COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2010

IRVINE, CALIFORNIA

Irvine Ranch Water District

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2010

Irvine Ranch Water District
Irvine, California

Board of Directors

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Prepared by:

Irvine Ranch Water District
Finance Department

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WATER DISTRICT
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November 29, 2010

The Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared a Comprehensive Annual Financial Report of IRWD for the fiscal year ended June 30, 2010. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

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

The District's basic financial statements have been audited by Mayer Hoffman McCann, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2010 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of Irvine Ranch Water District

Overview

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

The District serves a 178 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County, including those canyon areas added to the District as part of the District's consolidation with Santiago County Water District in 2006 and the Orange Park Acres area added to the District as part of its acquisition of Orange Park Acres Mutual Water Company in 2008. Extending from the Pacific Coast to the top of the foothills, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated population served is 330,000 through approximately 97,000 water and over 91,000 sewer service connections. The number of service connections has increased by 23% over the last ten years.

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

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

Our People

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

The District employs 313 professional staff members who are responsible for daily operations and implementing short and long-term strategic objectives set forth by the Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of the employees is approximately 21 years. An aggressive succession planning program at all levels of the organization has been developed to ensure long-term workforce stability.

The Board and District employees take an active role in state and regional trade associations including the Association of California Water Agencies, the California Association of Sewer Agencies, and the

California Special District Association. The District actively monitors and works to influence legislation and regulatory actions potentially affecting IRWD's operations and strategic planning. The Board of Directors is frequently engaged and takes active positions on relevant pending legislation.

Our Services

The District is functionally organized into four core service areas:

Drinking or "Potable" Water System

For many years, the District received all of its drinking water from imported sources. To minimize its dependency on imported water, in 1979 the District began to develop a series of local wells known as the Dyer Road Wellfield that pump high quality groundwater from the Orange County Groundwater Basin. In addition, the District operates wells in the Lake Forest area, which is outside of the current main groundwater basin boundaries. In FY 2009-10, the largest component of the District's water supply was local groundwater, which accounted for 50% of the total supply. Groundwater typically is less expensive and more reliable because it does not have to be transported over hundreds of miles into Southern California and subsequently treated.

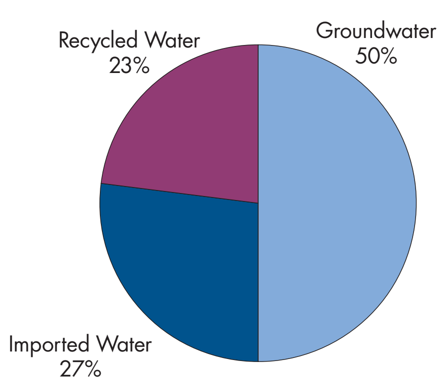
The District purchased 27% of its water supply in FY 2009-10 from the Metropolitan Water District, the region's wholesale water supplier. This water is imported from the Colorado River, which is transported 242 miles through deserts and over mountain ranges to Southern California, and from the Delta, which is transported approximately 300 miles from Northern California.

Recycled Water System

The District's philosophy is that water is too valuable to be used just once, and that by treating wastewater to provide water for irrigation and industrial purposes, the District reduces its reliance on more expensive imported water. Wastewater from the community is collected and treated to State Health Department standards at the Michelson Water Recycling Plant and the Los Alisos Water Recycling Plant, which have the combined capacity to produce over 20 million gallons of recycled water per day. Once treated, all of the recycled water is used in the system, which in FY 2009-10 accounted for approximately 23% of the District's total water supply. Approximately 80% of all business and community landscaping (parks, school grounds, golf courses, street medians, etc.) in the District's service area is irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's ultimate goal is to have recycled water as 25% of its total water supply. This increase in recycled water supply will also provide a substantial portion of the water needed for future growth and redevelopment.

The District operates a number of wells and reservoirs that collect local water for non-potable uses, including Irvine Lake, a 25,000 acre-feet reservoir which receives stream flow (native water) coming from the Santiago Creek watershed. This water is used primarily in the foothills area of the District for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has 3,000 acre feet of recycled water storage capacity in the San Joaquin Reservoir and is currently evaluating additional recycled water storage projects.

Water Sources, in Acre Feet
FY 2009-10



Wastewater Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, wastewater lift stations, and siphons that convey wastewater to two owned treatment plants. In FY 2009-10, the District treated approximately 71% of its wastewater, while the bulk of the remainder of the wastewater collected by the District is diverted to the Orange County Sanitation District treatment facilities. In the future, expansion of the District's wastewater treatment capabilities will serve the growing population within the District, as well as provide additional treatment capacity for the existing District. This expansion is discussed in more detail in the Major Initiatives section of this document.

Urban Runoff Source Control and Treatment System

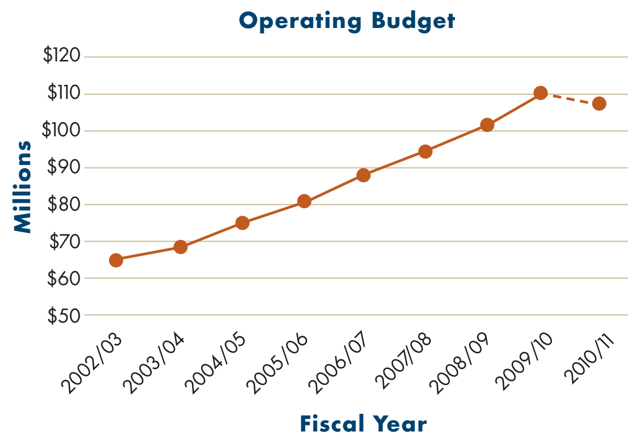
IRWD is statutorily authorized to control and treat urban runoff, and conducts various projects and programs as part of an effort to protect the quality of water within the San Diego Creek watershed. In the early 1990s, the District voluntarily reconstructed wetlands at the San Joaquin Marsh and Wildlife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

Our Financial Plan

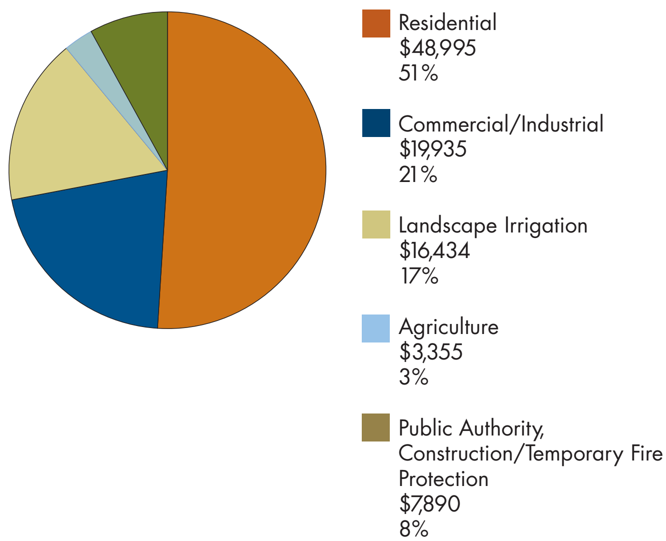
The District's operating budget for FY 2009-10 was $110.7 million; the FY 2010-11 budget decreased by 2.31% to $108.1 million.

In addition to the operating budget, the District has a capital budget based upon new and replacement infrastructure needs. A $142.3 million capital budget for FY 2010-11 was adopted by the Board, although the many of the capital budget projects extend beyond just one fiscal year. The District's capital program includes more than 500 active and planned projects with expenditures totaling more than $600 million over the next 20 years.

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



Customer Base: FY 2009-10
Water & Sewer Operating Revenue
(in thousands)



Our User Rates & Charges

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

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

Water Rates

The District's rate structure for water use is separated into a commodity charge component and a service charge component. The commodity charge reflects the melded cost of the District's water supplies while the service charges fund the remaining fixed operational expenses of the District. For FY 2009-10, the District's water service charge was $7.75 per month for an average residential customer. This monthly service charge also includes a user enhancement component of $0.25 per month, which is intended to fund the capital costs to update the existing infrastructure.

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

FY 2009-10 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Base Rate	Cost per ccf*
Low Volume	0 – 40%	Base Rate minus $0.16	$0.91
Base Rate	41 – 100%	Base Rate	$1.15
Inefficient	101 - 150%	200% of Base Rate	$2.33
Excessive	151 – 200%	400% of Base Rate	$4.65
Wasteful	201% +	800% of Base Rate	$9.30

*One ccf (100 cubic feet) = 748 gallons

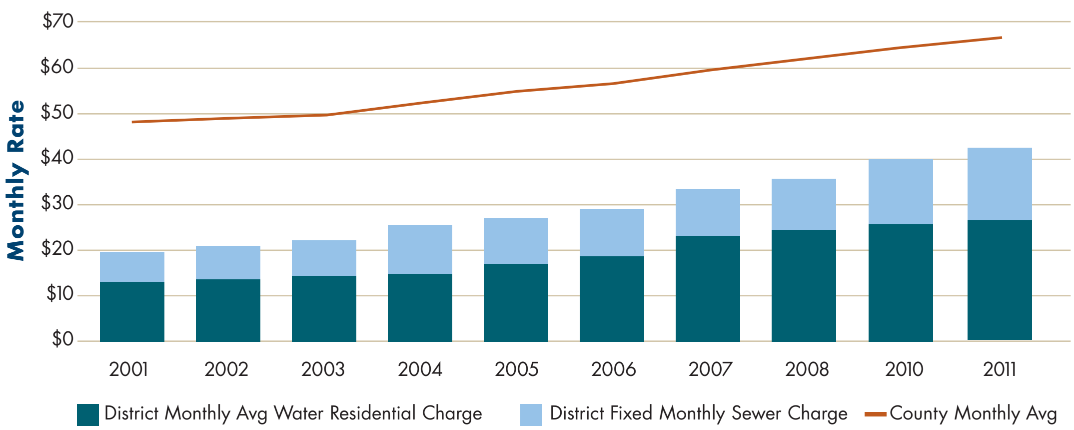
Sewer Rates

The District's sewer rates are also the lowest in Orange County with a monthly service charge of $16.60 in FY 2009-10 for a typical residential customer that covers collection, treatment and disposal of wastewater. This monthly service charge also includes a user replacement component of $3.75 per month, which is intended to fund the capital costs to replace and refurbish the existing system. This component is projected to grow annually. In addition, this monthly service charge includes a user enhancement component of $0.25 per month, which is intended to fund the capital costs to upgrade the existing infrastructure.

Historic Rate Trends

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2009-10. The District raised rates in each of the last twelve years due largely to increased costs for wholesale supplies and services for both water and sewer.

Monthly Residential Customer Charges



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

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

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

Factors Affecting Financial Condition

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

Local Economy

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

During FY 2009-10, the District continued to expand its operating facilities to accommodate more than 1,193 new service connections constructed within District boundaries. There remains a sizable portion of land to be developed, including the Northern Sphere of Irvine, East Orange and property from two de-commissioned military bases. Growth is also expected with redevelopment of commercial properties in the Irvine Business Complex.

The assessed value of land in the District's service area has more than quadrupled in the last decade from $10.6 billion in 2000 to more than $35.0 billion in 2010, indicating local economic strength.

The State of California's financial condition impacted local governments such as cities, counties and special districts. In 1992, special districts were subjected to legislation that shifted substantial amounts of property tax revenue to the State. The State took this approach again in response to its budget crisis, taking more than $9.6 million in local tax revenue from the District during FY 2005-06, and took a similar amount of those local tax revenues during FY 2004-05. In response, the District chose to raise both property taxes and connection fees to offset state revenue losses which had been dedicated to annual debt service payments. The District's local tax revenue returned to normal levels in FY 2007-08. Despite some efforts by isolated state officials to divert that tax revenue away or borrow it from special districts such as IRWD, the District's local tax revenue has continued to grow, reaching $27 million in FY 2000-10. In FY 2009-10, the State exercised its suspension provision of proposition 1A and borrowed approximately $2 million of that from the District, with the obligation required to be repaid within three years with interest.

Financial Planning & Budgeting

Short-Term

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

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

Long-Term

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

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

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

The original funding source for the Replacement Fund was a fixed component of water and sewer rates. User rate contributions were discontinued in 1992 after providing approximately $25 million to the Replacement Fund over a 15 year period. Since then, it has been the objective of the Replacement Fund to fund 30% of future infrastructure replacement costs. After assessing the District's long-term replacement funding needs, the Board voted to add $2.65 to the sewer monthly fixed charge for FY 2006-07. The funding needs are assessed annually using our long-term financial planning models. The Board has considered and assessed an increase of the replacement/ enhancement fees to both water and sewer monthly fixed charges annually. For FY 2008-09, the user replacement/ enhancement fees were $3.75 per month. For FY 2009-10, the user replacement/enhancement fees increased to $4.40 per month. For FY 2010-11, the user replacement/enhancement fees were increased once more to $4.80 per month.

Real Property Investments

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

At this time, the District has an interest in four properties with a book value of $43.1 million and a weighted average return (on original cost) for FY 2009-10 of 9.68%.

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

In 1996, the District engaged an independent consultant to assist in developing a replacement fund model that would match projected water and sewer infrastructure replacement needs to future funding requirements. General funding goals were refined and future replacement costs were projected annually for the next 50 years. This replacement model is updated periodically, most recently during 2005. The replacement fund model was augmented in FY 2006-07 by integrating it with a broader cash flow model which considers both capital and operating expenses, which continues to be further enhanced to meet the District's planning needs. The industry-leading models enable staff and the Board to project future user rate requirements necessary to meet both new and replacement capital needs as well as ongoing operation and maintenance costs.

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

Cash Management Policies and Practices

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

For FY 2009-10, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of less than 12 months. These securities included U.S. government agency notes, the State-managed Local Agency Investment Fund, local government bonds, and a mutual fund of U.S. Treasury securities. Starting in March 2008, the Board expanded the Investment Policy, permitting investments in municipalities with ratings of AA or better in either auction rate securities or variable rate demand bonds. A complete discussion of the District's investments in FY 2009-10 is included in Note 2 to the Basic Financial Statements. The annual return on all of the District's cash investments in FY 2009-10 was approximately 0.69%. When real estate investments are included, the average rate of return was 2.29%.

At June 30, 2010, the District's cash assets totaled approximately $261.3 million. These cash balances are allocated to various restricted funds including the District's Replacement Fund, New Capital Fund, Bond Reserve, Construction, Debt Service and others.

IRWD Joint Powers Agency

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

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

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

The JPA refunding bonds and underlying investment securities have $690.3 and $789.2 million par amounts, respectively, outstanding as June 30, 2010, and the bonds and securities will mature in 2014. The District has no legal obligation to use any of its own funds to pay debt service on the JPA bonds. While the District is required to report the underlying investment securities as part of its Cash and Investments, these securities, with the exception of the District's 3% ownership interest and net savings from the Issue II Refunding, are pledged to debt service on the bonds and are not available for the District's use. Of the $1.0 billion in total cash and investments reported in the District's consolidated financial statements, only $261 million was generally available to the District as of June 30, 2010 primarily for capital needs.

Debt Management Policies and Practices

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

The District largely has used a combination of variable rate General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2010, there were twelve outstanding general obligation bond issues with a balance of $400.6 million in variable rate mode and one outstanding COPs issue with a balance of $85.1 million in fixed rate mode. The District has secured direct pay letters of credit to enhance its variable rate debt. The District's all in average cost of debt for FY 2009-10 was 1.23%.

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

Since a significant amount of the District's outstanding debt is in a variable rate mode, the Board of Directors has taken certain actions to manage and mitigate interest rate risk. First, the Board adopted a policy to maintain a target amount of investment assets equal to at least 75% of the variable rate debt. In addition, in FY 2003-04, the District began an interest rate swap program under which $130 million notional amount of LIBOR-based fixed payer swaps were executed. These interest rate swaps have allowed the District to limit the risk exposure on approximately $194 million* (or 48.4%) of its variable rate debt to about 4.01%. (*Assumes a historical ratio for tax-exempt (SIFMA) versus 1-month LIBOR of 67%.)

During FY 2009-10, the District refunded its 1986 and 2008 variable rate COPs issues, and converted them to one fixed rate issue. The COPs have a rating of "AAA" from Fitch, a "AAA" rating from Standard and Poor's and a "Aa1" rating from Moody's.

Risk Management

The District utilizes a combination of self-insurance and third party liability insurance to minimize loss exposures from property, third-party liability claims and workers compensation claims. The District self-insures the first$50,000 per occurrence for property losses, $100,000 per occurrence for third-party liability claims and $125,000 per occurrence for workers compensation claims. Various control techniques used to minimize loss include, but are not limited to, routine employee safety meetings and training sessions, use of uniform language in contracts designed to limit or prevent liability exposure, and development of emergency plans, including a business continuation plan.

Major Initiatives

The District's major initiatives during FY 2009-10 included the continuing programs to secure water supplies, as well as expanding wastewater treatment capacity and diverting wastewater flows, water education programs, and the continuing implementation of the Water Conservation Program, particularly in light of imported water reductions in 2009 and potential further reductions in 2010.

Water Supply Reliability

Groundwater Program

The District's Water Resources Master Plan for a reliable water supply mix includes developing sufficient groundwater production capacity to pump to the Basin Production Percentage (BPP) set by the Orange County Water District (OCWD). Currently, the District has the ability to produce approximately 28,000 acre feet per year (AFY) of clear groundwater from the Dyer Road Well Field. The District also produces 13,000 AFY of groundwater that requires treatment at its Deep Aquifer Treatment System (DATS) which removes organic color and its Irvine Desalter Project (IDP) which removes salts and nitrates. In addition, IRWD is currently constructing the Wells 21 &22 Treatment Project which will add an additional 6,300 AF per year of groundwater. Further, the District is looking to improve its future groundwater production capabilities.

Irvine Desalter Project

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

The Irvine Desalter Project consists of two components. The first component, a potable water wellfield, pipelines and purification plant, treats local groundwater to remove salts and nitrates caused by the natural geology and

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

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

Well 21 and 22 Treatment Project

The Wells 21 and 22 Treatment Project is a groundwater recovery project that will allow IRWD to serve an additional 6,300 AF per year of groundwater from the Irvine Subbasin. The project will consist of two wells, an advanced reverse osmosis treatment plant and raw water pipelines to bring the water from the wells to the treatment plant and a product water pipeline to bring the water from the treatment plant to the distribution system. The facilities are currently under construction and are expected to be brought on-line in early 2013.

Water Banking

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

Opportunities for groundwater banking programs in Southern California are limited. In contrast, the extensive groundwater basins in Kern County are managed to allow storage of water for outside entities. The District has entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. The District purchased high quality groundwater

recharge land that overlies the regional Kern County groundwater basin. The District and Rosedale have completed construction of 502 acres of groundwater recharge ponds on the property. The recharge ponds will allow available surface water to be percolated into the groundwater basin for later use. Groundwater wells that will be used to recover water from the water bank are currently being constructed. The pipelines that will convey water from these wells to the Cross Valley Canal are in final design and will be constructed and operational in the Fall of 2011.

Unlike other existing Kern County water banking arrangements, the District's partnership program with Rosedale has provided long-term equity ownership of water banking capacity rather than typical contract or lease arrangements employed by most other agencies.

Baker Treatment Plant

During the current fiscal year, the District is proceeding with the engineering design for the Baker Water Treatment Plant (WTP) project. The design is anticipated to be complete in March 2011 with construction anticipated to be complete in November 2012. When constructed, the Baker WTP will treat approximately 25 million gallons per day of raw imported water purchased from Metropolitan Water District of Southern California to drinking water standards. Water from Irvine Lake can also be supplied to the plant for treatment to drinking water standards. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the plant will be owned and operated by the District, partial capacity in the facility will be purchased by other water agencies located in Southern Orange County. The facility will provide an operational source of supply to the District and participating agencies and, in the event of a short-term water shortage emergency, provide regional water reliability to other neighboring Southern Orange County water agencies. The project construction cost is estimated at approximately $52 million, with IRWD responsible for approximately 22% of the total cost.

Expanded Wastewater Treatment Options and System Reliability

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

Sewage collected throughout the District is treated at three locations: the Michelson Water Recycling Plant (MWRP), the Los Alisos Water Recycling Plant (LAWRP), and at the Orange County Sanitation District (OCSD) facility in Fountain Valley. The District owns and operates the Michelson and Los Alisos treatment facilities, and owns capacity in the OCSD facilities based on its tributary flows.

The District is working on strategic capital facilities to optimize wastewater treatment capability, improve operational efficiencies, support planned maintenance, and minimize the impacts of unexpected emergencies. Examples of these efforts include the construction of the Harvard Avenue Trunk Sewer (HATS) diversion project which was completed during FY 2007-08. The HATS project, which cost the District approximately $9.6 million, is projected to save the District at least $20 million.

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

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

Water supply and wastewater recycling studies have identified a $125 million capital program for wastewater treatment over the next 10 years to achieve these goals. This includes the upgrades to IRWD treatment plants as mentioned above and also adding a new storage reservoir to the recycled water system to improve treatment and distribution efficiencies. It is estimated that these projects will save the District an average of $8 million per year in capital and operating expenses over the next 30 years. In August 2009, the District awarded a three-year project to expand the Michelson Water Reclamation Plant to be completed in fiscal year 2012-13.

In addition to the projects identified above, the District has evaluated alternative approaches to handling its wastewater solids. The evaluation of the alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, included consideration of many factors such as costs and potential community impacts. IRWD is in the formal design process for new capital facilities constructed at the MWRP to dewater and dispose of solids from this facility, which are estimated to cost in excess of $100 million. The bulk of the construction of solids handling facilities at the MWRP would not begin until the current expansion of the MWRP is complete in 2012.

Community Education and Outreach

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

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

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

The District's Always Water Smart Resident Tours are a vital component of the District's community outreach efforts. These tours, offered annually in April and May to promote Water Awareness Month, are hosted by the District Board Members and are designed to provide residents with valuable information about the District, encourage an open dialogue, and answer questions about the District. In addition to exploring a number of the District's facilities, tour topics include the District's: water quality and supply portfolio; water conservation and efficiency efforts; allocation-based conservation rate structure; and the District's nationally renowned recycled water program.

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

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

Water Conservation Program Implementation

The District strives to be a leader in the innovation and implementation of conservation measures by promoting the most efficient use of water both on a per capita and per acre basis. IRWD led the use of recycled water starting in the late 1960s and presently serves over 4,500 sites with more than 22,500 acre feet of recycled water annually – currently 23% of the District's total water supply. The District's allocation-based rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water. This structure, which IRWD updated in 2009, is recognized as a model for other agencies to emulate.

