| 2020 | 47,810 | 6,524 | 13,002 | 24,627 | 91,963 |
| 2021 | 47,170 | 4,508 | 17,132 | 26,413 | 95,223 |
| 2022 | 45,088 | 75 | 24,654 | 26,444 | 96,261 |
| 2023 | 43,964 | 1,044 | 18,258 | 23,996 | 87,263 |
| 2024 | 43,573 | 6,102 | 12,679 | 23,778 | 86,132 |

Water Deliveries / Sales

(in Acre Feet)

| Fiscal Year | Potable and Untreated | Recycled Water ⁽¹⁾ | Total Demand |
|-------------|-----------------------------|----------------------------------|-----------------------|
| 2015 | 58,319 | 32,139 | 90,458 ⁽¹⁾ |
| 2016 | 51,098 | 26,879 | 77,977 ⁽²⁾ |
| 2017 | 51,299 | 27,860 | 79,159 |
| 2018 | 55,138 | 31,642 | 86,780 |
| 2019 | 51,651 | 27,689 | 79,340 ⁽³⁾ |
| 2020 | 51,761 | 31,119 | 82,880 |
| 2021 | 54,506 | 32,595 | 87,101 |
| 2022 | 53,378 | 32,402 | 85,780 |
| 2023 | 49,503 | 26,541 | 76,044 ⁽⁴⁾ |
| 2024 | 49,721 | 26,601 | 76,322 |

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ Extremely dry conditions led to a considerable increase in demands.
- ⁽²⁾ State mandated reduction in usage resulted in a significant decrease in overall demand.
- ⁽³⁾ Significant rainfall resulted in a decrease in overall demand.
- ⁽⁴⁾ Drought messaging in the first half of the fiscal year and significant rainfall in the second half resulted in a decrease in overall demand.

Exhibit "A"

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Potable System | | | | | | | | | | |
| Miles of Water Line ⁽¹⁾ | 1,622 | 1,760 | 1,810 | 1,905 | 1,919 | 1,955 | 1,976 | 1,979 | 2,014 | 2,127 |
| Number of Storage Tanks ⁽²⁾ | 36 | 36 | 36 | 36 | 36 | 37 | 37 | 37 | 37 | 37 |
| Maximum Storage Capacity (Acre Feet) | 456 | 456 | 456 | 456 | 456 | 467 | 467 | 466 | 466 | 466 |
| Number of Pumping Stations | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 36 | 36 |
| Number of Wells | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Well Production Capacity (cfs) | 128 | 128 | 118 | 118 | 118 | 118 | 118 | 118 | 119 | 123 |
| Water Banking Storage (Acre Feet) | 109,600 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 |
| Potable Treatment Plants | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Non-Potable and Recycled Systems | | | | | | | | | | |
| Miles of Recycled Line ⁽¹⁾ | 509 | 525 | 540 | 555 | 565 | 570 | 572 | 576 | 583 | 583 |
| Number of Storage Tanks | 12 | 12 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Number of Open Reservoirs | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Maximum Storage Capacity (Acre Feet) ⁽³⁾ | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,160 | 24,160 |
| Number of Pumping Stations | 20 | 20 | 20 | 19 | 19 | 19 | 19 | 19 | 22 | 21 |
| Number of Wells ⁽⁴⁾ | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 3 |
| Well Production Capacity (cfs) | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 9.7 | 6.2 |
| Sewer System | | | | | | | | | | |
| Miles of Sewer Line | 1,019 | 1,070 | 1,081 | 1,123 | 1,134 | 1,143 | 1,153 | 1,374 | 1,486 | 1,518 |
| Number of Lift Stations ⁽⁵⁾ | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 11 | 11 |
| Treatment Plants | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Treatment Capacity (mgd) (Tertiary) | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |

Source: Irvine Ranch Water District

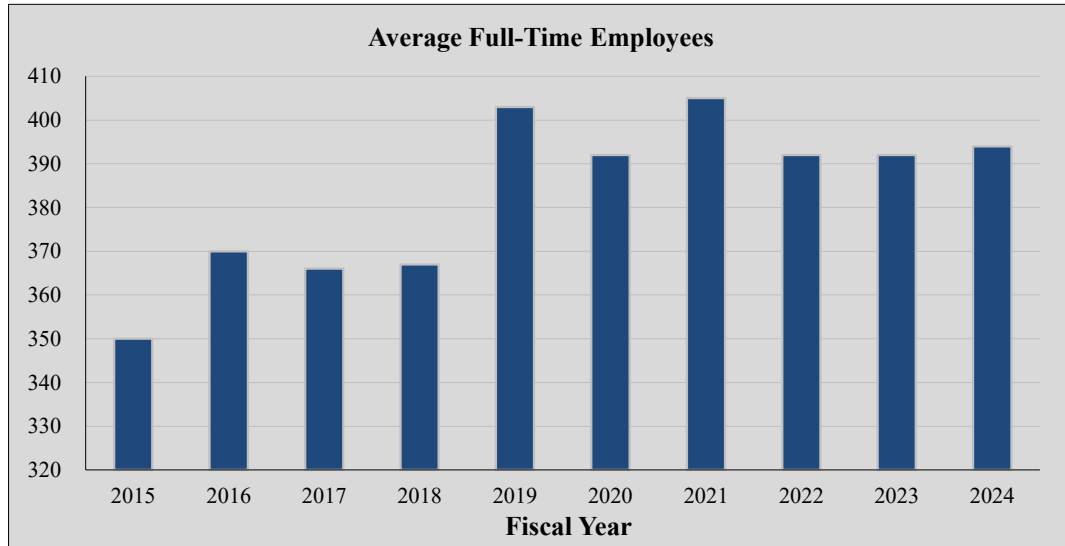
Notes:

