

AGENDA
IRVINE RANCH WATER DISTRICT
FINANCE AND PERSONNEL COMMITTEE MEETING
TUESDAY, OCTOBER 31, 2023

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

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

Via Web: <https://irwd.webex.com/irwd/j.php?MTID=m7567faf0fcc58324c4b13050aefa0c94>
Meeting number (access code): 2485 166 9587
Meeting password: 6jB6sQR97fD

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

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

CALL TO ORDER 11:30 a.m.

ATTENDANCE Chair: Steve LaMar _____ Member: Doug Reinhart ____

<u>ALSO PRESENT</u>	Paul Cook _____	Neveen Adly _____
	Wendy Chambers _____	Kevin Burton _____
	Paul Weghorst _____	Kent Morris _____
	Christopher Smithson _____	Tiffany Mitcham _____
	Eileen Lin _____	Lance Kaneshiro _____
	Stephen Aryan _____	Jennifer Davis _____
	_____ _____	_____ _____
	_____ _____	_____ _____

PUBLIC COMMENT NOTICE

Public comments are limited to three minutes per speaker on each subject. If you wish to address the Committee on any item, you may attend the meeting in person and submit a “speaker slip.” You may also submit a public comment in advance of the meeting by emailing comments@irwd.com before 7:30 a.m. on Tuesday, October 31, 2023.

COMMUNICATIONS

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

INFORMATION

5. EMPLOYEE POPULATION AND RETENTION STATUS REPORT – SRADER / MITCHAM

Recommendation: Receive and file.

6. MONTHLY INVESTMENT AND DEBT REVIEW – MENDOZA / DAVIS / MORRIS / ADLY

Recommendation: Receive and file.

7. EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER PAID THROUGH THE FOURTH QUARTER OF FISCAL YEAR 2022-23 – PULLES / ADLY

Recommendation: Receive and file.

8. WORKFORCE DEVELOPMENT AND SUCCESSION PLANNING AT IRWD – MITCHAM / COOK

Recommendation: Receive and file.

ACTION

9. ANNUAL BOARD OF DIRECTORS' FEES – K. SWAN / COOK

Recommendation: That the Board either accept or decline the five (5%) percent compensation increase for the calendar year 2024.

10. FISCAL YEAR 2022-23 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) – LIN / ADLY


Recommendation: That the Board approve the FY 2022-23 Annual Comprehensive Financial Report.

OTHER BUSINESS

11. Directors' Comments
12. Adjourn

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

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October 31, 2023
Prepared by: L. Srader
Submitted by: T. Mitcham
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

EMPLOYEE POPULATION AND RETENTION STATUS REPORT

SUMMARY:

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

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

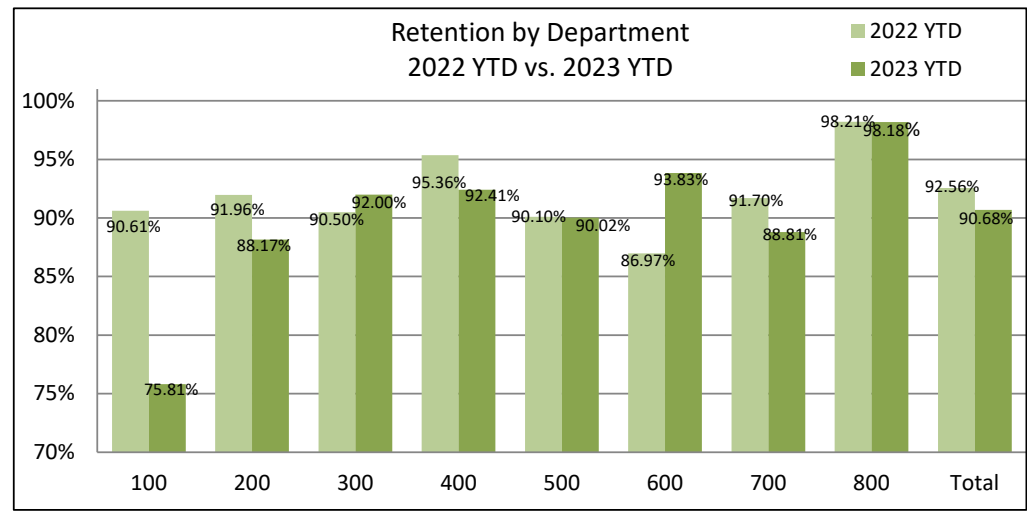
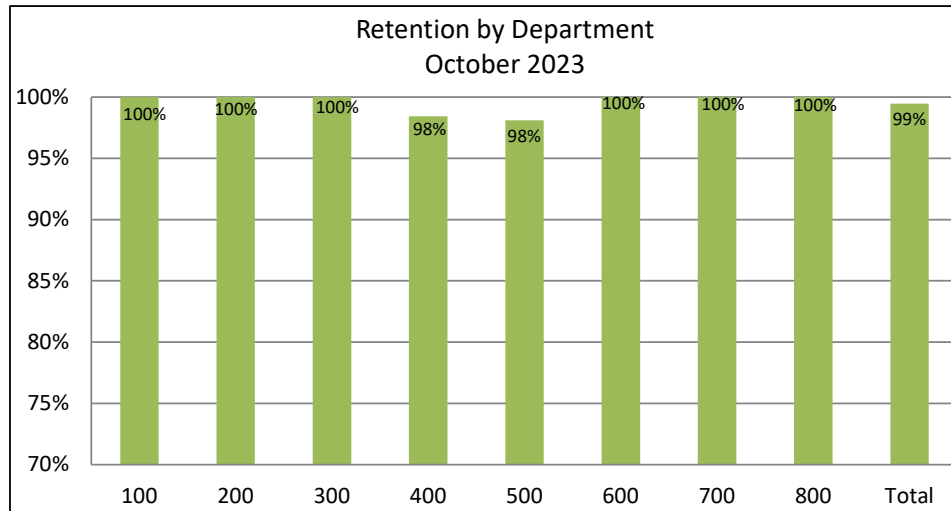
LIST OF EXHIBITS:

Exhibit "A" – Employee Population and Retention Status Report

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Exhibit "A"
IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
OCTOBER 2023

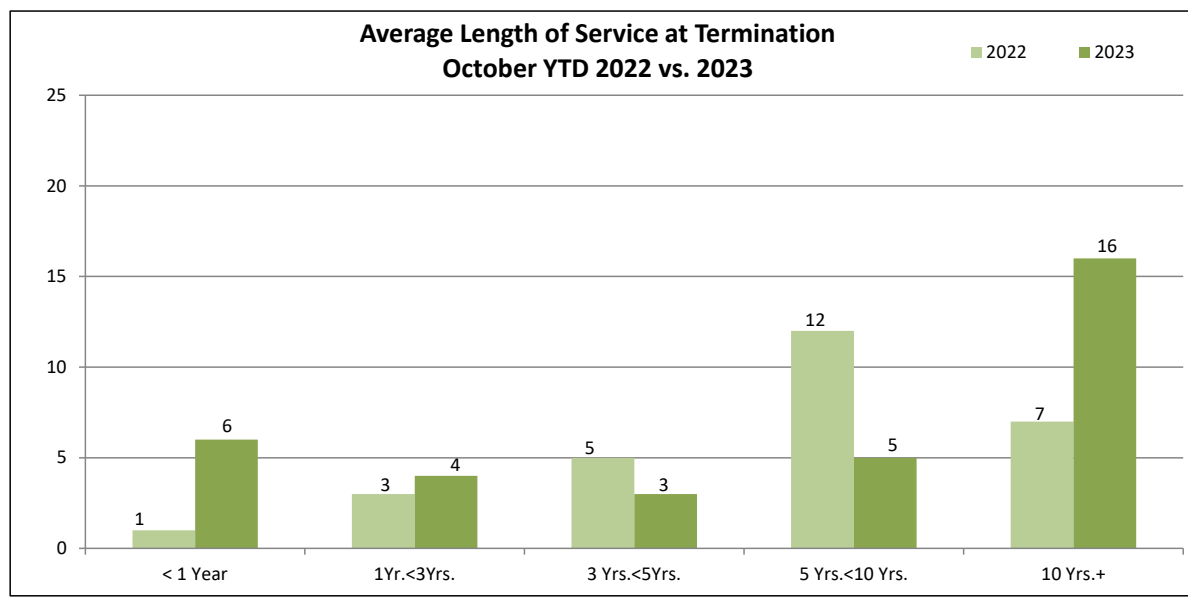
@10/01/23		Current Month Activity							@10/31/23		FY 23/24	Avg FYTD	Avg FYTD	Avg FYTD	Retention	
Dept	Positions Filled	New Hires	Terms		Promo Trnsfr		Lateral Trnsfr		Positions Filled	Positions Unfilled	Budgeted Positions	Filled Budget Positions	Temp Emp FTE	Total Filled Positions	Current Period	2023 YTD
			Vol	Invol	In	Out	In	Out								
100	21.0	2							23.0	1	24.0	25	0.37	25.4	100.00%	75.81%
200	80.0	2							82.0	9	91.0	83	1.23	84.0	100.00%	88.17%
300	46.0								46.0	4	50.0	43	3.58	46.8	100.00%	92.00%
400	64.0		1						63.0	8	71.0	65	0.00	65.0	98.44%	92.41%
500	53.0		1						52.0	11	63.0	51	5.35	56.4	98.11%	90.02%
600	33.0	1							34.0	1	35.0	32	3.07	35.3	100.00%	93.83%
700	26.0	1							27.0	2	29.0	27	0.00	26.5	100.00%	88.81%
800	56.0								56.0	6	62.0	56	1.49	57.2	100.00%	98.19%
Totals	379.0	6	2	-	-	-	-	-	383.0	42	425.0	382	15.09	396.6	99.47%	90.68%
10/22	381	4	4	-	-	-	1	1	381.0	38	419.0	379.3	15.2	394.6	98.95%	92.56%



**IRVINE RANCH WATER DISTRICT
RETENTION LONGEVITY RATIO
OCTOBER 2023**

Dept.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	YTD Retention Longevity Ratio				
														< 1 Year	1Yr.<.3Yrs.	3 Yrs.<5Yrs.	5 Yrs.<10 Yrs.	10 Yrs.+
100	2						2	1	1				6	2	2	1		1
200	1		3				3		3				10	2			2	6
300					1		1						2					2
400	1						1	1		2			5	1			1	3
500			2					2		1			5		1	1	2	1
600							1	1					2	1		1		
700				1			1		1				3					3
800							1						1		1			
2023 Total	4	-	5	1	1	-	10	5	5	3	-	-	34	6	4	3	5	16
2022 Data	2	4	5	4	1	2	2	4	-	4	2	5	35					
Percentage of Total Retention														82.35%	88.24%	91.18%	85.29%	52.94%

2023 Average YTD Length of Service at Termination	11.80 Years
2022 Average YTD Length of Service at Termination	10.40 Years
2021 Average YTD Length of Service at Termination	10.21 Years
2020 Average YTD Length of Service at Termination	16.33 Years
2019 Average YTD Length of Service at Termination	9.21 Years



**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION AND RETENTION REPORT
OCTOBER 2023**

NEW HIRES				
Date	Dept	Employee Name	Position	Prior Company/Agency
10/02/23	200	Neveen Adly	Executive Director of Finance & Admin.	Ventyx Biosciences
10/02/23	600	Lizandro Ramirez	Scientist	Eisenhower Health
10/09/23	100	Louis Bronstein	Senior Legislative Analyst	University of California, Irvine
10/16/23	700	Horacio Hernandez	Water Loss Prevention Specialist	Victor's Electric
10/30/23	200	DiemChau Francis	Payroll Administrator	Planned Parenthood of Orange County
10/31/23	100	Christina Paalman	Human Resources Technician	Sole Technology

TERMINATIONS					
Date	Dept	Employee Name	Position	Reason	Comments
10/05/23	400			VOL	
10/10/23	500			VOL	

RETIREMENTS					
Date	Dept	Employee Name	Position	Reason	Comments
10/03/23	400	Juan Guzman	Water Maintenance Technician I	RET	

PROMOTIONS					
Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position
09/30/23	200	Ericka Garibay	Customer Service Specialist I	200	Customer Service Specialist II
09/30/23	200	Brianna Smith	Customer Service Specialist I	200	Customer Service Specialist II
10/14/23	400	Tyler Trigg	Water Maintenance Technician II	400	Water Maintenance Technician III

TRANSFERS					
Effective Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position
10/14/23	400	Nicholas Korneff	Water Maintenance Technician II	400	Operator I

CROSS TRAINING					
Effective Date	Departing Dept	Employee Name	Departing Position	New Dept	New Position
10/14/23	200	Michael Chaney	Senior Customer Service Field Technician	700	Cross Connection Specialist

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION AND RETENTION REPORT
OCTOBER 2023**

UNFILLED POSITIONS			
Dept	Position	Salary Grade	Comments
100	External Affairs Manager	U18.E	Recruiting
200	User Support Administrator	U35.N	Recruiting
200	Accountant	27.N	2nd Interviews Scheduled
200	Accountant	27.N	Recruiting
200	Purchasing Coordinator	20.N	Recruiting
200	Senior Network Administrator	U15.E	Recruiting
200	Accounting Supervisor	U14.E	Interviewing
200	Senior Accountant	U12.E	Recruiting
200	Customer Service Specialist I	13.N	Interviewing
200	Customer Service Specialist I	13.N	Interviewing
300	Construction Inspector	29.N	Recruiting
300	Engineer	U17.E	Interviewing
300	Engineer	U17.E	Interviewing
300	Safety Specialist	U29.N	Recruiting
400	Water Maintenance Technician I	16.N	Recruiting
400	Operator I	22.N	Interviewing
400	Metering Systems Technician III	26.N	Recruiting
400	Metering Systems Technician I	16.N	Recruiting
400	Water Maintenance Technician II	22.N	Recruiting
400	Water Maintenance Technician II	22.N	Recruiting
400	Water Maintenance Technician I	16.N	Recruiting
400	Operations Manager	U21.E	
500	Senior Collection Systems CCTV Tech	25.N	Recruiting
500	Operator I	22.N	Recruiting
500	Operator III	30.N	Interviewing
500	Operator III	30.N	Interviewing
500	Operator III	30.N	Interviewing
500	Manager of Biosolids & Energy Recovery	U21.E	Recruiting
500	Senior Collection Systems CCTV Tech	25.N	Recruiting
500	Collection Systems Technician II	21.N	Recruiting
500	Collection Systems Technician II	21.N	Recruiting
500	Senior SCADA Administrator	U15.E	
500	Collection Systems Technician I	15.N	
600	Regulatory Compliance Manager	U19.E	Recruiting
700	Recycled Water Project Specialist	31.N	Recruiting
700	Sr Recycled Water Specialist	29.N	Recruiting
800	Reliability Manager	U22.E	Recruiting
800	Senior Electrical & Instrumentation Tech	31.N	Interviewing
800	Electrical & Instrumentation Technician	28.N	Interviewing
800	Senior Maintenance Mechanic	27.N	Recruiting
800	Asset Maintenance Coordinator	32.N	Recruiting
800	Senior Maintenance Mechanic	27.N	Recruiting

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT
OCTOBER 2023**

LEAVE OF ABSENCE						
Type of Leave	Pay Status	Date Leave Began	Anticipated Return Date	Current Length (wks)	Comments	
WC	WC/TTD	10/11/2022	11/1/2023	55	WC Inj.	
LEAVE OF ABSENCE	ACCRUALS	11/12/2022	11/13/2023	52	LOA	
FMLA/CFRA	ACCRUALS	3/27/2023	3/27/2024	52	Intermittent	
FMLA/CFRA	ACCRUALS	7/24/2023	10/16/2023	12	Bonding	
LEAVE OF ABSENCE	ACCRUALS	10/17/2023	10/30/2023	2	LOA	
FMLA/CFRA	ACCRUALS	10/13/2023	1/5/2024	12	Continuous	
FMLA/CFRA	ACCRUALS	6/20/2023	10/30/2023	19	Continuous	
FMLA/CFRA	ACCRUALS	7/1/2023	7/1/2024	52	Intermittent	
FMLA/CFRA	ACCRUALS	7/11/2023	1/11/2024	26	Intermittent	
FMLA/CFRA	ACCRUALS	7/7/2023	1/7/2024	26	Intermittent	

**IRVINE RANCH WATER DISTRICT
EMPLOYEE POPULATION STATUS REPORT FOR 2023
OCTOBER 2023**

Month	Length of Employment	Termination		Comments
		Vol	Invol	
January	15 years, 9 months	X		RET
	10 years, 3 months	X		RET
	11 months	X		Inland Empire Utility Agency
	2 months	X		City of Brea
February	*****			*****
March	19 years, 6 months	X		RET
	5 years, 3 months	X		City of Oceanside
	4 years, 6 months	X		Orange County Water District
	6 months	X		United Health Group
	5 years, 7 months		X	
April	11 years, 10 months		X	
May	13 years, 9 months	X		Elsinore Valley Municipal Water District
June	*****			*****
July	23 years, 3 months	X		RET
	14 years, 4 months	X		RET
	32 years, 8 months	X		RET
	18 years, 5 months	X		RET
	3 years, 10 months	X		Orange County Water District
	30 years, 8 months	X		RET
	2 years, 10 months	X		Metropolitan Water District
	1 month	X		P/F
	4 years, 2 months	X		RET
	4 months		X	
August	5 years	X		Unknown Employer
	5 years	X		Return to School
	8 months	X		Unknown Employer
	31 years, 10 months	X		RET
	12 months	X		City of Corona
	7 years, 7 months	X		Unknown Employer
September	1 years	X		Unknown Employer
	10 years, 10 months	X		RET
	35 years, 2 months	X		RET
	35 years, 7 months	X		RET
	16 years, 10 months	X		RET
	1 year, 1 month	X		South Coast Water District
October	31 years	X		Liberty Utilities
November				
December				

Change in status = CS
Retirement = RET
No Reason Given = NRG

Personal/Family = P/F
Relocation = REL

**IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES
SEPTEMBER 2023**

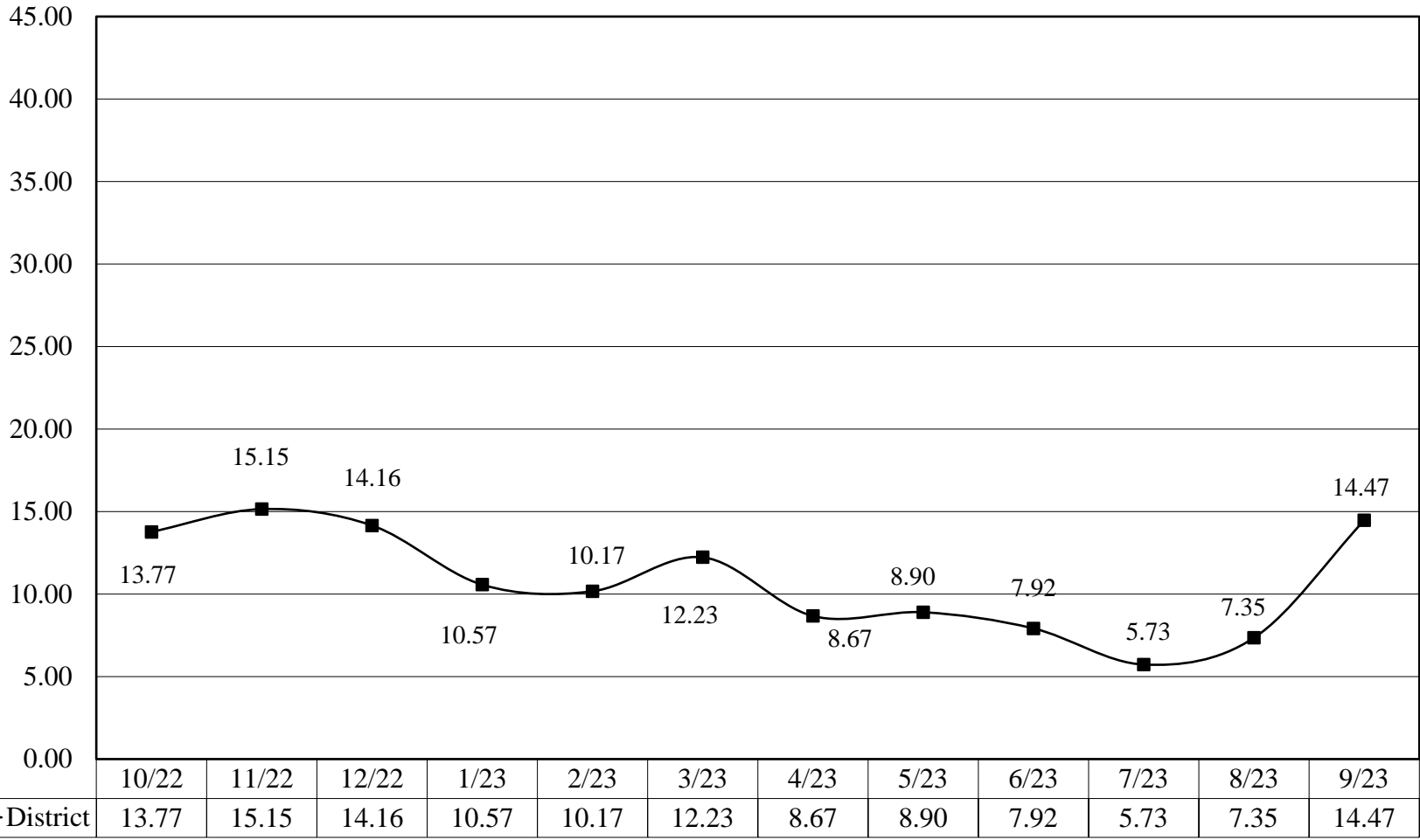
ACTIVE											
Current Month	FYTD Ave Hours Worked	PERS Enroll-ment	Agency		Hourly Rate	Est Hours per Month	Est Cost Per Month	Expected Duration (Months)	Actual Worked (Months)	Projected Cost FY' YTD	Actual Cost FY' YTD
FTE	FTE			Dept							
0.00	0.00			100							
0.92	0.31	No	X	200	58.00	168	9,744.00	6	3	29,232.00	9,280.00
0.92	0.31	No	X	200	55.00	168	9,240.00	6	3	27,720.00	8,800.00
0.92	0.31	No	X	200	68.00	168	11,424.00	3	1	11,424.00	10,880.00
0.00	0.00	No		200	16.50	84	1,386.00	9	1	1,386.00	0.00
0.92	0.31	No	X	200	35.50	168	5,964.00	5	3	17,892.00	5,680.00
3.69	1.23			200			0.00			0.00	0.00
0.50	0.82	No		300	20.00	84	1,680.00	12	3	5,040.00	8,500.00
0.61	0.75	No		300	20.00	84	1,680.00	12	2	3,360.00	7,800.00
0.41	0.73	No		300	20.00	84	1,680.00	12	3	5,040.00	7,640.00
0.65	0.85	No		300	20.00	85	1,700.00	12	3	5,100.00	8,840.00
0.27	0.43	Yes		300	81.81	84	6,872.04	12	3	20,616.12	18,080.01
2.43	3.58			300							
0.00	0.00			400							
0.92	0.97	No	X	500	143.00	168	24,024.00	6	2	48,048.00	72,358.00
0.92	0.97	No	X	500	118.00	168	19,824.00	6	2	39,648.00	59,708.00
0.92	0.97	No	X	500	118.00	168	19,824.00	6	2	39,648.00	59,708.00
0.45	0.47	No		500	16.50	84	1,386.00	12	3	4,158.00	4,017.75
0.61	0.68	No		500	19.50	84	1,638.00	12	3	4,914.00	6,903.00
0.20	0.32	No		500	16.50	84	1,386.00	12	3	4,158.00	2,722.50
0.36	0.35	No		500	16.50	84	1,386.00	12	3	4,158.00	3,036.00
0.40	0.61	No		500	19.50	84	1,638.00	12	3	4,914.00	6,201.00
4.79	5.35			500							
0.44	0.48	No		600	16.50	84	1,386.00	12	3	4,158.00	4,108.50
0.30	0.44	No		600	16.00	84	1,344.00	9	3	4,032.00	3,624.00
0.87	0.95	No		600	16.50	84	1,386.00	3	3	4,158.00	8,134.50
0.58	0.62	No		600	16.50	84	1,386.00	12	3	4,158.00	5,288.25
0.00	0.00	No		600							
0.44	0.59	No		600	16.50	84	1,386.00	12	3	4,158.00	5,049.00
2.63	3.07			600							
0.44	0.68	No		700	20.00	84	1,680.00	12	3	5,040.00	7,040.00
0.48	0.16	No		700	15.50	84	1,302.00	10	1	1,302.00	1,298.13
0.92	0.84			700							
0.00	0.00			800							
14.47	14.06										

**IRVINE RANCH WATER DISTRICT
SUMMARY
AGENCY & DISTRICT TEMPORARY EMPLOYEES**

TERMINATED												
Current Month FTE	Avg FYTD Temp Emp FTE	Active PERS Y/N *	Agency	Dept	Hourly Rate	Est Hours per Month	Est Cost Per Month	Expected Duration (Months)	Actual Worked (Months)	Projected Cost FYTD	Actual Cost FYTD	
1.00	0.37	No	X	100	65.64	168	11,027.52	3	2	22,055.04	12,766.98	
1.00	0.37			100								
0.00	0.00			200								
0.00	0.00	Yes		300	95.00	84	7,980.00	12	2	15,960.00	0.00	
0.00	0.00			300								
0.00	0.00			400								
0.00	0.00			500								
0.00	0.00			600								
1.00	0.65	Yes		700	33.91	168	5,696.88	4	2	11,393.76	11,461.58	
0.00	0.00			700								
0.00	0.00			800								
1.00	0.37									352,870.92	358,925.20	

EXC = Exclude from PERS enrollment
Yes= Temporary employee enrolled in PERS Membership
No=Temporary Agency employee

**Temporary Employees
Full Time Equivalency
District Totals as of September 30, 2023**




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October 31, 2023

Prepared by: O. Mendoza / J. Davis

Submitted by: K. Morris / N. Adly

Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

MONTHLY INVESTMENT AND DEBT REVIEW

SUMMARY:

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

- The Investment Portfolio Summary Report as of October 20, 2023 as outlined in Exhibit "A";
- The U.S. Treasury Yield Curve as of October 20, 2023 as shown in Exhibit "B";
- The Summary of Fixed and Variable Debt as of October 20, 2023 as outlined in Exhibit "C"; and
- The Summary of Variable Rate Debt Rates as of October 20, 2023 as outlined in Exhibit "D".