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

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

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

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

The District adopted an updated Water Shortage Contingency Plan in 2009 in anticipation of potential imported water reductions. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, the District was well-positioned to respond to imported water allocations implemented in FY 2009-10, and was able maintain water supply reliability to its customers, without mandatory rationing or restrictions.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2009. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Paul D. Jones, II
General Manager

Deborah Cherney
Director of Finance

Irvine Ranch Water District List of Principal Officials

Board of Directors:

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

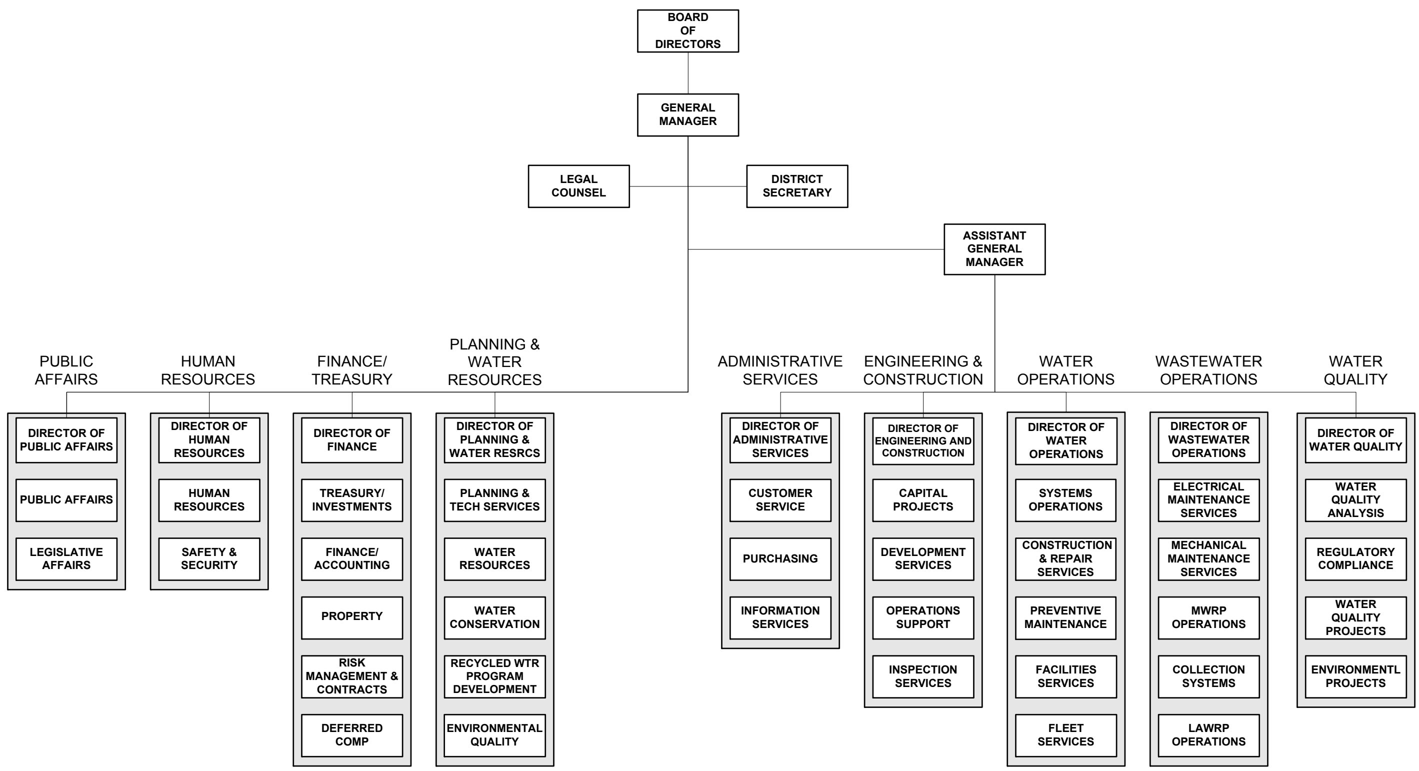
Executive Management:

General Manager	Paul D. Jones II
Assistant General Manager	Paul Cook
Director of Administrative Services	Tony Mossbarger
Director of Engineering & Construction	Kevin Burton
Director of Finance	Deborah Cherney
Director of Human Resources	Janet Wells
Director of Water Resources and Planning	Gregory Heiertz
Director of Public Affairs	Beth Beeman
Director of Wastewater Operations	Wayne Posey
Director of Water Operations	Dave Pedersen
Director of Water Quality	John Hills
Treasurer	Robert Jacobson

Irvine Ranch Water District Organizational Chart

(By Function)

Fiscal Year 2009-10



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irvine Ranch Water District California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FINANCIAL SECTION

Financial Section

Irvine Ranch Water District
Financial Statements
Fiscal Year ended June 30, 2010

Mayer Hoffman McCann P.C.
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Board of Directors
Irvine Ranch Water District

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Irvine Ranch Water District (District) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative data has been derived from the financial statements of the District for the year ended June 30, 2009 and, in our report dated November 30, 2009, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Ranch Water District as of June 30, 2010, and the changes in financial position and cash flows of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2010, the District changed the manner in which it accounts for derivative instruments as a result of the implementation of GASB Statement No. 53, as described further in note 3 to the financial statements. The District also changed the way it accounts for intangible assets as a result of the implementation of GASB Statement No. 51, as described further in note 5 to the financial statements.

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

Board of Directors
Irvine Ranch Water District
Page Two

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
November 29, 2010

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, 2010. Please read it in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights

- Total assets exceeded total liabilities by $1,334.7 million (net assets). Of this amount, $929.5 million was for invested in capital assets, net of related debt, $271.3 million was restricted for water services and operation, and $133.9 million was restricted for sewer services and operations.
- Total revenues including capital contribution decreased by $29.9 million or 11.8 percent primarily due to decreases in changes in fair value of investments and capital contributions.
- Total expenses increased by $4.1 million or 2.1 percent primarily due to increases in water and sewer services operating expenses.
- Capital assets increased by $16.5 million or 1.2 percent primarily due to increases in water and sewer plant in service and several major capital projects. The District is continuing its aggressive capital plan, particularly in light of the current favorable bidding environment as a result of the general economic downturn.
- Total debt decreased by $35.6 million or 2.9 percent primarily due to the issuance of two refundings in the amount of $522.1 million, partially offset by principal maturities of $41.5 million and defeasance of $380.9 million of the 1998 Joint Powers Agency Taxable Refunding Bonds Issue #2 and $103.1 million of the 1986 Certificates of Participation and 2008 Refunding Certificates of Participation.

The District had the following major financial events in the current fiscal year:

- The District received three new cooperative agreements with the Bureau of Reclamation for the American Recovery and Reinvestment Act of 2009 on the Tustin Legacy Well 1 capital project, Wells 21 and 22 capital project, and NTS Site 67 capital project.
- Diversion of sewerage flows previously treated at the OCSD for treatment at the District's MWRP resulted in the District's sale of $34.4 million of its equity in the Orange County Sanitation District Joint Works Treatment Facilities.
- The District successfully completed two refundings in the amount of $522.1 million. The Irvine Ranch Water District Joint Powers Agency (JPA) issued $436.9 million of Taxable Refunding Bonds Issue #2 to reduce its aggregate 1998 JPA Taxable Refunding Bonds Issue #2 debt service payments by almost $34.3 million over the next 4 years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $33.8 million. The issuance of the Irvine Ranch Water District Service Corporation Certificates of Refunding Series 2010 resulted in changing from variable interest rate mode to a fixed rate mode in order to take advantage of historically low interest rates, diversify the District's debt portfolio and reduce the District's exposure to the letter of credit bank risk.
- The District successfully acquired 883 acres of land, water rights and water inventory in the Dudley Ridge Water District in Central California. This project, known as the "Jackson Ranch", has over 1,700 acre-feet of State Water Project Table A water allocated to it, and the acquisition also included certain participation rights in the Kern Water Bank to store approximately 7,600 acre-feet of water.
- The District funded $1.8 million in excess of its Annual Required Contribution to the California Public Employees Retirement System (CalPERS) in order to reduce its unfunded pension liability. This is recorded as a net pension asset and is discussed in detail in Note 14 to the Basic Financial Statements.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis of the District

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

Net Assets

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

Condensed Statement of Net Assets as of June 30,

Table 1
Net Assets
(in millions)

	2010	**2009**	**Increase/(Decrease) Amount**	**Increase/(Decrease) Percentage**
Assets				
Current and other assets	$ 339.1	$ 287.9*	$ 51.2	17.8%
Capital assets, net	1,396.6	1,380.1*	16.5	1.2%
Other noncurrent assets	870.6	964.5*	(93.9)	-9.7%
Total assets	2,606.3	2,632.5	(26.2)	-1.0%
Liabilities				
Current and other liabilities	67.3	99.4	(32.1)	-32.3%
Long-term liabilities	1,204.3	1,219.0*	(14.7	-1.2%
Total liabilities	1,271.6	1,318.4	(46.8)	-3.5%
Net Assets				
Invested in capital assets, net of related debt	929.5	951.3*	(21.8)	-2.29%
Restricted for water services	271.3	294.5*	(23.2)	-7.9%
Restricted for sewer services	133.9	68.3*	65.6	96.0%
Total net assets	$ 1,334.7	$ 1,314.1	$ 20.6	1.6%

* **Restated.**

As shown in Table 1, the District's total assets decreased $26.2 million or 1.0 percent, primarily due to increases in capital projects that were funded by the proceeds from the 2009 Consolidated General Obligation Bonds, Series A & B. In addition, the District's total assets decreased due to decreases in the bond reserve fund in the amount of $6.4 million of the refunding of the 1986 Certificates of Participation and $4.0 million of the principal payment of the 1985 General Obligation Bonds, Series B.

The District's total liabilities decreased $46.8 million or 3.5 percent, primarily due to some one-time expenses incurred but not yet paid at June 30, 2009. In addition, the decrease in the District's total liabilities was due to the issuance of two refundings in the amount of $522.1 million, partially offset by principal maturities of $41.5 million and defeasance of $380.9 million of the 1998 Joint Powers Agency Taxable Refunding Bonds Issue #2 and $103.1 million of the 1986 Certificates of Participation and 2008 Refunding Certificates of Participation.

Net assets at end of the current fiscal year increased from $1,314.1 million to $1,334.7 million compared to the prior fiscal year, indicating approximately a 1.6 percent positive growth in the District's overall financial condition. Net assets consist of the portion invested in capital assets net of related debt and restricted net assets. Net assets invested in capital assets net of related debt is the difference between capital assets net of accumulated depreciation/amortization and the liabilities attributable to the acquisition, construction, or improvement of those assets. Net assets invested in capital assets net of related debt was $929.5 million or 69.6 percent of total net assets. This was a decrease of $21.8 million or 2.29 percent from the prior fiscal year. Restricted net assets for water services were $271.3 million or 20.3 percent of total net assets. Restrict net assets for sewer services were $133.9 million or 10.0 percent. Those restricted net assets are externally restricted by a creditor such as through debt covenants or restricted by law or enabling legislation.

Activities and Changes in Net Assets

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

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

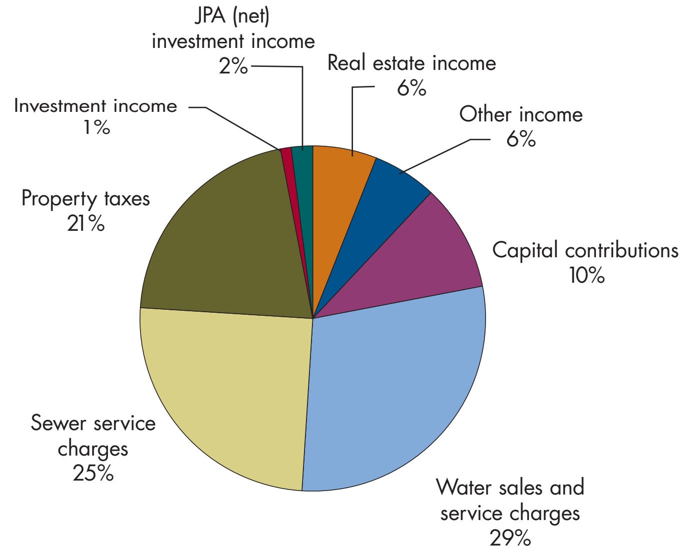
Table 2
Revenues, Expenses and Changes in Net Assets
(in millions)

	2010	2009	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Operating revenues				
Water sales and service charges	$ 51.3	$ 50.9	$ 0.4	0.8%
Sewer sales and service charges	45.3	41.2	4.1	10.0%
Total operating revenues	96.6	92.1	4.5	4.9%
Non-operating revenues				
Property taxes	38.4	36.2	2.2	6.1%
Investment income	2.2	4.4	(2.2)	-50.0%
Increase (decrease) in fair value of investments	(7.8)	9.8	(17.6)	-179.6%
JPA investment income	55.7	57.7	(2.0)	-3.5%
Real estate income	9.7	10.8	(1.1)	-10.2%
Other income	10.7	9.9	0.8	8.1%
Total non-operating revenues	108.9	128.8	(19.9)	-15.5%
Total revenues	205.5	220.9	(15.4)	-7.0%
Operating expenses				
Water services expenses	56.9	55.5*	1.4	2.5%
Sewer services expense	37.6	37.1*	0.5	1.3%
Depreciation	39.4	38.2*	1.2	3.1%
Total operating expenses	133.9	130.8	3.1	2.4%
Non-operating expenses				
Interest expense	10.0	6.1	3.9	63.9%
JPA interest expense	51.5	54.7	(3.2)	-5.9%
Real estate expense	6.2	5.7	0.5	8.8%
Other expense	1.3	1.5	(0.2)	-13.3%
Total non-operating expenses	69.0	68.0	1.0	1.5%
Total expenses	202.9	198.8	4.1	2.1%
Income/(loss) before capital contributions	2.6	22.1	(19.5)	-88.2%
Capital contributions	18.0	32.5	(14.5)	-44.6%
Change in Net Assets	20.6	54.6	(34.0)	-62.3%
Beginning Net Assets, as restated	1,314.1	1,259.5*	54.6	4.3%
Ending Net Assets	**$ 1,334.7**	**$ 1,314.1**	**$ 20.6**	**1.6%**

* **Restated.**

Revenue:
As shown in Table 2, operating revenues, comprising 56.2 percent of total revenues, increased by $4.5 million or 4.9 percent. Operating revenue increases are primarily attributable to a 9.8 percent increase in water and sewer rates for the average residential customer and a 0.8 percent increase in service connections. The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2010, excluding the change in the fair market value of investments.

Sources of Revenue for Fiscal Year Ended June 30, 2010
(excluding change in fair market value of investments)



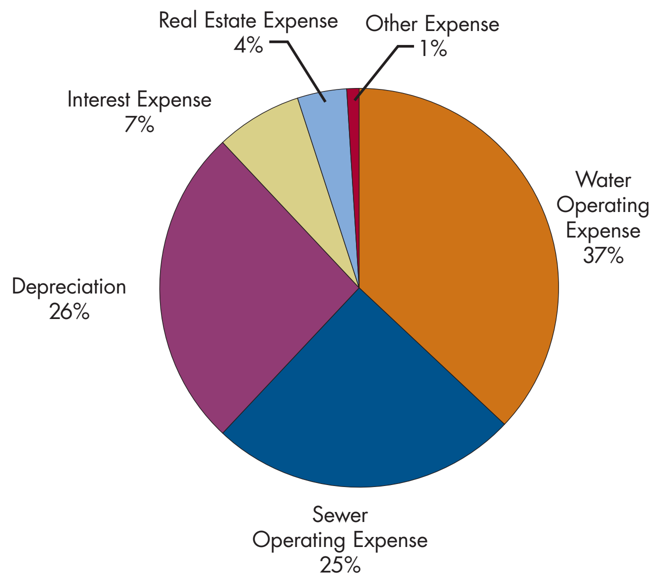
Net non-operating revenues accounted for 33.4 percent of total revenue, and decreased by $16.7 million or 22.5 percent, primarily due to a decrease in fair value of investments relating to the JPA Issue No. 2.

Capital contributions accounted for the remaining $18.0 million or 10.5 percent of total revenues for the fiscal year ended June 30, 2010. Capital contributions decreased by $13.9 million or 42.8 percent, comprised of a decrease of $12.6 million or 66.7 percent in donated facilities/equity and an increase of $1.3 million or 28.9 percent in connection fees. Many development projects were completed in the previous fiscal year with very few projects beginning construction in the prior or current fiscal year. Development activity during the current fiscal year was primarily limited to apartments. The increase in the District's connection was consistent with Developer Projections used in the District's Enterprise Model. Developers anticipated the completion of additional apartment units with single family residential unit production being reduced immediately with the units moved into the future years.

Expenses:
As shown in Table 2, operating expenses before depreciation comprise 70.6 percent of the total operating expenses and increased by $1.9 million or 2.1 percent. Water expenses increased by $1.4 million or 2.5 percent and Sewer expenses increased by $0.5 million or 1.3 percent, primarily due to changes in meter reading contract during the fiscal year ended June 30, 2010.

Combined operating and non-operating revenues before capital contributions were $154.0 million, which was $2.6 million more than combined operating and non-operating expenses.

Functional Expenses for Fiscal Year Ended June 30, 2010



Capital Assets

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

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

	2010	2009	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Waterworks in service	$762.6	$693.0*	$69.6	10.0%
Sewer plant in service	941.7	872.3*	69.4	8.0%
Less: accumulated depreciation	(487.6)	(463.5)*	(24.1)	5.2%
Land	44.2	43.9	0.3	0.7%
Construction in progress	135.7	234.4*	(98.7)	-42.1%
Total	$1,396.6	$1,380.1	$16.5	1.2%

* Restated.

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

Total projects transferred from Construction in Progress to Capital Assets during the fiscal year ended June 30, 2010 were $190.6 million. Among the more significant projects transferred were (in millions):

LAWRP 2005 Upgrades	$ 24.5
OCSD CORF 08/09	16.2
OCSD CORF 09/10	10.5
PA6 Zone 6 Reservoirs & Outlet Line	6.4
PA6 Zone C Reservoirs, Inlet/Outlet	5.8
Reservoir Management Systems and Nitrification Control at 9 Domestic Water Reservoirs	5.7
Planning Area 6 20" Zone 4 Portola/ZZ Street	5.7
Tustin Legacy PH1, Armstrong/Valenicia N. Loop	5.2
Irvine Desalter Project	5.0
Planning Area 6 Zone D Reservoir, Inlet/Outlet	4.3
IRWD/SOC Connection-Zone 1-3 Booster Pump Station	4.2
Planning Area 1 Zone 3-5 Booster Pump Station	3.5
Planning Area 1 Zone A-C Booster Pump Station	3.4
Planning Area 16" Zone 5 MWD/AMP Parallel	3.1
Culver Drive Sewer Rehabilitation	3.0
University/Campus Sewer Replacement Phase II Construction	3.0
OCSD Equity 07/08	2.5
Sand Canyon Zone 3 Pipe Repair	2.5
Planning Area 6 16", 20" Zone C Portola/ZZ Street	2.5
Planning Area 6 Offsite Zone C 16" (Irvine Bl & Alton)	2.4
Chlorine Analyzer and Mixed Install at Domestic Water Reservoirs	2.1
Portola Hills Zone 9 Booster Pump Station Construction	2.0

Total unexpended construction commitments as of June 30, 2010, were $101.4 million: $13.9 million of this is for water facility expenditures and $87.5 million is for sewer/reclaimed facility expenditures. A list of material construction commitments as of June 30, 2010 can be found in Note 17 of the Notes to the Basic Financial Statements.

Debt Administration

As shown below in Table 4, as of June 30, 2010, the District had total debt outstanding of $1,186.0 million, which was a net decrease of $35.6 million, or 2.9 percent from the prior fiscal year. The decrease was primarily due to issuance of two refundings in the amount of $522.1 million, partially offset by principal maturities of $41.5 million and defeasance of $380.9 million of the 1998 Joint Powers Agency Taxable Refunding Bonds Issue #2 and $103.1million of the 1986 Certificates of Participation and 2008 Refunding Certificates of Participation.

In April 2010, the Irvine Ranch Water District Joint Powers Agency issued $436.9 million of Taxable Refunding Bonds Issue #2 to refund a portion of the outstanding 1998 Joint Powers Agency Taxable Refunding Bonds Issue #2. The District reduced its aggregate debt service payments by almost $34.3 million over the next 4 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $33.8 million. On February 23, 2010, the Irvine Ranch Water District Service Corporation issued $85.1 million of Certificates of Refunding Series 2010 (the Series 2010 Certificates) to refinance the cost of certain capital improvement by refunding the outstanding principal amount of the Certificates of Participation Series 1986 and Series 2008 and pay the costs of issuance of the Series 2010 Certificates. The issuance of the Series 2010 Certificates resulted in a premium in the amount of $7.9 million. In addition, the refunding resulted in changing from variable interest rate mode to a fixed rate mode in order to take advantage of historically low interest rates, diversify the District's debt portfolio and reduce the District's exposure to the letter of credit bank risk.

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

			Increase/(Decrease)	
	2010	**2009**	**Amount**	**Percentage**
General obligation bonds	$399.2	$415.7	$(16.5)	-4.0%
Joint Powers Agency bonds	690.2	698.6	(8.4)	-1.2%
Certificates of participation	92.0	102.3	(10.3)	-10.1%
Notes payable	4.6	5.0	(0.4)	-8.0%
Total	$1,186.0	$1,221.6	(35.6)	-2.9%

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

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

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

Contacting the District's Financial Management

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

Irvine Ranch Water District

Statement of Net Assets
June 30, 2010
(with comparitive data for June 30, 2009)
(amounts expressed in thousands)

	2010	2009
ASSETS:		
Current Assets:		
Cash and Investments (note 2)	$225,431	$206,201
Receivables:		
Customer accounts receivable	5,636	6,333
Interest receivable	550	522
Joint Powers Agency (JPA) interest receivable	20,628	21,346
Notes receivable, current portion	11	10
Allen-McColloch Pipeline receivable, current Portion (note 8)	423	584
Due from other agencies (note 17)	16,555	
Other receivables (note 19)	8,543	4,749
Total receivables	52,346	33,544
Other Current Assets:		
Inventories (note 4)	5,966	6,582
Prepaid items and deposits	17,913	17,213
JPA investment program, current portion (note 2)	37,430	24,224
Total other current assets	61,309	48,019
Total current assets	339,086	287,764
Noncurrent Assets:		
Capital Assets (note 5):		
Waterworks in service	762,560	711,757
Sewer plant in service	941,748	890,776
Subtotal	1,704,308	1,602,533
Less accumulated depreciation	(487,608)	(460,429)
Total capital assets being depreciated, net	1,216,700	1,142,104
Land	44,244	43,889
Construction in progress	135,699	237,151
Total capital assets, net	1,396,643	1,423,144
Other Noncurrent Assets:		
Debt service cash and investments and restricted cash (note 2)	28,544	94,232
Unamortized debt issuance expense	1,444	2,054
Notes receivable, net of current portion	166	182
Allen-McColloch Pipeline receivable, net (note 8)	3,333	5,696
JPA investment program, net of current portion (note 2)	751,778	785,790
Real estate investments (note 7)	43,097	45,365
Net pension asset (note 14)	4,815	3,000
Deferred outflow (note 3)	37,433	
Total other noncurrent assets	870,610	936,319
Total noncurrent assets	2,267,253	2,359,463
TOTAL ASSETS	2,606,339	2,647,227

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Net Assets
June 30, 2010
(with comparitive data for June 30, 2009)
(amounts expressed in thousands)
(Continued)

	2010	2009
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Account payable and accrued expenses	17,774	32,725
Customer deposits and advance payments	173	162
Accrued interest:		
General obligation bonds	932	494
JPA revenue bonds	8,984	16,106
Other accrued interest payable	2,640	1,379
Current portion of long-term liabilities:		
General obligation bonds (note 9)	15,118	16,546
Certificates of participation (note 9)	3,961	4,719
JPA revenue bonds (note 9)	13,848	24,876
Notes payable (note 9)	1,806	455
Other long term liabilities (note 9)	1,396	1,304
Deferred revenue (note 10)	679	604
Total current liabilities	67,311	99,370
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	384,037	399,153
Certificates of participation, net of current portion (note 9)	88,043	97,608
JPA revenue bonds, net of current portion (note 9)	676,416	673,690
Notes payable, net of current portion (note 9)	2,747	4,552
Other long term liabilities, net of current portion (note 9)	2,738	2,655
Deferred revenue, net of current portion (note 10)	11,272	11,796
Net OPEB obligation (note 15)	1,676	1,357
Swap liability (note 3)	37,433	
Total long-term liabilities	1,204,362	1,190,811
TOTAL LIABILITIES	1,271,673	1,290,181
NET ASSETS (note 13):		
Invested in capital assets, net of related debt	929,475	994,344
Restricted for water services	271,310	294,369
Restricted for sewer services	133,881	68,333
TOTAL NET ASSETS	$ 1,334,666	$ 1,357,046

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(with comparitive data for the Fiscal Year Ended June 30, 2009)
(amounts expressed in thousands)

	2010	2009
OPERATING REVENUES:		
Water sales and service charges	$ 51,268	$ 50,940
Sewer sales and service charges	45,344	41,157
Total operating revenues	96,612	92,097
OPERATING EXPENSES:		
Water:		
Water services	40,103	40,333
General and administrative	14,574	12,536
Customer accounts	2,263	1,940
Sewer:		
Sewer services	27,804	27,402
General and administrative	8,330	7,712
Customer accounts	1,509	1,294
Depreciation	39,444	34,699
Total operating expenses	134,027	125,916
Operating income (loss)	(37,415)	(33,819)
NONOPERATING REVENUES (EXPENSES):		
Property taxes	38,392	36,240
Investment income	2,191	4,365
Increase (decrease) in fair value of investments	(7,782)	9,837
JPA investment income	55,726	57,676
Real estate income	9,701	10,792
Other income	10,706	9,918
Interest expense	(9,962)	(6,061)
JPA interest expense	(51,530)	(54,686)
Real estate expense	(6,186)	(5,698)
Other expenses	(1,286)	(1,535)
Total nonoperating revenues (expenses)	39,970	60,848
Income (loss) before capital contributions	2,555	27,029
CAPITAL CONTRIBUTIONS:		
Donated facilities	6,271	18,911
Connection fees	5,818	4,535
Other	5,874	9,071
Increase (decrease) in net assets	20,518	59,546
NET ASSETS AT BEGINNING OF YEAR	1,357,046	1,278,703
Prior Period Adjustments (note 20)	(42,898)	18,797
NET ASSETS AT END OF YEAR	$ 1,334,666	$ 1,357,046