- ⁽¹⁾ Miles of Line include laterals.
- ⁽²⁾ Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (467 AF). This number also includes the two 16-MG tanks at the Baker location and the newly constructed 3.7 MG Zone 1 Tank at the existing Zone 1 tank location.
- ⁽³⁾ Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.
- ⁽⁴⁾ Accounts for active production wells only (Excludes SGU Injection Well).
- ⁽⁵⁾ Excludes lift stations serving individual IRWD facilities.

Exhibit "A"

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

| | Fiscal Year | | | | | | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Average Full-Time Employees ⁽¹⁾ | 350 | 370 | 366 | 367 | 403 | 392 | 405 | 392 | 392 | 394 |



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.



Board of Directors
Irvine Ranch Water District
Irvine, California

We have audited the financial statements of Irvine Ranch Water District (the District) as of and for the year ended June 30, 2024, and have issued our report thereon dated **November xx, 2024**. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 2, 2024, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our letter dated **November xx, 2024**.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and our firm have complied with all relevant ethical requirements regarding independence.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included recording journal entries detected during the audit process. To mitigate the risk, management has reviewed the journal entries and compared to underlying accounting records.

Significant Risks Identified

We have identified the following significant risks:

- Risk of noncompliance with federal grants: We performed a Single Audit of Federal Expenditures. The Single Audit focused on internal controls and compliance over the requirements of any federal grant with expenditures over \$750,000 during the fiscal year.
- Risk of unrecorded receivable or payables related to transactions with Orange County Sanitation District: We compared the information in the reports to the transactions in the District's records to ensure significant amounts were reconciled. We evaluated the need to record additional receivables or payables based on transactions that have occurred after the date of the most recent agreed upon procedures report.
- Risk of errors associated with real estate investments. We evaluated the District's categorizations of fair values in the financial statement footnotes for reasonableness. We reviewed appraisals and other documentation supporting the fair value of the District's Real Estate Investments.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include:

- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service.
- Judgements regarding the fair value of real estate investments.
- Judgments regarding the fair value of interest rate swap agreements.
- Judgements involving the calculation of the net pension liability and related transactions
- Judgements involving the calculation of the other post-employment benefit (OPEB) liability and related transactions.

Exhibit "B"

We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of interest rate swap agreements in note 3 to the financial statements
- The disclosure of pensions in note 13 to the financial statements
- The disclosure of OPEB in note 14 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted as a result of our audit procedures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There was one uncorrected misstatement detected during the audit process to record approximately \$9.9 million of unbilled customer accounts receivable for service that occurred in June and subsequently billed until after the end of the fiscal year. The impact on the statement of activities for the fiscal year ending June 30, 2024 is approximately \$1.8 million. The effects in the current and prior period, as determined by management, is immaterial to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements noted as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management in a letter dated **November xx, 2024**.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in the Annual Comprehensive Financial Report

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California
November xx, 2024

Irvine Ranch Water District
Board of Directors
Irvine, California

In planning and performing our audit of the financial statements of Irvine Ranch Water District (District) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies, as defined above.

However, as a service to you, we identified during our audit certain matters that provide you an opportunity to enhance your existing internal controls. These matters are provided as recommendations for your consideration and are not considered to be material weaknesses in internal control or significant deficiencies in internal control:

Capital Asset Accounting

During our testing of capital assets, we selected vendor invoices for purposes of determining whether certain costs should be capitalized. We identified three projects for emergency repairs totaling \$15.8M of costs incurred during fiscal year ended June 30, 2024 that were capitalized in error. The project costs included emergency asphalt and concrete repairs, annual street rehab costs, emergency mainline repairs, and related labor and supplies. Project costs should only be capitalized if the project extends the

original estimated useful life of the asset or increases the capacity of the asset. Repairs and maintenance to reach the originally intended useful life of the asset are not capitalized.

Recommendation

It is our understanding that Engineering personnel determine whether a project meets the criteria for capitalization during the capital budget process and input the determination into the project tracking system. The Finance personnel capitalize assets based on Engineering personnel's determination. The District's Finance personnel are responsible for the accounting for the District's activities in accordance with generally accepted accounting principles. The accounting for capital assets is complex and entails making judgements and estimates to conform to the accounting principles. As a best practice, the Finance personnel should be heavily involved in the capital budgeting process and determination of whether a project meets the criteria for capitalization. This may include redefining department roles for the preparation and oversight of the capital budget. Ideally, the project would be identified properly when it is initially created during the capital budget process in the system to ensure accurate accounting for the project.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California
November xx, 2024