BACKGROUND:

Investment Portfolio:

Due to the timing of the Committee meeting, the rate of return for October is not complete. Preliminary calculations indicate a rate of return for the fixed income investment portfolio of 4.07%, which is a 0.15% increase from September's rate of 3.92%. Including real estate investments, the weighted average rate of return for IRWD's investment portfolio for October 2023 was 6.56%, which was a 0.17% increase from September's rate of 6.39%. The increase is primarily due to the reinvestment of funds at higher yields in the District's money market fund.

Debt Portfolio:

As of October 20, 2023, IRWD's weighted average all-in variable rate for debt was 2.44%, which was a 0.41% decrease from September's rate of 2.85%. Including IRWD's weighted average fixed rate bond issues of 3.72% and the negative cash accruals from fixed payer interest rate swaps (which hedge a portion of the District's variable rate debt), the total average debt rate was 3.28%, a 0.14% decrease from September's rate of 3.42%. The decrease was due to lower average rates for the District's variable rate debt.

FISCAL IMPACTS:

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

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" – Investment Portfolio Summary as of October 20, 2023

Exhibit "B" – Yield Curve as of October 20, 2023

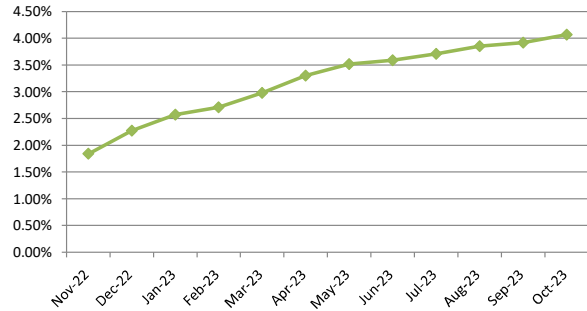
Exhibit "C" – Summary of Fixed and Variable Debt as of October 20, 2023

Exhibit "D" – Summary of Variable Rate Debt Rates as of October 20, 2023

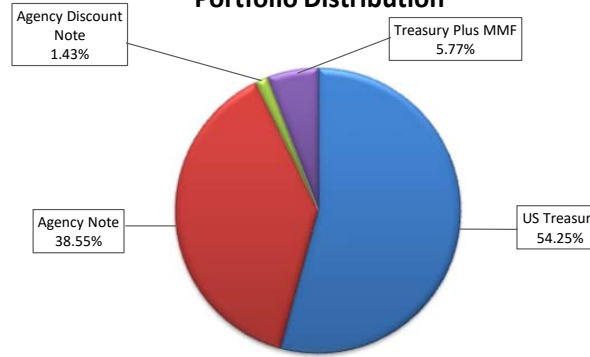
Exhibit "A"

Irvine Ranch Water District Investment Portfolio Summary October 2023

Monthly Fixed Income Yield



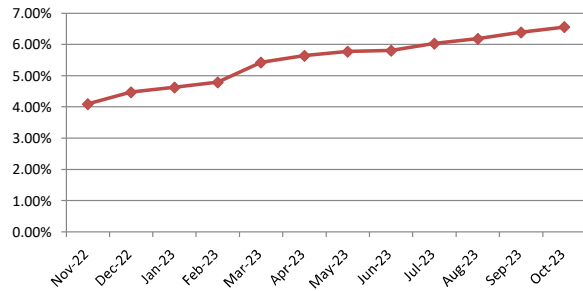
Portfolio Distribution



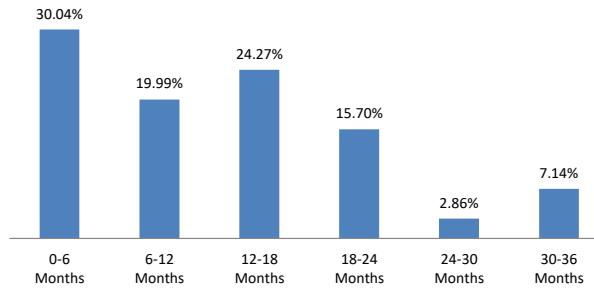
Investment Summary

Type	PAR	Book Value	Market Value
US Treasury	190,000,000	188,070,257	186,065,150
Agency Note	135,000,000	133,669,689	131,787,700
Treasury Plus MMF	20,210,427	20,210,427	20,210,427
Agency Discount	5,000,000	4,954,550	4,927,650
Grand Total	350,210,427	346,904,924	342,990,927

Weighted Average Return Including Real Estate Portfolio



Maturity Distribution



Top Issuers

Issuer	PAR	% Portfolio
US Treasury	190,000,000	54.25%
Fed Home Loan Bank	65,000,000	18.56%
Fed Farm Credit Bank	55,000,000	15.70%
Wells Fargo / Allspring	20,210,427	5.77%
Fed Home Loan Mortgage Corp	15,000,000	4.28%
Fed Natl Mortgage Assoc	5,000,000	1.43%
Grand Total	350,210,427	100.00%

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/20/23

SETTLMT	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 10/20/2023	UNREALIZED ⁽²⁾ GAIN/(LOSS)
04/06/23			10/21/23		LAIF	State of California Tsy.	\$0.00		3.610%	\$0.00	\$0.00	0.00	0.00
10/20/23			10/21/23		Treasury Plus MMF	Wells Fargo / Allspring	20,210,427.27		5.200%	20,210,427.27	20,210,427.27	20,210,427.27	0.00
03/31/22	NA	NA	10/31/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	1.625%	2.155%	4,958,984.38	5,000,000.00	4,985,200.00	(14,800.00)
04/21/22	NA	NA	10/31/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	1.625%	2.380%	4,943,750.00	5,000,000.00	4,985,200.00	(14,800.00)
03/31/22	NA	NA	11/30/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	0.500%	2.210%	4,860,742.19	4,993,368.68	4,960,400.00	(32,968.68)
04/21/22	NA	NA	11/30/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	0.500%	2.462%	4,846,093.75	4,992,409.39	4,960,400.00	(32,009.39)
08/01/23	NA	NA	11/30/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	10,000,000	0.500%	5.292%	9,844,140.63	9,962,645.27	9,920,800.00	(41,845.27)
08/31/22	NA	NA	12/08/23	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	3.375%	3.576%	4,987,445.00	4,998,998.85	4,982,100.00	(16,898.85)
04/14/22	NA	NA	12/15/23	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	0.125%	2.213%	4,829,687.50	4,987,715.16	4,947,250.00	(40,465.16)
01/17/23	NA	NA	01/12/24	NR	FHLB - Discount Note	Fed Home Loan Bank	5,000,000	4.545%	4.771%	4,772,750.00	4,954,550.00	4,927,650.00	(26,900.00)
03/22/22	NA	NA	01/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	0.875%	2.013%	4,896,484.38	4,986,147.17	4,925,600.00	(60,547.17)
08/31/22	NA	NA	01/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.500%	3.445%	4,935,156.25	4,988,608.53	4,951,750.00	(36,858.53)
12/16/22	NA	NA	02/15/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.750%	4.531%	4,899,804.69	4,975,068.77	4,949,600.00	(25,468.77)
08/17/23	NA	NA	02/15/24	Aaa/NR/AAA	Treasury - Bill	US Treasury	10,000,000	5.260%	5.494%	9,734,077.78	9,845,122.22	9,799,900.00	(45,222.22)
03/22/22	NA	NA	02/29/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	1.500%	2.020%	4,950,781.25	4,991,669.61	4,919,550.00	(72,119.61)
03/10/22	NA	NA	03/08/24	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	10,000,000	1.875%	1.680%	10,038,080.00	10,006,686.20	9,840,700.00	(165,986.20)
04/21/22	NA	NA	04/30/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	10,000,000	2.000%	2.600%	9,882,421.88	9,971,241.03	9,803,900.00	(167,341.03)
05/31/22	NA	NA	05/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	10,000,000	2.500%	2.560%	9,988,281.25	9,996,601.40	9,805,900.00	(190,701.40)
08/17/22	NA	NA	06/14/24	Aaa/AA+/AAA	FHLB - Note	Fed Home Loan Bank	5,000,000	3.125%	3.315%	4,983,200.00	4,994,307.64	4,919,050.00	(75,257.64)
12/16/22	NA	NA	06/14/24	Aaa/AA+/AAA	FHLB - Note	Fed Home Loan Bank	5,000,000	4.875%	4.611%	5,018,300.00	5,007,574.73	4,970,850.00	(36,724.73)
12/01/22	NA	NA	07/02/24	Aaa/AA+/AAA	FNMA - Note	Fed Natl Mortgage Assoc	5,000,000	1.750%	4.450%	4,795,376.45	4,913,768.31	4,862,000.00	(51,768.31)
08/17/22	NA	NA	07/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	3.000%	3.249%	4,976,562.50	4,991,038.60	4,898,650.00	(92,388.60)
08/31/22	NA	NA	08/26/24	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	5,000,000	3.375%	3.500%	4,988,050.00	4,995,078.44	4,905,250.00	(89,828.44)
S 09/09/22	One Time	11/28/2022	08/28/24	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	4.000%	3.950%	4,995,000.00	4,997,906.82	4,933,150.00	(64,756.82)
02/28/23	One Time	8/28/2023	08/28/24	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	5.250%	5.338%	4,993,750.00	4,996,560.79	4,989,650.00	(6,910.79)
08/31/22	NA	NA	09/13/24	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	3.250%	3.530%	4,972,750.00	5,010,602.82	4,895,700.00	(114,902.82)
09/30/22	NA	NA	09/13/24	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	3.250%	4.340%	4,898,930.00	4,955,127.18	4,895,700.00	(59,427.18)
09/30/22	NA	NA	09/26/24	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	5,000,000	4.250%	4.334%	4,992,100.00	4,996,414.03	4,938,050.00	(58,364.03)
10/17/22	NA	NA	10/17/24	Aaa/AA+/NR	FFCB - Note	Fed Farm Credit Bank	10,000,000	4.375%	4.535%	9,969,800.00	9,985,499.04	9,852,300.00	(133,199.04)
10/31/22	NA	NA	11/15/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.250%	4.489%	4,783,984.38	4,889,965.23	4,829,700.00	(60,265.23)
12/22/22	NA	NA	11/18/24	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	0.875%	4.260%	4,693,316.75	4,831,478.21	4,756,250.00	(75,228.21)
10/31/22	NA	NA	12/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.250%	4.471%	4,773,046.88	4,877,926.73	4,814,650.00	(63,276.73)
10/31/22	NA	NA	12/31/24	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.250%	4.483%	4,771,875.00	4,877,296.40	4,814,650.00	(62,646.40)
10/31/22	NA	NA	01/15/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	1.125%	4.476%	4,651,562.50	4,809,589.92	4,740,250.00	(69,339.92)
10/31/22	NA	NA	01/31/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.500%	4.483%	4,789,843.75	4,885,156.25	4,819,550.00	(65,606.25)
02/13/23	NA	NA	02/13/25	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	5.020%	5.020%	5,000,000.00	5,000,000.00	4,954,200.00	(45,800.00)
02/07/23	NA	NA	02/14/25	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	1.750%	4.500%	4,737,350.00	4,832,373.78	4,760,400.00	(71,973.78)
12/30/22	NA	NA	02/28/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.750%	4.317%	4,839,453.13	4,901,561.02	4,828,150.00	(73,411.02)
02/07/23	NA	NA	03/14/25	Aaa/AA+/NR	FHLB - Note	Fed Home Loan Bank	5,000,000	4.250%	4.518%	4,973,050.00	4,982,443.80	4,937,250.00	(45,193.80)
12/30/22	NA	NA	03/15/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	1.750%	4.329%	4,731,250.00	4,833,281.64	4,754,900.00	(78,381.64)
04/12/23	NA	NA	03/31/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	20,000,000	3.875%	4.073%	19,925,781.25	19,946,735.92	19,604,000.00	(342,735.92)
12/22/22	NA	NA	04/01/25	Aaa/AA+/AAA	FHLB - Note	Fed Home Loan Bank	5,000,000	4.200%	4.160%	5,004,550.00	5,002,830.75	4,931,800.00	(71,030.75)
12/08/22	Quarterly	02/12/2023	05/12/25	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	5,000,000	3.050%	4.427%	4,843,000.00	4,901,121.90	4,817,750.00	(83,371.90)
01/11/23	NA	NA	05/15/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	2.750%	4.148%	4,845,312.50	4,898,503.29	4,810,550.00	(87,953.29)
12/13/22	NA	NA	06/13/25	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	4.250%	4.340%	4,989,400.00	4,993,150.05	4,910,500.00	(82,650.05)
12/13/22	NA	NA	06/13/25	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	4.250%	4.352%	4,988,000.00	4,992,245.35	4,910,500.00	(81,745.35)
08/01/23	NA	NA	07/15/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	10,000,000	3.000%	4.917%	9,646,875.00	9,692,375.70	9,637,100.00	(55,275.70)

IRVINE RANCH WATER DISTRICT
INVESTMENT SUMMARY REPORT

10/20/23

SETTLMT	Call Schedule	Initial Call	Maturity Date	Rating	INVESTMENT TYPE	INSTITUTION / ISSUER	PAR Amount	COUPON DISCOUNT	YIELD	ORIGINAL COST	CARRY VALUE	MARKET VALUE ⁽¹⁾ 10/20/2023	UNREALIZED ⁽²⁾ GAIN/(LOSS)
04/24/23	NA	NA	07/24/25	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	10,000,000	4.250%	4.253%	10,000,000.00	10,000,000.00	9,843,000.00	(157,000.00)
04/21/23	NA	NA	09/23/25	Aaa/AA+/AAA	FHLMC - Note	Fed Home Loan Mortgage Corp	10,000,000	0.375%	4.127%	9,143,400.00	9,330,962.53	9,118,000.00	(212,962.53)
12/01/22	NA	NA	10/15/25	Aaa/AA+/AA+	Treasury - Note	US Treasury	5,000,000	4.250%	4.298%	4,993,359.38	4,995,480.07	4,922,450.00	(73,030.07)
12/01/22	Continuous after	9/12/2023	12/12/25	Aaa/AA+/AAA	FFCB - Note	Fed Farm Credit Bank	5,000,000	4.125%	4.694%	4,920,500.00	4,944,558.27	4,863,550.00	(81,008.27)
07/06/23	NA	NA	06/15/26	Aaa/AA+/AA+	Treasury - Note	US Treasury	15,000,000	4.125%	4.566%	14,819,531.25	14,839,340.84	14,722,800.00	(116,540.84)
09/27/23	NA	NA	09/15/26	Aaa/AA+/AA+	Treasury - Note	US Treasury	10,000,000	4.625%	4.846%	9,939,453.13	9,941,408.06	9,952,300.00	10,891.94
SUB-TOTAL							<u>\$350,210,427</u>			<u>\$343,966,822.05</u>	<u>\$346,904,923.67</u>	<u>\$342,990,927.27</u>	<u>(\$3,913,996.40)</u>
TOTAL INVESTMENTS							<u>\$350,210,427</u>			<u>\$343,966,822.05</u>	<u>\$346,904,923.67</u>	<u>\$342,990,927.27</u>	<u>(\$3,913,996.40)</u>

Petty Cash						3,400.00
Ck Balance	Bank of America	ECR	1.77%			1,605,942.84
Ck Balance	Wells Fargo	ECR	1.65%			0.00 ⁽⁵⁾
						<u>\$345,576,164.89</u>

⁽¹⁾ LAIF market value is as of the most recent quarter-end as reported by LAIF. Security market values are determined using Bank of New York ("Trading Prices"), Bloomberg and/or broker dealer pricing.

⁽²⁾ Gain (loss) calculated against carry value using the trading value provided by Bank of New York/or Brokers

⁽³⁾ Real estate rate of return is based on most recent quarter end return.

⁽⁴⁾ Original Cost updated to reflect capital tenant improvements added for Fiscal Year 2023. of capital tenant improvements during FY 2023.

⁽⁵⁾ Cash balance in this account are funds that are pending purchase into the current money market fund.

*S - Step up

This Investment Summary Report is in conformity with the 2023 Investment Policy and provides sufficient liquidity to meet the next six months estimated expenditures.

Outstanding Variable Rate Debt	\$214,800,000
Net Outstanding Variable Rate Debt (Less \$60 million fixed-payer swaps)	\$154,800,000
Investment Balance:	\$345,576,165
Investment to Variable Rate Debt Ratio:	223%
Portfolio - Average Number of Days To Maturity	377

	Investment Portfolio	Real Estate ⁽³⁾⁽⁴⁾ Portfolio	Weighted Avg. Return
October	4.07%	14.70%	6.56%
September	3.92%	14.70%	6.39%
Change	0.15%	0.00%	0.17%

IRVINE RANCH WATER DISTRICT
SUMMARY OF MATURITIES

10/20/23

DATE	TOTAL	%	LAIF	Agency Notes	Agency Discount Notes	Municipal Bonds	US Treasury	Investment Sweep
10/23	30,210,427	8.63%					10,000,000	20,210,427
11/23	20,000,000	5.71%					20,000,000	
12/23	10,000,000	2.86%		5,000,000			5,000,000	
1/24	15,000,000	4.28%			5,000,000		10,000,000	
2/24	20,000,000	5.71%					20,000,000	
3/24	10,000,000	2.86%		10,000,000				
4/24	10,000,000	2.86%					10,000,000	
5/24	10,000,000	2.86%					10,000,000	
6/24	10,000,000	2.86%		10,000,000				
7/24	10,000,000	2.86%		5,000,000			5,000,000	
8/24	15,000,000	4.28%		15,000,000				
9/24	15,000,000	4.28%		15,000,000				
SUB-TOTAL	\$175,210,427	50.03%		\$60,000,000	\$5,000,000		\$90,000,000	20,210,427

13 Months - 3 YEARS								
10/01/2024 - 12/31/2024	\$30,000,000	8.57%		15,000,000			15,000,000	
01/01/2025 - 03/31/2025	\$55,000,000	15.70%		15,000,000			40,000,000	
4/01/2025 - 06/30/2025	\$25,000,000	7.14%		20,000,000			5,000,000	
07/01/2025 - 09/30/2025	\$30,000,000	8.57%		20,000,000			10,000,000	
10/01/2025 - 12/31/2025	\$10,000,000	2.86%		5,000,000			5,000,000	
01/01/2026 - 03/31/2026								
4/01/2026 - 06/30/2026	\$15,000,000	4.28%					15,000,000	
07/01/2026 - 09/30/2026	\$10,000,000	2.86%					10,000,000	
10/01/2026 +								
SUB-TOTAL	\$175,000,000	49.97%		\$75,000,000			\$100,000,000	
TOTALS	\$350,210,427	100.00%		\$135,000,000	\$5,000,000		\$190,000,000	\$20,210,427

% OF PORTFOLIO	38.55%	1.43%	54.25%	5.77%
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Irvine Ranch Water District
Summary of Real Estate - Income Producing Investments
9/30/2023

	ACQUISITION DATE	PROPERTY TYPE	OWNERSHIP INTEREST	ORIGINAL COST	MARKET VALUE 6/30/2023	ANNUALIZED RATE OF RETURN QUARTER ENDED 9/30/2023
Sycamore Canyon	Dec-92	Apartments	Fee Simple	\$ 45,457,369	\$ 178,606,250	23.77%
Wood Canyon Villas	Jun-91	Apartments	Limited Partner	\$ 6,000,000	\$ 36,246,127	8.50%
ITC (230 Commerce)	Jul-03	Office Building	Fee Simple	\$ 5,568,747	\$ 12,484,800	9.78%
Waterworks Business Pk.	Nov-08	Research & Dev.	Fee Simple	\$ 8,983,395	\$ 12,068,640	8.55%
Sand Canyon Professional Center - Medical Office	Jul-12	Medical Office	Fee Simple	\$ 8,715,929	\$ 12,380,760	7.85%
Sand Canyon Professional Center - General Office ⁽¹⁾	Sep-20	Office Building	Fee Simple	\$ 31,404,103	\$ 40,559,820	7.29%
Total - Income Properties				\$ 106,129,543	\$ 292,346,397	14.70%

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

IRVINE RANCH WATER DISTRICT INVESTMENT SUMMARY REPORT
INVESTMENT ACTIVITY⁽¹⁾
Oct-23

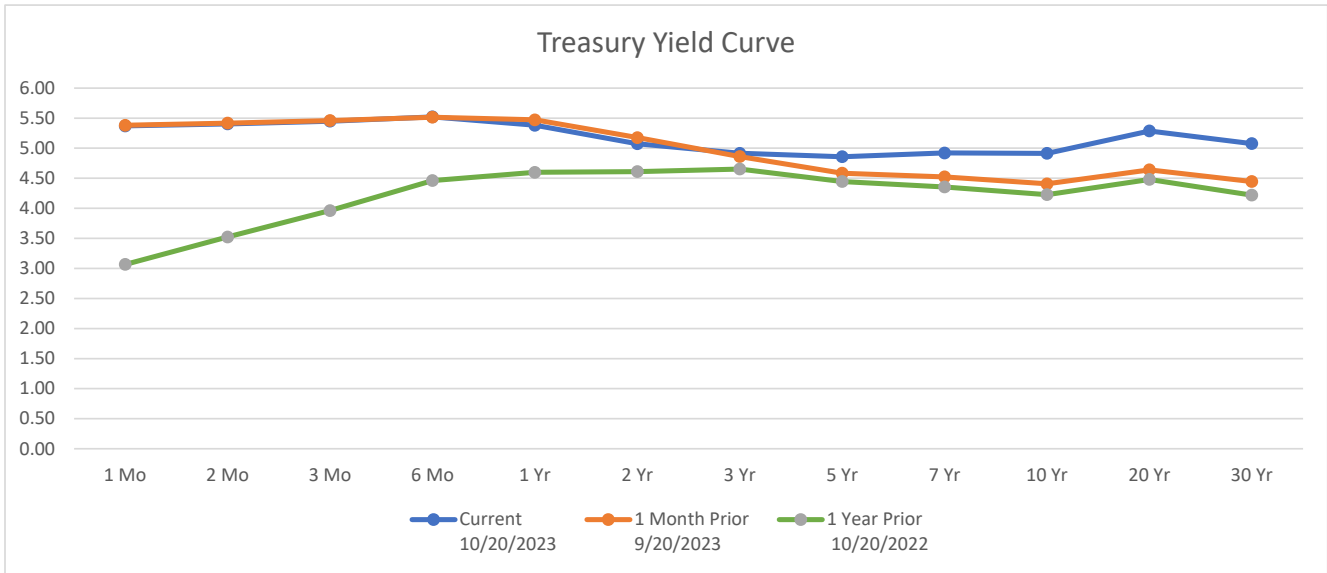
MATURITIES/SALES/CALLS

PURCHASES

DATE	SECURITY TYPE	PAR	YIELD	Settlement Date	Maturity Date	SECURITY TYPE	PAR	YIELD TO MATURITY
10/3/2023	FHLB - Note	\$5,000,000	4.81%					
<i>10/31/2023</i>	<i>Treasury - Note</i>	<i>\$5,000,000</i>	<i>2.15%</i>					
<i>10/31/2023</i>	<i>Treasury - Note</i>	<i>\$5,000,000</i>	<i>2.38%</i>					