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

(with comparitive data for the Fiscal Year Ended June 30, 2009)

(amounts expressed in thousands)

	2010	2009
Cash flows from operating activities:		
Cash received from customers and users	$ 103,783	113,805
Cash paid to suppliers of goods and services	(52,931)	(47,896)
Cash paid for employees services	(39,021)	(39,673)
Net cash provided by (used for) operating activities	11,831	26,236
Cash flows from noncapital financing activities:		
Property tax receipts	38,392	36,240
Net cash provided by noncapital financing	38,392	36,240
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(87,208)	(103,077)
Proceeds from disposition of capital assets	140	61
Proceeds from issuance of long-term debt	529,487	150,400
Principal payments on long-term liabilities	(524,948)	(45,975)
Interest and Issuance Costs on Long Term Liabilities	(106,442)	(62,103)
Developer connection fees and related receipts	12,337	13,606
Net cash provided by (used for) capital and related financing activities	(176,634)	(47,088)
Cash flows from investing activities:		
Investment earnings	58,511	62,957
Investment earnings in real estate	5,783	3,608
Proceeds from sale or maturity of investments	224,270	433,039
Purchases of investments	(163,181)	(463,867)
Collections on notes receivable	2,550	563
Additions to notes receivable	(11)	(10)
Net cash provided by (used for) investing activities	127,922	36,290
Net increase (decrease) in cash and cash equivalents	1,511	51,678
Cash and cash equivalents at beginning of year	106,386	54,708
Cash and cash equivalents at end of year	$107,897	106,386

(Continued)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

(with comparitive data for the Fiscal Year June 30, 2009)

(amounts expressed in thousands)

(Continued)

	2010	2009
Reconciliation of cash and cash equivalents to		
amounts reported on the Statement of Net Assets:		
Cash and investments	$225,431	206,201
JPA investment program, current portion	37,430	24,224
Debt service cash and investments	28,544	94,232
JPA investment program, net of current portion	751,778	785,790
Subtotal	1,043,183	1,110,447
Less long-term investments	(935,286)	(1,004,061)
Cash and cash equivalents at end of year	$107,897	106,386
Reconciliation of operating income to net cash		
provided by (used for) operating activities:		
Operating income (loss)	$(37,415)	(33,819)
Adjustments to reconcile operating income to		
net cash provided by (used for) operating activities:		
Other nonoperating income	10,706	9,918
Other nonoperating expenses	(1,286)	(1,535)
(Gain) loss on disposition of capital assets	16,024	-
Depreciation	39,444	34,699
(Increase) decrease in customer receivables	697	(802)
(Increase) decrease in other receivables	(3,794)	345
(Increase) decrease in inventories	703	(3,176)
(Increase) decrease in prepaid expenses and other assets	(700)	(5,289)
(Increase) decrease in net pension asset	(1,815)	(3,000)
Increase (decrease) in accounts payable and accrued expenses	(10,764)	15,632
Increase (decrease) in customer deposits and advance payments	11	(153)
Increase (decrease) in compensated absences	150	363
Increase (decrease) in unearned revenue	(449)	12,400
Increase (decrease) in net OPEB obligation	319	653
Net cash provided by (used for) operating activities	$11,831	26,236
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	$6,271	18,911
Unrealized gain (loss) on investments	(7,782)	9,837
Total noncash investing, capital and financing activities	$(1,511)	28,748

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

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

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

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

Description of the Reporting Entity

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

Irvine Ranch Water District IDs and PAs:

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

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

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

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

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

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

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

Bardeen Partners, Inc. – In March of 1991, the District formed a 501(c)(4) corporation for the purpose of accounting for the financial data and transactions of the District's real estate investments, including the investments in Wood Canyon Villas, Sycamore Canyon Apartments, and Irvine Technology Center. Bardeen Partners is governed by a Board of Directors consisting of the five members of the District's Board of Directors. The District accounts for the Corporation's activities in Improvement Districts No. 801 through 804. Bardeen Partners does not issue separate financial statements.

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

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

(b) Basic Financial Statements

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

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

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

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

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

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

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

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

(d) Property Taxes

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

The property tax calendar is as follows:

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

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

(e) Cash and Cash Equivalents

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

(f) Investments

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

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

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

(g) Real Estate Investments

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

(h) Inventory and Prepaid Items

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

(i) Capital Assets

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

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

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

(j) Unamortized Debt Issuance Expense

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

(k) Compensated Absences

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

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

(k) Compensated Absences (Continued)

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

(l) Comparative Financial Statements and Reclassifications

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

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial state ments as follows (in thousands):

Cash and investments	$ 225,431
Debt service cash and investments	28,544
Subtotal	253,975
JPA investment program, current portion	37,430
JPA investment program	751,778
Subtotal JPA investments*	789,208
Total cash and investments	$ 1,043,183

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

Cash and investments as of June 30, 2010 consist of the following (in thousands):

Cash on hand	$ 3
Deposits with financial institutions	(2,270)
Investments	1,045,450
Total cash and investments	$ 1,043,183

(2) Cash and Investments (Continued)

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

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

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

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

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

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

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Custodial Credit Risk

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

Disclosures Relating to Interest Rate Risk

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

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

		Remaining Maturity			
Investment Type	Amount	12 Months Or Less	13 to 36 Months	37-60 Months	More Than 60 Months
Federal agency securities	$ 66,711	10,141	56,570	-	-
Local agency bonds	51,995	51,995	-	-	-
Local Agency Investment Fund	125,343	125,343	-	-	-
Money market funds	12,191	12,191	-	-	-
JPA cash and investments:					
Money market funds	11,276	11,276	-	-	-
Federal agency securities	495,377	12,601	28,372	454,404	-
Investment contract	282,557	13,554	30,315	238,688	-
Total	$ 1,045,450	237,101	115,257	693,092	-

In March and April 2008, the Board of Directors approved variable rate demand notes (VRDN) of California municipal issuers as authorized investments, subject to specified criteria that included such factors as ratings, maturity, redemption notices, and certain issuers. This Board-approved criteria was designed to maintain adequate safety and liquidity while achieving moderately higher yields. Purchases of VRDNs are based on the underlying credit of the issuers and their ability to restructure the transactions within a reasonable period of time. At June 30, 2010, the District's investment portfolio held $51.995 million of VRDNs with yields ranging from 0.170% to 2.00%. A summary of the VRDN securities is shown in the following table, accompanied by a general discussion of the VRDN market.

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

Issuer Rating (1)	Issuer	Par Amount (in thousands)	Yield
Variable Rate Demand Notes			
Aa1/AAA/NR	East Bay Municipal Util Dist	$9,800	0.300%
Aa3/AA/AA-	Bay Area Toll Authority	10,375	0.220%
Aaa/AAA/NR	Chino Basin Financing Auth	6,920	0.230%
Aa3/AAA/NR	Ca Dept of Water Series C	2,000	0.310%
Aa3/A/NR	Rancho California Water Dist	6,900	0.220%
Aa3/AAA/AAA	Rancho California Water Dist	3,000	0.170%
Aaa/AAA/NR	Central Basin Water Dist	5,000	2.000%
Aa3/AAA/A+	Los Angeles Waste Water Rev	8,000	0.250%
Total		$ 51,995	

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

A VRDN is a debt instrument with a long-term maturity that has a periodic interest rate component reset by a remarketing agent, usually on a daily or weekly basis. The periodic interest rate set by the remarketing agent generally is based on current market conditions for similar short-term securities. An owner of VRDNs has the right to tender the notes at par plus accrued interest at each reset date. The bonds are then resold by the remarketing agent or purchased by a bank that has a liquidity facility agreement with the issuer of the debt. Some issuers of VRDNs also obtain insurance on the debt for scheduled principal and interest payments. Although most issuers of VRDNs have a liquidity facility in place, there are certain circumstances, such as rating downgrades or bankruptcy of an insurer, that allow the liquidity bank to terminate its agreement immediately and without notice. The VRDNs held by the District constituted about 20.2% of its fixed income investments and did not experience any liquidity difficulties.

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End AAA	Between AA- and AA+	A-1	Not Rated
Federal Agency Securities	$ 66,712	N/A	66,712			
Local Agency Bonds	51,995	N/A	34,720	10,375	6,900	
Local Agency Investment Fund	125,343	N/A				125,343
Money Market Funds	12,191	N/A	12,191			
JPA cash and investments:						
Money Market Funds	11,276	N/A	11,276			
Federal Agency Securities	495,377	N/A	495,377			
Investment Contract	282,556	N/A				282,556
Total	$1,045,450		620,276	10,375	6,900	407,899

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FNMA	Federal agency securities	$ 514,425
AIG	Investment contract	282,556

The credit rating of AIG at June 30, 2010 is A3/A-/BBB. As a result of the financial crisis in the banking and insurance industries in late 2008, AIG received funding of approximately $182 billion from the US Government to provide sufficient liquidity to fund its operations. The lack of liquidity and need for government intervention resulted in the downgrade in credit ratings for the parent company as reflected above. The AIG investment contract is the only investment security in the trust estate of the Taxable Refunding Bond Issue #1 issued by the Irvine Ranch Water District Joint Powers Agency in February 1998. These bonds are secured solely by the trust estate, and there is no recourse to the District for the payment of principal and interest due on the bonds.

(2) Cash and Investments, (Continued)

Investment in State Investment Pool

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

(3) Interest Rate Swap Agreements

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

As of June 30, 2010, the notional amount and fair value balance of the District's interest rate swaps is $130.0 million and $(37.4) million, respectively. All outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). For the year ended June 30, 2010, the change in fair market value of the fixed payer interest rate swaps was $(9.3) million.

The fair value of the swap agreements at June 30, 2010 is calculated using a zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are then discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The fair value calculations as of June 30, 2010 were calculated and verified by an independent consulting firm.

The District's fixed payer swaps were executed in 2004, and became effective in 2006 and 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2010, along with the credit rating of the associated counterparty:

(3) Interest Rate Swap Agreements (Continued)

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	$ 20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	A1/A+/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	A2/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	6/17/06	6/17/19	Pay 6.140%; receive 1-Mo. LIBOR	A1/A+/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	A2/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	A1/A+/A+

(3) Interest Rate Swap Agreements (Continued)

The ISDA agreements for the above referenced interest rate swaps include a provision that the counterparties shall be required to post collateral should the mark-to-market value of the total interest rate swap portfolio with the respective counterparty, including any current outstanding swap accruals, exceed a threshold of ($15,000,000). The amount of the collateral posted shall be the amount of the mark-to-market value plus outstanding swap accrual amounts in excess of ($15,000,000). As of June 30, 2010, the mark-to-market value of the total interest rate swaps with Citigroup as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of $6,358,791. The collateral funds are held in a separate trust account and earn interest at the Federal Funds Effective Rate (0.09% as of June 30, 2010).

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

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

The District has executed derivative transactions with two counterparties. Their ratings are A1/A+/A+ (62% of net exposure to credit risk) and A2/A/A+ (38% of net exposure to credit risk).

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

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

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

(3) Interest Rate Swap Agreements (Continued)

Collateral requirements: All of the District's interest rate swaps include provisions that require the District to post collateral in the event its credit rating falls below A as issued by Fitch Ratings and Standard & Poor's or A2 as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no additional collateral has been posted at June 30, 2010.

(4) Inventories

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

	2010
Water in storage	$ 4,785
Material and supplies	1,181
Total	$ 5,966

Seventy-two percent of the total inventories was related to the untreated water inventory which was then stored in Irvine Lake. As of June 30, 2010, the untreated water was comprised of 9,353 acre feet of imported water and 12,398 acre feet of native water. The District intends to blend the use of these sources to meet untreated demands in fiscal year 2010-11.

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2010 is as follows (in thousands):

	Balance at June 30, 2009*	Additions	Deletions	Balance at June 30, 2010
Capital assets, being depreciated:				
Waterworks in service:				
General plant	$ 16,295	811	(790)	16,316
Utility plant	676,784	75,040	(5,580)	746,244
Sewer plant in service:				
General plant	16,811	823	(749)	16,885
Utility plant	855,420	115,205	(45,762)	924,863
Sub-total	1,565,310	191,879	(52,881)	1,704,308
Less: Accumulated depreciation:				
Waterworks in service:				
General plant	(11,819)	(1,000)	749	(12,070)
Utility plant	(207,415)	(6,411)	7,039	(206,787)
Sewer plant in service:				
General plant	(11,657)	(1,071)	708	(12,020)
Utility plant	(232,603)	(30,962)	6,834	(256,731)
Sub-total	(463,494)	(39,444)	15,330	(487,608)
Total capital assets, being depreciated, net	1,101,816	152,435	(37,551)	1,216,700
Capital assets, not being depreciated:				
Land	43,889	355		44,244
Construction in progress	234,454	91,845	(190,600)	135,699
Total capital assets, net	$1,380,159	244,635	(228,151)	1,396,643

** The balance at June 30, 2009 has been restated by $(42,985) to the capital assets, net of accumulated depreciation due to the District's implementation of GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets and the changes in the District's policy of depreciation on the certain improvement districts. See note 20 for additional information.*

(6) Capitalized Amounts

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

The amount of administrative and general expenses and net interest costs capitalized to construction-in-progress for the year ended June 30, 2010 is as follows (in thousands):

Administrative and general expenses, capitalized	$ 7,393
Interest expenses, capitalized*	3,968
	$11,361

** The total amount of interest cost incurred for the year ended June 30, 2010 (both the amounts expensed and the amounts capitalized) was $65,460, including $51,530 of interest on JPA Bonds.*

(7) Real Estate Investments

Real estate investments are as follows at June 30, 2010 (in thousands):

Wood Canyon Villas, L.P.	$5,757
Sycamore Canyon Apartments (net of accumulated depreciation of $19,836)	23,949
Irvine Technology Center (net of accumulated depreciation of $1,014)	4,573
Waterworks Way Business Park (net of accumulated depreciation of $209)	8,818
Total	$43,097

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

(7) Real Estate Investments, (Continued)

Wood Canyon completed construction of a 230-unit apartment complex in May 1993. The complex is located in Orange County, California, and was 94% occupied at June 30, 2010. The Wood Canyon partnership agreement entitles the District to a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (initially $6,000,000). For the year ended June 30, 2010, the District earned $531,251as preferred return income. The District's capital contributions and preferred return are guaranteed by the principals of the general partner who have also agreed to provide an irrevocable stand-by letter of credit, up to a maximum of $750,000, to the extent the general partner's unrecovered contribution account falls below 12.5% of the District's unrecovered contribution account.

In December 1992, the District acquired a 450-unit apartment complex (original cost, $34,093,000) in Orange County, California known as Sycamore Canyon Apartments. The complex was 94% occupied at June 30, 2010. The Sycamore Canyon Apartments Renovation Project began in June 2005, and included the addition of a clubhouse and fitness center to the existing leasing office, construction of a central maintenance shop and interior upgrades to the apartment units. The project was completed in November 2007 for a total cost of $9.6 million.

In July 2003, the District completed construction of a 41,000 square foot for-lease office building located in Irvine, California known as the Irvine Technology Center. Costs for the project were $5,534,276 and the building was 66% occupied as of June 30, 2010.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a Specific Facilities requirement of the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project were $8,983,395. As of June 30, 2010, the building was 61% occupied.

Net real estate income as of June 30, 2010 was as follows (in thousands):

Real estate income	$ 9,701
Real estate expense	(4,077)
Depreciation	(2,109)
	$ 3,515

(8) Allen-McColloch Pipeline

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

(8) Allen-McColloch Pipeline (Continued)

In accordance with the sale agreement, the District will receive a total of $45,788,202 over 37 years, all amounts representing the District's ownership of approximately 42% of the pipeline project. In addition to the initial cash payment, the District has received $41,200,336 in payments under the agreement of which $2,980,562 was received for the fiscal year ended June 30, 2010. The District's receivable at June 30, 2010 of $3,755,268 has been presented net of deferred imputed interest of $832,982.

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

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 is as follows (in thousands):

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Due within one year	Due in more than one year
General Obligation Bonds:						
1985 Consolidated	$9,900	-	(4,700)	5,200	5,200	-
1985 Series B	6,000	-	(6,000)	-	-	-
1988 Series A	7,300	-	(1,300)	6,000	1,300	4,700
1989 C Consolidated	11,400	-	(2,000)	9,400	2,100	7,300
1991 Consolidated	9,500	-	(1,000)	8,500	1,000	7,500
1993 C Consolidated	37,500	-	-	37,500	-	37,500
1995 Consolidated	25,000	-	(1,600)	23,400	1,700	21,700
2008A Refunding	60,215	-	-	60,215	1,415	58,800
2008B Refunding	100,355	-	-	100,355	2,455	97,900
2009A Consolidated	75,000	-	-	75,000	-	75,000
2009B Consolidated	75,000	-	-	75,000	-	75,000
Unamortized Deferred Loss on Refunding	(1,471)	-	56	(1,415)	(52)	(1,363)
Total General Obligation Bonds	415,699	-	(16,544)	399,155	15,118	384,037

(9) Long-Term Liabilities (Continued)

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Due within one year	Due in more than one year
JPA Revenue Bonds:						
1998 Taxable Refunding No. 1	286,280	-	(12,200)	274,080	13,145	260,935
1998 Taxable Refunding No. 2	405,380	-	(392,165)	13,215	100	13,115
2010 Taxable Refunding No. 2	-	436,955	-	436,955	9,755	427,200
Unamortized Amounts	6,906	(41,905)	1,013	(33,986)	(9,152)	(24,834)
Total JPA Revenue Bonds	698,566	395,050	(403,352)	690,264	13,848	676,416
Certificates of Participation:						
1986 Certificates	35,800	-	(35,800)	-	-	-
2008 Refunding Certificates	67,300	-	(67,300)	-	-	-
2010 Refunding Certificates	-	85,145	-	85,145	3,745	81,400
Unamortized Premium	-	7,937	(120)	7,817	361	7,456
Unamortized Deferred Loss on Refunding	(773)	(1,005)	820	(958)	(145)	(813)
Total Certificates	102,327	92,077	(102,400)	92,004	3,961	88,043
Notes Payable	5,007	-	(454)	4,553	1,806	2,747
Other Long-Term Liabilities:						
Compensated Absences	3,022	3,010	(2,861)	3,171	1,309	1,862
Other Long-Term Liabilities	937	454	(428)	963	87	876
Total Other Long-Term Liabilities	3,959	3,464	(3,289)	4,134	1,396	2,738
Total Long-Term Liabilities	**$ 1,225,558**	**490,591**	**(526,039)**	**1,190,110**	**36,129**	**1,153,981**

(9) Long-Term Liabilities, (Continued)

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

	Date of Issue	Original Issue	Pledged Revenue	Final Maturity Date	Principal Payment Range	Interest Rates
General Obligation Bonds:						
1985 Consolidated	October 1, 1985	$59,200	(1)(3)	October 1, 2010	$1,000-5,200	Variable
1988 Series A	June 2, 1988	20,000	(1)(3)	November 1, 2013	300-1,400	Variable
1989 Consolidated	June 1, 1989	35,000	(1)(3)	June 1, 2015	100-2,500	Variable
1991 Consolidated	August 1, 1991	19,100	(1)(3)	August 1, 2016	400-1,400	Variable
1993 Consolidated	May 1, 1993	38,300	(1)(3)	April 1, 2033	800-2,400	Variable
1995 Consolidated	December 1, 1995	40,000	(1)(3)	January 1, 2021	800-2,600	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	1,200-6,000	Variable
2008B Refunding	April 1, 2008	100,355	(1)(3)	May 1, 2037	2,200-5,900	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	2,500	Variable
JPA Revenue Bonds:						
1998 Taxable Refunding No. 1	February 17, 1998	374,650	(4)	March 15, 2014	70-231,345	7.705%
1998 Taxable Refunding No. 2	August 17, 1998	481,625	(4)	March 15, 2014	30-338,990	8.180%
2010 Taxable Refunding No. 2	April 20, 2010	436,955	(4)	March 15, 2014	9,675-348,595	0.904-2.605%
Certificates of Participation:						
2010 Certificates	February 23, 2010	85,145	(2)	March 1, 2032	1,615-7,135	3.80%

(1) Ad valorem assessments or, in lieu of assessments, in the District's discretion, charges for water or sewer service
(2) Water, sewer, and reclaimed water charges and certain other revenues, as defined in the trust agreement
(3) Proceeds from the sale of property
(4) JPA investment earnings and principal amounts
(5) Available revenues

General Obligation Bonds

The General Obligation Bonds were issued to fund property, water, sewer and reclaimed water facilities. The following describes the more recent General Obligation bond issues:

Consolidated General Obligation Refunding Bonds, Series 2008A

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

(9) Long-Term Liabilities, (Continued)

General Obligation Bonds (Continued)

The Series 2008A Bonds bear interest in a daily mode at a rate determined for each day and payable on the fifth business day of each month, commencing May 7, 2008; thereafter, the Series 2008A Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008A Bonds is 12% per annum.

Consolidated General Obligation Refunding Bonds, Series 2008B

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

The Series 2008B Bonds bear interest in a daily mode at a rate determined for each day each month, commencing May 7, 2008; thereafter, the Series 2008B Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a VIP pricing long-term mode, a VIP pricing short-term mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2008B Bonds is 12% per annum.

Consolidated General Obligation Refunding Bonds, Series 2009A

On June 4, 2009, the District issued $75,000,000 of Consolidated General Obligation Bonds, Series 2009A (the Series 2009A Bonds) to finance certain water and sewer system improvements and related facilities of some Improvement Districts of the District, reimburse certain costs previously paid by the District, and pay the costs of issuance.

The Series 2009A Bonds bear interest in a weekly mode at a rate determined for each week and payable on the first business day of each month, commencing July 1, 2009; thereafter, the Series 2009A Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a term rate mode, a flexible rate mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2009A Bonds is 12% per annum. The Series 2009A Bonds are subject to redemption on October 1, 2012 and each October 1 thereafter, at a redemption price equal to 100% of the principal amount of the Series 2009A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date redemption. The Series 2009A Bonds are subject to mandatory and optional redemption by the District before maturity.

9) Long-Term Liabilities, (Continued)

General Obligation Bonds (Continued)

Consolidated General Obligation Refunding Bonds, Series 2009B

On June 4, 2009, the District issued $75,000,000 of Consolidated General Obligation Bonds, Series 2009B (the Series 2009B Bonds) to finance certain water and sewer system improvements and related facilities of some Improvement Districts of the District, reimburse certain costs previously paid by the District, and pay the costs of issuance.

The Series 2009B Bonds bear interest in a daily mode at a rate determined for each day and payable on the first business day of each month, commencing July 1, 2009; thereafter, the Series 2009B Bonds may bear interest in a daily mode, a weekly mode, a monthly mode, a semi-annual mode, an annual mode, a term rate mode, a flexible rate mode or a fixed rate mode as determined from time to time. The maximum interest rate on the Series 2009B Bonds is 12% per annum. The Series 2009B Bonds are subject to redemption on October 1, 2012 and each October 1 thereafter, at a redemption price equal to 100% of the principal amount of the Series 2009B Bonds to be redeemed, plus accrued and unpaid interest thereon to the date redemption. The Series 2009B Bonds are subject to mandatory and optional redemption by the District before maturity.