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

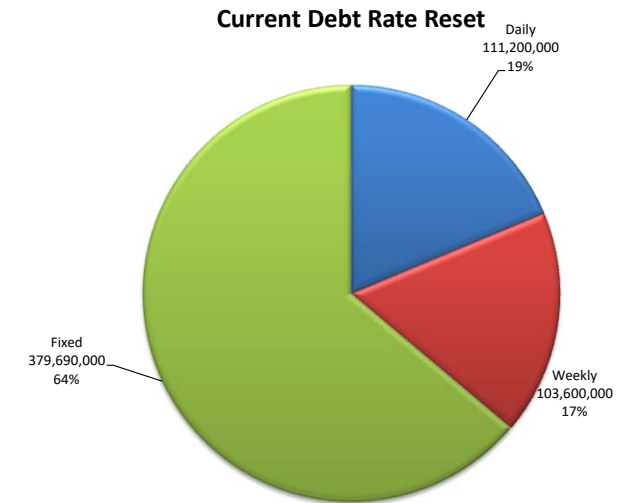
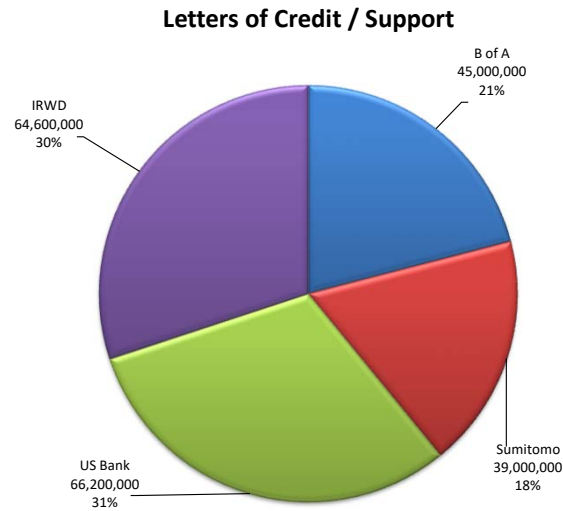
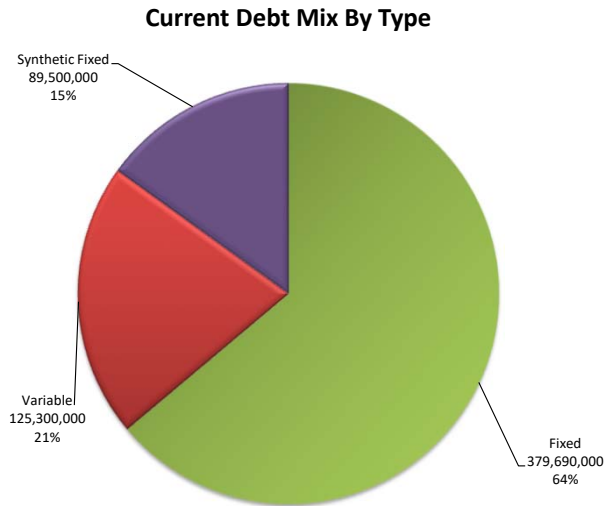
Exhibit "B"



Tenor	Current 10/20/2023	1 Month Prior 9/20/2023	1 Year Prior 10/20/2022
1 Mo	5.37	5.38	3.07
2 Mo	5.40	5.42	3.52
3 Mo	5.45	5.46	3.96
6 Mo	5.52	5.52	4.46
1 Yr	5.38	5.47	4.60
2 Yr	5.07	5.18	4.61
3 Yr	4.92	4.86	4.65
5 Yr	4.86	4.58	4.45
7 Yr	4.92	4.52	4.35
10 Yr	4.91	4.41	4.23
20 Yr	5.29	4.64	4.48
30 Yr	5.08	4.45	4.22

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Exhibit "C"
Irvine Ranch Water District
Summary of Fixed and Variable Rate Debt
October 2023



Outstanding Par by Series

Series	Issue Date	Maturity Date	Remaining Principal	Percent	Letter of Credit/Support	Rmkt Agent	Mode	Reset
Series 1993	05/19/93	04/01/33	\$21,200,000	3.57%	US Bank	BAML	Variable	Daily
Series 2008-A Refunding	04/24/08	07/01/35	\$39,000,000	6.56%	Sumitomo	BAML	Variable	Weekly
Series 2011-A-1 Refunding	04/15/11	10/01/37	\$38,760,000	6.52%	IRWD	Goldman	Variable	Weekly
Series 2011-A-2 Refunding	04/15/11	10/01/37	\$25,840,000	4.35%	IRWD	Goldman	Variable	Weekly
Series 2009 - A	06/04/09	10/01/41	\$45,000,000	7.57%	US Bank	US Bank	Variable	Daily
Series 2009 - B	06/04/09	10/01/41	\$45,000,000	7.57%	B of A	Goldman	Variable	Daily
2016 COPS	09/01/16	03/01/46	\$105,710,000	17.78%	N/A	N/A	Fixed	Fixed
2010 Build America Taxable Bond	12/16/10	05/01/40	\$175,000,000	29.44%	N/A	N/A	Fixed	Fixed
Series 2016	10/12/16	02/01/46	\$98,980,000	16.65%	N/A	N/A	Fixed	Fixed
Total			\$594,490,000	100.00%				

**IRVINE RANCH WATER DISTRICT
SUMMARY OF FIXED & VARIABLE RATE DEBT**

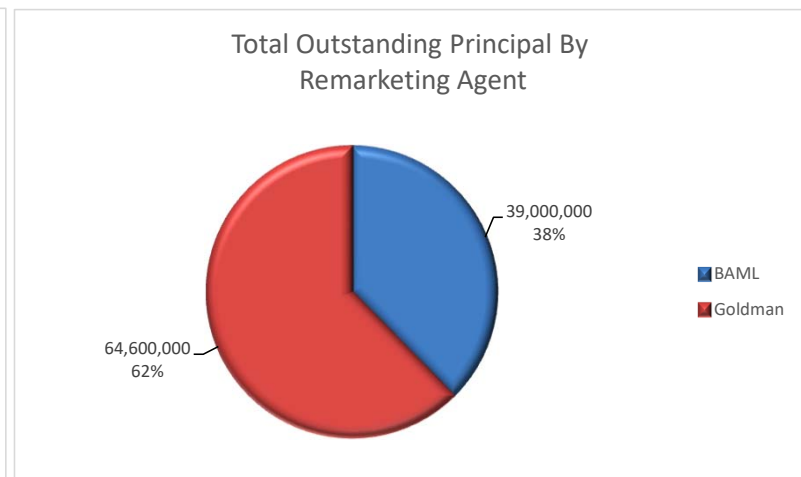
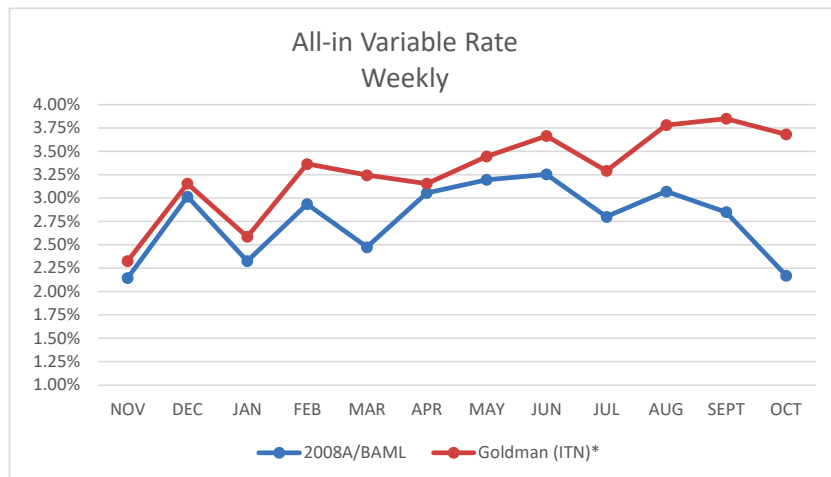
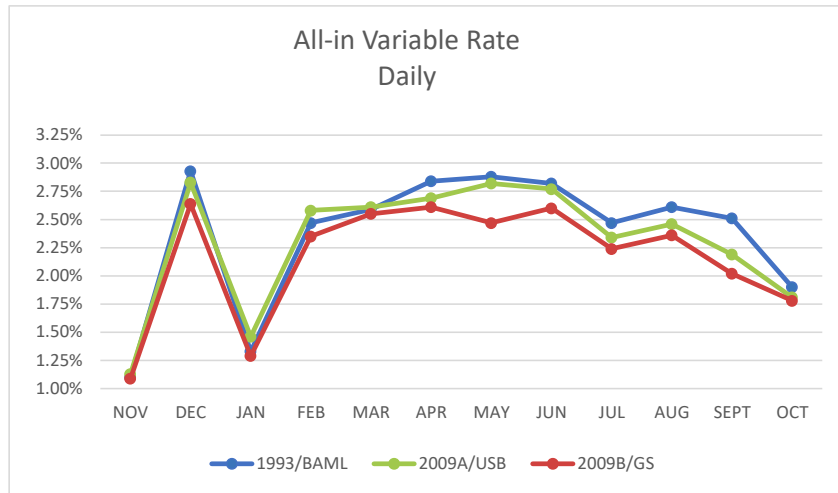
October-23

ITN		GENERAL BOND INFORMATION																		LETTER OF CREDIT INFORMATION										TRUSTEE INFORMATION				
Daily		VARIABLE RATE ISSUES						LETTER OF CREDIT INFORMATION						TRUSTEE INFORMATION						TRUSTEE INFORMATION														
Weekly		Issue Date	Maturity Date	Principal Payment Date	Payment Date	Original Par Amount	Remaining Principal	Letter of Credit	Reimbursement Agreement Date	L/C Exp. Date	MOODY'S	S&P	FITCH	LOC Stated Amount	LOC Fee	Annual LOC Cost	Rmkt Agent	Reset	Rmkt Fees	Annual Cost	Trustee													
		SERIES 1993	05/19/93	04/01/33	Apr 1	5th Bus. Day	\$38,300,000	\$21,200,000	US BANK	05/07/15	05/01/25	Aa3/VMIG1	AA-/A-1+	N/R	\$21,485,764	0.3000%	\$64,457	BAML	DAILY	0.10%	\$21,200	BANK OF NY												
		SERIES 2008-A Refunding	04/24/08	07/01/35	Jul 1	5th Bus. Day	\$60,215,000	\$39,000,000	SUMITOMO	04/01/11	05/28/25	A1/P-1	A/A-1	A/F1	\$39,576,866	0.3150%	\$124,668	BAML	WED	0.07%	\$27,300	BANK OF NY												
		SERIES 2011-A-1 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$60,545,000	\$38,760,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$48,450	BANK OF NY												
		SERIES 2011-A-2 Refunding	04/15/11	10/01/37	Oct 1	1st Bus. Day	\$40,370,000	\$25,840,000	N/A	N/A	N/A	Aa1/VMIG1	A-1+	AAA/F1+	N/A	N/A	N/A	Goldman	WED	0.13%	\$32,300	BANK OF NY												
		SERIES 2009 - A	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$45,000,000	US BANK	04/01/11	05/01/25	Aa2/VMIG1	AA-/A-1+	AA/F1+	\$45,503,014	0.3000%	\$136,509	US Bank	DAILY	0.07%	\$31,500	US BANK												
		SERIES 2009 - B	06/04/09	10/01/41	Oct 1	1st Bus. Day	\$75,000,000	\$45,000,000	B of A	04/01/11	04/21/25	Aa2/VMIG1	A/A-1	A1/F1+	\$45,503,014	0.2800%	\$127,408	Goldman	DAILY	0.10%	\$45,000	US BANK												
							\$349,430,000	\$214,800,000	SUB-TOTAL VARIABLE RATE DEBT						\$152,068,778	0.2979%	\$453,042			0.10%	\$205,750													
																						(Wt. Avg)												
FIXED RATE ISSUES																																		
		2010 GO Build America Taxable Bonds	12/16/10	05/01/40	May (2025)	May/Nov	\$175,000,000	\$175,000,000	N/A	N/A	N/A	Aa1	AAA	NR	N/A	N/A	N/A	N/A	N/A	N/A	US BANK													
		2016 COPS	09/01/16	03/01/46	Mar 1	Mar/Sept	\$116,745,000	\$105,710,000	N/A	N/A	N/A	NR	AAA	AAA	N/A	N/A	N/A	N/A	N/A	N/A	US BANK													
		SERIES 2016	10/12/16	02/01/46	Feb 1	Feb/Aug	\$103,400,000	\$98,980,000	N/A	N/A	N/A	NR	AAA	AAA	N/A	N/A	N/A	N/A	N/A	N/A	BANK OF NY													
							\$395,145,000	\$379,690,000	SUB-TOTAL FIXED RATE DEBT																									
							\$744,575,000	\$594,490,000	TOTAL - FIXED & VARIABLE RATE DEBT																									

Remarketing Agents			GO VS COP's		
Goldman	109,600,000	51%	GO:	488,780,000	82%
BAML	60,200,000	28%	COPS:	105,710,000	18%
US Bank	45,000,000	21%	Total	\$94,490,000	
	214,800,000				

LOC Banks		Breakdown Between Variable & Fixed Rate Mode	
SUMITOMO	39,000,000	Daily Issues	111,200,000 19%
BANK OF AMERICA	45,000,000	Weekly Issues	39,000,000 7%
US BANK	66,200,000	ITN Issues	64,600,000 11%
	150,200,000	Sub-Total	214,800,000
		Fixed Rate Issues	\$379,690,000 64%
		Sub-Total - Fixed	379,690,000
		TOTAL DEBT	
		FIXED & VAR.	\$94,490,000 100%

Exhibit "D"
Irvine Ranch Water District
Summary of Remarketing Performance
October 2023



*ITNs are based on SIFMA + 5

REMARKETING AGENT PERFORMANCE COMPARISON
Oct-23

Date	Daily Variable Rate Comparison			Weekly Variable Rate Comparison
	Goldman Sachs vs US Bank	Goldman Sachs vs Bank of America	US Bank vs Bank of America	Goldman Sachs* vs Bank of America
10/1/2023	0.05%	-0.80%	-0.85%	1.86%
10/2/2023	-0.30%	-0.49%	-0.19%	1.86%
10/3/2023	-0.40%	-0.49%	-0.09%	1.86%
10/4/2023	-0.20%	-0.09%	0.11%	1.86%
10/5/2023	-0.15%	0.06%	0.21%	1.77%
10/6/2023	-0.05%	-0.06%	-0.01%	1.77%
10/7/2023	-0.05%	-0.06%	-0.01%	1.77%
10/8/2023	-0.05%	-0.06%	-0.01%	1.77%
10/9/2023	-0.05%	-0.06%	-0.01%	1.77%
10/10/2023	-0.05%	0.03%	0.08%	1.77%
10/11/2023	-0.07%	0.00%	0.07%	1.77%
10/12/2023	-0.17%	-0.25%	-0.08%	1.74%
10/13/2023	-0.02%	0.00%	0.02%	1.74%
10/14/2023	-0.02%	0.00%	0.02%	1.74%
10/15/2023	-0.02%	0.00%	0.02%	1.74%
10/16/2023	0.00%	-0.28%	-0.28%	1.74%
10/17/2023	0.40%	0.07%	-0.33%	1.74%
10/18/2023	0.10%	-0.18%	-0.28%	1.74%
10/19/2023	0.10%	0.12%	0.02%	1.68%
10/20/2023	-0.05%	0.19%	0.24%	1.68%
Average Spread	-0.05%	-0.12%	-0.07%	1.77%

Rmkt Agent	GS / US Bank	GS / Bank of America	US Bank / Bank of America	GS / Bank of America
Mode	Daily / Daily	Daily / Daily	Daily / Daily	Weekly / Weekly
Bond Issue	2009B / 2009A	2009B / 1993	2009A / 1993	ITN (2011A1 & 2011A2) / 2008A
Par Amount	\$45,000,000 / \$45,000,000	\$45,000,000 / \$21,200,000	\$45,000,000 / \$21,200,000	\$64,600,000 / \$39,000,000
LOC Bank	Bank of America / US Bank	Bank of America / US Bank	US Bank / US Bank	None / Sumitomo

*ITNs are based on SIFMA + 5

SUMMARY OF DEBT RATES


Oct-23

Rmkt Agent Mode	GOLDMAN		GOLDMAN		MERRILL LYNCH		US BANK
	DAILY	WEEKLY	WEEKLY	WEEKLY	DAILY	WEEKLY	DAILY
Bond Issue	2009 - B	2011 A-1	2011 A-2	2011 A-2	1993	2008-A	2009-A
Par Amount	45,000,000	38,760,000	25,840,000	25,840,000	21,200,000	39,000,000	45,000,000
LOC Bank	BOFA	(SIFMA + 5)	(SIFMA + 5)	(SIFMA + 5)	US BANK	Sumitomo	US BANK
Reset		Wednesday	Wednesday	Wednesday		Wednesday	
10/1/2023	2.30%	4.03%	4.03%	4.03%	3.10%	2.17%	2.25%
10/2/2023	1.70%	4.03%	4.03%	4.03%	2.19%	2.17%	2.00%
10/3/2023	1.35%	4.03%	4.03%	4.03%	1.84%	2.17%	1.75%
10/4/2023	1.20%	4.03%	4.03%	4.03%	1.29%	2.17%	1.40%
10/5/2023	1.10%	3.41%	3.41%	3.41%	1.04%	1.64%	1.25%
10/6/2023	0.95%	3.41%	3.41%	3.41%	1.01%	1.64%	1.00%
10/7/2023	0.95%	3.41%	3.41%	3.41%	1.01%	1.64%	1.00%
10/8/2023	0.95%	3.41%	3.41%	3.41%	1.01%	1.64%	1.00%
10/9/2023	0.95%	3.41%	3.41%	3.41%	1.01%	1.64%	1.00%
10/10/2023	0.90%	3.41%	3.41%	3.41%	0.87%	1.64%	0.95%
10/11/2023	0.83%	3.41%	3.41%	3.41%	0.83%	1.64%	0.90%
10/12/2023	0.83%	3.24%	3.24%	3.24%	1.08%	1.50%	1.00%
10/13/2023	1.23%	3.24%	3.24%	3.24%	1.23%	1.50%	1.25%
10/14/2023	1.23%	3.24%	3.24%	3.24%	1.23%	1.50%	1.25%
10/15/2023	1.23%	3.24%	3.24%	3.24%	1.23%	1.50%	1.25%
10/16/2023	1.40%	3.24%	3.24%	3.24%	1.68%	1.50%	1.40%
10/17/2023	1.95%	3.24%	3.24%	3.24%	1.88%	1.50%	1.55%
10/18/2023	2.20%	3.24%	3.24%	3.24%	2.13%	1.50%	1.85%
10/19/2023	2.30%	4.24%	4.24%	4.24%	2.18%	2.56%	2.20%
10/20/2023	2.40%	4.24%	4.24%	4.24%	2.21%	2.56%	2.45%
Avg Interest Rates	1.40%	3.56%	3.56%	3.56%	1.50%	1.79%	1.44%
Rmkt Fee	0.10%	0.13%	0.13%	0.13%	0.10%	0.07%	0.07%
LOC Fee	0.28%				0.30%	0.32%	0.30%
All-In Rate	1.78%	3.68%	3.68%	3.68%	1.90%	2.17%	1.81%
Par Amount	83,760,000		25,840,000		60,200,000		45,000,000

Interest Rate Mode	Percent of Total Variable Rate Debt	Par Outstanding	Weighted All-In Average Rate	Base Rate Average
Daily	51.77%	111,200,000	1.81%	1.43%
Weekly	48.23%	103,600,000	3.11%	2.89%
	100.00%	\$214,800,000	2.44%	2.14%
Fixed				
COPS 2016	27.84%	105,710,000	2.90%	
BABS 2010	46.09%	175,000,000	4.44%	(1)
SERIES 2016	26.07%	98,980,000	3.32%	
	100.00%	\$379,690,000	3.72%	
All-In Debt Rate Including \$60 Million Notional Amount of Swaps				3.28%

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

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October 31, 2023
 Prepared by: M. Pulles
 Submitted by: N. Adly
 Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

EXPENSES AND FEES OF BOARD MEMBERS AND GENERAL MANAGER
PAID THROUGH THE FIRST QUARTER OF FY 2023-24

SUMMARY:

Pursuant to the Policy Regarding Business Expense Reimbursement, Travel, Meeting Compensation, and Representation, staff has assembled for Committee review an Expense Summary, as shown in Exhibits “A” and “B”, for IRWD’s Board members and the General Manager through the first quarter of Fiscal Year (FY) 2023-24. Provided below is a summary of expenses paid to date.

	Name	Conference, Travel, and Other District-Related Expenses	Meeting Fees	Total
Board Members:	LaMar	\$ 8,566	\$ 9,450	\$ 18,016
	McLaughlin	0	3,465	3,465
	Reinhart	1,486	9,135	10,621
	Swan	5,221	9,450	14,671
	Withers	1,764	8,190	9,954
	<i>Total:</i>	<i>\$ 17,037</i>	<i>\$39,690</i>	<i>\$56,727</i>
General Manager:	Cook	\$ 983	N/A	\$ 983
	<i>Total:</i>	<i>\$ 983</i>	<i>N/A</i>	<i>\$ 983</i>

FISCAL IMPACTS:

Meeting fees total \$39,690 versus a budget of \$47,500 resulting in a positive variance of \$7,810 year to date. Conference and meeting-related travel expenses for both the Board of Directors and the General Manager totaled \$18,020 versus a budget of \$33,750, resulting in a positive variance of \$15,730.