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on the variable interest rates at June 30, 2010 ranging from 0.13% to 0.30%) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Investments, Net	Total
2011	$ 15,170	833	-	16,003
2012	10,200	810	-	11,010
2013	15,500	788	-	16,288
2014	17,000	758	-	17,758
2015	13,600	727	-	14,327
2016-2020	69,000	3,223	19,034	91,257
2021-2025	63,400	2,542	-	65,942
2026-2030	69,000	1,828	18,478	89,306
2031-2035	75,100	999	-	76,099
2036-2040	42,600	250	-	42,850
2041-2042	10,000	22	-	10,022
Subtotal	400,570	12,780	37,512	413,350
Less: Unamortized amounts	(1,415)	-	-	(1,415)
Total	$399,155	12,780	37,512	411,935

(9) Long-Term Liabilities, (Continued)

The above table incorporates the net receipts/payments of the hedging instruments that are associated with this debt issue(s). The amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging instruments will vary. Refer to Note 3 for additional information regarding the hedging instruments associated with the debt of the District.

Joint Powers Agency Revenue Bonds

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

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

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

In April 2010, the JPA issued $436,955,000 of Taxable Refunding Bonds Issue #2, which were used to advance refund a portion of the outstanding 1998 Taxable Refunding Bonds Issue #2. The net proceeds of $423,014,342 (after payment of $2,647,183 in underwriting fees, insurance, and other cost of issuance) was deposited in an escrow fund pursuant to the Escrow Deposit Agreement to provide for all future debt service payments on the refunded portion of 1998 Taxable Refunding Bonds Issue #2. As a result, the refunded portion of 1998 Taxable Refunding Bonds Issue #2 are considered to be defeased and the liability for those bonds has been removed from the District's basic financial statements. Although the advance refunding resulted in the recognition of an accounting loss of $41,904,835 for the year ended June 30, 2010, the District in effect reduces its aggregate debt service payments by almost $34,300,190 over the next 4 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $33,798,142. The net cash flow savings in the amount of $34,300,190 will be received in three installments on 9/15/2010, 3/15/2011, and 9/15/2011. The Taxable Refunding Bonds Issue #2 are due semi-annually on March 15 and September 15 in varying amounts from $9,675,000 to $348,595,000.

(9) Long-Term Liabilities, (Continued)

Joint Powers Agency Revenue Bonds (Continued)

The outstanding revenue bonds liability has been reduced by the unamortized balance of the deferred refunding charge of $39,642,473 ($356,690 for issue #1 and $39,285,783 for issue #2). Additionally, at the time of refunding in 1998, the District negotiated a $25,604,713 contribution from a financial institution that has been amortized over a straight-line basis over the life of the refunding bonds. At June 30, 2010, the unamortized amount is $5,656,225 ($2,042,939 for issue #1 and $3,613,285 for issue #2).

At June 30, 2010, the aggregate of the JPA taxable refunding bond issues (excluding amortizations) due is as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2011	$23,000	31,830	54,830
2012	47,045	31,162	78,207
2013	49,055	29,107	78,162
2014	605,150	27,211	632,361
Subtotal	724,250	119,310	843,560
Plus: Unamortized amounts	(33,986)	-	(33,986)
Total	$690,264	119,310	809,574

At June 30, 2010, the cash flow of the underlying JPA investments securing the JPA taxable refunding bond issues is as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2011	$37,430	54,486	91,916
2012	28,224	52,369	80,593
2013	30,462	50,084	80,546
2014	693,092	47,618	740,710
Total	$789,208 *	204,557	993,765

* *Amount includes accumulated increase in fair value of investments of $89,104.*

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

	Principal	Interest	Total
Net Cash Flow to District:			
Prior to 2010 Taxable Refunding Bonds Issue #2	$20,664	6,136	26,800
2010 Taxable Refunding Bonds Issue #2	(44,809)	79,109	34,300
Net Cash Flow Remaining	$(24,145)	85,245	61,100

(9) Long-Term Liabilities, (Continued)

Certificates of Participation

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

The issuance of the Series 2010 Certificates resulted in a premium in the amount of $7,937,153. The premium, reported in the basic financial statements as an addition to long-term debt, is amortized on a straight-line method over the life of the Series 2010 Certificates. The unamortized premium outstanding at June 30, 2010 was $7,816,893. The amortization expense was $120,260 for the fiscal year ended June 30, 2010.

In addition, the refunding resulted in a difference between the reacquisition price (the Series 2010 Certificates) and the net carrying amount of the certificates (the Series 1986 and 2008 Certificates) of $1,004,524. This difference is considered to be a deferred loss on refunding. The deferred loss on refunding, reported in the basic financial statements as a deduction from long-term debt, is amortized on a straight-line method over 7 years. The unamortized deferred loss on refunding outstanding at June 30, 2010 was $956,690. The amortization expense was $47,834 for the fiscal year ended June 30, 2010. The net present value of economic gain (loss) (difference between the present value of the new and old debt service payments) was $(12,627,906).

(9) Long-Term Liabilities, (Continued)

Certificates of Participation, (Continued)

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

Fiscal Year	Principal	Interest	Total
2011	$3,745	4,044	7,789
2012	4,210	3,806	8,016
2013	4,700	3,688	8,388
2014	5,300	3,453	8,753
2015	5,910	3,188	9,098
2016-2020	19,070	12,507	31,577
2021-2025	12,915	9,369	22,284
2026-2030	19,300	5,537	24,837
2031-2032	9,995	758	10,753
Subtotal	85,145	46,350	131,495
Less: Unamortized amounts	6,859	-	6,859
Total	$92,004	46,350	138,354

Notes Payable

The District has two loans from the State of California to fund reclaimed water projects. The balance on the 1990 loan was $108,939 at June 30, 2010. The annual interest rate is 3.50%. The balance on the 2000 loan was $1,941,453 at June 30, 2010. The annual interest rate is 0.00%, however, the loan agreement required the District to prepay the interest of $647,000, which will be amortized over the life of the loan. The loan is payable annually in fixed installments of $194,146 through 2020.

The District also assumed two loans as a result of its consolidation with the Santiago County Water District. The original loan amount of the first loan was $1,940,500. The loan is payable semi-annually with interest at 5.85%. The loan matures in September 2020, however, the District will make a prepayment of the remaining loan balance on September 15, 2010. The balance of the loan at June 30, 2010 was $1,445,000. The original loan amount of the second loan was $1,300,000. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. The balance of the loan at June 30, 2010 was $1,057,429.

(9) Long-Term Liabilities, (Continued)

Notes Payable, (Continued)

Amounts required to amortize notes payable at June 30, 2010 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2011	$1,806	102	1,908
2012	253	55	308
2013	254	54	308
2014	256	52	308
2015	257	51	308
2016-2020	1,308	232	1,540
2021-2025	379	29	408
2026	40	1	41
Total	$4,553	576	5,129

(10) Deferred Revenue

Deferred Revenue at June 30, 2010 consisted of the following (in thousands):

South County Water Agencies	$11,808
U.S. Department of Navy	143
Total	11,951
Deferred revenue, current portion	679
Deferred revenue, net of current portion	$11,272

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was made and effective on November 14, 2008 between the District, City of San Clemente (CSC), Laguna Beach County Water District (LBCWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), Municipal Water District of Orange County (MWDOC), and Orange County Water District (OCWD). The purpose of the Agreement is allowing the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to buy capacity in the District system and reimburse the District for various new intertie facilities which would ensure that up to 30cfs of water supply is available in an emergency. The total cost of the agreement was paid in full by each party of the South County water agencies in the fiscal year ended June 30, 2009. The amount of deferred revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2010 was $604,252.

The amount of $143,954 is a payment on the insurance of the Irvine Desalter Project from the U.S. Department of the Navy. The amount of amortization for the fiscal year ended June 30, 2010 was $75,106.

(11) Letters of Credit

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

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

Letter of Credit	Trustee	Amount	Expiration Date
Landesbank Hessen-Thuringen:			
1985 Consolidated	Bank of New York Mellon	$5,333	October 1, 2010
1988 Series A	Bank of New York Mellon	6,128	November 15, 2013
Landesbank Baden-Wurttemberg:			
2008 Series A Refunding	Bank of New York Mellon	61,106	April 22, 2011
2008 Series B Refunding	Deutsche Bank	101,840	April 22, 2011
Bank of America:			
1993 Consolidated	Bank of New York Mellon	37,988	May 1, 2011
2009 Series B Consolidated	U.S. Bank	75,838	June 3, 2011
1989 Consolidated	Bank of New York Mellon	9,601	May 5, 2011
1991 Consolidated	Bank of New York Mellon	8,640	May 5, 2011
State Street Bank & Trust Co.:			
1995 Consolidated	Bank of New York Mellon	23,731	May 2, 2011
U.S. Bank:			
2009 Series A Consolidated	U.S. Bank	75,838	June 3, 2011

(12) Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2010 (in thousands).

Net revenues:	
Revenues:	
Water sales and service charges	$ 51,268
Sewer services charges	45,344
Connection fees	5,818
Residual real estate income	5,624
Investment income	2,191
Residual JPA income	4,196
Available 1% property tax revenue	17,213
Other income	10,706
	142,360
Operating and maintenance expenses:	
Water:	
Water services	40,103
General and administrative	14,574
Customer accounts	2,263
Sewer:	
Sewer services	27,804
General and administrative	8,330
Customer accounts	1,509
Other expenses	1,286
	95,869
Net revenues	$ 46,491
Debt service on parity obligations:	
2008 Refunding COP principal and interest	$ 1,742
2010 Refunding COP principal and interest	1,377
1997 State loan	227
Debt service	$ 3,346
Debt ratio	1,389%

(13) Net Assets

Net assets at June 30, 2010 consisted of the following (in thousands):

Property, plant and equipment, net	$1,396,643
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(399,155)
Certificates of participation	(92,004)
Notes payable	(4,553)
Add back unspent portion of debt applicable to bond proceeds	28,544
Total invested in capital assets, net of related debt	929,475
Restricted net assets:	
Restricted for water services	271,310
Restricted for sewer services	133,881
Total restricted net assets	405,191
Total net assets	$1,334,666

(14) Defined Benefit Pension Plan (PERS)

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

Benefit provisions and all other requirements are established by State statute and the District's Board of Directors. Starting July 1, 2008, participants are required to contribute 8% of their annual covered salary. The District makes 7% of the contributions required of District employees on their behalf and for their account. The District employees make 1% of the contribution. In addition, the District is required to contribute at an actuarially determined rate applied to annual covered payroll.

The District's contribution rate for the indicated period is 13.588%. In order to calculate the dollar value of the annual required contribution for inclusion in financial statements prepared as of June 30, 2010, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2009 to June 30, 2010.

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO) (negative or positive). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007.

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

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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

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

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

Required Supplementary Information (in thousands)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/06	$96,470	81,299	15,171	84.3%	20,862	72.7%
6/30/07	110,713	90,675	20,038	81.9%	22,262	90.0%
6/30/08	120,778	100,241	20,537	83.0%	23,450	87.6%

Information for the June 30, 2009 valuation date was not available for inclusion in the financial statements.

On February 22, 2010, the Board approved a $1.8 million payment to PERS to reduce the overall unfunded liability. The District's annual pension cost and net pension asset, computed in accordance with GASB 27, for the year ended June 30, 2010, were as follows (in thousands):

Annual required contribution	$2,997
Interest on beginning pension asset	(233)
Adjustment to annual required contribution	218
Annual pension cost	2,982
Contribution made	4,797
Increase (decrease) in pension asset	1,815
Net pension asset, beginning of year	3,000
Net pension asset, end of year	$4,815

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension asset for the fiscal year ended June 30, 2010 and the two preceding years were as follows:

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

Fiscal Year	Employee Contribution (District Paid)	Employer Contribution	Total Employee Contribution (Disrtict Paid) and Employer Contribution	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Asset
6/30/08	$1,584	2,477	4,061	2,477	100.0%	-
6/30/09	1,661	6,353	8,014	3,353	189.5%	3,000
6/30/10	1,709	4,797	6,506	2,982	160.9%	4,815

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

In October 2009, the District received from PERS an actuarial report that contained information concerning the employer contribution rate for the 2010-11 fiscal year. This information is summarized below. The rate is lower than the contribution rate for the 2009-10 fiscal year which is reflected in the accompanying financial statements.

	Fiscal Year 2010-11	Fiscal Year 2009-10
Normal cost	7.268%	7.264%
Amortization of net actuarial liability (surplus)	5.408%	6.324%
	12.676%	13.588%

(15) Other Post Employment Benefits

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

The District has three other post employment benefits (OPEB) plans:

a. PEMHCA: The District provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. The CalPERS Board of Administration administers the health benefits program and determines the benefits design, including any co-pays and deductibles, providers, and premiums. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension. Participation in PEMHCA is financed in part by the District through a contribution of $101 per month per employee and participating retiree. The contribution rate is scheduled to be indexed with medical inflation (CPI) for years thereafter. In addition, the District pays PEMHCA 0.44% of the premium to cover the administrative fees for each retiree participating in the program. During the fiscal year ended June 30, 2010, the District contributed $45,645 on behalf of retirees participating in this benefit.

(15) Other Post Employment Benefits, (Continued)

b. Retiree Health Costs Reimbursement Plan: The District administers a single-employer defined benefit healthcare plan which provides medical benefits to covered employees and their eligible dependents. The establishment or amendment of benefit provisions is determined by the District. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least 10 years of service. The duration of the benefit is based on employees' years of service as follows: 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. The District reimburses retirees for eligible healthcare costs of up to $300 per month (for retirees with at least 10 years of service at the District), increasing by $20 per month for each additional year of service, to a maximum of $600 per month after 25 years of service. During the fiscal year ended June 30, 2010, the District contributed $165,480 on behalf of retirees participating in this benefit.

c. Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan. On August 11, 2008, the Board of the District approved the termination and the cashing out of current life insurance policies on the retiree death benefit only plan with Pacific Life and contract with Principal Financial Group for active and retiree coverage. The Board's action to the plan was effective December 31, 2008. The plan's benefits were reduced to $10,000 and self-insured beginning at age 70 for current retirees and eliminated altogether after age 70 for future retirees (reduced to $10,000 after age 70 for Board members). Eligibility provisions were changed to match the Retiree Health Costs Reimbursement Plan, and the funding mechanism for the pre-age 70 death benefits was changed from split dollar to term insurance. Employees hired on or before December 31. 2008 are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 will not be eligible for this plan. Due to the significant changes to the plan, a new actuarial valuation was performed and completed effective January 1, 2009. During the fiscal year ended June 30, 2010, the District contributed $6,436 on behalf of retirees participating in this benefit.

Membership of the plan consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

	PEMHCA	Retiree Health Costs Reimbursement	Retiree Death Benefit Only
Retirees and beneficiaries receiving benefits	34	25	67
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	309	309	309
Total	343	334	376

(15) Other Post Employment Benefits, (Continued)

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

Annual OPEB Cost and Net OPEB Obligation

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

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

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2010, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	PEMHCA	Retiree Health Costs Reimbursement	Retiree Death Benefit Only	Total
Annual OPEB cost (expense):				
Annual required contribution	$244,051	280,727	32,609	557,387
Interest on net OPEB obligation	19,864	12,601	35,371	67,836
Adjustment to annual required contribution	(25,844)	(16,394)	(46,019)	(88,257)
Annual OPEB cost (expense)	238,071	276,934	21,961	536,966
Contribution made	(45,645)	(165,480)	(6,436)	(217,561)
Increase in net OPEB obligation	192,426	111,454	15,525	319,405
Net OPEB obligation - beginning of year	397,283	252,015	707,429	1,356,727
Net OPEB obligation - end of year	**$589,709**	**363,469**	**722,954**	**1,676,132**

(15) Other Post Employment Benefits, (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the fiscal year ended June 30, 2010 and the two preceding years were as follows:

Schedule of Employer Contributions

Plan	Year Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
PEMHCA	6/30/08	$239,825	15.52%	$202,600
	6/30/09	238,954	18.53%	397,283
	6/30/10	238,071	19.17%	589,709
Retiree Health Costs Reimbursement	6/30/08	266,135	54.29%	121,655
	6/30/09	271,640	52.01%	252,015
	6/30/10	276,934	59.75%	363,469
Retiree Death Benefit Only	6/30/08	647,073	41.29%	379,886
	6/30/09	334,246	2.01%	707,429
	6/30/10	21,961	29.31%	722,954
Total - All Plans	6/30/08	1,153,033	38.93%	704,141
	6/30/09	844,840	22.76%	1,356,727
	6/30/10	536,966	40.52%	1,676,132

Funded Status and Progress

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

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

(15) Other Post Employment Benefits, (Continued)

Funded Status and Progress, (Continued)

Required Supplementary Information (in thousands)

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

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 5.0% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the third year. Both rates included a 5.0% inflation assumption. The UAAL is being amortized as a level dollar open period over 30 years. It is assumed the District's payroll will increase 3% per year.

(16) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. For the year ended June 30, 2010, the District's payroll covered by the plan was $987,507. The District made no employee contributions. The employees contributed $74,063 (7.5% of current covered payroll) for the year ended June 30, 2010.

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 2010 is $16,500. After 2008, the limit is being indexed to inflation in $500 increments.

Effective January 1, 2009, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2010, the District contributed $564,515 to employee accounts under the 401(a) plan.

Effective July 1, 2008, employees with two years or more of service are entitled to an additional annual contribution by the District based on 3% of base salary. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. During the year ended June 30, 2010, the District contributed $675,832 to employee accounts under the 401(a) plan.

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

(17) Commitments and Contingencies

Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, as amended. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement. The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. The District's CORF payments to OCSD for the year ended June 30, 2010 totaled $12,763,733. The District's share of the jointly funded CORF and capital improvements is included in capital assets in the District's basic financial statements. An annual reconciliation of fiscal year 2010 OCSD operations and maintenance and CORF charges to the District will be performed in fiscal year 2011 which may determine additional amounts payable to or receivable from OCSD. As of June 30, 2010 $10,600,000 is being held by OCSD to meet District's share of OCSD budget requirements and is recorded as deposits in the District's basic financial statements. An additional $16,554,381 is being held by OCSD and is recorded as due from other agency in the District's basic financial statements. These funds will be applied by OCSD as payment of operation and maintenance and CORF invoices in subsequent fiscal years.

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.

Commitments

The following material construction commitments existed at June 30, 2010 (in thousands):

Project Name	Cumulative Expenditures as of June 30, 2010	Remaining Commitments
MWRP Expansion Phase II - Sewer	$17,815	46,313
MWRP Expansion Phase II - Reclaimed	10,748	31,136
MWRP Flood Protection - Sewer	1,324	2,698
MWRP Flood Protection - Reclaimed	708	1,816
Barranca 54", 12" DW Pipeline Relocation	319	2,350
PA1 Portola Pkwy 30" DW Pipeline - SR133 to Culver	3,215	2,280
Baker Water Treatment Plant	2,397	1,894
Barranca 16" RW Relocation - Vestar	158	1,107

(18) Risk Management

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

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

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

(19) Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was $2,099,655.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. The tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

(20) Restatement of Net Assets

During the fiscal year ended June 30, 2010, the District recorded the following prior period adjustments (in thousands):

Net assets at beginning of year	$ 1,357,046
Prior period adjustments:	
Capital assets, net	(42,985)
Water inventories	87
Total prior period adjustments	(42,898)
Net assets at beginning of year, as restated	$ 1,314,148

The District implemented GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* which establishes the accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The District conducted and completed a comprehensive review of its intangible capital assets. As a result of the review, the District recorded a reduction of its capital assets, net of accumulated depreciation and restated its beginning balance of the net assets in the amount of ($27,816,583). In addition, the District changed the policy of depreciation on the certain improvement districts. As a result of the change, the capital assets, net of accumulated depreciation and beginning balance of net assets decreased by the amount of ($15,168,126).

The District discovered that an invoice which was paid in the fiscal year ended June 30, 2007 was recorded as an expense. The payment should be recorded as water inventories in the amount of $86,507.

(21) Subsequent Events

Issuance of General Obligation Bonds

On October 11, 2010, the Board of Directors approved the issuance of General Obligation Bonds up to a maximum amount of $300,000,000 to provide funding for water and sewer capital projects. The bonds are expected to be issued as a hybrid tax-exempt/taxable fixed rate Build America Bond structure. The size of the bond issuance is expected to be approximately $175,000,000 and close in mid-December.

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Supplementary Information

Irvine Ranch Water District

Combining Schedule of Net Assets - Water Subfunds

June 30, 2010

(in thousands)

	100/101/199	112	113	115	120	121	130	135
ASSETS								
Current Assets:								
Cash and investments	$23,146	-	2,620	-	6,096	483	20,014	10,436
Receivables:								
Customer accounts receivable	-	-	62	-	32	98	284	149
Interest receivable	79	-	7	-	12	12	54	25
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-	-	-
Notes receivable, current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	59	43	78
Due from other agencies	-	-	-	-	-	-	-	-
Other receivables	2,297	106	142	118	62	421	378	476
Total receivables	2,376	106	211	118	106	590	759	728
Other Current Assets:								
Inventories	1,651	-	-	-	-	-	-	-
Prepaid items and deposits	3,216	-	-	-	-	-	-	-
JPA investment program, current portion	-	-	-	-	-	-	-	-
Total other current assets	4,867	-	-	-	-	-	-	-
Total current assets	30,389	106	2,831	118	6,202	1,073	20,773	11,164
Noncurrent Assets:								
Capital Assets:								
Waterworks in service	120,022	3,957	9,250	650	18,816	64,053	62,552	78,467
Less accumulated depreciation	(44,272)	(322)	(510)	-	(10,129)	(17,013)	(20,972)	(35,583)
Total capital assets being depreciated, net	75,750	3,635	8,740	650	8,687	47,040	41,580	42,884
Land	2,892	202	257	187	246	1,591	1,682	1,504
Construction in progress	24,030	1,800	4,690	2,268	3	6,584	5,130	1,171
Total capital assets, net	102,672	5,637	13,687	3,105	8,936	55,215	48,392	45,559
Other Noncurrent Assets:								
Debt service cash and investments	-	331	1,331	-	-	47	2,550	-
Unamortized debt issuance expense	31	7	8	-	1	16	19	-
Notes receivable, net of current portion	-	-	-	-	-	-	-	-
Allen-McColloch Pipeline receivable, net	-	-	-	-	-	466	340	614
JPA investment program, net of current portion	-	-	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-	-	-
Net Pension Asset	4,815	-	-	-	-	-	-	-
Deferred outflow	15,696	-	-	-	-	-	-	-
Total other noncurrent assets	20,542	338	1,339	-	1	529	2,909	614
Interdistrict receivable	50,020	-	-	-	-	365	-	560
Total noncurrent assets	173,234	5,975	15,026	3,105	8,937	56,109	51,301	46,733
TOTAL ASSETS	203,623	6,081	17,857	3,223	15,139	57,182	72,074	57,897

	140	150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	300	800-805	Total	
	12,860	55,926	3,362	1,932	9,012	-	1,357	-	-	147,244	
	209	232	59	95	306	249	64	-	-	1,839	
	30	136	7	5	29	3	5	-	-	404	
	-	-	-	-	-	-	-	10,314	-	10,314	
	-	-	-	-	-	-	-	-	-	-	-
	-										
	14	120	49	-	38	16	6	-	-	423	
	-	-	-	-	-	-	-	-	-	-	
	276	1,370	79	-	338	217	714	9	-	7,003	
	529	1,858	194	100	711	485	789	10,323	-	19,983	
	-	4,315	-	-	-	-	-	-	-	5,966	
	-	-	82	-	-	-	-	-	-	3,298	
	-	-	-	-	-	-	-	18,715	-	18,715	
	-	4,315	82	-	-	-	-	18,715	-	27,979	
	13,389	62,099	3,638	2,032	9,723	485	2,146	29,038	-	195,206	
	53,757	217,963	11,867	966	65,637	37,393	17,210	-	-	762,560	
	(15,129)	(40,925)	(2,968)	(524)	(17,337)	(10,184)	(5,025)	-	-	(220,893)	
	38,628	177,038	8,899	442	48,300	27,209	12,185	-	-	541,667	
	486	5,212	267	1	1,349	562	223	-	-	16,661	
	1,862	18,120	2,002	1,583	3,353	2,401	787	-	-	75,784	
	40,976	200,370	11,168	2,026	53,002	30,172	13,195	-	-	634,112	
	39	2,821	-	-	3,070	-	423	-	-	10,612	
	105	260	-	-	86	24	75	-	-	632	
	-	-	-	-	-	-	-	-	-	-	
	109	946	390	-	298	123	47	-	-	3,333	
	-	-	-	-	-	-	-	375,889	-	375,889	
	-	-	-	-	-	-	-	-	43,097	43,097	
	-	-	-	-	-	-	-	-	-	4,815	
	-	-	-	-	-	-	-	-	-	15,696	
	253	4,027	390	-	3,454	147	545	375,889	43,097	454,074	
	-	871	-	-	-	-	-	-	-	51,816	
	41,229	205,268	11,558	2,026	56,456	30,319	13,740	375,889	43,097	1,140,002	
	54,618	267,367	15,196	4,058	66,179	30,804	15,886	404,927	43,097	1,335,208	

Irvine Ranch Water District

Combining Schedule of Net Assets - Water Subfunds

June 30, 2010

(Continued)

	100/101/ 199	112	113	115	120	121	130	135
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Account payable and accrued expenses	9,527	47	58	77	-	169	131	853
Customer deposits and advance payments	173	-	-	-	-	-	-	-
Accrued interest:								
General obligation bonds	-	9	18	-	-	20	18	6
JPA revenue bonds	-	-	-	-	-	-	-	-
Other accrued interest payable	595	-	-	-	2	3	13	-
Current portion of long-term liabilities:								
General obligation bonds	-	-	156	-	-	69	539	115
Cettificates of participation	856	-	-	-	24	36	130	-
JPA revenue bonds	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Other long-term liabilities	1,371	-	-	-	-	-	-	-
Deferred revenue	-	13	18	12	-	53	41	72
Total current liabilities	12,522	69	250	89	26	350	872	1,046
Long-Term Liabilities:								
General obligation bonds, net of current portion	-	2,745	9,310	-	-	5,805	5,295	4,825
Certificates of Participation, net of current portion	4,646	-	-	-	132	194	705	-
JPA revenue bonds, net of current portion	-	-	-	-	-	-	-	-
Notes payable, net of current portion	-	-	-	-	-	-	-	-
Other long-term liabilities, net of current portion	1,877	-	-	-	-	-	-	-
Deferred revenue, net of current portion	-	242	336	218	-	990	753	1,334
Net OPEB obligation	1,676	-	-	-	-	-	-	-
Swap liability	15,696	-	-	-	-	-	-	-
Total long-term liabilities	23,895	2,987	9,646	218	132	6,989	6,753	6,159
Interdistrict payable	1,796	2,614	-	2,265	-	-	-	-
TOTAL LIABILITIES	38,213	5,670	9,896	2,572	158	7,339	7,625	7,205
NET ASSETS								
Change in net assets	(3,044)	542	526	331	862	1,215	418	(808)
Net assets at beginning of year	168,454	(131)	7,435	320	14,119	48,628	64,031	51,500
NET ASSETS AT END OF YEAR	$165,410	411	7,961	651	14,981	49,843	64,449	50,692

140	150	151/153/ 154/155	156	160/161	182/184	186/ 188/89	300	800-805	Total
50	1,435	52	25	88	65	25	-	62	12,664
-	-	-	-	-	-	-	-	-	173
37	222	-	-	13	12	6	-	-	361
-	-	-	-	-	-	-	4,492	-	4,492
57	312	37	-	202	-	-	-	-	1,221
		-	-	-					-
899	2,254	-	-	130	508	549	-	-	5,219
30	115	-	-	35	-	-	-	-	1,226
-	-	-	-	-	-	-	6,924	-	6,924
-	-	1,502	-	-	-	-	-	-	1,502
-	-	-	25	-	-	-	-	-	1,396
14	320	7	-	27	21	6	-	-	604
1,087	4,658	1,598	50	495	606	586	11,416	62	35,782
12,263	105,547	-	-	4,666	5,045	3,094	-	-	158,595
3,764	20,729	-	-	13,524	-	-	-	-	43,694
-	-	-	-	-	-	-	338,208	-	338,208
-	-	1,000	-	-	-	-	-		1,000
-	6	555	164	-	-	-	-	-	2,602
266	5,923	144	-	506	381	110	-	-	11,203
-	-	-	-	-	-	-	-	-	1,676
-	-	-	-	-	-	-	-	-	15,696
16,293	132,205	1,699	164	18,696	5,426	3,204	338,208	-	572,674
-	-	-	2,427	-	1,804	-	-	11,050	21,956
17,380	136,863	3,297	2,641	19,191	7,836	3,790	349,624	11,112	630,412
3,904	(3,260)	608	613	4,055	(416)	(126)	(3,041)	(2,654)	(275)
33,334	133,764	11,291	804	42,933	23,384	12,222	58,344	34,639	705,071
37,238	130,504	11,899	1,417	46,988	22,968	12,096	55,303	31,985	704,796

Irvine Ranch Water District

Combining Schedule of Net Assets - Sewer Subfunds

June 30, 2010

(in thousands)

	200/210/211/299	212	213	215	220	221
ASSETS						
Current Assets:						
Cash and investments	$24,405	-	6,998	-	8,574	14,122
Receivables:						
Customer accounts receivable	996	2	69	-	130	560
Interest receivable	49	-	10	-	10	27
Joint Powers Agency (JPA) interest receivable	-	-	-	-	-	-
Notes receivable, current portion	11	-	-	-	-	-
Allen-McColloch Pipeline receivable, current portion	-	-	-	-	-	-
Due from other agencies	3,932	143	336	-	1,416	519
Other receivables	1,236	3	266	-	-	5
Total receivables	6,224	148	681	-	1,556	1,111
Other Current Assets:						
Inventories	-	-	-	-	-	-
Prepaid items and deposits	12,338	73	160	-	-	498
JPA investment program, current portion	-	-	-	-	-	-
Total other current assets	12,338	73	160	-	-	498
Total current assets	42,967	221	7,839	-	10,130	15,731
Noncurrent Assets:						
Capital Assets:						
Waterworks in service	187,116	12,203	22,415	340	34,090	88,995
Less accumulated depreciation	(49,873)	(1,221)	(1,357)	(8)	(18,615)	(26,333)
Total capital assets being depreciated, net	137,243	10,982	21,058	332	15,475	62,662
Land	18,535	212	141	-	-	1,478
Construction in progress	10,716	3,953	4,070	325	-	7,975
Total capital assets, net	166,494	15,147	25,269	657	15,475	72,115
Other Noncurrent Assets:						
Debt service cash and investments	-	-	2,713	-	-	499
Unamortized debt issuance expense	36	19	16	-	2	47
Notes receivable, net of current portion	166	-	-	-	-	-
Allen-McColloch Pipeline receivable, net of current portion	-	-	-	-	-	-
JPA investment program, net of current portion	-	-	-	-	-	-
Real estate investments	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	-	-
Deferred outflow	21,737	-	-	-	-	-
Total other noncurrent assets	21,939	19	2,729	-	2	546
Interdistrict receivable	15,895	-	6	-	63	17
Total noncurrent assets	204,328	15,166	28,004	657	15,540	72,678
TOTAL ASSETS	247,295	15,387	35,843	657	25,670	88,409

230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total
7,014	1	5,062	5,496	-	-	1,808	4,707	-	-	78,187
272	370	234	705	-	-	332	99	28	-	3,797
10	-	9	9	-	-	13	9	-	-	146
-	-	-	-	-	-	-	-	-	10,314	10,314
-	-	-	-	-	-	-	-	-	-	11
-	-	-	-	-	-	-	-	-	-	-
2,589	-	-	5,455	-	-	868	1,297	-	-	16,555
3	1	2	12	-	-	3	-	-	9	1,540
2,874	371	245	6,181	-	-	1,216	1,405	28	10,323	32,363
-	-	-	-	-	-	-	-	-	-	-
338	-	33	831	-	-	229	115	-	-	14,615
-	-	-	-	-	-	-	-	-	18,715	18,715
338	-	33	831	-	-	229	115	-	18,715	33,330
10,226	372	5,340	12,508	-	-	3,253	6,227	28	29,038	143,880
90,471	74,204	86,766	232,013	38	-	76,262	31,471	5,364	-	941,748
(31,127)	(30,136)	(25,059)	(50,673)	(4)	-	(20,334)	(10,898)	(1,077)	-	(266,715)
59,344	44,068	61,707	181,340	34	-	55,928	20,573	4,287	-	675,033
1,656	1,937	452	1,916	-	-	876	338	42	-	27,583
5,880	1,446	2,485	17,430	174	114	4,008	1,296	43	-	59,915
66,880	47,451	64,644	200,686	208	114	60,812	22,207	4,372	-	762,531
367	-	507	12,721	-	-	1,125	-	-	-	17,932
100	-	185	312	-	-	52	41	2	-	812
-	-	-	-	-	-	-	-	-	-	166
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	375,889	375,889
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	21,737
467	-	692	13,033	-	-	1,177	41	2	375,889	416,536
6	-	11	6	-	-	-	-	-	-	16,004
67,353	47,451	65,347	213,725	208	114	61,989	22,248	4,374	375,889	1,195,071
77,579	47,823	70,687	226,233	208	114	65,242	28,475	4,402	404,927	1,338,951

Irvine Ranch Water District

Combining Schedule of Net Assets - Sewer Subfunds

June 30, 2010

(Continued)

	200/210/ 211/299	212	213	215	220	221
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Account payable and accrued expenses	1,786	266	80	23	-	646
Customer deposits and advance payments	-	-	-	-	-	-
Accrued interest:						
General obligation bonds	-	25	43	-	-	53
JPA revenue bonds	-	-	-	-	-	-
Other accrued interest payable	805	-	-	-	7	16
Current portion of long-term liabilities:						
General obligation bonds	-	-	411	-	-	730
Cettificates of participation	983	-	-	-	64	161
JPA revenue bonds	-	-	-	-	-	-
Notes payable	9	38	23	-	26	46
Other long-term liabilities	-	-	-	-	-	-
Deferred revenue	75	-	-	-	-	-
Total current liabilities	3,658	329	557	23	97	1,652
Long-Term Liabilities:						
General obligation bonds, net of current portion	-	7,305	23,300	-	-	15,600
Certificates of Participation, net of current portion	5,335	-	-	-	348	875
JPA revenue bonds, net of current portion	-	-	-	-	-	-
Notes payable, net of current portion	52	220	135	-	-	411
Other long-term liabilities, net of current portion	136	-	-	-	-	-
Deferred revenue, net of current portion	69	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Swap liability	21,737	-	-	-	-	-
Total long-term liabilities	27,329	7,525	23,435	-	348	16,886
Interdistrict payable	57	6,294	-	562	-	978
TOTAL LIABILITIES	31,044	14,148	23,992	585	445	19,516
NET ASSETS						
Change in net assets	22,168	618	815	10	(2,311)	1,790
Net assets at beginning of year	194,083	621	11,036	62	27,536	67,103
NET ASSETS AT END OF YEAR	$216,251	1,239	11,851	72	25,225	68,893

230	235	240	250	252/253	256	260/261	282 /284	286/288/ 289	400	Total
403	60	120	1,313	23	-	290	98	2	-	5,110
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-							
58	4	94	251	-	-	28	12	3	-	571
-	-	-	-	-	-	-	-	-	4,492	4,492
119	-	66	321	-	-	85	-	-	-	1,419
-	-	-							-	
819	69	1,358	5,252	-	-	460	800	-	-	9,899
1,226	-	-	209	-	-	92	-	-	-	2,735
-	-	-	-	-	-	-	-	-	6,924	6,924
54	-	31	42	-	-	35	-	-	-	304
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	75
2,679	133	1,669	7,388	23	-	990	910	5	11,416	31,529
17,950	2,902	29,528	113,521	-	-	8,971	5,570	795	-	225,442
6,682	-	4,381	21,212	-	-	5,516	-	-	-	44,349
-	-	-	-	-	-	-	-	-	338,208	338,208
309	-	180	239	-	-	201	-	-	-	1,747
-	-	-	-	-	-	-	-	-	-	136
-	-	-	-	-	-	-	-	-	-	69
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	21,737
24,941	2,902	34,089	134,972	-	-	14,688	5,570	795	338,208	631,688
2,939	18,024	5,869	7,826	175	77	1,956	-	1,107	-	45,864
30,559	21,059	41,627	150,186	198	77	17,634	6,480	1,907	349,624	709,081
659	(697)	638	875	2	29	(1,338)	664	(87)	(3,041)	20,794
46,361	27,461	28,422	75,172	8	8	48,946	21,331	2,582	58,344	609,076
47,020	26,764	29,060	76,047	10	37	47,608	21,995	2,495	55,303	629,870

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STATISTICAL SECTION

Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2010

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

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

Net Assets
Changes in Net Assets

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

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

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

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

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

Principal Employers
Demographic and Economic Statistics
Full-Time Employees

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

Operating Indicators – Water and Sewer Service Connections
Operating Indicators – New Service Connections
Operating Indicators – Average Monthly Usage
Capital Asset Statistics

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Assets								
Current & other assets	$1,447.9	1,327.1	1,250.6	1,162.1	1,088.9	1,103.9	1,224.1	1,209.7
Capital assets	902.1	950.7	1,017.4	1,111.1	1,224.3	1,346.1	1,423.1	1,396.6
Total assets	2,350.0	2,277.8	2,268.0	2,273.2	2,313.2	2,449.9	2,647.2	2,606.3
Liabilities								
Current and other liabilities	79.4	78.0	82.8	91.5	95.3	96.5	99.4	67.3
Long-term liabilities	1,153.2	1,109.1	1,058.6	1,068.9	1,022.2	1,074.7	1,190.8	1,204.3
Total liabilities	1,232.6	1,187.1	1,141.4	1,160.4	1,117.5	1,171.2	1,290.2	1,271.6
Net assets								
Invested in capital assets, net of related debt	598.9	648.0	730.2	791.0	927.6	977.7	994.3	929.5
Restricted for water services	324.1	298.1	280.4	231.2	229.2	253.8	294.4	271.3
Restricted for sewer services	194.4	144.6	116.0	90.6	38.9	47.2	68.3	133.9
Total net assets	$1,117.4	1,090.7	1,126.6	1,112.8	1,195.7	1,278.7	1,357.0	1,334.7

Source: IRWD Basic Financial Statements

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

Irvine Ranch Water District

Changes in Net Assets
For the Past Eight Fiscal Years
(in thousands)

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

Source: IRWD Basic Financial Statements

Note:

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

Irvine Ranch Water District

Water Sold By Type of Customer (in Acre Feet)

For the Past Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential	26,354	29,172	29,728	31,136	30,681	31,514	34,097	33,771	34,189	31,721
Commercial	6,899	7,091	7,218	7,544	7,602	8,037	8,710	8,710	8,382	7,586
Industrial	6,925	6,325	6,237	6,222	6,047	5,714	5,438	5,353	5,009	4,711
Public Authority	2,447	2,475	2,490	2,601	2,842	2,795	2,474	2,588	2,571	2,293
Construction & Temporary	925	1,347	1,074	931	489	790	696	513	133	127
Treated - Landscape Irrigation	4,518	5,423	5,051	5,464	4,953	5,322	6,249	6,039	5,789	4,712
Treated - Agricultural	1,550	2,042	1,512	1,709	1,177	1,018	1,009	820	563	210
Untreated - Agricultural	8,651	8,611	8,346	7,606	5,973	7,621	7,583	6,211	6,452	5,024
Recycled - Landscape/ Agricultural	16,769	19,478	17,380	19,551	18,620	19,504	33,221	24,564	24,415	20,951
Total	**75,037**	**81,964**	**79,035**	**82,763**	**78,384**	**82,316**	**99,477**	**88,569**	**87,503**	**77,334**

Irvine Ranch Water District

Water Rates

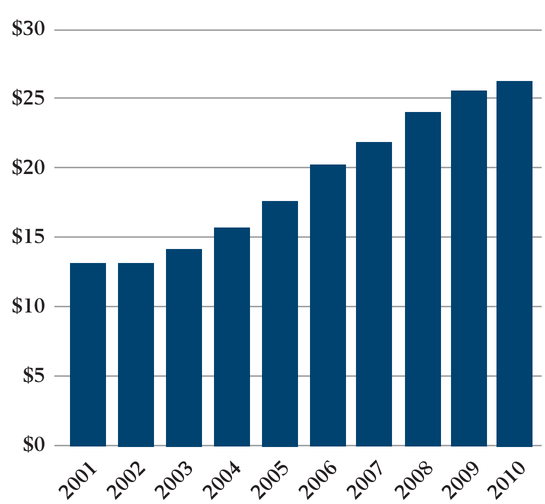
For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Commodity Rate (per ccf)	Average monthly residential charge
2001	$2.90	$0.64	$13.14
2002	$2.90	$0.64	$13.14
2003	$3.00	$0.69	$14.14
2004	$3.65	$0.75	$15.87
2005	$3.90	$0.83	$17.56
2006	$5.45	$0.88	$20.01
2007	$6.75	$0.91	$21.85
2008	$7.50	$0.98	$23.86
2009	$7.50	$1.07	$25.48
2010	$7.75	$1.15	$26.53

The water charge to the average residential customer is based upon an average of 18 ccf per month. The first 8 ccf are at the District's low volume rate, which is $0.24 less than the commodity rate. The IRWD Board of Directors apporved an enhancement component of $0.25 for both water and sewer system on the fixed service charge.

Source: IRWD

Average Monthly Residential Water Charges



Irvine Ranch Water District

Schedule of Largest Water Customers

Fiscal Year Ended June 30, 2010

Customer Name		Total Paid	Percentage of Water Sales Revenues
1. Irvine Apartment Communities	(1)	$3,613,332	7.05%
2. The Irvine Company - Agricultural Division	(1)	1,934,706	3.77%
3. City of Irvine		1,655,368	3.23%
4. University of California - Irvine		1,485,554	2.90%
5. Jazz Semiconductor		667,649	1.30%
6. The Irvine Company - Spectrum Office	(1)	626,393	1.22%
7. The Irvine Company - Resort Properties	(1)	600,840	1.17%
8. B Braun Medical Inc		520,961	1.02%
9. Irvine Unified School District		499,635	0.97%
10. The Irvine Company - Retail Properties	(1)	484,296	0.94%
11. Hines Nurseries		472,390	0.92%
12. The Irvine Company - Properties	(1)	440,491	0.86%
13. Woodbridge Village Association		438,228	0.85%
14. Caltrans District		373,169	0.73%
15. County of Orange		343,613	0.67%
	Total	**$14,156,625**	**27.61%**

Source: Irvine Ranch Water District

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

Note:

(1) Various divisions within the Irvine Company account for total sales of $7.7 million, or 15.02% of total water sales revenues.

Irvine Ranch Water District

Sewer Rates

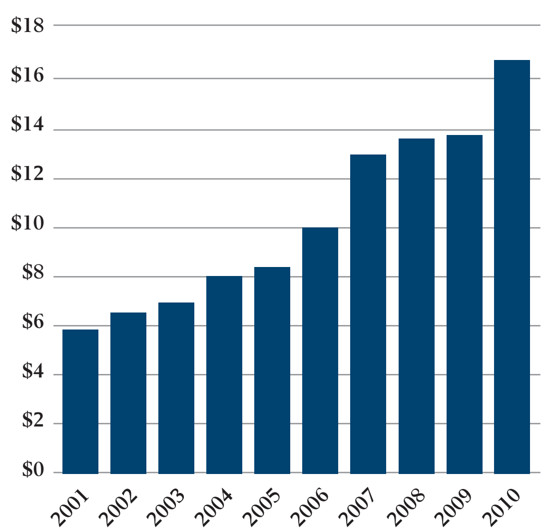
For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2001	$5.90
2002	$6.60
2003	$6.95
2004	$8.05
2005	$8.35
2006	$10.00
2007	$13.05
2008	$13.65
2009	$13.80
2010	$16.60

Source: IRWD

The IRWD Board of Directors approved an increase to the replacement surcharge to fund aging infrastructure replacement and refurbishment an increased from $3.45 in FY 2008-09 to $3.75 in FY 2009-10 and added an enhancement component of $0.25 for water and sewer system. This is included in the sewer fixed charge.

Fixed Monthly Sewer Service Charge



Irvine Ranch Water District

Schedule of Largest Sewer Customers

Fiscal Year Ended June 30, 2010

Customer Name		Total Paid	Percentage of Water Sales Revenues
1. Irvine Apartment Communities(1)		$3,399,070	7.50%
2. University of California - Irvine		1,011,420	2.23%
3. B Braun Medical Inc		431,368	0.95%
4. Allergan Sales, LLC		241,434	0.53%
5. Royalty Carpet Mills		241,048	0.53%
6. Maruchan Inc		222,382	0.49%
7. The Irvine Company - Retail Properties(1)		204,311	0.45%
8. The Irvine Company - Spectrum Office(1)		197,071	0.43%
9. ERP Operating LP		187,388	0.41%
10. Oakley Technical Center		159,619	0.35%
11. Teva Parenteral Medicines		146,413	0.32%
12. Airport Complex		133,224	0.29%
13. The Irvine Company - Properties(1)		112,062	0.25%
15. Hyatt Regency Irvine		90,152	0.20%
15. Watermarke Community Association		81,866	0.18%
	Total	**$6,858,828**	**15.13%**

Source: Irvine Ranch Water District

Information for Sewer Water Customers is not available for 2000 for comparison purposes.

(1) Various divisions within the Irvine Company account for total sales of $3.9 million, or 8.63% of total sewer sales revenues.