The total cost for Board and General Manager conference, travel, and other District-related expenses, including meeting fees, through the first quarter FY 2023-24 is \$57,710, resulting in a positive variance of \$23,540 to budget.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

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

Exhibit "A"



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

All Board Members/General Manager

Name	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By Personal Ck.	Total
								# Miles	Amount		
Board Members:											
Steven LaMar	3,490	1,128	2,708	100	489	272	20	549	359	-	8,566
Karen McLaughlin	-	-	-	-	-	-	-	-	-	-	-
Doug Reinhart	595	-	686	-	-	100	-	160	105	-	1,486
Peer Swan	2,449	240	1,598	105	-	255	-	875	574	-	5,221
John Withers	705	-	730	22	-	105	15	286	187	-	1,764
											-
											-
											-
											-
											-
											-
											-
											-
											-
											-
											-
General Manager:											
Paul Cook	-	-	-	306	-	-	677	-	-	-	983
											-
											-
Total	\$ 7,239	\$ 1,368	\$ 5,722	\$ 533	\$ 489	\$ 732	\$ 712	1,869	\$ 1,225	\$ -	\$ 18,020

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**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

Steven LaMar

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimbursed by Personal Check	Total
										# Miles	Amount		
Monthly Expense Reports													
	July 2023	Monthly Expense Report (no activity this period)											\$ -
Paid	August 2023	OC Business Industry Assoc. Annual SoCal Water Conf., Ontario, CA	125.00								86	56.53	181.53
Paid	September 2023	SoCal Regional Wildfire Resilience Convening Summer mtg., Jurupa Valley, CA									97	63.34	63.34
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
													-
													-
Conferences/Seminars and Other Non-local Travel													
Paid	Jul 16-20, 2023	CCEEB Summer Issues Seminar, Olympic Valley, CA	2,670.00	502.96	1,302.80		455.60	145.00	19.70	54	35.11		5,131.17
Paid	Aug 2-3, 2023	10th Annual FIRO (Forecast Informed Reservoir Operations) San Diego, CA			280.62	25.09		27.00		146	95.50	-	428.21
Paid	Aug 23-25, 2023	Urban Water Institute 2023 Annual Summer/Fall Conf., San Diego, CA	695.00		911.12	50.23		70.00		166	108.47		1,834.82
Paid	Sep 28-29, 2023	ACWA Executive Committee & Board of Director's. Sacramento, CA		624.95	213.00	24.27	33.36	30.00					925.58
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 3,490.00	\$ 1,127.91	\$ 2,707.54	\$ 99.59	\$ 488.96	\$ 272.00	\$ 19.70	549	\$ 358.95	\$ -	\$ 8,564.65

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

Karen McLaughlin

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
	July 2023	Monthly Expense Report (no activity this period)											\$ -
	August 2023	Monthly Expense Report (no activity this period)											-
	September 2023	Monthly Expense Report (no activity this period)											-
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ -

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

Doug Reinhart

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
	July 2023	Monthly Expense Report (no activity this period)											\$ -
	August 2023	Monthly Expense Report (no activity this period)											-
	September 2023	Monthly Expense Report (no activity this period)											-
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Aug. 23-25, 2023	Urban Water Institute Annual Summer/Fall Conf., San Diego, CA	595.00		685.58			100.00			160	104.54	1,485.12
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 595.00	\$ -	\$ 685.58	\$ -	\$ -	\$ 100.00	\$ -	160	\$ 104.54	\$ -	\$ 1,485.12

*Detail of Description/Location provided on Expense Report



Peer Swan

**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports *													
Paid	July 2023	*Various business/virtual meetings			\$ 181.79	\$ 45.22		\$ 15.00		417	\$ 273.14		\$ 515.15
Paid	August 2023	OCWA Monthly Industry Insight meeting and luncheon, Irvine, CA	30.00										30.00
	September 2023	Monthly Expense Report (no activity this period)											-
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Aug 9-11, 2023	CASA 2023 Conference, San Diego, CA	675.00		730.32			90.00		178	116.85		1,612.17
Paid	Aug 23-25, 2023	Urban Water Institute 2023 Annual Summer/Fall Conference, San Diego, CA	595.00		685.58			70.00		173	113.58		1,464.16
Paid	Sep 12-15, 2023	Water Education Foundation's Eastern Sierra Tour, Ontario, CA/Reno, NV	1,149.00	239.98		59.48		80.00		107	70.09		1,598.55
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
													-
Total			\$ 2,449.00	\$ 239.98	\$ 1,597.69	\$ 104.70	\$ -	\$ 255.00	\$ -	875	\$ 573.66	\$ -	\$ 5,220.03

*Detail of Description/Location provided on Expense Report



**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

John Withers

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
Paid	July 2023	*Various business/virtual meetings						15.00		113	73.75		\$ 88.75
Paid	August 2023	OCWA Monthly Industry meeting and luncheon, Irvine, CA	30.00										30.00
	September 2023	Monthly Expense Report (no activity this period)											-
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
Paid	Aug. 9-11, 2023	CASA Annual Conference, San Diego, CA	675.00		730.32	22.41		90.00	15.00	173	113.32		1,646.05
													-
													-
													-
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													-
													-
													-
													-
													-
Total			\$ 705.00	\$ -	\$ 730.32	\$ 22.41	\$ -	\$ 105.00	\$ 15.00	286	\$ 187.07	\$ -	\$ 1,764.80

*Detail of Description/Location provided on Expense Report




**Irvine Ranch Water District
Conference/Seminar and Monthly Expense Summary
Through the First Quarter FY 2023-24**

Paul Cook

Paid	Date Incurred	Description/Location	Registration Fees	Airfare	Lodging	Meals	Taxi/Shuttle/ Auto Rental	Parking Fees	Other	Mileage Reimb		Reimb. By ACWA	Total
										# Miles	Amount		
Monthly Expense Reports													
Paid	July 2023	Monthly Expense Report # 915369				\$ 66.12							\$ 66.12
Paid	August 2023	Monthly Expense Report # 920388				143.91							143.91
Paid	September 2023	Monthly Expense Report # 921401				95.81			677.00				772.81
	October 2023	Monthly Expense Report (no activity this period)											-
	November 2023	Monthly Expense Report (no activity this period)											-
	December 2023	Monthly Expense Report (no activity this period)											-
	January 2024	Monthly Expense Report (no activity this period)											-
	February 2024	Monthly Expense Report (no activity this period)											-
	March 2024	Monthly Expense Report (no activity this period)											-
	April 2024	Monthly Expense Report (no activity this period)											-
	May 2024	Monthly Expense Report (no activity this period)											-
	June 2024	Monthly Expense Report (no activity this period)											-
Conferences/Seminars and Other Non-local Travel													
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Total			\$ -	\$ -	\$ -	\$ 305.84	\$ -	\$ -	\$ 677.00	-	\$ -	\$ -	\$ 982.84

*Detail of Description/Location provided on Expense Report

October 31, 2023
Prepared and
submitted by: T. Mitcham
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

WORKFORCE DEVELOPMENT AND SUCCESSION PLANNING AT IRWD

SUMMARY:

Staff has prepared a summary of IRWD’s approach to employee development relative to the District’s current and future workforce needs and succession planning. This document is attached for review and comment by the Committee.

BACKGROUND:

The 2023 IRWD Goals and Target Activities included an item (15.g) to, “develop a description of IRWD’s approach to Employee Development relative to workforce and succession planning.” Staff has prepared a working draft of this document, provided as Exhibit “A” for this purpose.

This document illustrates the tools and techniques implemented to recruit, retain, and develop talent. While sources of future talent inevitably include external hirings, this plan reinforces the benefit of, and priority given to, developing current IRWD employees for filling future leadership roles and specialized expertise needs of the District.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

Receive and file.

LIST OF EXHIBITS:

Exhibit “A” – Workforce Development and Succession Planning at IRWD – *Working Draft*

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WORKFORCE DEVELOPMENT AND SUCCESSION PLANNING AT IRWD

IRWD understands the importance of workforce development and succession planning to advance its ongoing and future effectiveness. This District has employed multiple techniques to ensure a steady pipeline of talented staff – from both internal and external sources – to implement the vision and goals of IRWD. This document summarizes the need for workforce development and succession planning and steps implemented by IRWD related to this.

Background:

Succession planning is a critical activity for any organization that intends to thrive in the long run. Without proper planning, an organization risks gradually or suddenly finding itself in the future lacking the staff resources it needs to grow, shift its focus, or even provide its basic services. This is why workforce development is inextricably linked to effective succession planning. Succession planning requires a leadership team to ask several questions of itself, including:

- How will we inform, involve, develop, and train our employees to become future supervisors/managers/directors, executive directors, and general managers?
- Do current employees have the right competencies and skills to grow with the organization, or will the right talent be found externally?
- If external hirings are needed to augment internal promotions, what can the organization do to ensure that external resources will be available if needed?

Effective workforce development and succession planning requires sustained buy-in and active engagement of an organization's leadership team to ensure the right talent will remain available to meet the current and future needs of the organization. For succession planning to succeed, these "fundamental guidelines" should be followed:

- *Set reasonable employee expectations.* Communicate the importance of an individual's contribution and place within the organization and ensure they know where they stand regarding career advancement.
- *Seek employee input.* Some employees may be very interested in leadership positions, while others may not. Don't assume; ask employees about their interests / goals for professional development / advancement.
- *Be inclusive.* Avoid focusing on the development of employees who are "just like us." This type of bias can stifle new perspectives that others could present.
- *Thoroughly vet potential successors.* Evaluate employees for not only their technical abilities but also their leadership abilities.
- *Have options.* Ensure we have a variety of employees at an array of readiness levels for roles within the District.
- *Leadership engagement.* As with most projects, success can only be achieved when all leaders provide strong and vocal support. Planning for the future is not just a job for the human resources staff; an organization's entire management team is responsible for ensuring employees are being developed: some to assume leadership roles and some to fill highly technical positions.

WORKING DRAFT

Succession planning should always include a plan and a process; it is not something an organization should wait to do until its existing workforce talent has retired or left the organization. Defining an organization's current and future needs begins with a well-defined strategic direction, coupled with clear goals and priorities. Once the strategic goals and future priorities have been identified, the next step in succession planning is to identify the positions critical to the organization that, unless filled by top-notch employees, would undermine the organization's ability to sustain its ongoing success. Considerations for identifying these positions include:

- Positions that are key to sustaining essential services;
- Positions that are organization-specific;
- Positions that will drive success in areas of future growth;
- Positions of influence within the organization (e.g., influencers of resource allocation or decision-making);
- Jobs with lengthy learning curves (e.g., management positions and specialized equipment operators); and
- Positions where experiential learning is the critical knowledge acquisition method (e.g., scientists, operation staff, etc.).

Succession Planning at IRWD:

To ensure that IRWD is prepared for the inevitable departure of key staff, the District must create its own succession planning framework that aligns best with its unique needs. Foundational to IRWD's ability to serve its customers well remains its commitment to its Values, which set the standard for the District's workplace culture. Following and promoting IRWD's Values links today's excellence to IRWD's future excellence; the Values also provide continuity of culture as new staff join the ranks of IRWD. In addition to District-wide communications regarding its Values, IRWD also actively communicates its strategic planning documents – most prominently the IRWD Strategic Objectives and Target Activities. As public documents adopted each year by the Board of Directors, IRWD's strategic planning documents are also available for anyone to understand where the District is headed.

With these foundational steps firmly established as standard practice at IRWD, the District is well-positioned for its succession planning efforts. Two sources exist for future positions within IRWD: promotion from within and external recruitment. Accessing and optimizing individuals from these two sources requires two different approaches, which are described below.

IRWD Employee Development:

Employee development is essential to maintaining a robust pipeline of potential individuals to fill vacancies due to the retirements, resignations, and promotions of current staff. Some of these individuals will serve in leadership positions, while others may be needed for the District's increasingly specialized expertise needs. There are many inherent advantages to developing current IRWD employees for these future needs, some of which include employee satisfaction, IRWD cost savings, and enhancement of the District's reputation as a great place to work.

WORKING DRAFT

Examples of the many practices and programs IRWD has implemented to promote IRWD employee development are listed below:

- Training Sessions – IRWD continues to offer training pertaining to employee development, such as supervisory and management academies, interview skills training, and conflict management training. Trainings are typically developed on an as-needed basis, based on observation of a need or requests from staff.
- Educational Reimbursement – IRWD supports the educational advancement of its employees by reimbursing a portion of the tuition and other costs incurred.
- Employee Resources – IRWD continues to build its library of written materials (books, articles, PowerPoints) on numerous topics through which employees can learn at their own pace. Eventually, this library will be housed at one location on a page of the IRWD Intranet. The District also accommodates other resources, such as Toastmasters, specifically for the benefit of its interested employees.
- Job Descriptions / Job Analyses – Outdated job descriptions for positions at IRWD can confuse succession planning efforts. IRWD has increased the frequency of reviewing and updating job description and job analyses.
- Technical Certifications – IRWD recognizes staff that obtain certificates (e.g., Operator certifications) that are not required for their current position. This can help prepare staff for possible future promotional opportunities that may require that certification.
- Mentoring – IRWD has traditionally had an “informal” mentoring program through which staff can seek advice from fellow employees. Depending on the level of interest among staff, this program may be elevated to a more formal approach of “matching” mentors and mentees.
- Cross-Training Opportunities – The District has promoted cross-training between departments over the years, but it has recently increased its promotion of cross-training. Opportunities for cross-training can emerge from managers or supervisors identifying a need, from employees expressing an interest in cross-training, or from some variation thereof. Cross-training experiences are described in the General Manager’s Weekly Report, so all the Board and Management Team are aware.
- Manager Solutions Teams – To encourage more intradepartmental communications and problem solving, IRWD has established a process for identifying areas for improvement within the District. Solutions are then developed by a team of managers for subsequent review by Senior Staff.
- Local Government Leadership Development – IRWD sponsors its staff in programs such as Leadership Tomorrow, the Cal State Fullerton Leadership Development for Public Agencies, and other groups so staff can learn more about local governments and network with staff from other local agencies.

Additionally, IRWD benefits from employee development even before a staff vacancy emerges. By increasing cross-functional career movement within the District, IRWD will have better coverage during temporary vacancies (vacations, extended leaves) and during emergencies (such as after a major earthquake) when key staff may have temporary travel restrictions.

WORKING DRAFT


External Workforce Development & Recruitment:

As discussed earlier, IRWD has an interest in contributing to the future workforce of the water industry in general, knowing that many of its future workforce needs will be met through external recruitments. Examples of how IRWD contributes to the future workforce and attracts prospective potential candidates to IRWD include the following:

- Job Fairs – Staff attends job fairs sponsored by industry associations, academic institutions, and other groups to facilitate direct conversations between current IRWD staff and individuals that may be interested in the District and/or the water industry.
- Internships / Apprenticeships – IRWD has a long history of hiring interns across many different disciplines. Staff is extending this type of program to apprenticeships to encourage individuals who may be interested in the trades and/or operations. And starting this year, IRWD brought on its first two student workers from the high school level, through a partnership with Cristo Rey Orange County High School.
- Temporary Employees – IRWD hires temporary employees to temporarily augment staff resources. Often, these same employees successfully apply for full-time employment with IRWD when an opportunity arises. A benefit to IRWD of hiring these individuals is that many times, they have already received much of the training needed to perform their new full-time duties, so they “hit the ground running” on day one.
- Active Participation in Industry Associations – IRWD remains highly active and very visible in many industry associations (ACWA, CASA, CMUA, WateReuse, etc.). Participation in these associations presents many opportunities for articulating some of the exciting initiatives at IRWD, networking with industry colleagues, and many other benefits.
- Engagement at Academic Institutions – Teaching a class at a local university, serving on the Technical Advisory Committee for Santiago Community College, mentoring students, and judging a local science fair are all great examples of ways IRWD staff can interact with students that may be considering a career in the water industry.

Next Steps:

These and other future programs will be further developed – in collaboration with and with buy-in from the IRWD Management Team – to ensure that the unique needs of the District, across all departments, are being served.

October 31, 2023
Prepared and
Submitted by: K. Swan
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

ANNUAL BOARD OF DIRECTORS' FEES

SUMMARY:

The Finance and Personnel Committee annually reviews the Board of Directors' compensation and recommends that the Board either accept or deny a fee increase for the new calendar year. Pursuant to the District's Ordinance No. 1989-1 and enacted under Section 20202 et seq. of the California Water Code, the Board's meeting compensation increases on January 1 of each year, not exceed an amount equal to five (5%) percent, and no compensation for more than 10 days in a calendar month.

BACKGROUND:

The most recent Board of Directors' compensation increase was effective in January 2022. The current compensation for the Board of Directors is \$315 per meeting, not to exceed 10 meetings per calendar month. In accordance with Section 20202 et seq. of the California Water Code, the Board's meeting compensation increases on January 1 of each year by five (5%) percent, subject to acceptance or rejection by the Board. If the Board approves a 5% increase, the resulting per meeting fee would be \$331 (rounded to the nearest dollar).

Provided as Exhibit "A" is a survey of the Director Fees of other water districts for comparative purposes containing service connections and combined operating and capital budgets.

FISCAL IMPACTS:

A 5% increase has a nominal impact on the operating budget if accepted by the Board.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

That the Board either accept or decline the five (5%) percent compensation increase for calendar year 2024.

LIST OF EXHIBITS:

Exhibit "A" – Survey of Director Fees


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EXHIBIT “A”
 BOARD OF DIRECTORS PER DIEM SURVEY
 (as of October 24, 2023)

Agency	Service Connections	Combined Operating & Capital Budgets	Per Diem Rate (10 meetings per month, unless noted otherwise)
Contra Costa Water Agency	61,119	\$197.6 million	\$100
<i>East Bay Municipal District</i>	<i>402,113*</i>	<i>\$1.2 billion*</i>	<i>Monthly salary of \$1,367*</i>
Eastern Municipal Water District	167,008	\$557.2 million	\$245
Elsinore Valley Municipal Water District	83,700	\$206 million	\$221.43 (3 Directors) \$232.50 (2 Directors)
Inland Empire Utilities Agency	--	\$410.3 million	\$312
Irvine Ranch Water District	~130,000	\$325.8 million	\$315
Moulton Niguel Water District	55,144	\$163.5 million	\$280
Municipal Water District of Orange County	--	\$194.9 million	\$327.43
Orange County Water District	~200	\$279 million	\$330.75
Rancho California Water District	54,114	\$140 million	\$200
San Diego County Water Authority	--	\$1.9 billion Two-year Budget	\$150 Board \$180 Officers
Santa Clara Valley Water District	--	\$857 million	\$365.87 <i>15 days per month</i>
Santa Margarita Water District	69,464	\$137.2 million	\$310
South Coast Water District	32,981	\$97 million	\$255.00
West Basin Municipal Water District	328	\$282.9 million	\$295.09 Monthly: \$505.26 auto + \$421.91 communications
Western Municipal Water District	24,519	\$197 million	\$300.00

** Denotes 2022 survey numbers; waiting for response for 2023.*

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October 31, 2023
Prepared by: E. Lin
Submitted by: N. Adly
Approved by: Paul A. Cook 

FINANCE AND PERSONNEL COMMITTEE

FISCAL YEAR 2022-23 ANNUAL COMPREHENSIVE FINANCIAL REPORT

SUMMARY:

IRWD's auditor Davis Farr LLP has completed its annual audit of the District's financial statements for the Fiscal Year (FY) ended June 30, 2023. As stated in its report, Davis Farr concluded that in all material aspects, the statements fairly present the District's financial position as of June 30, 2023 and conform with generally accepted accounting principles.

The Annual Comprehensive Financial Report (ACFR), including the Introductory Section, audited financial statements, accompanying auditor's report, Management's Discussion and Analysis, and Statistical Section is provided as Exhibit "A". Staff recommends that the Board approve the FY 2022-23 Annual Comprehensive Financial Report.

BACKGROUND:

At the Committee meeting, Davis Farr will present its required Auditor Communication pursuant to Statement on Auditing Standards 114 *The Auditor's Communication with Those Charged with Governance*. This letter, provided as Exhibit "B", reflects the auditor's understanding of key management assumptions and practices, and indicates that there were no disagreements with management during the scope of the audit. The auditors have also provided a *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, provided as Exhibit "C", which states that the audit did not identify any material weakness in internal control. In addition, the report states that the result of the audit disclosed no instances of noncompliance or other matters that were required to be reported under government auditing standards.

The IRWD Annual Comprehensive Financial Report:

The FY 2022-23 ACFR is being prepared for the 20th consecutive year by IRWD. All of IRWD's previous ACFRs have won awards from the Government Finance Officers Association (GFOA), which encourages state and local governments to prepare and publish expanded financial reports in conformity with generally accepted accounting principles (GAAP) and provides awards to recognize contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance.

Staff plans to present the FY 2022-23 ACFR to the IRWD Board on November 13, 2023. Staff will continue to produce an enhanced electronic version with key references hyperlinked throughout the document. The ACFR will be made available on IRWD's website.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

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

RECOMMENDATION:

That the Board approve the FY 2022-23 Annual Comprehensive Financial Report.

LIST OF EXHIBITS:

Exhibit "A" – Draft FY 2022-23 Annual Comprehensive Financial Report

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

Exhibit "C" – Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards from Davis Farr LLP

Safe Dams and Reservoirs Build Water Resilience



Irvine Ranch Water District
Orange County, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for fiscal year ended June 30, 2023

DRAFT

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A-2 DRAFT

Annual Comprehensive Financial Report

For fiscal year ended June 30, 2023

Irvine Ranch Water District

Irvine, California

Board of Directors

Karen McLaughlin, President

Douglas J. Reinhart, Vice President

Steven E. LaMar

Peer A. Swan

John B. Withers

General Manager

Paul A. Cook

Prepared by:

Irvine Ranch Water District

Finance Department

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Introductory Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2023

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November 13, 2023

To the Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared an Annual Comprehensive Financial Report of IRWD for the fiscal year ended June 30, 2023. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

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

The District's basic financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2023 were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2023 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of Irvine Ranch Water District

Overview

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

IRWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The members of the Board each have varied professional backgrounds, coupled with an average tenure for the Board members of approximately 23 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff control and treatment, water efficiency, energy management, and water banking. The District is a pioneer in financial management practices such as variable rate debt financing and long-term infrastructure replacement program development and funding.

The District serves a 181 square mile area, which includes all of the City of Irvine and portions of the cities of Tustin, Newport Beach, Costa Mesa, Orange and Lake Forest, as well as certain unincorporated areas of Orange County. Extending from the Pacific Coast to the top of the foothills of eastern Orange County, the District's region is semi-arid with a mild climate and an average annual rainfall of approximately 12 inches. The total estimated daytime population served is approximately 670,000 and includes approximately 124,000 water and 119,000 sewer service and recycled water connections. The number of service connections has increased by approximately 21% over the last ten years.

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

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

People



Field Crew on Site

The District employed an average of 392 staff who are responsible for administering daily operations and implementing strategic objectives and policies set forth by the Board. The District actively promotes the training and education of employees to increase effectiveness and retention. The average tenure of District employees is approximately 10 years.

Services

The District is functionally organized into four core service areas:

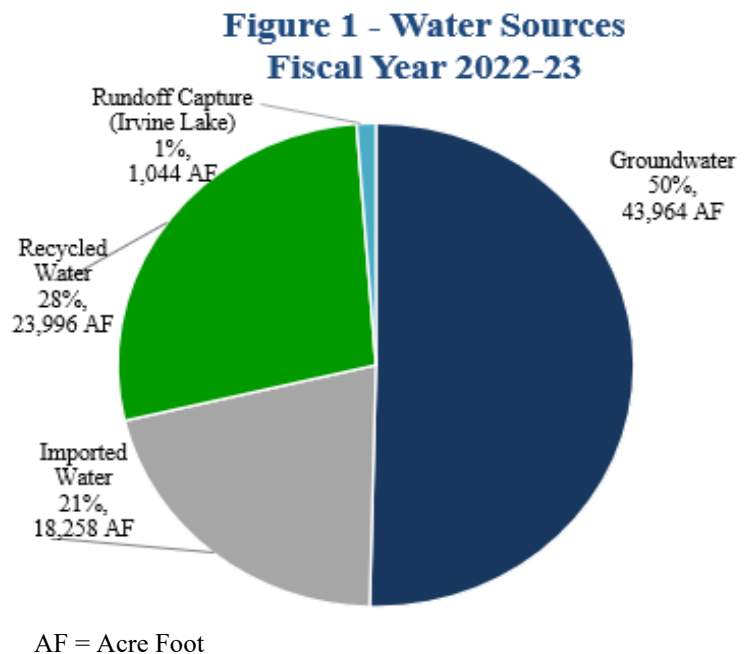
Drinking or “Potable” Water System

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

IRWD also operates other groundwater wells, and several groundwater wells require treatment before use. In Fiscal Year (FY) 2022-23, local groundwater accounted for 50% of the District’s total water supply (Figure 1).

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

As shown in Figure 1, the District purchased 21% of its water supply in FY 2022-23 from the Municipal Water District of Orange County (MWDOC), the regions local wholesale water supplier who purchases its water from the Metropolitan Water District of Southern California. This water is imported from both the Colorado River, which is transported approximately 240 miles to Southern California, and from the Delta, from which water is transported approximately 400 miles from Northern California.



Recycled and Non-Potable Water Systems

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

Once treated, the recycled water is distributed throughout the service area and in FY 2022-23 accounted for approximately 28% of the District’s total water supply (Figure 1). Approximately 85% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) within the District’s service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD’s goal is to continue recycling its sewage flows to provide 25% to 30% of its total water supply once the District’s service area is fully developed.