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

Improvement District		2001	2002	2003	2004	2005
112	(1)	N/A	N/A	N/A	N/A	N/A
113	(1)	N/A	N/A	N/A	N/A	N/A
120		0.00001	0.00001	0.00001	0.00001	0.00001
121		0.00001	0.00001	0.00001	0.00001	0.00001
130		0.00001	0.00001	0.00001	0.00001	0.00001
135	(2)	0.074599	0.0727	0.04264	0.01500	0.00001
140		0.00001	0.00001	0.00001	0.00001	0.00001
150		0.00001	0.00001	0.00001	0.00001	0.00001
160		0.00001	0.00001	0.00001	0.00001	0.00001
161		0.00001	0.00001	0.00001	0.00001	0.00001
182		0.00001	0.00001	0.00001	0.00001	0.00001
184		N/A	N/A	N/A	N/A	N/A
186		0.00001	0.00001	0.00001	0.00001	0.00001
188		0.00001	0.00001	0.00001	0.00001	0.00001
190		0.00001	0.00001	0.00001	0.00001	0.00001
210		0.00001	0.00001	0.00001	0.00001	0.00001
212	(1)	N/A	N/A	N/A	N/A	N/A
213	(1)	N/A	N/A	N/A	N/A	N/A
220		0.00001	0.00001	0.00001	0.00001	0.00001
221		0.00001	0.00001	0.00001	0.00001	0.00001
230		0.00001	0.00001	0.00001	0.00001	0.00001
235	(2)	0.04999	0.003581	0.00936	0.00001	0.00001
240		0.00001	0.00001	0.00001	0.00001	0.00001
250		0.00001	0.00001	0.00001	0.00001	0.00001
252		N/A	N/A	N/A	N/A	N/A
260		N/A	N/A	N/A	N/A	N/A
261		0.00001	0.00001	0.00001	0.00001	0.00001
282		0.00001	0.00001	0.00001	0.00001	0.00001
284		N/A	N/A	N/A	N/A	N/A
290		0.00001	0.00001	0.00001	0.00001	0.00001

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

Improvement District	2006	2007	2008	2009	2010
112	N/A	N/A	N/A	N/A	0.07920
113	N/A	0.01920	0.01920	0.01920	0.01980
120	0.01168	0.01168	0.01298	0.01298	0.01311
121	0.00001	0.00001	0.00001	0.00001	0.00001
130	0.00001	0.00001	0.00500	0.00500	0.00680
135	0.00001	0.00842	0.00842	0.00842	0.00842
140	0.00001	0.00001	0.00001	0.00001	0.00001
150	0.00001	0.00001	0.00780	0.00780	0.00990
160	0.01168	0.01168	0.01648	0.01648	0.01758
161	0.00001	0.00001	0.00001	0.00001	0.00001
182	0.00808	0.00808	0.01300	0.01300	0.01350
184	N/A	0.00001	0.00001	0.00001	0.00001
186	0.02051	0.02051	0.02700	0.02700	0.03191
188	0.02051	0.02051	0.02700	0.02700	0.03590
190	0.00001	0.00001	0.00500	0.00500	N/A
210	0.00001	0.00001	0.00001	0.00001	0.00001
212	N/A	N/A	N/A	N/A	0.12420
213	N/A	0.14093	0.14093	0.14093	0.14533
220	0.01000	0.01000	0.01400	0.01400	0.01800
221	0.00001	0.00001	0.00001	0.00001	0.00001
230	0.01995	0.01995	0.02000	0.02000	0.02200
235	0.00001	0.00532	0.00532	0.00532	0.00532
240	0.02168	0.02168	0.02699	0.02699	0.03140
250	0.02602	0.03199	0.03200	0.03200	0.03600
252	N/A	N/A	0.00001	0.00001	0.00001
260	N/A	0.02030	0.02330	0.02330	0.02830
261	0.00001	0.00001	0.00001	0.00001	0.00001
282	0.01280	0.01280	0.01400	0.01400	0.01890
284	N/A	0.00001	0.02699	0.02699	0.03239
290	0.01995	0.01995	0.02000	0.02000	N/A

Source: Irvine Ranch Water District

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

Irvine Ranch Water District

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

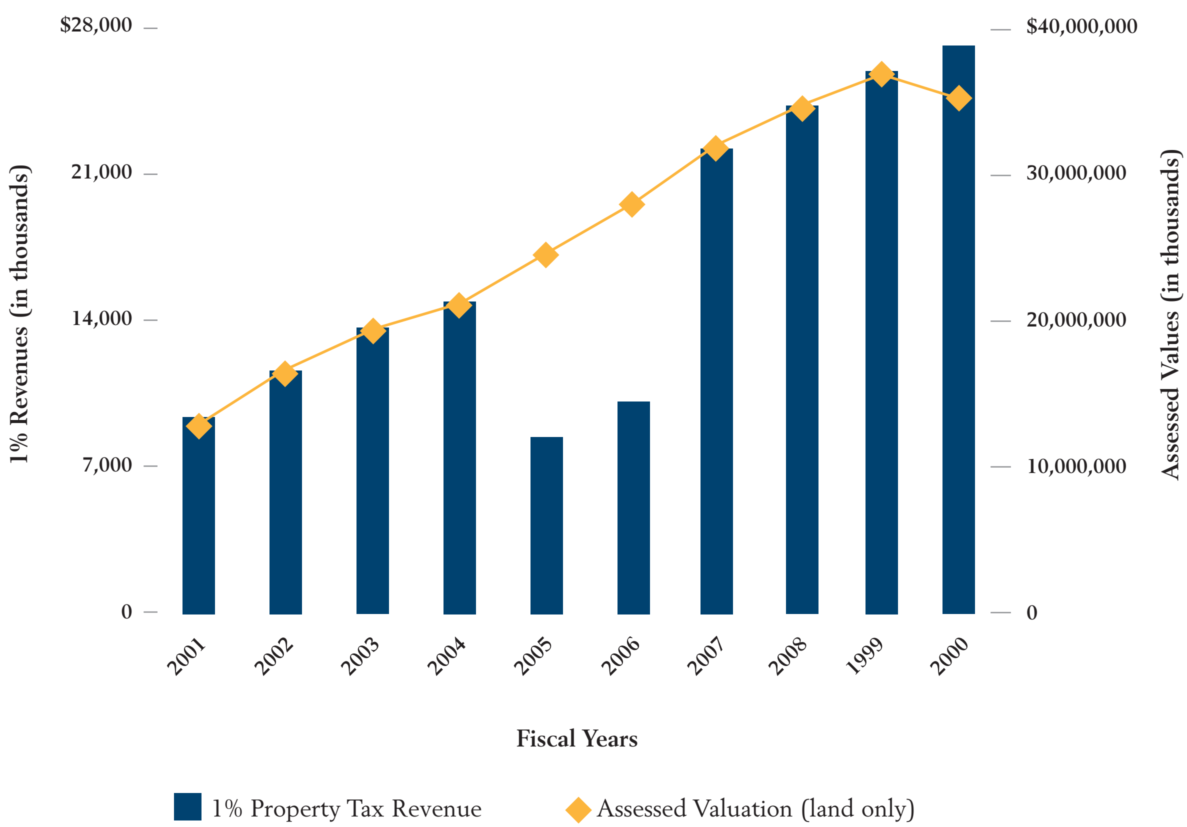
Fiscal Year Ended	Assessed Valuation (land only) (3)	1 % Property Tax Revenue
2001(1)	12,058,755	9,227
2002	15,243,031	11,281
2003	16,951,715	12,833
2004	19,117,325	14,474
2005(2)	22,101,916	7,335
2006	25,869,944	10,177
2007	31,378,053	22,444
2008	35,540,296	24,730
2009	37,002,606	26,283
2010	35,089,440	27,150 (4)

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

Notes:
(1) The Los Alisos Water District and the District consolidated on December 31, 2000.
(2) The IRWD state mandated contribution to ERAF for FY 2004-05 and FY 2005-06 was $9.7 million per year.
(3) Estimated market values for the land-only Assessed Values are not available.
(4) Of this amount, the State of California borrowed $2.0 million,which will be repaid by FY 2012-13.

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

1% Revenues and Assessed Values



Irvine Ranch Water District
Direct and Overlapping Tax Rates
Fiscal Year Ended June 30, 2010

Direct Rate:	
Irvine Ranch Water District I.D. No. 1	0.00001
Irvine Ranch Water District I.D. No. 2	0.00001
Irvine Ranch Water District I.D. No. 3	-
Irvine Ranch Water District I.D. No. 102	0.00001
Irvine Ranch Water District I.D. No. 103	-
Irvine Ranch Water District I.D. No. 105	0.00990
Irvine Ranch Water District I.D. No. 106	0.00001
Irvine Ranch Water District I.D. No. 109	-
Irvine Ranch Water District I.D. No. 112	0.07920
Irvine Ranch Water District I.D. No. 113	0.01980
Irvine Ranch Water District I.D. No. 121	0.01311
Irvine Ranch Water District I.D. No. 130	0.00680
Irvine Ranch Water District I.D. No. 140	0.00001
Irvine Ranch Water District I.D. No. 161	0.01758
Irvine Ranch Water District I.D. No. 182	0.01350
Irvine Ranch Water District I.D. No. 184	0.00001
Irvine Ranch Water District I.D. No. 186	0.03191
Irvine Ranch Water District I.D. No. 188	0.03590
Irvine Ranch Water District I.D. No. 206	0.00001
Irvine Ranch Water District I.D. No. 212	0.12420
Irvine Ranch Water District I.D. No. 213	0.14533
Irvine Ranch Water District I.D. No. 221	0.01801
Irvine Ranch Water District I.D. No. 230	0.02200
Irvine Ranch Water District I.D. No. 240	0.03140
Irvine Ranch Water District I.D. No. 250	0.03600
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 261	0.02830
Irvine Ranch Water District I.D. No. 282	0.01890
Irvine Ranch Water District I.D. No. 284	0.03239
Irvine Ranch Water District I.D. No. 286	0.00001
Irvine Ranch Water District I.D. No. 288	0.00001
Irvine Ranch Water District I.D. No. 290	-
135 (Formerly Los Alisos Water District)	0.00842
235 (Formerly Los Alisos Water District)	0.00532
Overlapping Rates:	
School Districts:	
Coast Community College District	0.01673
Rancho Santiago Community College District	0.02735
Laguna Beach Unified School District	0.01683
Newport Mesa Unified School District	0.01727
Saddleback Valley Unified School District	0.03043
Santa Ana Unified School District	0.07388
Tustin Unified School District SFID 2002-1	0.03797
Cities:	
Laguna Beach	0.01374

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District

Direct and Overlapping Debt

Fiscal Year Ended June 30, 2010

2009-10 Land Only Assessed Valuation: $35,298,830,471

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/10	% Applicable (1)	District's Share of Debt 6/30/10
Metropolitan Water District	$264,220,000	3.884%	$ 10,262,305
Coast Community College District	334,718,867	5.128	17,164,383
Rancho Santiago Community College District	313,655,747	20.569	64,515,851
Saddleback Valley Unified School District	137,690,000	35.051	48,261,722
Santa Ana Unified School District	272,698,366	41.892	114,238,799
Other Unified School Districts	284,873,775	Various	47,284,567
City of Laguna Beach	3,055,000	0.027	825
Irvine Ranch Water District Improvement Districts	400,570,000	100.	400,570,000
Irvine Unified School District Community Facilities District No. 86-1	96,565,000	100.	96,565,000
Irvine Unified School District Community Facilities District No. 01-1	101,145,000	100.	101,145,000
Other Irvine Unified School District Community Facilities Districts	232,941,797	100.	232,941,797
Tustin Unified School District Community Facilities Districts	241,890,345	100.	241,890,345
Orange County Community Facilities Districts	79,715,496	100.	79,715,496
Other Community Facilities Districts	163,905,000	Various	151,834,757
City of Irvine 1915 Act Bonds	866,534,968	100.	866,534,968
City of Tustin 1915 Act Bonds	44,779,000	100.	44,779,000
Other 1915 Act Bonds	108,972,296	100.	108,972,296
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 2,626,677,111
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	$391,027,000	18.762%	$ 73,364,486
Orange County Pension Obligations	59,333,382	18.762	11,132,129
Orange County Board of Education Certificates of Participation	19,230,000	18.762	3,607,933
Municipal Water District of Orange County Water Facilities Corporation	15,965,000	22.005	3,513,098
South Orange County Community College District Certificates of Participation	18,845,000	34.465	6,494,929
Santa Ana Unified School District Certificates of Participation	53,953,747	41.892	22,602,304
Other Unified School District Certificates of Participation	148,050,000	Various	10,572,065
City of Irvine General Fund Obligations	8,260,000	99.978	8,258,183
Other City General Fund Obligations	180,730,000	Various	15,137,524
Orange County Fire Authority	3,590,000	31.807	1,141,871
Irvine Ranch Water District Certificates of Participation	**85,145,000**	**100.**	**85,145,000**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 240,969,522
Less:MWDOC Water Facilities Corporation (100% self-supporting)			3,513,098
City of Lake Forest self-supporting obligations			7,338,904
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 230,117,520
GROSS COMBINED TOTAL DEBT			$2,867,646,633 (2)
NET COMBINED TOTAL DEBT			$2,856,794,631

(1)Percentage of overlapping agency's assessed valuation located within boundaries of the district based on redevelopment adjusted all property assessed valuation of $70,259,409,585.
(2)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included base on principal due at maturity.

Ratios to Land Only Assessed Valuation:	
Direct Debt ($400,570,000)	1.13%
Total Direct and Overlapping Tax and Assessment Debt	7.44%
Ratios to Adjusted All Property Assessed Valuation:	
Combined Direct Debt ($485,715,000)	0.69%
Gross Combined Total Debt	4.08%
Net Combined Total Debt	4.07%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District

Principal Property Taxpayers

June 30, 2010

Property Owner's Name	Type of Business	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	Developer/Real Estate	$ 5,821,467,360	13.41%
Maguire Properties	Real Estate Developer	1,009,079,060	2.32%
Irvine Apartment Communities	Real Estate	685,510,229	1.58%
Heritage Fields El Toro	Real Estate Developer	597,913,835	1.38%
Central Park West	Real Estate Developer	335,051,430	0.77%
Capital Research Company	Real Estate Developer	251,950,402	0.58%
B Braun Medical Inc.	Bio-Medical Manufacturing	245,502,575	0.57%
Allergan	Pharmaceutical (R&D/Marketing)	226,830,858	0.52%
Lakeshore Properties LLC	Real Estate	178,315,468	0.41%
Century Centre LLC	Real Estate	146,428,093	0.34%
		$ 9,498,049,310	**21.88%**

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2009)

Data was not yet available for FY2009/10 from the City of Irvine.
The City of Irvine is only a part of the IRWD service area.
Information for Largest Property Taxpayers is not available for FY2000/01 for comparison purposes.

Irvine Ranch Water District

Summary Of Property Tax Collections/Delinquency

For the Past Ten Fiscal Years

Fiscal Year Ended	IRWD Estimated Levy During Fiscal Year		Collected During Fiscal Year		Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent (1)	General (2)	1 Percent	General (3)	1 Percent	General	1 Percent	General
2001	N/A	N/A	$9,032,961	$1,572,406	N/A	N/A	$523,698	$127,435
2002	9,832,977	1,682,253	10,976,075	2,381,844	111.63%	141.59%	669,174	157,703
2003	12,756,500	881,909	12,459,640	1,352,950	97.67%	153.41%	790,125	156,184
2004	13,541,700	282,045	13,932,804	979,552	102.89%	347.30%	958,597	11,033
2005	7,750,200	3,151	7,404,859	448,835	95.54%	14244.20%	1,129,009	27,285
2006	7,965,300	3,081,122	8,755,621	5,038,833	109.92%	163.54%	1,441,127	149,874
2007	19,419,300	5,050,938	21,368,075	7,869,904	110.04%	155.81%	1,093,740	541,024
2008	23,963,000	7,626,979	22,859,667	10,242,088	95.40%	134.29%	887,709	496,260
2009	25,486,200	11,694,868	25,910,366	9,873,983	101.66%	84.43%	477,134	281,774
2010	24,166,600	5,050,938	23,636,793	10,802,992	97.81%	213.88%	1,493,752	634,095
Total	$144,881,777	$35,354,203	$156,336,861	$50,563,386			$9,464,064	$2,582,668

Source: County of Orange Tax Ledger

Notes:

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

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

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

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Irvine Ranch Water District

Outstanding Debt by Type [1]

For the Past Ten fiscal years

Fiscal Year Ended	Total Connections(2)	General Obligation Bonds	GO Debt per Connection	Certificates of Participation (COPs)	COPs Debt per Connections	JPA Revenue Bonds	JPA Debt per Connection	Total Debt	Total Debt per Connection
2001	152,473	269,542,000	1,768	54,400,000	357	834,750,000	5,475	1,158,692,000	7,599
2002	157,813	249,981,000	1,584	52,700,000	334	825,966,000	5,234	1,128,647,000	7,152
2003	161,526	230,124,368	1,425	120,800,000	748	831,833,622	5,150	1,182,757,990	7,322
2004	166,897	209,227,990	1,254	118,800,000	712	813,397,384	4,874	1,141,425,374	6,839
2005	172,548	187,396,610	1,086	116,600,000	676	793,611,146	4,599	1,097,607,756	6,361
2006	177,325	224,585,230	1,267	114,200,000	644	772,359,906	4,356	1,111,145,136	6,266
2007	182,140	201,585,230	1,107	111,600,000	613	749,513,668	4,115	1,062,698,898	5,835
2008	185,359	280,947,000	1,516	106,934,000	577	724,962,000	3,911	1,112,843,000	6,004
2009	186,856	415,699,000	2,225	103,100,000	552	698,566,000	3,739	1,217,365,000	6,515
2010	188,049	399,152,800	2,123	92,005,200	489	690,263,700	3,671	1,181,421,700	6,283

Notes:

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

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

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

Irvine Ranch Water District
Outstanding General Obligation Bonds by Improvement District
As of June 30, 2010

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2010
112	$ 28,512,300	$ 2,740,000	$ 25,772,300	$ 2,745,000
113	25,769,500	9,500,000	16,269,500	9,523,100
120	26,805,000	26,805,000	-	-
121	35,437,000	17,782,000	17,655,000	5,873,700
130	110,465,000	43,461,000	67,004,000	5,834,400
135	20,010,000	20,010,000	-	4,985,800
140	117,130,000	32,326,100	84,803,900	13,161,900
150	188,734,000	164,878,600	23,855,400	108,360,800
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
160	22,895,000	22,569,000	326,000	103,600
161	40,786,000	5,435,000	35,351,000	4,701,900
182	74,653,000	9,411,300	65,241,700	4,356,300
184	79,065,000	1,200,000	77,865,000	1,200,000
186	19,266,000	6,632,700	12,633,300	2,593,300
188	8,174,000	3,137,000	5,037,000	1,050,100
Total	$1,039,840,800	$365,887,700	$ 673,953,100	$ 164,489,900
210	$ 2,000,000	$ 2,000,000	$ -	$ -
212	108,712,000	7,300,000	101,412,000	7,305,000
213	87,648,000	23,800,000	63,848,000	23,867,100
220	30,316,000	28,410,000	1,906,000	-
221	50,452,000	44,554,000	5,898,000	16,330,300
230	165,173,000	49,222,000	115,951,000	18,768,700
235	15,724,000	15,724,000	-	2,998,700
240	117,273,000	48,476,500	68,796,500	30,885,300
250	286,727,000	173,468,200	113,258,800	119,319,400
253	122,283,000	-	122,283,000	-
260	69,665,000	17,917,000	51,748,000	433,700
261	46,364,000	10,276,900	36,087,100	9,006,900
282	59,101,000	5,980,000	53,121,000	2,575,000
284	92,590,000	9,350,000	83,240,000	3,795,000
286	40,531,000	500,000	40,031,000	495,000
288	8,977,000	300,000	8,677,000	300,000
Total	$1,303,536,000	$ 437,278,600	$ 866,257,400	$ 236,080,100
	$2,343,376,800	$ 803,166,300	$1,540,210,500	$ 400,570,000

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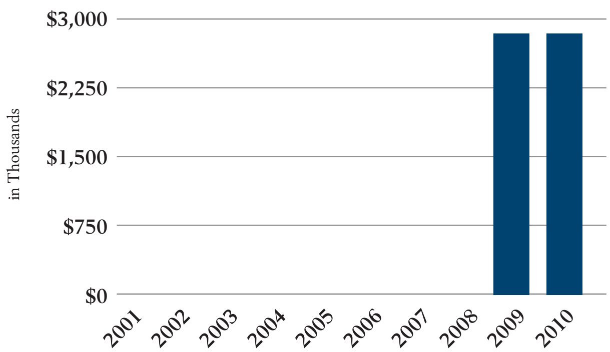
Irvine Ranch Water District

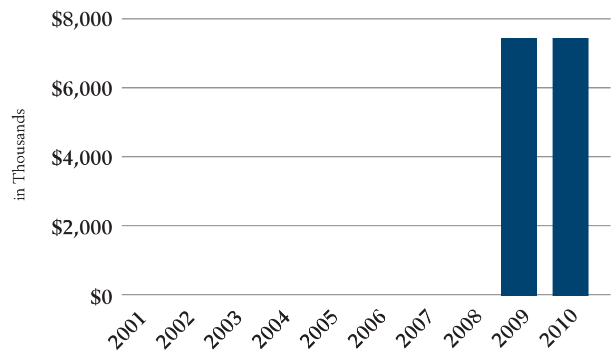
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 112			Improvement District 212		
2001	$ -	$ -	n/a	$ -	$ -	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	-	-	n/a	-	-	n/a
2007	-	-	n/a	-	-	n/a
2008	-	-	n/a	-	-	n/a
2009	500,354,220	2,745,000	0.00548611	500,354,220	7,305,000	0.01459966
2010	521,318,307	2,745,000	0.00526550	521,318,307	7,305,000	0.01401255

General Obligation Debt Outstanding - ID 112

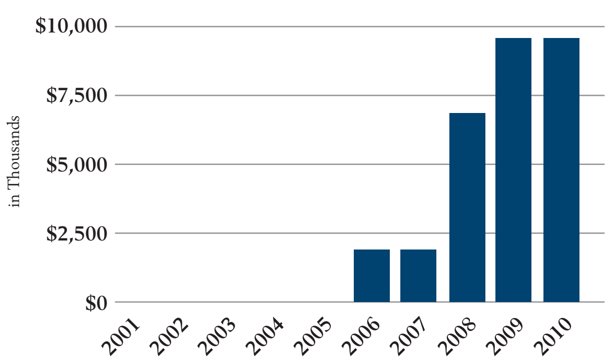


General Obligation Debt Outstanding - ID 212

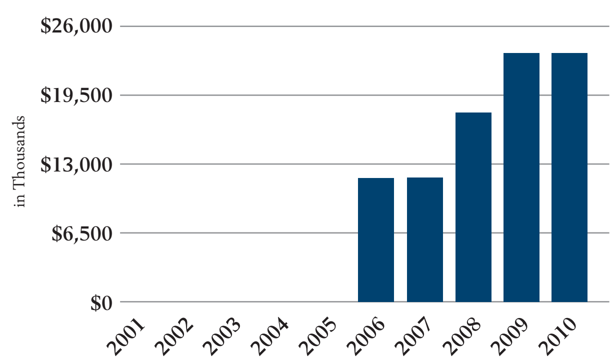


Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 113			Improvement District 213		
2001	$ -	$ -	n/a	$ -	$ -	n/a
2002	-	-	n/a	-	-	n/a
2003	-	-	n/a	-	-	n/a
2004	-	-	n/a	-	-	n/a
2005	-	-	n/a	-	-	n/a
2006	276,019,505	1,500,000	0.00543440	276,019,505	11,100,000	0.04021455
2007	583,904,580	1,500,000	0.00256891	583,904,580	11,100,000	0.01900996
2008	691,298,772	6,523,125	0.00943604	691,298,772	17,462,140	0.02525990
2009	609,156,504	9,523,125	0.01563330	609,156,504	23,867,140	0.03918064
2010	651,917,180	9,523,125	0.01460788	651,917,180	23,867,140	0.03661069

General Obligation Debt Outstanding - ID 113



General Obligation Debt Outstanding - ID 213



Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

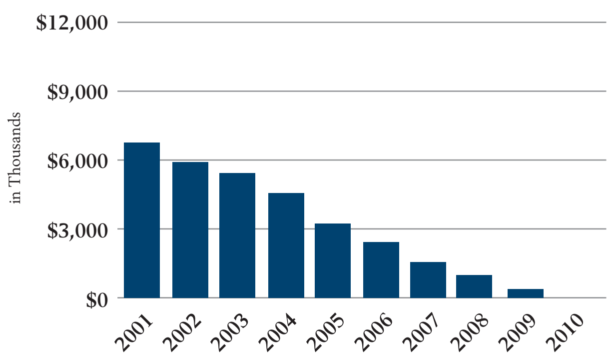
Improvement District 120

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ 2,035,540,701	$ 6,591,159	0.00323804
2002	2,263,025,358	5,764,954	0.00254745
2003	2,460,176,613	4,915,952	0.00199821
2004	2,655,750,823	4,014,721	0.00151171
2005	3,048,171,194	3,073,075	0.00100817
2006	3,296,099,817	2,079,199	0.00063081
2007	3,716,412,058	974,678	0.00026226
2008	3,999,440,197	673,414	0.00016838
2009	3,907,684,159	354,428	0.00009070
2010	3,889,246,597	-	-

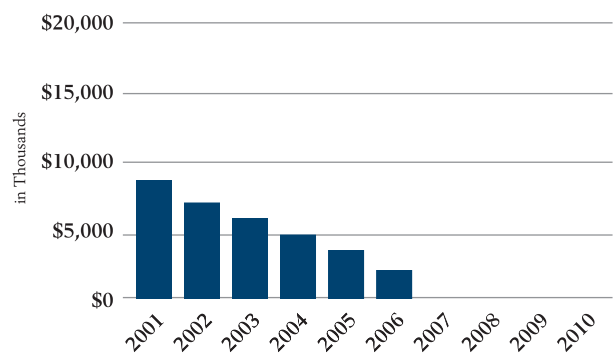
Improvement District 220

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ 2,522,353,571	$ 8,357,274	0.00331328
2002	2,789,540,948	7,137,564	0.00255869
2003	3,025,751,360	5,872,679	0.00194090
2004	3,277,646,727	4,562,620	0.00139204
2005	3,712,898,262	2,958,274	0.00079676
2006	4,084,154,528	1,557,866	0.00038144
2007	4,601,691,594	-	-
2008	4,946,140,742	-	-
2009	4,819,998,823	-	-
2010	4,819,368,486	-	-

General Obligation Debt Outstanding - ID 120



General Obligation Debt Outstanding - ID 220



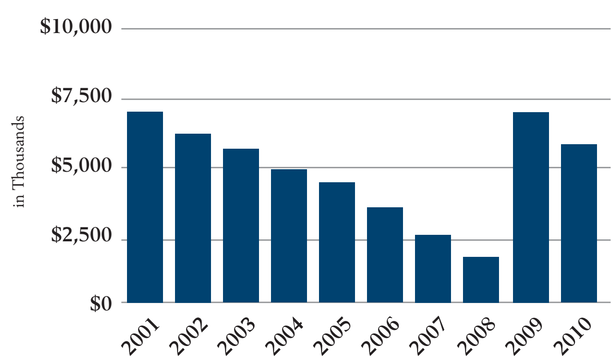
Improvement District 121

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ 2,035,540,701	$ 6,843,246	0.00336188
2002	2,263,025,358	6,262,950	0.00276751
2003	2,460,176,613	5,646,252	0.00229506
2004	2,655,750,823	4,965,507	0.00186972
2005	3,048,171,194	4,248,360	0.00139374
2006	3,296,099,817	3,464,525	0.00105110
2007	3,716,412,058	2,662,787	0.00071649
2008	3,999,440,197	1,793,038	0.00044832
2009	3,907,684,159	6,780,059	0.00173506
2010	3,889,246,597	5,873,689	0.00151024

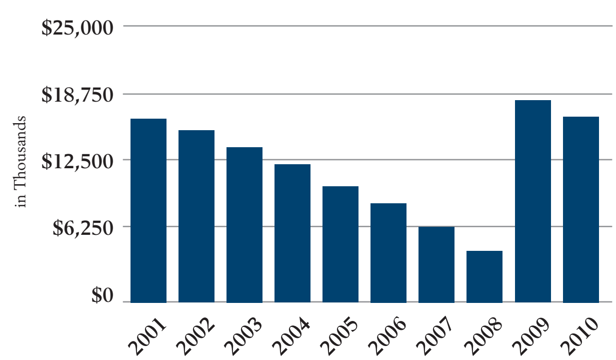
Improvement District 221

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ 2,016,000,565	$ 16,462,729	0.00816603
2002	2,242,421,472	14,989,639	0.00668458
2003	2,437,921,523	13,411,720	0.00550129
2004	2,633,056,001	11,709,055	0.00444694
2005	2,991,737,859	9,901,563	0.00330964
2006	3,270,481,689	7,941,236	0.00242815
2007	3,688,965,082	6,007,654	0.00162855
2008	3,971,444,282	3,907,194	0.00098382
2009	3,876,394,631	17,989,776	0.00464085
2010	3,859,829,277	16,330,283	0.00423083

General Obligation Debt Outstanding - ID 121



General Obligation Debt Outstanding - ID 221



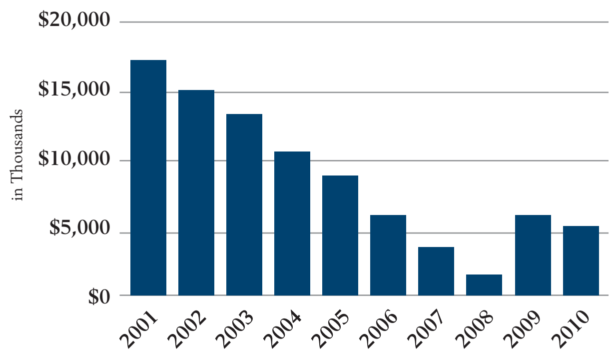
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Irvine Ranch Water District

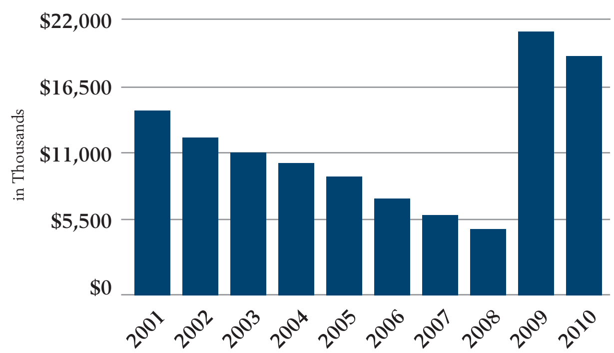
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Improvement District 130			Improvement District 230		
	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ 753,167,611	$ 16,813,964	0.02232433	$ 753,590,339	$ 14,091,092	0.01869861
2002	799,165,325	15,177,969	0.01899228	799,596,128	12,339,918	0.01543269
2003	887,679,877	12,923,272	0.01455848	888,086,748	11,167,518	0.01257481
2004	932,620,903	10,542,893	0.01130459	933,035,911	9,904,911	0.01061579
2005	1,049,255,231	8,288,716	0.00789962	1,049,677,986	8,567,847	0.00816236
2006	1,153,678,462	5,767,709	0.00499941	1,154,109,671	7,115,505	0.00616536
2007	1,489,017,966	3,460,656	0.00232412	1,492,117,118	5,703,185	0.00382221
2008	1,660,025,116	1,678,813	0.00101132	1,663,766,768	4,179,777	0.00251224
2009	2,585,629,375	6,424,815	0.00248482	2,585,629,375	19,865,955	0.00768322
2010	2,390,684,306	5,834,412	0.00244048	2,390,684,306	18,768,724	0.00785077

General Obligation Debt Outstanding - ID 130

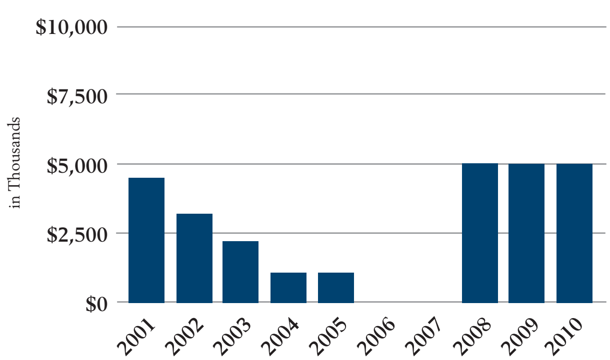


General Obligation Debt Outstanding - ID 230



Fiscal Year Ended	Improvement District 135			Improvement District 235		
2001	1,548,328,641	4,440,000	0.00286761	1,548,328,641	2,715,000	0.00175350
2002	1,691,341,907	3,080,000	0.00182104	1,691,341,907	1,050,000	0.00062081
2003	1,861,970,430	2,095,000	0.00112515	1,861,970,430	130,000	0.00006982
2004	2,062,480,035	820,000	0.00039758	2,062,480,035	-	-
2005	2,279,958,176	720,000	0.00031580	2,279,958,176	-	-
2006	2,553,323,737	-	-	2,553,323,737	-	-
2007	2,898,277,302	-	-	2,898,277,302	-	-
2008	3,154,824,099	4,985,802	0.00158037	3,154,824,099	2,998,707	0.00095051
2009	3,071,898,725	4,985,802	0.00162304	3,071,898,725	2,998,707	0.00097617
2010	3,083,700,261	4,985,802	0.00161682	3,083,700,261	2,998,707	0.00097244

General Obligation Debt Outstanding - ID 130



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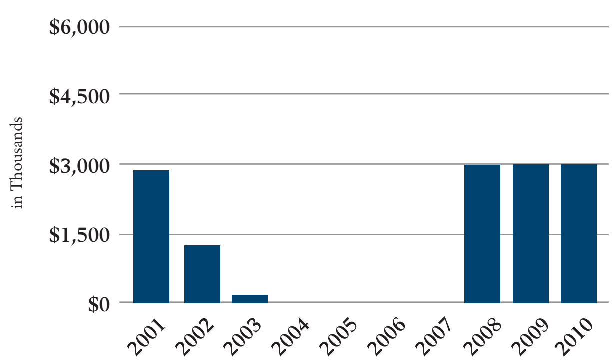


Irvine Ranch Water District

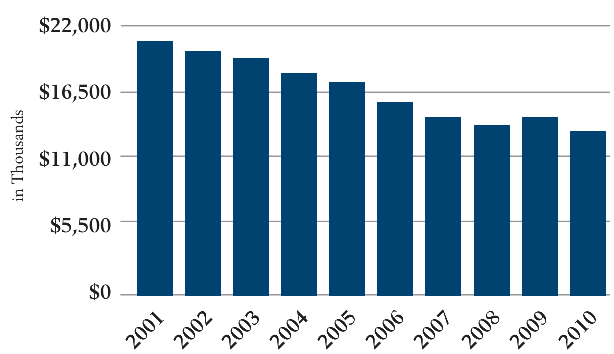
Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

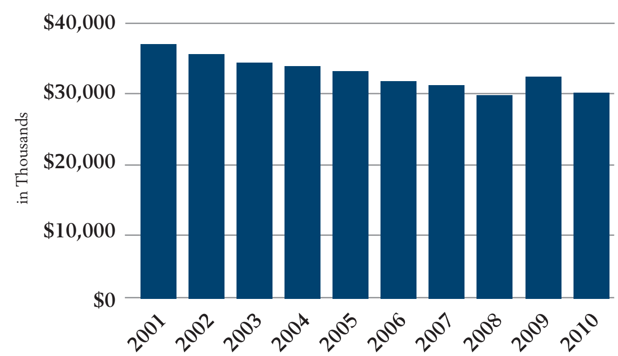
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 140			Improvement District 240		
2001	$1,342,232,777	$20,896,457	0.01556843	$1,342,232,777	$36,758,279	0.02738592
2002	1,668,617,110	20,083,096	0.01203577	1,668,617,110	35,866,793	0.02149492
2003	1,982,470,064	19,187,818	0.00967874	1,982,470,064	34,882,612	0.01759553
2004	2,294,454,249	18,246,359	0.00795237	2,294,454,249	33,862,453	0.01475839
2005	2,719,982,105	17,253,705	0.00634332	2,719,982,105	32,792,726	0.01205623
2006	3,446,887,473	16,181,977	0.00469466	3,446,887,473	31,643,024	0.00918017
2007	4,140,693,955	15,086,812	0.00364355	4,140,693,955	30,462,056	0.00735675
2008	4,642,366,023	13,892,372	0.00299252	4,642,366,023	29,182,814	0.00628619
2009	4,936,249,533	14,472,944	0.00293197	4,936,249,533	32,326,608	0.00654882
2010	4,871,225,527	13,161,947	0.00270198	4,871,225,527	30,885,287	0.00634035

General Obligation Debt Outstanding - ID 140

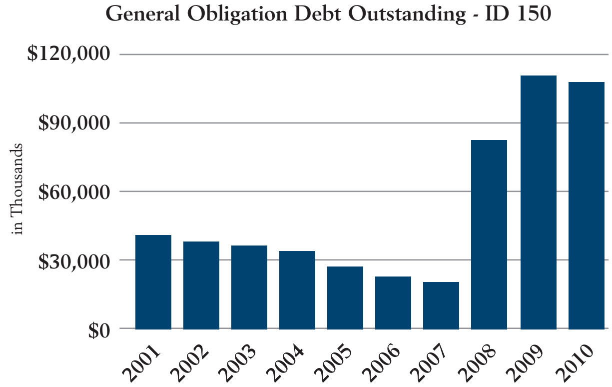


General Obligation Debt Outstanding - ID 240

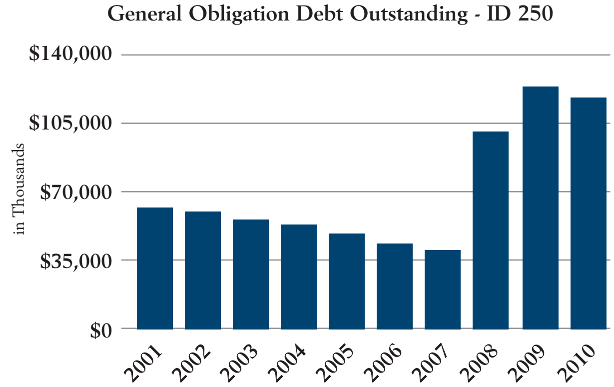


	Improvement District 150			Improvement District 250		
2001	$1,838,660,109	$40,539,688	0.02204849	$1,833,697,786	$58,204,803	0.03174176
2002	2,171,751,832	37,516,331	0.01727469	2,166,638,777	55,375,870	0.02555842
2003	2,631,853,234	34,390,746	0.01306712	2,626,638,626	52,352,492	0.01993136
2004	3,134,625,172	31,004,136	0.00989086	3,129,472,091	49,109,239	0.01569250
2005	3,548,888,756	27,478,309	0.00774279	3,543,639,799	45,671,541	0.01288831
2006	4,222,037,532	23,691,456	0.00561138	4,216,683,635	41,914,218	0.00994009
2007	5,194,093,605	20,060,770	0.00386223	4,874,632,043	38,062,529	0.00780829
2008	5,984,544,964	80,999,560	0.01353479	5,642,845,768	96,043,083	0.01702033
2009	5,541,316,286	110,002,188	0.01985127	5,229,731,606	123,488,402	0.02361276
2010	5,780,753,315	108,360,835	0.01874511	5,459,374,896	119,319,325	0.02185586

General Obligation Debt Outstanding - ID 150



General Obligation Debt Outstanding - ID 250



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

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

(Continued)

Fiscal Year Ended	Improvement District 153: Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Improvement District 253: Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ -	n/a	n/a	$ -	n/a	n/a
2002	-	n/a	n/a	-	n/a	n/a
2003	-	n/a	n/a	-	n/a	n/a
2004	-	n/a	n/a	-	n/a	n/a
2005	-	n/a	n/a	-	n/a	n/a
2006	-	n/a	n/a	-	n/a	n/a
2007	-	n/a	n/a	-	n/a	n/a
2008	36,114,444	n/a	n/a	36,114,444	n/a	n/a
2009	36,903,662	n/a	n/a	36,903,662	n/a	n/a
2010	36,997,523	n/a	n/a	36,997,523	n/a	n/a

No Debt Outstanding at this Time (Improvement District 153)

No Debt Outstanding at this Time (Improvement District 253)

Fiscal Year Ended	Improvement District 154: Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2001	$ -	n/a	n/a
2002	-	n/a	n/a
2003	-	n/a	n/a
2004	-	n/a	n/a
2005	-	n/a	n/a
2006	-	n/a	n/a
2007	-	n/a	n/a
2008	7,531,850	n/a	n/a
2009	10,209,169	n/a	n/a
2010	8,831,144	n/a	n/a

No Debt Outstanding at this Time

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

Irvine Ranch Water District

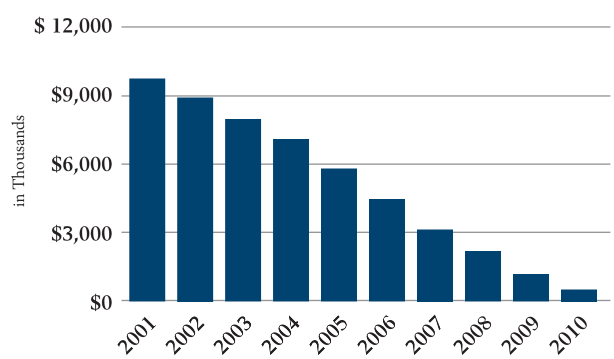
Ratio of General Obligation Debt to Assessed Values

For the Past Ten Fiscal Years

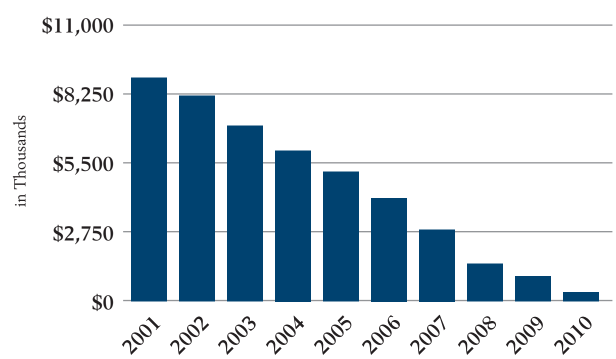
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 160			Improvement District 260		
2001	$938,497,665	$9,530,621	0.01015519	$909,048,770	$8,808,501	0.00968980
2002	1,056,647,181	8,577,976	0.00811811	1,023,835,907	8,029,413	0.00784248
2003	1,205,443,542	7,585,846	0.00629299	1,165,302,814	7,068,360	0.00606568
2004	1,486,590,105	6,511,087	0.00437988	1,442,431,910	6,063,833	0.00420390
2005	2,101,987,732	5,380,202	0.00255958	2,050,256,515	5,006,027	0.00244166
2006	2,922,826,431	4,162,705	0.00142421	2,866,594,651	3,759,358	0.00131144
2007	3,372,542,514	2,883,509	0.00085500	3,304,863,810	2,555,075	0.00077313
2008	3,711,389,964	2,022,479	0.00054494	3,641,310,305	1,584,223	0.00043507
2009	3,457,883,370	1,111,736	0.00032151	3,399,796,704	1,031,756	0.00030348
2010	3,483,763,692	103,561	0.00002973	3,409,716,951	433,656	0.00012718

General Obligation Debt Outstanding - ID 160

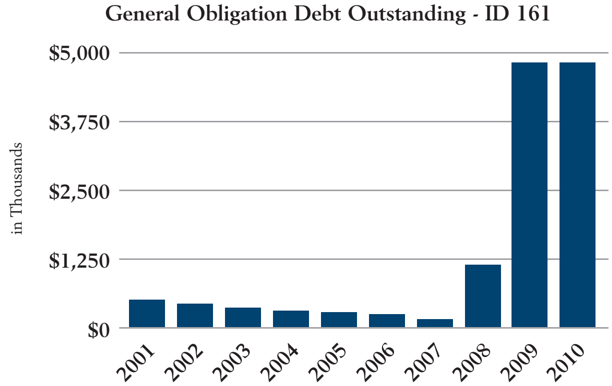


General Obligation Debt Outstanding - ID 260

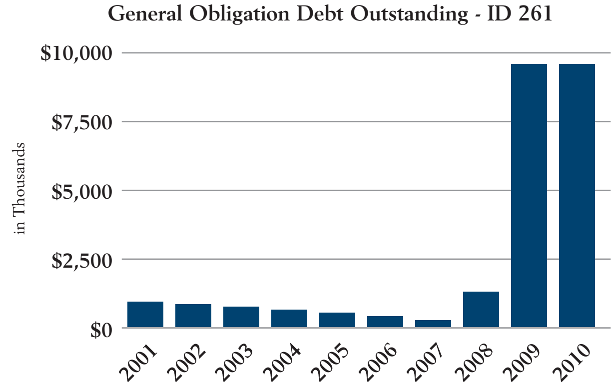


Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 161			Improvement District 261		
2001	$864,372,534	$345,841	0.00040011	$947,092,085	$532,018	0.00056174
2002	977,186,588	302,180	0.00030923	1,064,421,785	464,853	0.00043672
2003	1,122,693,719	256,221	0.00022822	1,213,366,283	394,153	0.00032484
2004	1,398,433,040	206,815	0.00014789	1,494,056,460	318,150	0.00021294
2005	2,007,153,739	155,112	0.00007728	2,109,648,525	238,613	0.00011311
2006	2,817,492,876	99,961	0.00003548	2,929,383,541	153,773	0.00005249
2007	3,260,457,444	51,704	0.00001586	3,382,835,586	79,538	0.00002351
2008	3,593,517,713	1,101,935	0.00030665	3,723,380,975	1,101,935	0.00029595
2009	3,341,406,070	4,701,935	0.00140717	3,473,875,612	9,006,935	0.00259276
2010	3,361,758,076	4,701,935	0.00139865	3,486,287,355	9,006,935	0.00258353

General Obligation Debt Outstanding - ID 161



General Obligation Debt Outstanding - ID 261

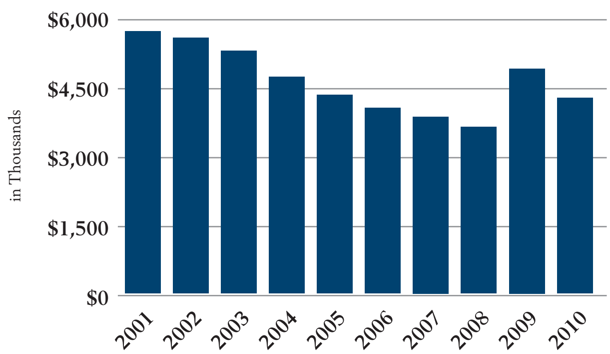


Irvine Ranch Water District

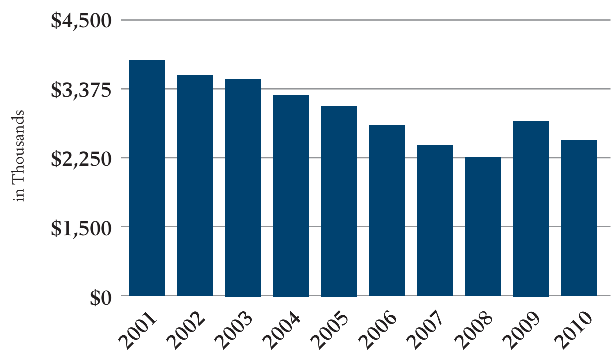
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 182			Improvement District 282		
2001	$ 257,642,166	$ 5,600,000	0.02173557	$ 257,642,166	$ 3,800,000	0.01474914
2002	291,208,540	5,300,000	0.01820002	291,208,540	3,600,000	0.01236227
2003	321,075,182	5,000,000	0.01557268	321,075,182	3,500,000	0.01090087
2004	367,379,519	4,700,000	0.01279331	367,379,519	3,200,000	0.00871034
2005	429,865,962	4,400,000	0.01023575	429,865,962	3,000,000	0.00697892
2006	509,371,089	4,000,000	0.00785282	509,371,089	2,800,000	0.00549697
2007	643,569,573	3,600,000	0.00559380	643,569,573	2,500,000	0.00388458
2008	720,602,896	3,561,290	0.00494210	720,602,896	2,200,000	0.00305300
2009	595,670,830	4,856,290	0.00815264	595,670,830	2,875,000	0.00482649
2010	600,594,737	4,356,290	0.00725329	600,594,737	2,575,000	0.00428742

General Obligation Debt Outstanding - ID 182



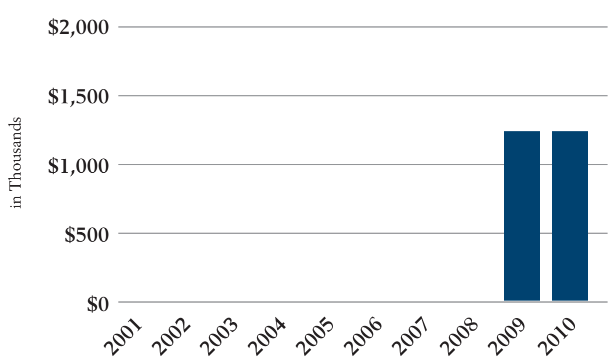
General Obligation Debt Outstanding - ID 282



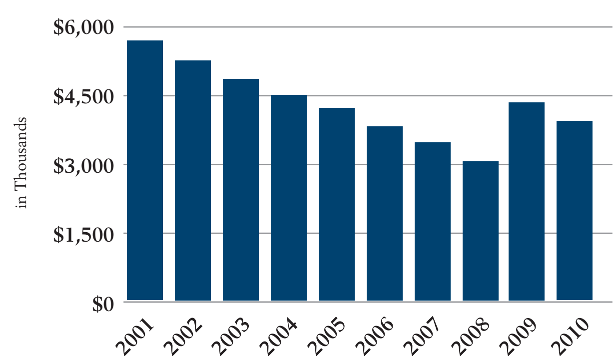
Source: Irvine Ranch Water District and the County of Orange Auditor Controller

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 184			Improvement District 284		
2001	$ 173,108,075	$ -	-	$173,108,075	$5,500,000	0.03177206
2002	201,954,218	-	-	201,954,218	5,200,000	0.02574841
2003	212,339,216	-	-	212,339,216	4,900,000	0.02307628
2004	234,612,404	-	-	234,612,404	4,600,000	0.01960681
2005	262,111,956	-	-	262,111,956	4,300,000	0.01640520
2006	283,547,263	-	-	283,547,263	3,900,000	0.01375432
2007	328,208,160	-	-	328,208,160	3,500,000	0.01066396
2008	378,200,679	-	-	378,200,679	3,100,000	0.00819671
2009	424,421,998	1,200,000	0.00282737	424,421,998	4,295,000	0.01011965
2010	386,137,068	1,200,000	0.00310770	386,137,068	3,795,000	0.00982812