The District operates a non-potable system which includes 5 wells, 5 open reservoirs and 12 storage tanks that store water for non-potable uses. In total, the District has approximately 4,500 acre feet of active recycled water storage capacity. IRWD has 75% ownership in Irvine Lake, a 25,000 acre-foot reservoir that can capture and store both stormwater and imported water supplies.

Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District-owned water recycling plants or to the Orange County Sanitation District (OC San). In FY 2022-23, the District treated approximately 74% of its sewage, and the remainder was diverted for treatment to OC San treatment facilities. The MWRP Biosolids and Energy Recovery Facility treated solids generated at the Michelson Water Recycling Plant which eliminates the need to send them to OC San for treatment. The biogas produced from the anaerobic digesters was used as fuel for the microturbines to generate electricity to power the facility. The District plans to expand its treatment capacity when and if necessary to serve its growing population.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff and conduct various projects and programs as part of an effort to protect water quality in the San Diego Creek watershed. In the 1990s, the District constructed wetlands at the San Joaquin Marsh, where natural biological processes remove a substantial pollutant load from San Diego Creek's dry weather flow before it reaches the environmentally sensitive Upper Newport Bay State Ecological Reserve. In addition, the District operates a regional urban runoff treatment network known as the Natural Treatment System (NTS). As of June 30, 2023, the NTS consists of 45 constructed wetland treatment sites located throughout the San Diego Creek Watershed and one outside the IRWD service area. The Peters Canyon Wash, Muddy Canyon, and Los Trancos diversion facilities add to these sites and pump runoff high in selenium into the OC San's sewers, where it eventually, after treatment, flows to OCWD's groundwater replenishment system.



San Joaquin Marsh

Infrastructure Assets

The District builds and maintains significant capital infrastructure in order to provide superior service to its customers. The table below provides key information relating to its water and sewer system assets from 2014 to 2023.

Infrastructure Assets		
	2014	2023
Potable System		
Miles of Water Line	1,597	2,014
Number of Storage Tanks	36	37
Maximum Storage Capacity (acre feet)	456	466
Number of Pumping Stations	38	36
Number of Wells	26	27
Well Production Capacity (cfs)	124	119
Water Banking Storage Capacity (acre feet)	109,600	126,000
Potable Treatment Plants	4	5
Non-Potable and Recycled Systems		
Miles of Recycled Line	503	583
Number of Storage Tanks	12	12
Number of Open Reservoirs	5	5
Maximum Storage Capacity (acre feet)	24,155	24,160
Number of Pumping Plants	19	22
Number of Wells	5	5
Well Production Capacity (cfs)	10.0	9.7
Sewer System		
Miles of Sewer Line	1,009	1,486
Number of Lift Stations	13	11
Treatment Plants	2	3
Treatment Capacity (mgd) (Tertiary)	33.5	33.5
Sewage Flows to Michelson Plant	68%	62%
Sewage Flows to Los Alisos Plant	13%	12%
Sewage Flows to Orange County Sanitation District	19%	26%
Natural Treatment System		
Urban Runoff Treatment Facilities	N/A	45
Nuisance Water Diversions	N/A	3
1 acre foot = 325,900 gallons		
cfs = cubic feet per second		
mgd = millions gallons per day		
N/A = Not Available		

2023 Accomplishments

The District conducts a Strategic Planning Process where the Board annually adopts goals and target activities and monitors accomplishments against those goals. Major accomplishments achieved in FY 2022-23 were as follows:

1. Established the Irvine Ranch Water District Other Post-Employment Benefits Trust (OPEB Trust) in January 2023 to “pre-fund” a portion of the OPEB unfunded liability. The District made an initial \$10.0 million contribution to the OPEB Trust in June 2023. As of June 30, 2023, the total value of the assets in the OPEB Trust was approximately \$10.1 million which was approximately 49.0 percent of the OPEB liability.
2. Maintained fully funded status of the IRWD employee pension plan.
3. Received several national and State honors including the following:
 - Association of State Dam Safety Officials, West Regional Dam Safety Award.
 - Water Environment Federation 2023 Utility of the Future Today award for outstanding water stewardship.
 - J.D. Power Customer Satisfaction Award, No 1 for midsize water utility in the Western United States.
 - California Association of Public Information Officers, EPIC award, The Shed Show.
 - National WaterReuse Association, Award of Excellence for Public Outreach and Communication, 360-degree Recycled Water Experience.
 - National Institute of Governmental Purchasing, Achievement of Excellence in Purchasing Award.
 - Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.
4. Optimized and protected local groundwater utilization by collaborating with Orange County Water District on South Basin Clean-up.
5. Developed and implemented maintenance and replacement programs and other systems that enhance safety, sustained operations at the District’s facilities by performing a risk - based analysis of all IRWD dams. Conduct a criticality analysis and asset condition assessments of sewage collection and treatment facilities to efficiently prioritize activities.
6. Implemented opportunities that enhance safety, security and emergency preparedness throughout the District by testing capability to respond to emergencies in line with the IRWD Emergency Operations Plan, updating emergency plans for the Michelson Water Recycling Plant, evaluating requirements for the California Voluntary Protection Program (Cal/VPP) designation and developed an approach to achieve certification, and implementing a new mass-communication program for emergency scenarios.
7. Maximized water use efficiency in the community by launching an internet-based tool to promote public awareness and reporting of water system leaks and illegal connections.
8. Evaluated and invested in projects and programs that will enhance future long-term water supply reliability and resiliency to climate change by developing a short-term program to provide supplies from IRWD’s Water Bank to MWD and participating in programs to improve water supply reliability from high priority water rights during periods of severe drought and supply interruptions.
9. Developed water banking supplies for IRWD by working with current and future partners to implement a one-year unbalanced exchange agreement for IRWD water banking facilities with CA

Department of Water Resources and completing a study of methods to improve groundwater recharge.

10. Supported the development and implementation of the Kern Fan Groundwater Storage Project through the Groundwater Banking Joint Powers Authority by creating draft environmental benefits funding agreements and a draft template.
11. Ensured financial and rate stability by ensuring adequate funding for future infrastructure replacement needs, continuing to provide low rates for IRWD customers, and maintaining strong financials through solid debt service coverage, liquidity balances, mixed debt profile, and pension plan obligation funding of at least 90 percent and funding its OPEB liability.
12. Identified, assessed and implemented new technologies, systems and facilities to improve operating efficiency by upgrading IRWD's Intranet and completing installation, start-up, and certification of new laboratory equipment for the testing of PFAS Compounds and other constituents. Also researched technologies for ongoing monitoring of ammonia levels in recycled water treatment for process and energy optimization and reduction of manual sampling.
13. Collaborated with other agencies and entities through leadership and innovation by realigning IRWD JPA ownership in South Orange County Wastewater Authority facilities.
14. Enhanced customer communications and community outreach by implementing phase 1 of the update to water use efficiency and educational graphics at Sand Canyon location and developing a more visible and active local presence within the Orange County and IRWD community.

Future Goals

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

1. Optimize and protect local groundwater utilization: develop and implement projects to increase IRWD's access to local groundwater and stormwater capture; also implement solutions to remove emerging contaminants of concern (e.g., PFOA/ PFOS).
2. Optimize use of Irvine Lake as a water resource facility for IRWD and its current and future partners: implement projects which will enhance the long-term operational reliability of the reservoir.
3. Develop water recycling facilities and applications for optimal benefit: identify new opportunities for IRWD to utilize recycled water locally and update the Sewage Treatment Master Plan.
4. Maximize resource recovery from fully functional biosolids and other resource recovery facilities: optimize the start-up of IRWD's Biosolids and Energy Recovery Facilities.
5. Develop and implement maintenance and replacement programs and other systems that enhance safety, sustained operations at the District's facilities.
6. Improve energy service reliability, manage demands, and control greenhouse emissions, and control costs: develop capability to continue operation of key facilities during short and long-term power outages; update Energy and Greenhouse Gas Master Plan/Climate Action Plan.
7. Implement opportunities that enhance safety, security and emergency preparedness throughout the District: protect the health and safety of IRWD employees and the public.
8. Maximize water use efficiency in the community: explore future opportunities for increased water use efficiency and expand database for improved analytics.

9. Maximize watershed protection: control and treat urban runoff and prevent sewer spills.
10. Evaluate and invest in projects and programs that will enhance future long-term water supply reliability and resiliency to climate change: pursue projects and supply arrangements to enhance water supply reliability, including increased water banking and water recycling. Develop additional sources of funding for the Syphon Reservoir Improvement Project.
11. Develop water banking supplies for IRWD by working with current and future partners: develop capabilities for recharge, storage, and extraction capacity and store water as it becomes available. Continue development of IRWD water banking facilities in Kern County.
12. Develop and implement the Kern Fan Groundwater Storage Project through the Groundwater Banking Joint Powers Authority: execute agreements and secure additional water storage investment funding. Secure rights of way and land as needed and complete initial design for elements of the Project.
13. Ensure financial and rate stability: ensure adequate funding for future infrastructure replacement needs. Continue to provide low rates for IRWD customers. Maintain strong financials through solid debt service coverage, liquidity balances, mixed debt profile, and pension plan obligation funding of at least 90 percent.
14. Identify, assess and implement new technologies, systems and facilities to improve operating efficiency: protect existing and future systems through advanced cybersecurity measures.
15. Recruit, develop and retain a highly skilled, motivated, and educated work force: develop employee skills. Develop and implement employee expectations for corporate values and ensure appropriate employee compensation.
16. Collaborate with other agencies and entities through leadership and innovation: engage at a high-level in industry associations, regional water agencies, and development of opportunities of mutual benefit for IRWD and partners.
17. Enhance customer communications and community outreach: strategically extend community outreach.
18. Guide and lead local, state and federal policies and legislation: actively engage in issues of key interest to IRWD including water use efficiency, water rate structures, water storage projects, PFAS regulations and others.
19. Influence new policies and regulations put forth by local, state and federal agencies: influence regulations to align with best practices for water loss regulations, water efficiency standards and emergency water supplies.

Water Use Efficiency

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

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

In 2018, legislation was passed to "Make Conservation a Way of Life In California". As a result, the state is expected to adopt new long-term water efficiency objectives by June 30, 2024. IRWD has a long history of implementing cost-effective water efficiency programs, and is well positioned to meet the future efficiency standards. The District's customers have one of the lowest residential gallons per capita per day (gpcd) rates in California.

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

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

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives. During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 24,000 acre feet of recycled water sold in FY 2022-23 representing 28% of the District's total water supply (Figure 1). The use of recycled water reduced the District's need to import more expensive potable supplies. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD is well prepared to withstand the current statewide drought. IRWD does not project any water shortages and will continue to provide reliable, high quality water to its customers in a cost-effective manner.

Water Shortage Contingency Planning

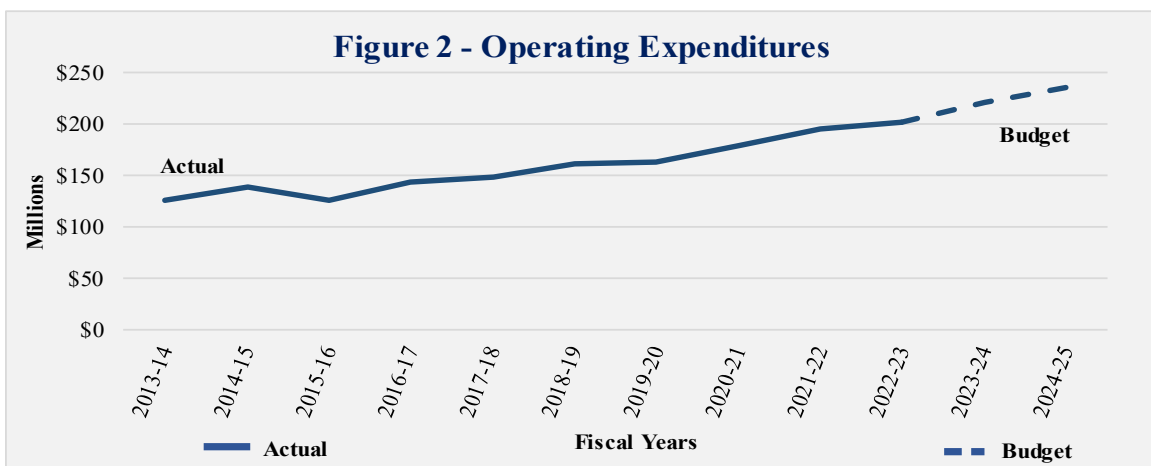
In compliance with California Water Code Section 10632, IRWD adopted an updated Water Shortage Contingency Plan (WSCP) in June 2021. The WSCP allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The WSCP incorporates six standard water shortage levels corresponding to progressive ranges of up to 10%, 20%, 30%, 40%, 50%, and greater shortages. For each level or shortage, the WSCP includes a list of voluntary measures, non-rate response measures, and potential cost-of-service based rate response strategies. The WSCP provides the Board with the framework to respond to water shortages should they occur. In June 2021, the Board implemented the voluntary responses associated with Level 2 of the WSCP. In February 2022, the Board adopted cost-of service rates associated with the possible action required to achieve each of the six standard water shortage levels should it be required. Implementation of WSCP rates did not go into effect since the Board did not take the additional action required to implement these rates. The Board rescinded the Level 2 Water Shortage on April 10, 2023. In May 2022, the State Water Resources Control Board adopted emergency regulations. The emergency drought requirements were reduced in March 2023, and a statewide Level 2 water shortage was lifted on June 5, 2023. However, the statewide emergency drought proclamation and water conservation emergency regulations are still in effect, including prohibitions on the irrigation of non-residential, non-functional turf with potable water.

Legislative and Regulatory Affairs

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

Financial Plan

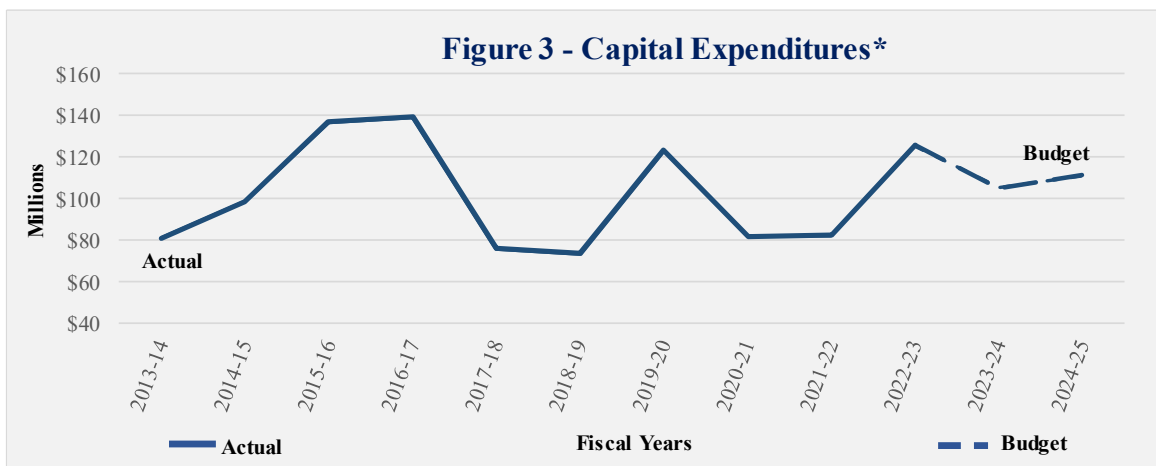
In April 2023, the Board approved a two-year (biennial) operating budget for FY 2023-24 and FY 2024-25. The goal of the District's operating budget process is to appropriately fund the resources required to provide quality service to IRWD customers as cost-efficiently as possible. As shown in Figure 2, the actual operating expenditures through FY 2022-23, as well as the Board approved operating budget for FY 2023-24 and 2024-25.



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

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

The Board also approved a two-year capital budget in April 2023 based on new, enhancement and replacement infrastructure needs. As shown in Figure 3, the actual capital expenditures through FY 2020-23 and the budgets for FY 2023-24 and 2024-25.



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

The reduced spending in FY 2017-18 from prior years represents the District’s completion of several large projects including the Baker Water Treatment Plant. Higher spending beginning in FY 2013-14 represents the design and construction phases for the Michelson Biosolids and Energy Recovery Facilities, which began construction in FY 2013-14 and spending peaked in FY 2016-17. The Board approved capital budget is \$105.1 million for FY 2023-24 and \$111.0 million for FY 2024-25. Many capital budget projects extend beyond one fiscal year.

User Rates & Charges

User rates and charges are primarily used to fund the District’s operation and maintenance expenses. The District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District collects replacement funds in advance of their need and invests for future use. This helps stabilize rates and avoid significant potential future rate spikes. In 2021, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services. The District allocates capital costs within its service area through the use of water and sewer improvement districts, for which general obligation bond authorization is obtained and used as needed to fund new capital projects. Ad valorem property tax rates paid by landowners and connection fees paid by property developers are set biennially by the District and reviewed annually. Generally, the District’s policy is to allocate the cost of new infrastructure evenly between the developers/landowners and the ultimate property owners who utilize the water and sewer infrastructure.

Water Rates

The District's rate structure for water use is separated into a commodity charge component and a fixed service charge component. The commodity charge reflects the cost of providing the District's water supplies while the fixed service charge funds the fixed operational and maintenance expenses of the District.

For FY 2022-23, the District's water fixed service charge was \$10.75 for a 5/8-inch by 3/4-inch meter. The District has a long history of planning for the inevitable replacement of capital infrastructure and sets monies aside into enhancement and replacement funds for this purpose to avoid large, sudden rate increases in the future. The FY 2022-23 monthly fixed service charge includes a user enhancement and replacement component of \$0.70 and \$2.08 respectively, which is intended to fund current and future replacement and refurbishment costs that provide reliability and redundancy to the District's infrastructure.

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

June 2023, approximately 82% of the District's customers were within the first two tiers and approximately 94% of customers fell within the first three tiers. IRWD residential bills are consistently among the lowest in Orange County. The chart above illustrates the four-tier structure that reflects the FY 2022-23 rates and higher cost associated with usage in the higher tiers.

FY 2022-23 Residential Rate Structure – Potable Water (Commodity Charge)

Tier	Percent of Estimated Customer Need	Cost per ccf*
Low Volume	0 - 40%	\$1.53
Base Rate	41 - 100%	\$2.42
Inefficient	101 - 140%	\$5.15
Wasteful	141% +	\$14.64

*One ccf (100 cubic feet) = 748 gallons

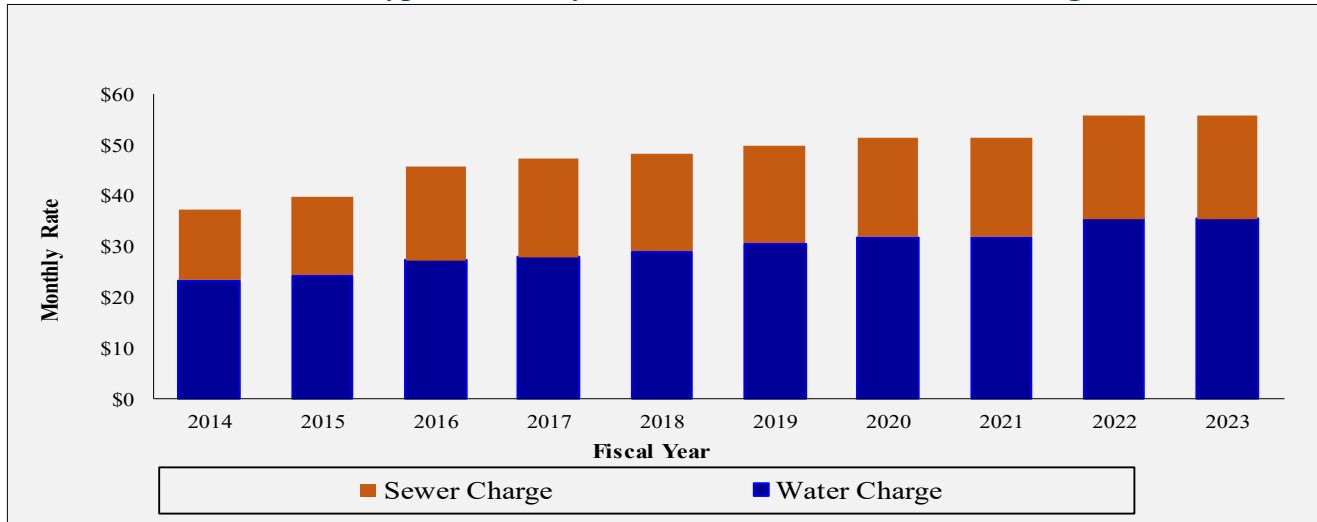
Sewer Rates

The District's sewer service rates are the lowest in Orange County. For a typical residential customer, the fixed monthly service charge was \$20.45. The monthly service charge includes a monthly user enhancement and replacement component of \$0.82 and \$9.61 respectively, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system.

Historic Rate Trends

The following chart reflects the charge for a typical customer's water and sewer service through FY 2022-23. Increased costs reflect pass-through increases from outside agencies and wholesale supplies and increased operational costs for both water and sewer, including funding for future infrastructure replacement. The Board elected to defer an approved increase for FY 2021 until February 2022, when rates were adopted and remained in effect through FY 2023.

FY 2022-23 Typical Monthly District Residential Customer Charges*



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

Factors Affecting Financial Condition

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

State and Local Economy

Orange County is the third most populous county in California with over 3.3 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District’s service area is the home to numerous corporate headquarters such as Oakley, Edwards Life Sciences, Blizzard Entertainment, Bandai Namco Holdings USA Inc. and Glidewell Laboratories. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses. The total estimated daytime population served is approximately 670,000.

During FY 2022-23, the District continued to expand its operating facilities to accommodate approximately 2,800 new water and sewer service connections constructed within District boundaries. Development and entitlement needs of the builders continue to change and requirements for development have been included in the planning and new facilities are included in the capital budget. The assessed value of land within the District’s service area has grown significantly in the last decade from \$42.2 billion in 2014 to more than \$86.4 billion in 2023, demonstrating the strength of the local economy.

Long-Term Water Use Efficiency

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

COVID-19

The outbreak of coronavirus (COVID-19) and related government containment measures created challenges for essential service providers in the water and sewer industry, including IRWD. Due to COVID-19 and its ramifications to District customers, the Board elected to defer rate increases related to the approved budget for FY 2021-22 until February 2022. Rates implemented in February 2022 provide cost equity based on approved budgets for both FY 2021-22 and FY 2022-23 and were effective through the end of FY 2022-23. Staff resumed the normal two-year rate review cycle consistent with the adoption of the two-year budget for FY 2023-24 and FY 2024-25.

Financial Planning & Budgeting

Short-Term

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

Long-Term

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

The District has a long history of planning for the enhancement and replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established infrastructure Enhancement and Replacement Funds to provide funding for updating, expanding, creating redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds is to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2022-23, the combined funds for water and sewer user enhancement/replacement were \$33.4 million.

Over time, the District has transitioned from a newly developing area to a more fully developed area. While projects slated for construction will provide additional capacity for ultimate demands, the focus of the District is transitioning from building new infrastructure projects to ongoing operations and maintenance activities, as well as upgrading and replacing existing infrastructure. The District utilizes a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other criteria in order to project rate setting for funding future capital needs.

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

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

Pension and Other Post-Employment Benefits Funding

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue and, in 2013, established an irrevocable Pension Trust to substantially fund its CalPERS unfunded liability. The Pension Trust holds the funding contributions for the District pending future remittance to the CalPERS pension trust fund which will pay all retiree benefit payments to employees associated with the plan and will be transferred from the Pension Trust to CalPERS at the District’s discretion. Additionally, in January 2023, the District approved establishing a new Section 115 Trust to fund a portion of its unfunded Other Post-Employment Benefits (OPEB) liability, collectively known as the 115 Trusts. In addition to being irrevocable, both Trusts provide funding specific to the purpose for which they were formed.

Investment policy and asset allocation decisions relating to 115 Trusts will be made by the 115 Trust Board, which is composed of two members from the IRWD Board of Directors (specifically, the members of the Finance and Personnel Committee) and the IRWD General Manager.