General Obligation Debt Outstanding - ID 184



General Obligation Debt Outstanding - ID 284

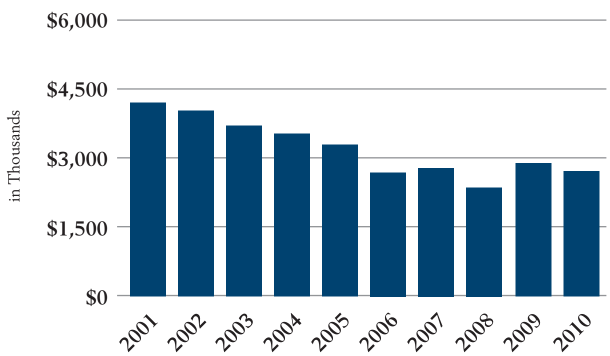


Irvine Ranch Water District

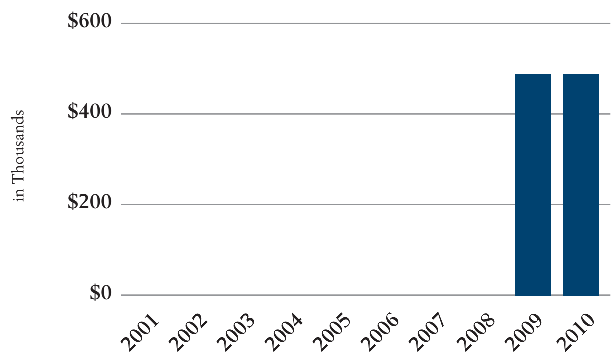
Ratio of General Obligation Debt to Assessed Values
For the Past Ten Fiscal Years
(Continued)

Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 186			Improvement District 286		
2001	$ 88,941,661	$ 4,021,354	0.04521339	$ 88,941,661		
2002	100,471,202	3,818,597	0.03800688	100,471,202		
2003	112,738,988	3,582,046	0.03177292	112,738,988		
2004	131,012,460	3,345,496	0.02553571	131,012,460		
2005	160,071,307	3,092,050	0.01931670	160,071,307		
2006	195,573,514	2,821,706	0.01442786	195,573,514		
2007	226,924,367	2,551,363	0.01124323	226,924,367		
2008	250,901,383	2,247,227	0.00895662	250,901,383		
2009	203,882,434	2,931,195	0.01437689	203,882,434		
2010	205,164,372	2,593,266	0.01263994	205,164,372	495,000	0.00241270

General Obligation Debt Outstanding - ID 186

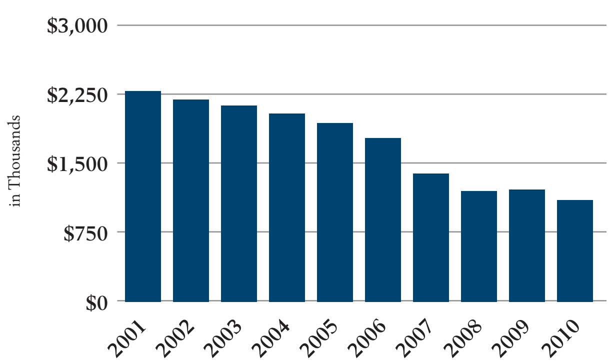


General Obligation Debt Outstanding - ID 286

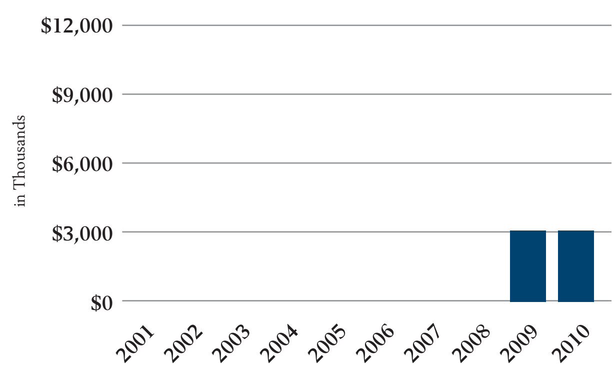


Fiscal Year Ended	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
	Improvement District 188			Improvement District 288		
2001	$ 13,042,080	$ 2,202,972	0.16891266	$ 13,042,080	$ -	-
2002	11,230,337	2,091,898	0.18627208	11,230,337	-	-
2003	11,454,943	1,962,312	0.17130697	11,454,943	-	-
2004	11,684,036	1,832,725	0.15685718	11,684,036	-	-
2005	11,694,828	1,693,882	0.14484028	11,694,828	-	-
2006	11,928,713	1,545,783	0.12958508	11,928,713	-	-
2007	12,167,278	1,397,684	0.11487238	12,167,278	-	-
2008	12,410,613	1,231,073	0.09919517	12,410,613	-	-
2009	12,806,315	1,235,205	0.09645283	12,806,315	300,000	0.02342594
2010	14,613,156	1,050,082	0.07185864	14,613,156	300,000	0.02052945

General Obligation Debt Outstanding - ID 188



General Obligation Debt Outstanding - ID 288



Irvine Ranch Water District

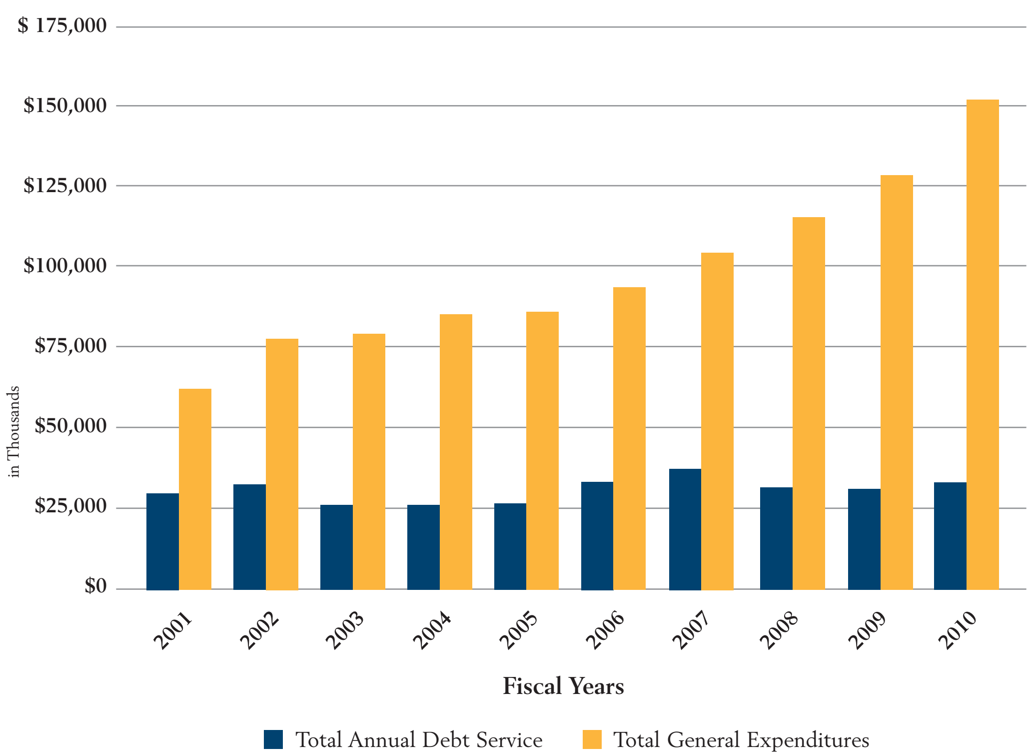
Ratios of Annual Debt Service Expenditures to Total General Expenditures - Cash Basis

For the Past Ten Fiscal Years

(in thousands)

Fiscal Year Ended	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2001	$ 29,211	$ 60,918	48.0%
2002	31,991	77,869	41.1%
2003	27,408	79,710	34.4%
2004	27,751	84,890	32.7%
2005	28,090	85,937	32.7%
2006	34,871	92,229	37.8%
2007	36,562	104,592	35.0%
2008	28,374	116,351	24.4%
2009	27,326	125,916	21.7%
2010	29,044	152,722	19.0%

Annual Debt Service to Annual General Expenditures



Source: Irvine Ranch Water District

Irvine Ranch Water District

Debt Service Coverage

For the Past Ten Fiscal Years

(in thousands)

	2001 (1)	2002	2003	2004	2005
Revenues					
Water sales and service charges	$ 23,023	27,647	27,185	31,700	33,105
Sewer sales and service charges	13,719	17,518	18,521	23,346	24,622
1% Property tax revenues	0	0	0	0	0
Connection fees	7,912	5,059	6,677	5,546	6,188
Net real estate income	4,765	7,269	5,661	5,534	6,105
Investment income	21,756	30,523	5,973	5,158	7,695
Net earnings on JPA	2,744	2,452	2,360	3,269	3,277
Other	7,413	7,555	6,120	13,065	9,753
Total revenues	81,332	98,023	72,497	87,618	90,745
Expenses					
Water services	20,451	25,184	24,820	26,139	25,198
Sewer services	9,146	15,060	15,558	19,052	19,055
Administrative and general	10,071	11,451	12,141	12,301	12,879
Customer accounts	1,871	2,165	2,207	2,307	2,410
Other	1,944	6,166	373	1,881	430
Total expenses	43,483	60,026	55,099	61,680	59,972
Net revenues	37,849	37,997	17,398	25,938	30,773
Senior debt service					
2010 Certificates of Participation (2)	0	0	0	0	0
2002/2008 Certificates of Participation (2)	0	0	470	599	1,094
1997 State Loan #3	227	227	227	226	226
Prior Reimbursement Agreements	0	0	0	0	0
Total senior debt service	227	227	697	825	1,320
Senior Debt Service Coverage	N/A	N/A	25.0	31.4	23.3
Revenue available for subordinate debt service	37,622	37,770	16,701	25,113	29,453
1% Property tax revenues	9,227	11,279	12,833	14,474	7,335
Ad valorem property tax revenues	1,619	2,451	1,414	830	390
Net Revenues Available For Subordinate Debt Service	48,468	51,500	30,948	40,417	37,178
Subordinate Debt Service					
State Loans # 1 and #2	292	292	292	292	292
1986 Certificates of Participation (2)	3,854	2,823	2,641	2,573	3,128
Net Swap Payments	0	0	0	(705)	(1,811)
Ad Valorem Bonds	27,077	24,562	23,377	23,524	25,823
Total subordinate debt service	31,223	27,677	26,310	25,685	27,432
Subordinate Debt Service Coverage	1.6	1.9	1.2	1.6	1.4
Net Revenues Available For Other Purposes	$ 17,245	23,823	4,638	14,733	9,746

Irvine Ranch Water District

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

	2006	2007	2008	2009	2010
Revenues					
Water sales and service charges	39,256	45,138	48,516	50,940	51,268
Sewer sales and service charges	29,248	37,649	39,811	41,157	45,344
1% Property tax revenues	0	216	4,869	17,007	17,213
Connection fees	17,903	22,122	6,411	4,535	5,818
Net real estate income	5,793	6,081	7,171	7,010	5,624
Investment income	7,749	8,969	9,859	4,365	2,191
Net earnings on JPA	3,367	3,388	3,238	2,990	4,196
Other	8,494	10,457	11,130	9,918	10,706
Total revenues	111,810	134,020	131,005	137,922	142,360
Expenses					
Water services	29,813	33,281	37,030	40,333	40,103
Sewer services	18,480	23,439	26,032	27,402	27,804
Administrative and general	14,181	16,595	18,516	20,248	22,904
Customer accounts	2,620	2,829	3,178	3,234	3,772
Other	666	884	2,288	1,535	1,286
Total expenses	65,760	77,028	87,044	92,752	95,869
Net revenues	46,050	56,992	43,961	45,170	46,491
Senior debt service					
2010 Certificates of Participation (2)	0	0	0	0	2,827
2002/2008 Certificates of Participation (2)	1,873	2,319	3,564	2,798	292
1997 State Loan #3	227	453	0	227	0
Prior Reimbursement Agreements	0	0	0	0	0
Total senior debt service	2,100	2,772	3,564	3,025	3,119
Senior Debt Service Coverage	21.9	20.6	12.3	14.9	14.9
Revenue available for subordinate debt service	43,950	54,220	40,397	42,145	43,372
1% Property tax revenues	10,177	22,040	19,861	9,276	9,935
Ad valorem property tax revenues	5,060	8,411	9,515	9,959	11,244
Net Revenues Available For Subordinate Debt Service	59,187	84,671	69,773	61,380	64,551
Subordinate Debt Service					
State Loans # 1 and #2	317	300	559	481	381
1986 Certificates of Participation (2)	3,758	4,099	3,851	3,391	2,605
Net Swap Payments	42	612	215	5,694	7,391
Ad Valorem Bonds	28,935	30,451	29,376	19,235	21,179
Total subordinate debt service	33,052	35,462	34,001	28,801	31,556
Subordinate Debt Service Coverage	1.8	2.4	2.1	2.1	2.0
Net Revenues Available For Other Purposes	26,135	49,209	35,772	32,579	32,995

Source: Irvine Ranch Water District

Notes:

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

(2) The 2010 Certificates of Participation refunded the 1986 Certificates of Participation and the 2008 Certificates of Participation which refunded the 2002 Certificates of Participation.

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2010

Name of Company	Employment	Products	Percentage of Total Employment
University of California, Irvine	18,284	Educational	8.11%
Irvine Unified School District	2,571	Educational	1.14%
Broadcom	2,439	Technology	1.08%
Edwards Lifesciences	1,934	Surgical Appliances and Supplies	0.86%
Allergan	1,922	Pharmaceutical (R&D/Marketing)	0.85%
New Century Mortgage Corp	1,741	Mortgage and Non-Mortgage	0.77%
Parker Hannifin	1,650	Aircraft Parts	0.73%
St. John Knits	1,619	Apparel	0.73%
B Braun Medical Inc.	1,500	Bio-Medical Manufacturing	0.67%
Capital Group Companies	1,077	Investment Services	0.48%
			15.42%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2009)

Data was not yet available for FY2009/10 from the City of Irvine.
The City of Irvine is only a part of the IRWD service area.
Information for Principal Employers is not available for FY2000/01 for comparison purposes.

Irvine Ranch Water District

Demographic & Economic Statistics

For the Past Ten Fiscal Years

Fiscal Year Ended	IRWD Population	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income	County of Orange Unemployment Rate
2001	N/A	148,100	$ 72,605	N/A	N/A
2002	N/A	157,499	75,985	N/A	N/A
2003	N/A	164,923	71,200	N/A	N/A
2004	N/A	171,700	71,200	N/A	N/A
2005	316,000	172,182	82,827	$ 7,267,978	3.9%
2006	322,000	193,785	84,270	7,352,397	3.6%
2007	330,000	202,079	85,624	7,667,079	4.0%
2008	330,000	209,806	98,923	8,691,214	5.3%
2009	330,000	209,806	91,101	$ 8,733,663	8.3%
2010	331,500	212,793	N/A (1)	N/A (1)	9.5%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2009) and County of Orange website.

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

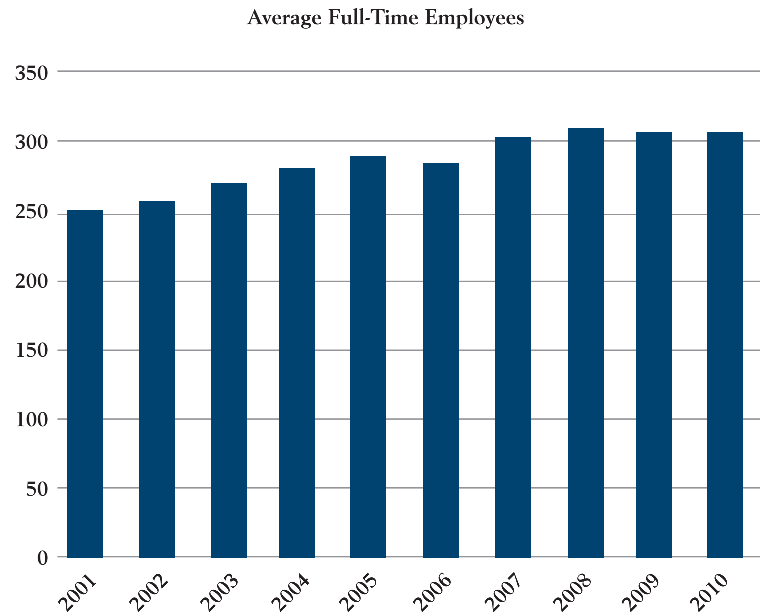
(1) Median Family Income and Total Personal Income for FY 2010 has not yet been published by the City of Irvine.

Irvine Ranch Water District

Full-Time Employees

For the Past Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Average Full-Time Employees	253	260	275	285	293	290	303	313	310	310



Source: Irvine Ranch Water District

Notes:

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

Irvine Ranch Water District

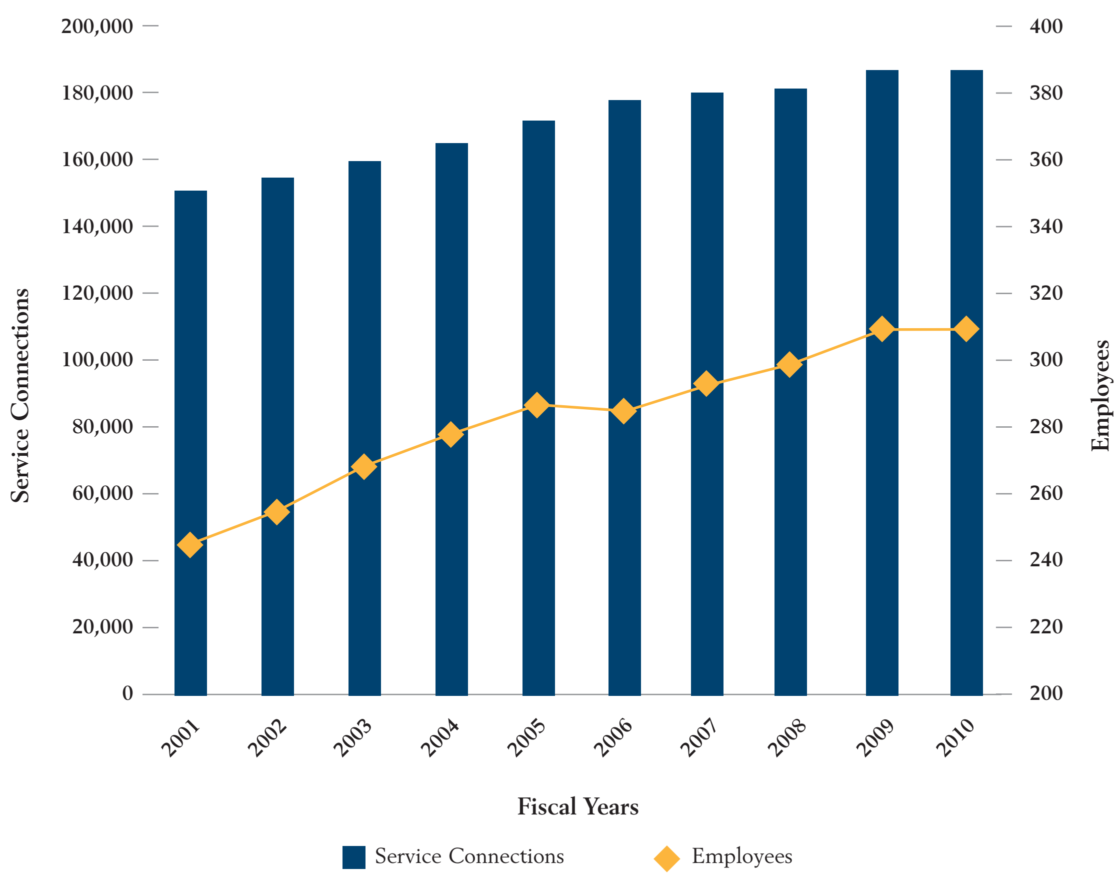
Operating Indicators by Function
Water and Sewer Service Connections
For the Past Ten Fiscal Years

Fiscal Year Ended	Potable Water	Non-Potable Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
2001(1)	79,011	118	73,344	152,473	253	603
2002	81,659	120	76,034	157,813	260	607
2003	83,526	120	77,880	161,526	275	587
2004	85,652	117	81,128	166,897	285	586
2005	88,423	143	83,982	172,548	293	589
2006	90,816	219	86,290	177,325	290	611
2007	93,531	293	88,316	182,140	303	601
2008	95,386	198	89,775	185,359	313	592
2009	96,110	201	90,545	186,856	310	603
2010	96,797	226	91,252	188,275	310	607

Source: Irvine Ranch Water District

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

Service Connections and Average Employee Count



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

	2001(1)	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water										
Residential	13,044	2,306	1,563	1,788	2,360	2,039	2,211	1,439	552	631
Commercial/Industrial/										
Public Authority	751	92	137	174	269	211	321	229	89	19
Fire Protection	469	234	152	141	137	128	162	173	86	43
Landscape Irrigation	503	20	15	25	6	91	93	(80)	13	4
Agricultural	3	(3)	0	(5)	(6)	0	2	(1)	(13)	(8)
Sewer										
Residential	13,019	2,296	1,561	1,808	2,355	2,002	1,462	891	527	613
Commercial/Industrial/										
Public Authority	758	148	115	1,268	237	150	290	357	156	21
Landscape Irrigation	495	246	168	174	264	156	276	207	84	63
Agricultural	0	0	2	(2)	(2)	0	(2)	4	3	10

Source: Irvine Ranch Water District

Notes:

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

Irvine Ranch Water District

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water										
Residential	11	10	11	10	10	11	11	11	10	10
Commercial	83	76	75	68	72	73	75	69	63	57
Industrial	286	263	258	227	258	241	228	226	211	200
Public Authority	559	483	487	398	464	454	356	359	347	300
Construction & Temporary	160	262	237	179	95	94	94	122	39	52
Treated - Landscape Irrigation	111	116	107	99	103	110	127	122	116	95
Treated - Agricultural	2,047	2,796	2,309	2,080	1,990	1,760	1,653	1,294	1,116	663
Untreated - Agricultural	7,564	7,399	6,836	5,686	5,520	7,659	7,991	6,405	7,495	6,925
	10,821	11,405	10,322	8,747	8,512	10,401	10,534	8,608	9,397	8,302
Recycled water										
Landscape Irrigation	216	225	188	199	178	176	211	191	182	152
Agricultural	137	134	277	330	268	895	1,792	1,792	2,418	1,874
	354	359	465	529	446	1,071	2,003	1,982	2,600	2,026

Source: Irvine Ranch Water District

Irvine Ranch Water District
Capital Asset Statistics
For the Past Seven Fiscal Years
June 30, 2010

		2004	2005	2006	2007	2008	2009	2010
Potable System								
Miles of Water Main	(1)	930	990	1,040	1,090	1,132	1,134	1,169
Number of Storage Tanks		27	27	29	37	37	37	37
Maximum Storage Capacity (Acre Feet)		412	418	440	460	460	460	460
Number of Pumping Plants		24	24	32	40	40	46	46
Number of Wells		21	21	26	26	27	27	27
Well Production Capacity (cfs)		100	100	109	109	117	117	117
Water Banking Storage (Acre Feet)		-	-	-	-	-	-	57,600
Non-Potable and Recycled Systems								
Miles of Water Main	(1)	277	307	337	367	399	400	407
Number of Storage Tanks	(2)	13	14	10	11	11	11	11
Number of Open Reservoirs	(2)			4	4	4	4	5
Maximum Storage Capacity (Acre Feet)		25,500	28,500	30,036	30,043	30,043	30,043	30,543
Number of Pumping Plants		17	17	14	20	19	19	19
Number of Wells		4	4	7	7	6	6	6
Well Production Capacity (cfs)		4.5	4.5	6.0	6.0	9.0	9.0	9
Sewer System								
Miles of Sewer Line		620	656	680	809	899	901	940
Number of Lift Stations		22	22	16	29	29	29	29
Treatment Plants		2	2	2	2	2	2	2
Treatment Capacity		22.5	22.5	22.5	22.5	22.5	22.5	23
Average Flows		17.8	18.6	19.5	19.5	19.5	19.5	20
Average % of Daily Flows - Michelson Plant		76%	74%	71%	72%	72%	72%	72%
Average % of Daily Flows - Los Alisos Plant		24%	26%	29%	28%	28%	28%	28%

Source: Irvine Ranch Water District
Note:
(1) Miles of Water Main only include Distribution and Transmission mains, not laterals.
(2) IRWD began reporting storage tanks and open reservoirs separately in 2006. Previously for purposes of these statistics, both have been combined under "storage tanks".

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

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