The District made an initial \$10.0 million contribution to the OPEB Trust and \$35.0 million contribution to the Pension Benefits Trust, and since then has made additional contributions to the Pension Benefits Trust ranging from \$1.9 million to \$12.8 million. As of June 30, 2023, the fair value of the assets in the Pension Benefits Trust was approximately \$106.7 million. The following schedule shows the recent history of pension plan assets and liabilities including the Pension Trust assets (in millions):

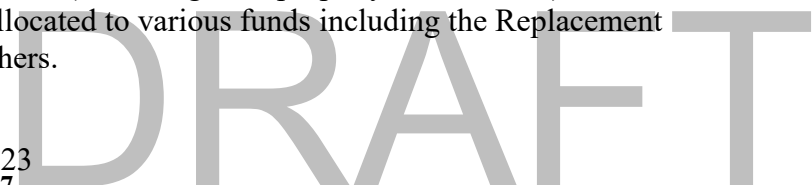
Fiscal Year ⁽¹⁾	Total Pension Liability	Total Pension Assets	Total Pension Assets as a Percentage of the Total Pension Liability
06/30/21	\$306.9	\$315.3	102.7%
06/30/22	323.1	391.2	121.1%
06/30/23	345.9	355.4	102.7%

(1) As of the measurement date June 30, 2020, 2021, and 2022 respectively.

Cash Management Policies and Practices

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

At June 30, 2023, the District's cash and investments (excluding real property investments) totaled approximately \$371.2 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Debt Service Fund and others.



Real Property Investments

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

As of June 30, 2023, the District owns or has an interest in six properties with an approximate fair value of \$293.3 million. The District's income-producing real estate investments have a weighted average return (based on cost) for FY 2022-23 of 12.9%. Net revenues of \$13.7 million generated in FY 2022-23 from the District's real estate investments are retained within the Replacement Fund and effectively reduce future increases in user rates.

Debt Management Policies and Practices

The District strives to minimize the cost of its long-term debt. In 1984, the District obtained State legislation that allowed for the use of variable rate debt to help achieve this goal. The Board minimizes its exposure to interest rate risk by utilizing both fixed and variable rate debt. The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2023, its debt portfolio included 63.0% of fixed rate debt and 37.0% of variable rate debt. The average all-in cost of debt, including the District's fixed rate payer swaps, was 3.37% for the fiscal year.

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

As of June 30, 2023, the District's rated debt obligations have received the following ratings from the three major rating agencies:

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

As of June 30, 2023, there were eight outstanding General Obligation (GO) bond issues consisting of \$225.2 million in variable rate mode and \$274.0 million in fixed rate mode (excluding any unamortized premium or discount). As of June 30, 2023, the District also had one outstanding Certificate of Participation (COP) issue with a balance of \$105.7 million in fixed rate mode.

The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt. The GO bond issues are secured by the District's ability to levy ad valorem property taxes to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund GO bond debt service through such ad valorem taxes. In addition to the ad valorem tax pledge, certain GO bond issues and the COPs issue are secured by the net revenues of the District. The District is required under its debt covenants to collect revenues sufficient to provide net revenues equal to 125% (1.25 times) of senior debt service coverage during the fiscal year. As of June 30, 2023, the District had net revenues equal to 3.8 times senior debt service coverage.

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

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

In FY 2010-11, the District issued \$175 million of general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act, are taxable bonds with subsidy payments made by the Treasury Department to issuers equaling 35% of the interest costs. In FY 2022-23, Federal subsidy payments were cut by 5.7% under permanent congressionally mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.44%.

Risk Management

The Risk Management Department identifies potential risk and loss exposures and safeguards the District, its capital assets, and employees through its self-insurance and loss control programs, purchasing of appropriate insurance coverages, and developing risk management policies and procedures. The District utilizes a combination of self-insurance and third-party liability insurance to minimize loss exposures from property claims, third-party liability claims and workers compensation claims. The District self-insures the first \$50,000 per occurrence for property losses, \$100,000 per occurrence for third-party liability claims, \$125,000 per occurrence for workers compensation, and \$250,000 per occurrence for cyber liability claims. Various control techniques used to minimize loss include, but are not limited to, regular employee safety meetings and training sessions, the use of uniform language in contracts designed to limit or prevent liability exposure, general risk assessments, and the development of emergency plans, including a business continuation plan. The District engages an outside firm to periodically evaluate its network security. The external network security and cybersecurity assessments, and ongoing staff education and awareness, are just a few of the continuous efforts by the District to safeguard information.

Major Initiatives

The District's major initiatives during FY 2022-23 include continuing programs to secure water supplies, as well as expanding sewage treatment capacity and diverting sewage flows, water education programs, and the continuing implementation of the Water Use Efficiency Plan.

Water Supply Reliability

Groundwater Program

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

Water Banking

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

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

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

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

Since 2010, the District has delivered a total of approximately 101,900 acre feet of water to the IRWD Water Bank through its water supply partnerships. The District has returned its partner's share of the water and holds approximately 40,000 acre feet of water in storage for future use in IRWD's service area. The District is currently pursuing additional potential water supply opportunities for diversion into the IRWD Water Bank.

Kern Fan Groundwater Storage Project

The Kern Fan Groundwater Storage Project (Kern Fan Project) will become a regional water bank in the Kern Fan area to capture, recharge and store unallocated Article 21 water from the State Water Project (SWP) and other water supplies during wet hydrologic periods. Water stored in the Kern Fan Project would be extracted when needed to provide ecosystem, emergency supply and water supply benefits. IRWD's share of the Kern Fan Project would be used in conjunction with the Strand Ranch and Stockdale

West Integrated Banking Projects to meet IRWD’s contingency storage needs at build-out. IRWD’s goal for contingency storage is to secure supplies adequate to backfill the loss of imported supplies for three consecutive years. The Kern Fan Project, along with the IRWD Water Bank will allow IRWD to meet this goal. The project will be developed, implemented, and operated by the Groundwater Banking Joint Powers Authority, which was formed between IRWD and Rosedale-Rio Bravo Water Storage District in April 2020.

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). The CWC has conditionally awarded \$89.1 million to the Kern Fan Project. In addition, in 2023 the Kern Fan Project was conditionally awarded approximately \$4.7 million in federal funding from the Bureau of Reclamation under the Small Surface Water and Groundwater Storage Projects Program, with the potential to receive up to the maximum funding level of \$30 million. The GBJPA continues to pursue additional funding opportunities.

Water Rights

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

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

Syphon Recycled Water Seasonal Storage Reservoir

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

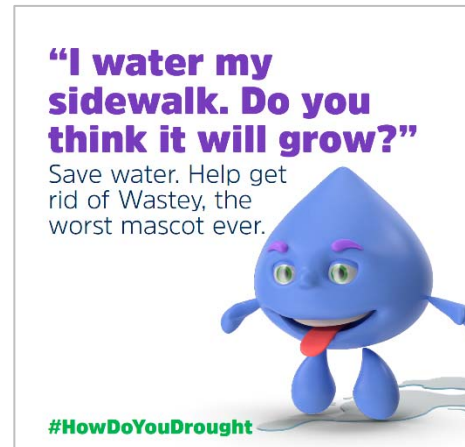
In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to approximately 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to approximately 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP. The District recently completed the preliminary design for the reservoir expansion and is advancing final design, which is anticipated to be complete in 2024. Construction of the expanded reservoir is anticipated to be complete in Summer 2029.

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Community Education and Outreach

California experienced its weather extremes in Fiscal Year 2022-2023, going from historic drought to record snow and rainfall in a matter of months. Irvine Ranch Water District pivoted quickly to adapt its outreach and messaging to the changing conditions. During the first part of the year, the District focused on the drought while the second part of the year, once the weather had changed, it concentrated on tactics to inspire long-term water efficiency. The year centered on social media engagement, video platforms, and other events and media outreach.

Social Media: IRWD’s humor-based #HowDoYouDrought social media campaign kicked off the fiscal year in the thick of the state’s drought emergency with funny posts that sparked conversations about saving water. The monthlong campaign delivered over 3.2 million impressions and 19,000 engagements; at the same time, the District saw a 17.8% reduction in per-capita residential water use as compared to the 2020 baseline established by the State Water Board. A subsequent campaign, featuring Wastey, The World’s Worst Mascot, (introduced in the #HowDoYouDrought campaign), netted over 4.4 million impressions, 500,000 video completions and 568,000 engagements, with a corresponding 10.8% reduction in water use versus the baseline.



Video: IRWD reimaged its use of video, primarily in its landscape-focused video series “The Shed Show.” Episode 2 of this series ran from August into November, featuring a more traditional 10-minute segment on transforming small spaces of turf using California native plants. The episode received 1.9 million impressions. Striving to reach a larger audience, the District reinvented the series for Episode 3, leveraging humor and computer-graphic illustrations to create offbeat one-minute segments focused on water-saving irrigation upgrades. With IRWD Senior Water Efficiency Specialist Juan Garcia as host, segments featured quirky concepts such as Juan falling inside a droplet from a drip irrigation tube, or spouting a gush of water with his mouth atop a rotary spray nozzle. The new approach emphasized video completions – promoting the shorts on traditional social media platforms and paid connected TV. The result: Episode 3 received 2 million impressions, nearly 400,000 engagements, and more than 600,000 video completions in its first run from November to January.



Drops in per-capita residential water use correlated with these campaigns, at times achieving savings as high as 24.3%. Participation in the District’s Turf Replacement rebate program also increased during this time.

Events: Face-to-face interaction was a large part of the District’s outreach this year, with staff hosting or participating in more than 35 events, reaching thousands of customers. IRWD took The Shed Show on the road with the iconic, IRWD-constructed shed featured in the video. Staff took the set to home-improvement stores and community events to spread the word about water-efficient landscaping and rebates. The shed was also a primary feature of the District’s Better Yards By Design landscape expo, which drew more than 600 customers and connected them with climate-friendly landscape designers and contractors to help them transform their lawns into something water-efficient and beautiful.

Media Outreach: IRWD was in the news this year, with regular media coverage. TV coverage and industry and local news articles kept customers up to date on water issues and the importance of water efficiency. One key highlight was the broad coverage of the District’s \$12.2 million federal grant announced in August at a press conference coordinated at the District’s Rattlesnake Reservoir, and attended by U.S. Rep. Katie Porter, Interior Secretary Deb Haaland and other dignitaries.



Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its annual comprehensive financial report (ACFR) for the fiscal years ended June 30, 2004 through June 30, 2022. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized ACFR that satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Paul A. Cook
General Manager

Neveen Adly
Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

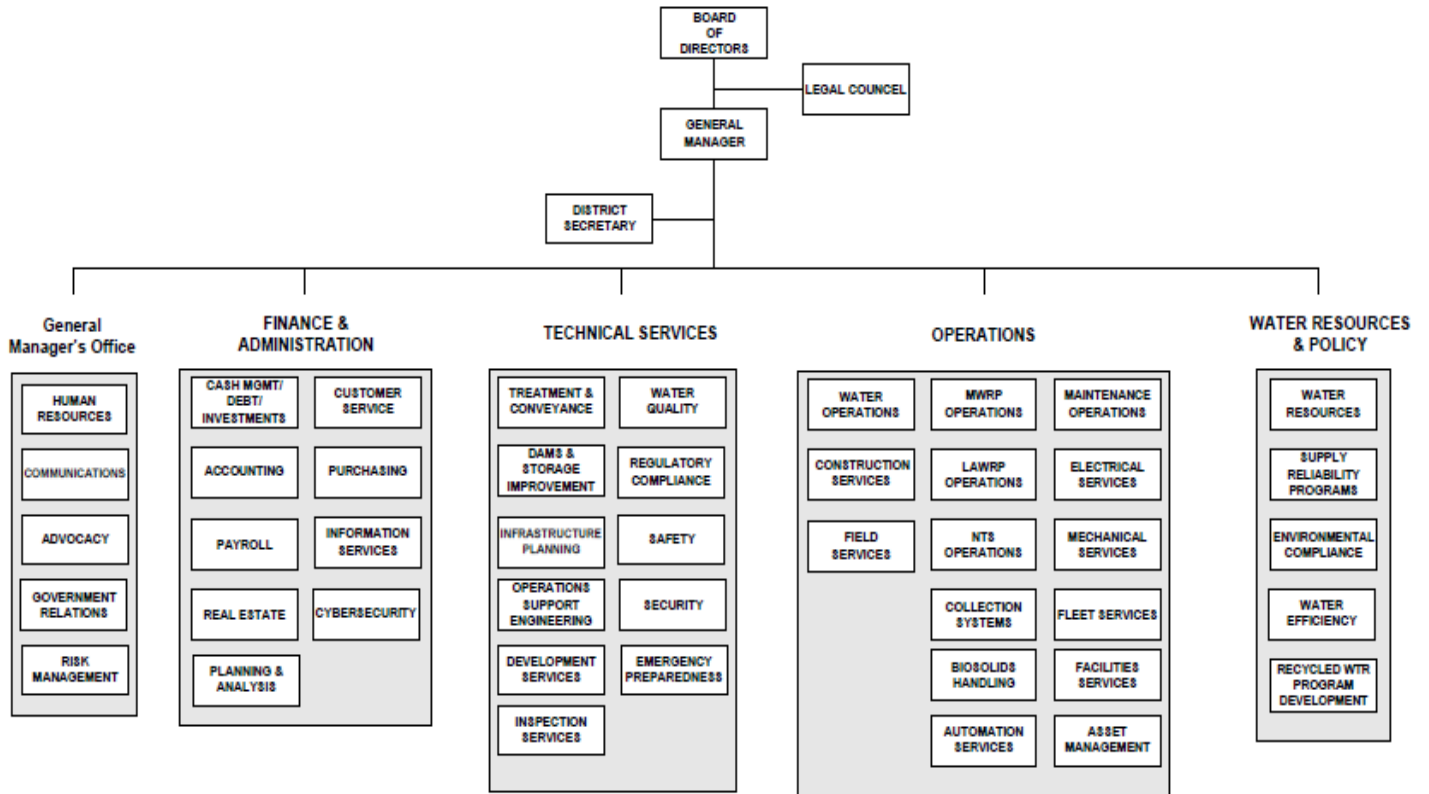
Board of Directors

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

Executive Management

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

Irvine Ranch Water District
 Organizational Chart
 (By Function)
 Fiscal Year 2022-23





Government Finance Officers Association

Certificate of
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in Financial
Reporting

Presented to

**Irvine Ranch Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

DRAFT

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2023

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Independent Auditor's Report

Board of Directors
Irvine Ranch Water District
Irvine, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District (the District), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Irvine Ranch Water District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the District’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Irvine, California
_____, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Irvine Ranch Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights

- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$2,189.5 million (net position), consisting of \$1,434.5 million in net investment in capital assets, \$336.8 million restricted for water services and \$418.2 million restricted for sewer services. This is an increase of \$77.5 million or 3.7 percent over the prior fiscal year net position of \$2,112.0 million.
- Total assets are \$2,948.4 million, an increase of \$36.3 million or 1.2 percent over the prior fiscal year. Total assets consist primarily of \$371.2 million in cash and investments, \$63.4 million in receivables, \$20.7 million in other current assets, \$2,081.7 million in net capital assets, and \$411.4 million in noncurrent assets. The increase from the prior year is due primarily to a \$51.9 million increase in net capital assets, a \$15.0 million increase in real estate investments, and a \$11.9 million increase in pension trust investments. These were partially offset by a \$29.9 million decrease in the District's cash and investments and a \$17.2 million decrease in due from other agencies relating to cash deposits held by OC San.
- Total liabilities are \$807.2 million, an increase of \$4.5 million or 0.6 percent from the prior fiscal year. Liabilities consist primarily of \$648.8 million of debt, \$105.7 million of net pension and OPEB liabilities, \$47.4 million of accounts payable and other liabilities, and \$5.3 million of swap liability. The total decrease over the prior year is due primarily to an increase of \$45.6 million in net pension liability, partially offset by, a total principal debt payments of \$18.3 million made during the fiscal year, a decrease of \$10.8 million in accounts payable and accrued expenses, a \$2.3 million of premium amortization, a decrease of \$5.0 million in accumulated losses associated with the fair value of interest rate swaps, and a decrease of \$4.4 million in net OPEB liability.
- The Irvine Ranch Water District Pension Trust (Pension Trust) was established in June 2013 to assist in funding the District's CalPERS unfunded liability. As of June 30, 2023, the District's total pension assets (including the CalPERS and Pension Trust assets) as a percentage of its total pension liability is 102.7 percent. For more detail, see Note 13 of the Notes to the Basic Financial Statements.
- The Irvine Ranch Water District Other Post-Employment Benefits Trust (OPEB Trust) was established in January 2023 to "pre-fund" a portion of the OPEB unfunded liability. The District made an initial \$10.0 million contribution to the OPEB Trust in June 2023. As of June 30, 2023, the total value of the assets in the OPEB Trust was approximately \$10.1 million.
- Total revenues are \$321.0 million, an increase of \$49.1 million or 18.1 percent over the prior fiscal year. Revenues consist primarily of \$188.3 million in water and sewer related revenues generated from rates, \$77.0 million in property taxes, \$18.7 million in real estate income, \$8.3 million in pension trust investments income, and \$7.8 million increase in fair value of real estate investments. Operating revenues increased \$0.1 million due primarily to a Board approved rate increase effective February 2022, partially offset by reductions in customer sales. Nonoperating revenues increased \$49.0 million due primarily to increases in the fair value of pension trust investments and the District's fixed income investment interest income.
- Total expenses are \$297.8 million, an increase of \$17.4 million or 6.2 percent over the prior fiscal year. Operating expenses consist primarily of \$182.6 million in water and sewer related revenues to operating the systems, \$83.5 million of depreciation, and \$22.4 million of interest expense. Operating expenses increased \$15.8 million due primarily to increased general and administration expenses due to higher pension expense, higher flows to OC San for handling, treatment, and disposal of sewage, and increased depreciation expense. Nonoperating expenses increased by \$1.6 million due to an increase of \$1.7 million in interest expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

- Capital contributions are \$54.3 million, an increase of \$8.0 million or 17.3 percent over the prior fiscal year. This is due primarily to a \$6.0 million increase in the number of donated facilities that were completed and donated from developers to the District and a \$4.0 million increase in connection fees paid by developers, partially offset by a \$2.0 million decrease in grants.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis of the District

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary

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

Table 1 - Summary of Net Position (in millions)				
	2023	2022	Increase/(Decrease)	
			Amount	Percentage
Assets				
Current assets	\$ 455.3	\$ 498.3	\$ (43.0)	-8.6%
Capital assets, net	2,081.7	2,029.8	51.9	2.6%
Other noncurrent assets	411.4	384.0	27.4	7.1%
Total assets	2,948.4	2,912.1	36.3	1.2%
Deferred Outflows of Resources	58.3	32.1	26.2	81.6%
Liabilities				
Current liabilities	60.2	69.9	(9.7)	-13.9%
Long-term liabilities	747.0	732.8	14.2	1.9%
Total liabilities	807.2	802.7	4.5	0.6%
Deferred Inflows of Resources	10.0	29.5	(19.5)	-66.1%
Net Position				
Net investment in capital assets	1,434.5	1,362.3	72.2	5.3%
Restricted for water services	336.8	358.3	(21.5)	-6.0%
Restricted for sewer services	418.2	391.4	26.8	6.8%
Total net position	\$ 2,189.5	\$ 2,112.0	\$ 77.5	3.7%

As shown in Table 1, the District’s total assets increased \$36.3 million or 1.2 percent during the current fiscal year. Current assets decreased \$43.0 million or 8.6 percent due primarily to a \$29.8 million decrease in cash and investments balances. The District established and made an initial \$10.0 million contribution to the OPEB Trust to “pre-fund” a portion of the OPEB unfunded liability. In addition, current assets include amounts due from other agencies relating to cash deposits held by OC San, the District’s third-party provider for excess sewage flows, which decreased by \$17.2 million based on the agreements between the two agencies for future obligations.

Capital assets increased \$51.9 million or 2.6 percent during the current fiscal year. The District added \$100.5 million in water and sewer assets during the year partially offset by an increase of \$79.9 million in accumulated depreciation. The largest capital spending during the current fiscal year was \$9.6 million for the Woodbridge Recycled Water Pipeline Replacement Project, \$7.4 million for the Zone A to Rattlesnake Reservoir Pump Station Project, and \$7.0 million for the Water System’s General System Modification and Replacement Project.

Other noncurrent assets increased \$27.4 million or 7.1 percent during the current fiscal year. Noncurrent assets include the District’s real estate investments and the pension trust investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary (Continued)

The real estate investments increased by \$15.0 million due primarily to an increase in the fair value of real estate investments and tenant improvements of the Sand Canyon General Office property. In addition, the pension trust investments increased by \$11.9 due primarily to an increase in the fair value of pension trust investments.

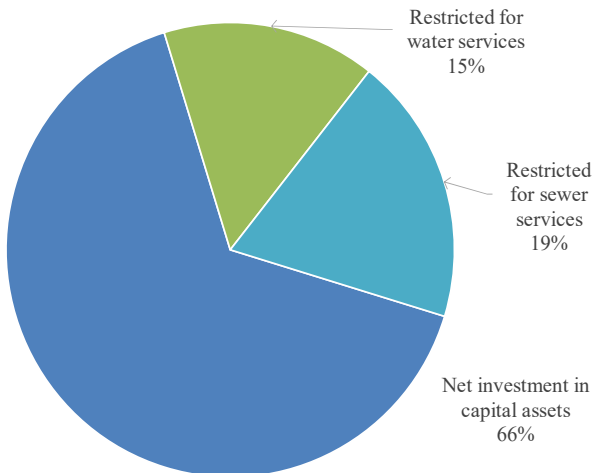
The District's deferred outflows of resources increased by \$26.2 million or 81.6 percent over the prior fiscal year. The increase is due primarily to a \$20.8 million increase in pension actuarial related changes in assumptions and experiences and a \$10.0 million increase in OPEB contributions to the OPEB Trust, partially offset by a \$5.0 million decrease in accumulated losses associated with the fair value of interest rate swaps.

The District's total liabilities increased \$4.5 million or 0.6 percent in the current fiscal year. This was due primarily to a \$45.6 million increase in net pension liability, partially offset by a \$18.3 million in principal payments of the District's general obligation bonds and certificates of participation during the current fiscal year, a \$2.3 million of premium amortization, a \$10.8 million decrease in the accounts payable to various vendors, a \$5.0 million in accumulated losses associated with the fair value of interest rate swaps, and a \$4.4 million decrease in OPEB liability.

The District's deferred inflows of resources decreased \$19.5 million or 66.1 percent in the current fiscal year. This is primarily due to a \$24.0 million decrease in pension actuarial related changes in assumptions and experiences, partially offset by a \$4.8 million increase in OPEB actuarial related changes in assumptions and experiences.

Net position at the end of the current fiscal year increased \$77.5 million or 3.7 percent. Net position consists of net investment in capital assets and restricted net positions (Figure 1).

Figure 1 - Net Position at June 30, 2023



Net investment in capital assets are capital assets, net of accumulated depreciation/amortization and liabilities (such as debt) attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets was \$1,434.5 million or 65.5 percent of total net position, an increase of \$72.2 million from the prior fiscal year. The change is due primarily to \$51.9 million in net capital asset additions, \$18.3 million of debt principal payments and \$2.3 million amortizations of premiums in the current fiscal year.

Restricted net position for water services was \$336.8 million or 15.4 percent of total net position. Restricted net position for sewer services was \$418.2 million or 19.1 percent of total net position. Restricted net positions are restricted by legislation which imposes requirements that District assets be used only for the specific purposes for which it was formed.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Activities and Changes in Net Position

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

Table 2 - Revenues, Expenses and Changes in Net Position (in millions)				
	2023	2022	Increase/(Decrease)	
			Amount	Percentage
Operating revenues				
Water sales and service charges	\$ 103.6	\$ 103.3	\$ 0.3	0.3%
Sewer sales and service charges	84.7	84.9	(0.2)	-0.2%
Total operating revenues	188.3	188.2	0.1	0.1%
Nonoperating revenues				
Property taxes	77.0	70.8	6.2	8.8%
Interest income	7.3	(0.8)	8.1	-1012.5%
Increase (decrease) in fair value of investments	2.6	(3.8)	6.4	-168.4%
Real estate income	18.7	16.4	2.3	14.0%
Increase (decrease) in fair value of real estate investments	7.8	7.6	0.2	2.6%
Pension trust interest and dividends income	8.3	5.0	3.3	66.0%
Increase (decrease) in fair value of pension trust investments	3.7	(18.0)	21.7	-120.6%
Other income	7.3	6.5	0.8	12.3%
Total nonoperating revenues	132.7	83.7	49.0	58.5%
Total revenues	321.0	271.9	49.1	18.1%
Operating expenses				
Water services expenses	110.2	106.4	3.8	3.6%
Sewer services expenses	72.4	64.9	7.5	11.6%
Depreciation	83.5	79.0	4.5	5.7%
Total operating expenses	266.1	250.3	15.8	6.3%
Nonoperating expenses				
Interest expense	22.4	20.7	1.7	8.2%
Real estate expense	7.3	6.6	0.7	10.6%
Other expense	2.0	2.8	(0.8)	-28.6%
Total nonoperating expenses	31.7	30.1	1.6	5.3%
Total expenses	297.8	280.4	17.4	6.2%
Income (loss) before capital contributions	23.2	(8.5)	31.7	-372.9%
Capital contributions	54.3	46.3	8.0	17.3%
Change in net position	77.5	37.8	39.7	105.0%
Beginning net position	2,112.0	2,074.2	37.8	1.8%
Ending net position	\$ 2,189.5	\$ 2,112.0	\$ 77.5	3.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Revenues

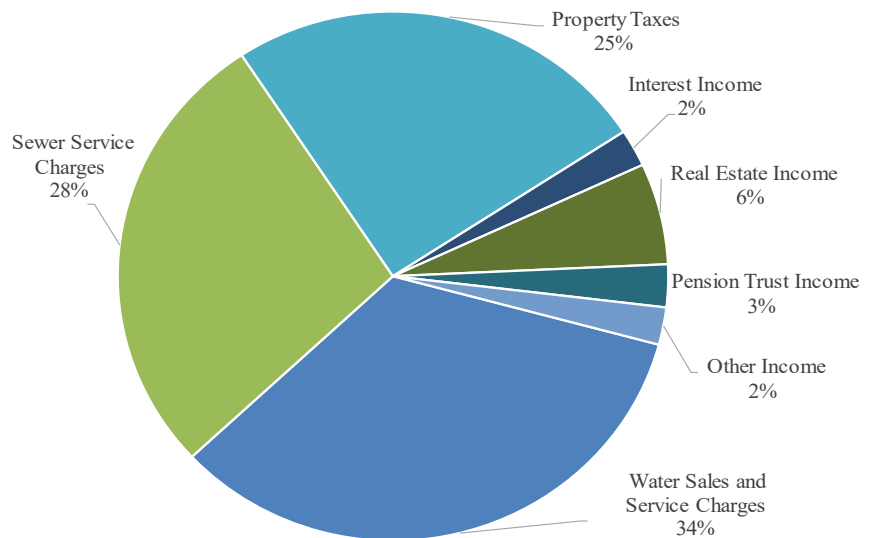
As shown in Table 2, the District's operating revenues total \$188.3 million or 58.7 percent of total revenues. Water sales contributed \$103.6 million or 55.0 percent to total operating revenues and sewer sales contributed \$84.7 million or 45.0 percent to total operating revenues. Operating revenues increased by \$0.1 million or 0.1 percent from the prior fiscal year. The increase is primarily due to a Board approved rate increase effective February 2022, partially offset by reductions in customer sales.

The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2023.

Nonoperating revenues total \$132.7 million and account for 41.3 percent of total revenues for the fiscal year ended June 30, 2023. This is an increase of \$49.0 million or 58.5 percent from the prior fiscal year. The increase in the current fiscal year is due to:

- An increase of \$28.3 million in changes in the fair value of the pension trust investments, real estate investments, and the District's fixed income investments.
- An increase of \$8.1 million in the District's fixed income investment interest income.
- An increase of \$6.2 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District's service area.
- An increase of \$3.3 million in the pension trust interest and dividends income.
- An increase of \$2.3 million in income from the real estate investments.
- An increase of \$0.8 million in other nonoperating income.

Figure 2 - Revenues for Fiscal Year Ended June 30, 2023
(excluding changes in fair value of investments, real estate investments, and pension trust investments)



Expenses

As shown in Table 2, operating expenses total \$266.1 million, of which \$182.6 million relates to the cost of providing water and sewer services to the District's customers. Water service operating costs are 106.4 percent of revenues and sewer service operating costs are 85.5 percent of revenues. Water and sewer operating expenses, excluding depreciation, increased by \$11.3 million or 6.6 percent over the prior fiscal year.

Water expenses totaled \$110.2 million, an increase of \$3.8 million or 3.6 percent from the prior fiscal year primarily due to:

- An increase of \$5.8 million in general and administration expenses due primarily to an increase in pension expense.
- An increase of \$4.2 million in electricity, chemicals, labor costs, and other professional services for potable and untreated water treatment and system maintenance.
- A decrease of \$5.0 million in water costs due primarily to lower imported water purchases.
- A decrease of \$1.6 million in expensed water projects relating to the District's capital program.
- Other net increases of \$0.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued)

Sewer service expenses totaled \$72.4 million, an increase of \$7.5 million or 11.6 percent from the prior fiscal year primarily due to:

- An increase of \$5.2 million in general and administration expenses due primarily to an increase in pension expense.
- An increase of \$2.2 million in chemicals, labor costs, and professional services.
- An increase of \$2.1 million in the cost of handling, treatment, and disposal of sewage sent to the District's third-party provider OC San due to higher flows.
- A decrease of \$1.9 million in recycled water purchases.
- Other net decreases of \$0.1 million.

Depreciation expense totaled \$83.5 million, an increase of \$4.5 million or 5.7 percent over the prior fiscal year. The increase is the result of the completion of several capital projects.

Nonoperating expenses totaled \$31.7 million, an increase of \$1.6 million or 5.3 percent from the prior fiscal year primarily due to:

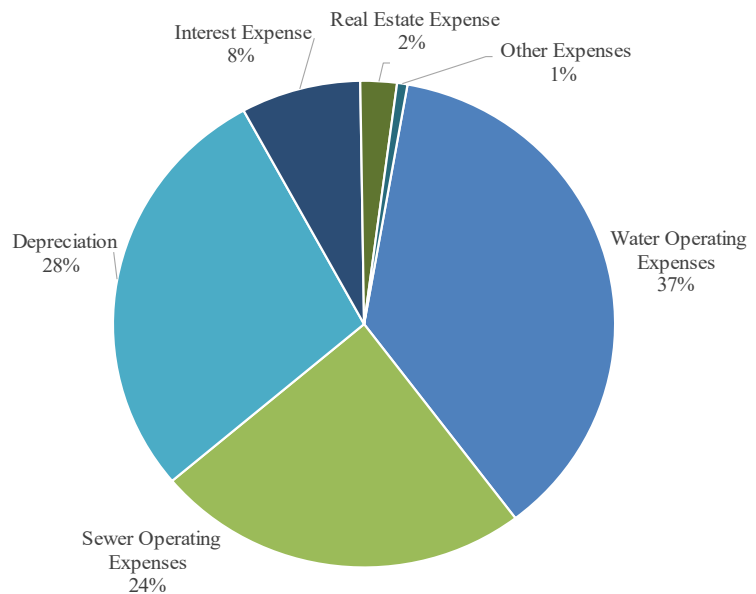
- An increase of \$1.7 million in interest expense associated with the District's debt.
- An increase of \$0.7 million in real estate expense.
- A decrease of \$0.8 million in other nonoperating expenses associated with the prior fiscal year's

write-off of customer accounts receivable as a result of federal funding received from the California Water and Wastewater Arrearage Payment Program provided by the California State Water Resources Control Board.

Capital Contributions

Capital contributions totaled \$54.3 million, an increase of \$8.0 million or 17.3 percent from the prior fiscal year. Donated facilities from developers increased \$6.0 million due to an increased number of projects that were completed and donated to the District. Connection fees paid by developers were \$14.4 million, an increase of \$4.0 million from the prior year due to a higher number of new units in the building industry. The District also received \$2.0 million less from grants / contributions from federal, state, and local agencies compared to the prior fiscal year.

Figure 3 - Functional Expenses for Fiscal Year Ended June 30, 2023



MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Capital Assets

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

	2023	2022	Increase/(Decrease)	
			Amount	Percentage
Water assets	\$ 1,326.2	\$ 1,273.6	\$ 52.6	4.1%
Sewer assets	1,730.1	1,682.2	47.9	2.8%
Less: accumulated depreciation	(1,213.0)	(1,133.1)	(79.9)	7.1%
Land and water rights	127.5	126.6	0.9	0.7%
Construction in progress	110.9	80.5	30.4	37.8%
Total	\$ 2,081.7	\$ 2,029.8	\$ 51.9	2.6%

Capital assets, net of depreciation increased \$51.9 million or 2.6 percent in the current fiscal year. Construction in Progress added \$119.7 million during the current fiscal year. Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2023 were \$89.3 million. The District’s accumulated depreciation increased by \$79.9 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 38.2 percent of total capital assets additions incurred in the current fiscal year (in millions):

<u>Project Description</u>	<u>Amount</u>
Woodbridge Recycled Water Pipeline Replacement	\$ 9.6
Zone A to Rattlesnake Reservoir Pump Station	7.4
Water System's General System Modification and Replacement	7.0
San Joaquin Reservoir Outlet Recycled Water Filtration System	4.5
Fleming Reservoir and Pump Station Improvements	4.2
Zone C Recycled Water Pump Station	4.0
Syphon Reservoir Expansion	2.8
Recycled Water General System Modification and Replacement	2.6
Santiago Dam Outlet Tower and Spillway	1.8
Zone 1 Reservoir Replacement Interior Coating	1.8
Total	\$ 45.7

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration

As shown below in Table 4, as of June 30, 2023, the District had total debt outstanding of \$648.8 million, a decrease of \$20.5 million or 3.1 percent from the prior fiscal year.

	2023	2022	Increase/(Decrease)	
			Amount	Percentage
General Obligation bonds	\$ 520.0	\$ 535.3	\$ (15.3)	-2.9%
Certificates of participation	127.9	133.2	(5.3)	-4.0%
Notes payable	0.2	0.3	(0.1)	-33.3%
Leases payable	0.7	0.5	0.2	40.0%
Total	\$ 648.8	\$ 669.3	\$ (20.5)	-3.1%

During the current fiscal year, the decreases in the District's total debt were primarily due to \$18.3 million in debt payments and \$2.3 million of premium amortization. The decrease was offset by a \$0.2 million increase in leases payable. The District's rated debt obligations have received the following ratings from the three major rating agencies:

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

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

Contacting the District's Financial Management

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

Irvine Ranch Water District
Statement of Net Position
June 30, 2023
(with comparative data as of June 30, 2022)
(in thousands)

	2023	2022
ASSETS		
Current Assets:		
Cash and Investments (note 2)	\$ 371,239	\$ 401,056
Receivables:		
Customer accounts receivable	12,038	15,962
Interest receivable	2,286	378
Notes receivable, current portion	92	86
Due from other agencies (note 6)	36,660	53,855
Leases receivable, current portion (note 7)	106	139
Other receivables	12,181	9,801
Total receivables	63,363	80,221
Other Current Assets:		
Inventories (note 4)	19,328	16,120
Prepaid items and deposits	1,375	870
Total other current assets	20,703	16,990
Total current assets	455,305	498,267
Noncurrent Assets:		
Capital Assets (note 5):		
Water assets	1,326,221	1,273,579
Sewer assets	1,730,077	1,682,177
Subtotal	3,056,298	2,955,756
Less accumulated depreciation	(1,213,020)	(1,133,082)
Total capital assets being depreciated, net	1,843,278	1,822,674
Land and water rights	127,466	126,569
Construction in progress	110,962	80,535
Total capital assets, net	2,081,706	2,029,778
Other Noncurrent Assets:		
Notes receivable, net of current portion	258	366
Leases receivable, net of current portion (note 7)	2,114	2,386
Real estate investments (note 8)	295,299	280,342
Pension trust investments (notes 2 & 13)	106,742	94,828
Investment in joint venture (note 9)	6,972	6,054
Total other noncurrent assets	411,385	383,976
Total noncurrent assets	2,493,091	2,413,754
TOTAL ASSETS	2,948,396	2,912,021
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	1,643	1,799
Accumulated decrease in fair value of swap agreements (note 3)	5,307	10,330
Pension contributions (note 13)	11,830	10,467
Pension actuarial changes (note 13)	24,206	3,419
OPEB contributions (note 14)	10,808	818
OPEB actuarial changes (note 14)	4,521	5,308
TOTAL DEFERRED OUTFLOWS OF RESOURCES	58,315	32,141

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Position
June 30, 2023
(with comparative data as of June 30, 2022)
(in thousands)
(Continued)

	2023	2022
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	22,543	33,352
Customer deposits and advance payments	6,598	5,495
Accrued interest:		
General obligation bonds	4,026	3,675
Other accrued interest payable	1,879	2,749
Current portion of long-term liabilities:		
General obligation bonds (note 10)	15,699	15,289
Certificates of participation (note 10)	5,596	5,316
Notes payable (note 10)	77	76
Leases payable (note 10)	24	19
Other long term liabilities (note 10)	2,643	2,742
Unearned revenue (note 11)	565	565
Claims liability (note 16)	522	572
Total current liabilities	60,172	69,850
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 10)	504,353	520,052
Certificates of participation, net of current portion (note 10)	122,271	127,866
Notes payable, net of current portion (note 10)	120	197
Leases payable, net of current portion (note 10)	691	475
Other long-term liabilities (note 10)	4,363	4,524
Unearned revenue, net of current portion (note 11)	3,133	3,698
Claims liability, net of current portion (note 16)	1,046	1,078
Net pension liability (note 13)	85,407	39,841
OPEB liability (note 14)	20,333	24,739
Swap liability (note 3)	5,307	10,331
Total long-term liabilities	747,024	732,801
TOTAL LIABILITIES	807,196	802,651
DEFERRED INFLOWS OF RESOURCES		
Lease related (note 7)	2,198	2,482
Pension actuarial changes (note 13)	2,386	26,408
OPEB actuarial changes (note 14)	5,465	636
TOTAL DEFERRED INFLOWS OF RESOURCES	10,049	29,526
NET POSITION (note 18)		
Net investment in capital assets	1,434,518	1,362,287
Restricted for water services	336,752	358,341
Restricted for sewer services	418,196	391,357
TOTAL NET POSITION	\$ 2,189,466	\$ 2,111,985

See accompanying notes to the basic financial statements.

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Irvine Ranch Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2023
(with comparative data for the Fiscal Year Ended June 30, 2022)
(in thousands)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water sales and service charges	\$ 103,623	\$ 103,286
Sewer sales and service charges	<u>84,693</u>	<u>84,955</u>
Total operating revenues	<u>188,316</u>	<u>188,241</u>
OPERATING EXPENSES		
Water:		
Water services	87,070	89,186
General and administrative	23,091	17,262
Sewer:		
Sewer services	50,751	48,353
General and administrative	21,644	16,493
Depreciation	<u>83,535</u>	<u>78,975</u>
Total operating expenses	<u>266,091</u>	<u>250,269</u>
Operating income (loss)	<u>(77,775)</u>	<u>(62,028)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	77,021	70,829
Interest income (loss)	7,274	(771)
Increase (decrease) in fair value of investments	2,639	(3,840)
Real estate income (note 8)	18,694	16,361
Increase (decrease) in fair value of real estate investments (note 8)	7,810	7,561
Pension trust interest and dividends income	8,250	4,968
Increase (decrease) in fair value of pension trust investments	3,725	(18,010)
Other income	7,267	6,529
Interest expense	(22,378)	(20,733)
Real estate expense (note 8)	(7,297)	(6,605)
Pension trust expense	(60)	(61)
Other expenses	<u>(1,971)</u>	<u>(2,791)</u>
Total nonoperating revenues (expenses)	<u>100,974</u>	<u>53,437</u>
Income (loss) before capital contributions	<u>23,199</u>	<u>(8,591)</u>
CAPITAL CONTRIBUTIONS		
Donated facilities	38,546	32,524
Connection fees	14,355	10,449
Other	<u>1,381</u>	<u>3,351</u>
Total capital contributions	<u>54,282</u>	<u>46,324</u>
Increase (decrease) in net position	77,481	37,733
NET POSITION AT BEGINNING OF YEAR	<u>2,111,985</u>	<u>2,074,252</u>
NET POSITION AT END OF YEAR	<u>\$ 2,189,466</u>	<u>\$ 2,111,985</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2023
(with comparative data for the Fiscal Year Ended June 30, 2022)
(in thousands)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 190,314	\$ 181,765
Cash paid to suppliers of goods and services	(100,261)	(102,951)
Cash paid for employees services	<u>(84,254)</u>	<u>(68,649)</u>
Net cash provided by (used for) operating activities	<u>5,799</u>	<u>10,165</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax receipts	77,021	70,829
Operating grant	105	2,077
Net cash provided by noncapital financing	<u>77,126</u>	<u>72,906</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(97,630)	(79,260)
Proceeds from disposition of capital assets	242	242
Principal payments on long-term liabilities	(18,403)	(18,064)
Interest and fiscal agent costs on long term liabilities	(25,041)	(22,984)
Developer connection fees and related receipts	<u>15,736</u>	<u>11,723</u>
Net cash provided by (used for) capital and related financing activities	<u>(125,096)</u>	<u>(108,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	13,556	4,608
Investment earnings in real estate	11,327	8,999
Acquisition and construction of real estate investments	(7,080)	(534)
Proceeds from sale or maturity of investments	396,777	330,909
Purchases of investments	(384,640)	(373,589)
Collections on notes receivable	<u>102</u>	<u>91</u>
Net cash provided by (used for) investing activities	30,042	(29,516)
Net increase (decrease) in cash and cash equivalents	(12,129)	(54,788)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>46,151</u>	<u>100,939</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 34,022</u></u>	<u><u>\$ 46,151</u></u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2023
(with comparative data for the Fiscal Year Ended June 30, 2022)
(in thousands)
(Continued)

	2023	2022
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position:		
Cash and investments	\$ 371,239	\$ 401,056
Pension benefits trust investments	106,742	94,828
Subtotal	477,981	495,884
Less long-term investments	(443,959)	(449,733)
Cash and cash equivalents at end of year	\$ 34,022	\$ 46,151
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (77,775)	\$ (62,028)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	7,162	6,529
Other nonoperating expenses	(1,866)	(2,791)
(Gain) loss on disposition of capital assets	503	237
Depreciation and amortization	83,535	78,975
(Increase) decrease in customer receivables	3,819	(2,121)
(Increase) decrease in leases receivables	305	(2,525)
(Increase) decrease in other receivables	(2,380)	(3,982)
(Increase) decrease in inventories	(3,208)	1,186
(Increase) decrease due from other agencies	17,166	302
(Increase) decrease in prepaid expenses and other assets	(505)	(167)
(Increase) decrease in investment in joint venture	(918)	(5,211)
(Increase) decrease in deferred outflows	(31,353)	2,545
Increase (decrease) in accounts payable and accrued expenses	(10,809)	4,837
Increase (decrease) in customer deposits and advance payments	1,103	235
Increase (decrease) in leases payable	221	494
Increase (decrease) in compensated absences	(237)	5
Increase (decrease) in claims payable	(82)	(99)
Increase (decrease) in unearned revenue	(565)	(565)
Increase (decrease) in net OPEB liability	(4,406)	1,370
Increase (decrease) in net pension liability	45,566	(34,864)
Increase (decrease) in deferred inflows	(19,477)	27,803
Net cash provided by (used for) operating activities	\$ 5,799	\$ 10,165
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers	\$ 38,546	\$ 32,524

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Fiduciary Net Position
June 30, 2023
(with comparative data as of June 30, 2022)
(in thousands)

	OPEB Trust		
	Fund	Custodial Fund	
	2023	2023	2022
ASSETS			
Cash and investments (note 2)	\$ 10,107	\$ 958	\$ 933
Interest receivable	1	3	1
TOTAL ASSETS	<u>10,108</u>	<u>961</u>	<u>934</u>
NET POSITION			
Restricted for:			
Other Post-Employment Benefits	10,108	-	-
San Joaquin Wildlife Sanctuary	-	961	934
TOTAL NET POSITION	<u>\$ 10,108</u>	<u>\$ 961</u>	<u>\$ 934</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2023
(with comparative data for the Fiscal Year Ended June 30, 2022)
(in thousands)

	OPEB Trust	Custodial Fund	
	Fund	2023	2022
ADDITIONS			
Contributions	\$ 10,000	\$ 5	\$ 5
Interest and dividends income	14	24	5
Increase in fair value of investments	94	-	-
Total additions	<u>10,108</u>	<u>29</u>	<u>10</u>
DEDUCTIONS			
Administrative expenses	-	2	1
Total deductions	<u>-</u>	<u>2</u>	<u>1</u>
Increase (decrease) in net position	10,108	27	9
NET POSITION AT BEGINNING OF YEAR	<u>-</u>	<u>934</u>	<u>925</u>
NET POSITION AT END OF YEAR	<u>\$ 10,108</u>	<u>\$ 961</u>	<u>\$ 934</u>

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

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

(a) **Reporting Entity**

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

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

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

Description of the Reporting Entity

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

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

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

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

(b) **Basic Financial Statements**

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

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

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

The fiduciary fund types include a trust fund and a custodial fund. The trust fund is used to account for assets held by the Irvine Ranch Water District Other Post-Employment Benefits Trust (OPEB Trust). The custodial fund is used to account for assets held by the District as a custodian for the activities of the San Joaquin Wildlife Sanctuary (SJWS).

Both the enterprise fund and fiduciary fund utilize the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

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

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

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

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

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

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

(d) **Property Taxes**

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

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

(e) **Cash and Cash Equivalents**

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

(f) **District Investments**

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

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

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

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

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

(h) **Real Estate Investments**

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

(i) **Fair Value Measurements**

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(i) Fair Value Measurements (Continued)

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

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

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

(j) Inventory and Prepaid Items

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

(k) Capital Assets and Depreciation

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated acquisition value on the date received. The District capitalizes all assets with a historical cost of at least \$10,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

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

(l) Compensated Absences

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

(m) **Pensions**

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

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

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

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

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

Valuation Date (VD)	June 30, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

(p) **Leases**

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

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

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

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

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

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

(p) **Leases (Continued)**

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

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

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

(q) **Use of Estimates**

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

(r) **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, 2023 are classified in the accompanying financial statements as follows (in thousands):

Proprietary Fund:	
District Cash and Investments	\$ 371,239
Pension Trust Investments	106,742
Total Proprietary Fund	477,981
 Fiduciary Funds:	
OPEB Trust Fund	10,107
Custodial Fund	958
Total Fiduciary Funds	11,065
Total Cash and Investments	\$ 489,046

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Cash and investments as of June 30, 2023 consist of the following (in thousands):

Cash on hand	\$	3
Deposits with financial institutions		9,879
Investments		479,164
Total Cash and Investments		<u><u>\$ 489,046</u></u>

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

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

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

⁽²⁾ 30% of Replacement Fund, as authorized by the California Water Code Section 35912.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Pension and Other Post-Employment Benefits (OPEB) Trusts (The 115 Trusts) Authorized Investment Strategy

The District recognizes that defined benefit plans and the related future pension obligations pose significant issues for many government agencies. The District has taken a proactive approach to address the issue and in 2013, established a Pension Trust to substantially fund its CalPERS unfunded liability. In 2023, the District established a new OPEB section 115 Trust to fund a portion of its unfunded OPEB liability. The 115 Trusts' investment policy authorizes investment of Trust assets in financial instruments in three broad categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Investments may include derivatives, options and futures as portfolio protection strategies. The following is a summary of the 115 Trusts' investment policy.

The 115 Trusts are governed by a 115 Trusts Board (the Board) which consists of two IRWD Board members and the General Manager. The Board designates one or more investment advisors to manage the assets under their supervision subject to the laws of the State of California and Investment Guidelines established by the Board. The long-term asset allocation policy including the minimum-maximum asset allocation range for each asset class is as follows:

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

The asset allocation policy will be pursued by the 115 Trusts on a long-term basis and may be revised if necessary due to market conditions. The Board will monitor the current asset allocation against the long-term allocation policy and rebalance as it deems necessary.

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions, or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million. Short-term corporate obligations must be rated A or better by Moody's or by Standard & Poor's. Money Market funds must attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organization (NRSRO).

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Pension and Other Post-Employment Benefits (OPEB) Trusts (The 115 Trusts) Authorized Investment Strategy (Continued)

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

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

Custodial Credit Risk

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's and 115 Trusts' investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity at June 30, 2023 (in thousands):

Investment Type	Amount	Remaining Maturity			
		12 Months Or Less	13 to 36 Months	37 Months Or More	Not Applicable
Federal Agency Securities	\$ 151,328	\$ 44,436	\$ 106,892	\$ -	\$ -
US Treasury Note	185,890	118,250	67,640	-	-
Money Market	25,097	25,097	-	-	-
Total District Investments	362,315	187,783	174,532	-	-
Mutual Funds - Equities	80,781	-	-	-	80,781
Mutual Funds - Fixed Income Bonds	25,913	634	2,941	22,338	-
Mutual Funds - Money Market	48	48	-	-	-
Total Pension Trust Investments	106,742	682	2,941	22,338	80,781
Mutual Funds - Equities	6,118	-	-	-	6,118
Mutual Funds - Fixed Income Bonds	3,968	60	477	3,431	-
Mutual Funds - Money Market	21	21	-	-	-
Total OPEB Trust Investments	10,107	81	477	3,431	6,118
Total Investments	\$ 479,164	\$ 188,546	\$ 177,950	\$ 25,769	\$ 86,899

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Disclosures Relating to Credit Risk

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

District Cash and Investments:

<u>Investment Type</u>	<u>Amount</u>	<u>AAA⁽¹⁾</u>	<u>Not Rated</u>
Federal Agency Securities	\$ 151,328	\$ 136,480	\$ 14,848
US Treasury Note	185,890	185,890	-
Money Market	25,097	25,097	-
Total	<u>\$ 362,315</u>	<u>\$ 347,467</u>	<u>\$ 14,848</u>

Pension Trust Investments:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 80,781 ⁽²⁾
Mutual Funds - Fixed Income Bonds	25,913 ⁽³⁾
Mutual Funds - Money Market	48 ⁽⁴⁾
Total	<u>\$ 106,742</u>

OPEB Trust Investments:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds - Equities	\$ 6,118 ⁽⁵⁾
Mutual Funds - Fixed Income Bonds	3,968 ⁽⁶⁾
Mutual Funds - Money Market	21 ⁽⁷⁾
Total	<u>\$ 10,107</u>

⁽¹⁾ Based on Moody's rating.

⁽²⁾ Equity Mutual Funds as of 6/30/2023 include four "index funds" and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

⁽³⁾ Fixed Income Mutual Funds are comprised of two diversified portfolios of fixed income securities. As of 6/30/2023, 46.41% of the holdings were rated A-AAA, 41.02% of the holdings were rated B-BBB, and 12.57% of the holdings were rated below B or Not Rated.

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

⁽⁵⁾ Equity Mutual Funds as of 6/30/2023 include one "index fund" and is comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

⁽⁶⁾ Fixed Income Mutual Funds are comprised of one diversified portfolio of fixed income securities. As of 6/30/2023, 65.30% of the holdings were rated A-AAA, 34.10% of the holdings were rated B-BBB, and 0.60% of the holdings were rated below B or Not Rated.

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FFCB	Federal Agency Security	\$ 53,721
FHLB	Federal Agency Security	78,895
Total		<u>\$ 132,616</u>

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of June 30, 2023 (in thousands):

District Cash and Investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements</u>	
		<u>Level 1</u>	<u>Level 2</u>
Federal Agency Securities	\$ 151,328	\$ -	\$ 151,328
US Treasury Note	185,890	185,890	-
Money Market	25,097 ⁽¹⁾	-	-
Total	<u>\$ 362,315</u>	<u>\$ 185,890</u>	<u>\$ 151,328</u>

Pension Trust Cash and Investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value</u>
		<u>Measurements</u>
		<u>Level 1</u>
Mutual Funds - Equities	\$ 80,781	\$ 80,781
Mutual Funds - Fixed Income Bonds	25,913	25,913
Mutual Funds - Money Market	48 ⁽¹⁾	-
Total	<u>\$ 106,742</u>	<u>\$ 106,694</u>

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

OPEB Cash and Investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value</u>
		<u>Measurements</u>
		<u>Level 1</u>
Mutual Funds - Equities	\$ 6,118	\$ 6,118
Mutual Funds - Fixed Income Bonds	3,968	3,968
Mutual Funds - Money Market	21 ⁽¹⁾	-
Total	<u>\$ 10,107</u>	<u>\$ 10,086</u>

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(3) Interest Rate Swap Agreements

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

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

The outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2023, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(5.3) million, respectively. For the year ended June 30, 2023, the increase in fair value of the fixed payer interest rate swaps was \$5.0 million.

The fair value of the swap agreements at June 30, 2023 is calculated using a zero-coupon method (Level 2 inputs). This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The District's fixed payer swaps were executed in 2004 and became effective in 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however, are considered a hedge of a pooled portion of the District's variable rate debt exposure.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2023, along with the credit rating of the associated counterparty.

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa1/A+/AA
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	\$30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	Aa3/A+/A+

The ISDA agreements for the above referenced interest rate swaps include a provision that the counterparties shall be required to post collateral should the mark-to-market value of the total interest rate swap portfolio with the respective counterparty, including any current outstanding swap accruals, exceed a threshold of \$(15.0) million. The amount of the collateral posted shall be the amount of the mark-to-market value and outstanding swap accrual amounts in excess of \$(15.0) million. As of June 30, 2023, the mark-to-market value of the total interest rate swaps with Citibank N.A. and Bank of America, N.A. as counterparties did not exceed the threshold amount.

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

The District has executed interest rate swap transactions with Bank of America, N.A. and Citibank N.A. Their ratings are Aa1/A+/AA (50% of net exposure to credit risk) and Aa3/A+/A+ (50% of net exposure to credit risk), respectively, as of June 30, 2023.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

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

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

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

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no collateral has been posted at June 30, 2023.

(4) **Inventories**

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2023, the District had 38,647.9 acre-feet of banked water in various water bank facilities at a cost of \$8.8 million. Inventories at June 30, 2023 consisted of the following (in thousands):

Water in storage	\$ 8,844
Materials and supplies	<u>10,484</u>
Total	<u><u>\$19,328</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2023 is as follows (in thousands):

	Balance			Balance
	June 30, 2022	Additions	Deletions	June 30, 2023
Capital assets, depreciable:				
Land leasehold	\$ 4,860	\$ -	\$ -	\$ 4,860
Right-to-use leased asset	524	242	-	766
Buildings and structures	794,218	22,842	(37)	817,023
Transmissions and distributions	1,869,531	78,861	-	1,948,392
Machinery and equipment	286,623	2,943	(4,309)	285,257
Sub-total	2,955,756	104,888	(4,346)	3,056,298
Less: Accumulated depreciation:				
Land leasehold	(1,650)	(97)	-	(1,747)
Right-to-use leased asset	(24)	(30)	-	(54)
Buildings and structures	(357,530)	(18,643)	21	(376,152)
Transmissions and distributions	(583,910)	(55,997)	-	(639,907)
Machinery and equipment	(189,968)	(8,768)	3,576	(195,160)
Sub-total	(1,133,082)	(83,535)	3,597	(1,213,020)
Total depreciable capital assets, net	1,822,674	21,353	(749)	1,843,278
Capital assets, non-depreciable:				
Land and water rights	126,569	898	(1)	127,466
Construction in progress	80,535	119,731	(89,304)	110,962
Total capital assets, net	\$ 2,029,778	\$ 141,982	\$ (90,054)	\$ 2,081,706

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2023 were \$89.3 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets increased \$16.1 million during the fiscal year ended June 30, 2023

Certain administrative and general expenses relating to assets under construction are charged to construction-in-progress until the assets are ready for their intended use. The amount of administrative and general expenses capitalized to construction-in-progress for the fiscal year ended June 30, 2023 was \$11.7 million.

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

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

The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. During the fiscal year ended June 30, 2023, the District paid \$10.9 million of the equity integration adjustment of OC San's capital assets. In addition, the District's CORF payments to OC San for the current fiscal year totaled \$5.2 million.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

The District’s share of the jointly funded capital assets and CORF in the amount of \$80.6 million is included in capital assets in the District’s basic financial statements.

The accompanying basic financial statements reflect management's best estimate of balances pertaining to this agreement based upon information provided by OC San. Periodically this information is subjected to further review based on the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available. As of June 30, 2023, the District had a net receivable of \$36.7 million from OC San which is reflected as a due from other agencies in the District’s basic financial statements.

(7) Leases Receivable

The District entered into two agreements that leased the District’s property to third parties. These leases are in effect through 2036 and 2041. Payments to the District are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease receivable. During the fiscal year, the District recognized \$1.0 million in lease revenue and \$52,186 in interest revenue related to these leases. As of June 30, 2023, the District's receivable for lease payments was \$2.2 million. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2023, the balance of the deferred inflow of resources was \$2.2 million. The following schedule is the expected future minimum payments under these agreements (in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 106	\$ 51	\$ 157
2025	110	48	158
2026	113	45	158
2027	117	43	160
2028	121	40	161
2029-2033	666	155	821
2034-2038	684	73	757
2039-2041	303	9	312
Total	\$ 2,220	\$ 464	\$ 2,684

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(8) **Real Estate Investments**

Real estate investments as of June 30, 2023 consist of the following (in thousands):

Real estate investments at fair value	\$ 293,285
Other assets	2,014
Total	<u>\$ 295,299</u>

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

	Balance June 30, 2022	Increase in Fair Value	Capital Additions	Balance June 30, 2023
Wood Canyon Villas, L.P.	\$ 34,194	\$ 2,052	\$ -	\$ 36,246
Sycamore Canyon Apartments	174,250	4,355	939	179,544
230 Commerce Office Property	12,240	245	-	12,485
Waterworks Way Business Park	11,832	237	-	12,069
Sand Canyon Professional Center	12,138	243	-	12,381
Sand Canyon General Office	33,916	678	5,966	40,560
Total	\$ 278,570	\$ 7,810	\$ 6,905	\$ 293,285

Net real estate income as of June 30, 2023 is as follows (in thousands):

Real estate income	\$ 18,694
Increase in fair value of real estate investments	7,810
Real estate expense	<u>(7,297)</u>
Net real estate income	<u><u>\$ 19,207</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(8) Real Estate Investments (Continued)

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

The construction of Wood Canyon Villas, a 230-unit apartment property, was completed in 1993. The property is located in Orange County, California, and was 97% occupied at June 30, 2023. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (\$6.0 million contribution). The property's fair value and the District's partnership interest were based on a fixed growth factor included in the limited partnership agreement.

In 1992, the District acquired a 450-unit apartment property (original cost, \$34.1 million) in Orange County, California known as Sycamore Canyon Apartments. The property was 93% occupied as of June 30, 2023. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2023.

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce professional office building located in Irvine, California. Land and construction costs for the project totaled \$5.6 million. The building was 89.1% occupied as of June 30, 2023. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2023.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. The building was constructed on land owned by IRWD adjacent to a District water treatment facility. Land and construction costs for the office project totaled \$9.0 million. As of June 30, 2023, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2023.

In April 2012, the District completed construction of a 16,350 square foot for-lease medical office building located in Irvine, California known as the Sand Canyon Professional Center. Land and construction costs for the project totaled \$8.4 million. The building was 100% occupied as of June 30, 2023. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2023.

In August 2020, the District completed construction of a new for-lease 70,000 square foot office building located in Irvine, California known as the Sand Canyon General Office. Land and construction costs for the project totaled \$31.4 million. The building was 100% occupied as of June 30, 2023. The property's fair value was determined using an appraisal valuation in 2021 and adjusted with a growth factor in 2023.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(9) Investment in Joint Venture

The District is a participant with the Rosedale-Rio Bravo Water Storage District (RRB) in a joint venture to design, build and operate a Kern Fan Groundwater Storage Project. Groundwater Banking Joint Powers Authority (GBJPA), a legally separate public agency, was created for that purpose effective July 1, 2020. GBJPA is governed by a four-member board composed of two appointees from the District and two appointees from the RRB. The District and the RRB are each obligated by contract to provide equal funding (50-50) of the costs and are each entitled to one-half of GBJPA's annual operating income or loss, if any. The District's net investment in the joint venture represents its proportionate share of capital and operating expenses of GBJPA. The District's investment in GBJPA was \$7.0 million at June 30, 2023. Complete financial statements for GBJPA can be obtained from GBJPA's office at 849 Allen Road, Bakersfield, CA 93314.

(10) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows (in thousands):

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	\$ 23,000	\$ -	\$ (1,800)	\$ 21,200	\$ 2,000	\$ 19,200
2008A Refunding	43,000	-	(2,000)	41,000	2,000	39,000
2009A Consolidated	50,000	-	(2,500)	47,500	2,500	45,000
2009B Consolidated	50,000	-	(2,500)	47,500	2,500	45,000
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	42,780	-	(1,980)	40,800	2,040	38,760
2011A-2 Refunding	28,520	-	(1,320)	27,200	1,360	25,840
2016 Consolidated	101,245	-	(2,265)	98,980	2,375	96,605
Unamortized Premium	21,796	-	(924)	20,872	924	19,948
Sub-total	535,341	-	(15,289)	520,052	15,699	504,353
Certificates of Participation:						
2016 Certificates	109,650	-	(3,940)	105,710	4,220	101,490
Unamortized Premium	23,532	-	(1,375)	22,157	1,376	20,781
Sub-total	133,182	-	(5,315)	127,867	5,596	122,271
Notes Payable	273	-	(76)	197	77	120
Leases Payable	494	242	(21)	715	24	691
Other Long-Term Liabilities:						
Compensated Absences	6,631	6,802	(7,039)	6,394	2,557	3,837
Other Long-Term Liabilities	635	3,358	(3,381)	612	86	526
Sub-total	7,266	10,160	(10,420)	7,006	2,643	4,363
Total Long-Term Liabilities	\$ 676,556	\$ 10,402	\$ (31,121)	\$ 655,837	\$ 24,039	\$ 631,798

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(10) Long-Term Liabilities (Continued)

The following summarizes the major terms of outstanding long-term debt at June 30, 2023 (in thousands):

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

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

General Obligation Bonds

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2023 ranging from 0.67% to 2.79% and the fixed rate for the 2010B BABS issue and 2016 Consolidated issue) were as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Instruments Net	BAB Federal Subsidy	Total
2024	\$ 14,775	\$ 23,018	\$ 1,021	\$ (3,825)	\$ 34,989
2025	18,015	22,487	1,021	(3,825)	37,698
2026	18,710	21,810	1,021	(3,756)	37,785
2027	19,265	21,123	1,021	(3,696)	37,713
2028	20,000	20,405	1,021	(3,628)	37,798
2029-2033	115,675	76,328	1,021	(17,544)	175,480
2034-2038	169,575	55,097	-	(12,880)	211,792
2039-2043	102,955	15,895	-	(1,943)	116,907
2044-2046	20,210	2,158	-	-	22,368
Sub-total	499,180	258,321	6,126	(51,097)	712,530
Plus: Unamortized premium	20,872	-	-	-	20,872
Total	\$ 520,052	\$ 258,321	\$ 6,126	\$ (51,097)	\$ 733,402

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(10) Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

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

Certificates of Participation

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

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

Fiscal Year	Principal	Interest	Total
2024	\$ 4,220	\$ 5,286	\$ 9,506
2025	4,555	5,074	9,629
2026	4,905	4,847	9,752
2027	5,225	4,602	9,827
2028	5,600	4,340	9,940
2029-2033	29,335	17,094	46,429
2034-2038	16,185	11,428	27,613
2039-2043	20,645	6,957	27,602
2044-2046	15,040	1,528	16,568
Sub-total	105,710	61,156	166,866
Plus: Unamortized premium	22,157	-	22,157
Total	\$ 127,867	\$ 61,156	\$ 189,023

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(10) Long-Term Liabilities (Continued)

Notes Payable

The District has one outstanding loan, which was assumed because of its consolidation with the Santiago County Water District. The original loan amount was \$1.3 million. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. Amounts required to amortize notes payable at June 30, 2023 were as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 77	\$ 4	\$ 81
2025	79	2	81
2026	41	1	42
Total	\$ 197	\$ 7	\$ 204

Leases Payable

As of June 30, 2023, the District was a lessee for three noncancellable leases that met the requirements of GASB Statement No. 87, Lease. For the first production well lease, an initial lease liability of \$524,259 was recorded. As of June 30, 2023, the lease liability was \$475,726. The District makes annual principal and interest payments of \$30,000, adjusted periodically based on the terms identified in the lease agreement. The lease term ends on June 30, 2043 and the lease used an implicit interest rate of 2.32%. For the second production well lease, the annual lease payment for the year ended June 30, 2023 was \$237,826 and the lease term ends on June 30, 2039. No lease liability was recorded for the second lease since the annual lease payments are variable based on a formula. During the current fiscal year, the District entered into an agreement for the right to use certain property for an antenna site. An initial lease liability of \$242,169 was recorded. As of June 30, 2023, the lease liability was \$238,881. The District makes annual principal and interest payments of \$10,518, adjusted periodically based on the terms identified in the lease agreement. The lease term ends on December 31, 2042 and the lease used an implicit interest rate of 2.37%.

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

Fiscal Year	Principal	Interest	Total
2024	\$ 24	\$ 16	\$ 40
2025	25	16	41
2026	26	15	41
2027	27	15	42
2028	28	14	42
2029-2033	160	61	221
2034-2038	196	40	236
2039-2043	229	15	244
Total	\$ 715	\$ 192	\$ 907

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(11) **Unearned Revenue**

Unearned revenue at June 30, 2023 consisted of the following (in thousands):

Unearned revenue, current portion	\$ 565
Unearned revenue, net of current portion	<u>3,133</u>
Total	<u><u>\$ 3,698</u></u>

On November 10, 2008, the Board approved the South Orange County – Irvine Ranch Water District Interconnection Projects Participation Agreement (Agreement). The Agreement was effective on November 2008 between the District, City of San Clemente (CSC), Laguna Beach County Water District (LBCWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), Municipal Water District of Orange County (MWDOC), and Orange County Water District (OCWD). The purpose of the Agreement is to allow the South County water agencies (CSC, LBCWD, MNWD, SMWD, and SCWD) to reserve capacity in the District system and reimburse the District for various new intertie facilities which provide that up to 25 cfs of water supply per month may be made available during a water supply disruption. The total cost of the agreement was paid in full by each party in the fiscal year ended June 30, 2009. The amount of unearned revenue related to the South County Water Agencies is amortized over 20 years, the term of the Agreement. The amount of amortization for the fiscal year ended June 30, 2023 was \$0.5 million.

(12) **Letters of Credit**

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

The terms of the letters of credit, as of June 30, 2023 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	\$ 48,031	April 21, 2025
Sumitomo Mitsui:			
2008 Series A Refunding	Bank of New York Mellon	41,607	May 28, 2025
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	21,486	May 1, 2025
2009 Series A Consolidated	U.S. Bank	48,031	May 1, 2025

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plan’s provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Hire Date		
	Prior to October 1, 2012	On or after October 1, 2012 to December 31, 2012	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Minimum Retirement Age	50	50	52
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rate	8.00%	7.00%	6.50%
Required Employer Normal Cost Rate	9.19%	9.19%	9.19%

In addition, the District made a \$7.8 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2021 (valuation date), the following employees were covered by the benefit terms for the Plan:

Active Employees	400
Inactive Employees or Beneficiaries Currently Receiving Benefits	325
Inactive Employees Entitled to But not Yet Receiving Benefits	219
Total	<u><u>944</u></u>

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Contributions

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

As of June 30, 2023, the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	The Lesser of Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations.

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

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

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2022	\$ 323,147	\$ 283,306	\$ 39,841
Changes Recognized for the Period:			
Service Cost	6,872	-	6,872
Interest	22,582	-	22,582
Changes of Assumptions	11,019	-	11,019
Difference between Expected and Actual Experience	(2,982)	-	(2,982)
Contributions – Employer	-	10,467	(10,467)
Contributions – Employees	-	3,117	(3,117)
Net Investment Income	-	(21,483)	21,483
Benefit Payments, Including Refunds of Employee Contributions	(14,694)	(14,694)	-
Administrative Expense	-	(176)	176
Net Change	22,797	(22,769)	45,566
Balance at June 30, 2023	\$ 345,944	\$ 260,537	\$ 85,407

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate (in thousands):

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability	\$ 132,634	\$ 85,407	\$ 46,436

Funding of CalPERS Plan and Pension Benefits Trust

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

As of June 30, 2023, the total value of the assets in the Pension Trust was approximately \$106.7 million.

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

(1)	Total	CalPERS	Net Pension	Pension	CalPERS Assets	Trust Assets	Pension Assets
Fiscal	Pension	Assets	Liability/ (Asset)	Trust Assets	as a Percentage of the Total Pension Liability	as of Percentage of the Total Pension Liability	as a Percentage of the Total Pension Liability
Year	Liability	Assets	(Asset)	Trust Assets	of the Total Pension Liability	as of Percentage of the Total Pension Liability	as a Percentage of the Total Pension Liability
06/30/21	\$ 306,889	\$ 232,184	\$ 74,705	\$ 83,103	75.7%	27.0%	102.7%
06/30/22	323,147	283,306	39,841	107,930	87.7%	33.4%	121.1%
06/30/23	345,944	260,537	85,407	94,828	75.3%	27.4%	102.7%

(1) As of the measurement date June 30, 2020, 2021, and 2022 respectively.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the CalPERS board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The expected average remaining service lifetime for the Plan for the fiscal year ended June 30, 2023 was 5.0 years, which was obtained by dividing the total service years of 4,712 (the sum of remaining service lifetimes of the active employees) by 944 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(13) **Defined Benefit Pension Plan (Continued)**

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

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$11.2 million. At June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions made Subsequent to the Measurement Date	\$ 11,830	\$ -
Differences between Expected and Actual Experiences	2,168	2,386
Changes in Assumptions	8,815	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,223	-
Total	\$ 36,036	\$ 2,386

\$11.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. \$21.8 million net of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
2024	\$ 4,902
2025	4,212
2026	2,907
2027	9,799
Total	\$ 21,820

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(14) Other Post-Employment Benefits

Plan Descriptions

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

- **PEMHCA:** The District provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as CalPERS Health. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a CalPERS pension. Participation in PEMHCA is financed in part by the District through a contribution of \$149 per month per participating retiree.
- **RHCRP:** The District also administers a single-employer defined benefit Retiree Health Costs Reimbursement Plan (RHCRP), which provides medical benefits to covered employees and their eligible dependents. The duration of the benefit is based on employees' years of service as follows: 12 months of benefits for employees with 3-7 years of service; 24 months of benefits for employees with 8-9 years of services; 36 months of benefits for employees with 10-14 years of service; 48 months of benefits for employees with 15-19 years of service; and 60 months of benefits for employees with at least 20 years of service. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least three years of service. The District reimburses retirees for eligible healthcare costs of up to \$160 per month (for retirees with at least three years of service at the District), to a maximum of \$600 per month after 25 years of service. On February 27, 2023, the Board approved an enhancement to the RHCRP by increasing each tier by \$200 for eligible employees who retire from (and become eligible retirees of) the District on or after July 1, 2023.
- **Death Benefit:** The District administers a single-employer defined benefit Retiree Death Only plan (Death Benefit). Employees hired on or before December 31, 2008 and who retire from the District on or after age 55 with at least 10 years of service at the District are eligible for term life insurance with a face amount equal to 100% of their final annual salary at the time of retirement. Employees hired after December 31, 2008 are not currently eligible for this plan.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms under each Plan:

	PEMHCA	RHCRP	Death Benefit	Total
Inactive Employees or Beneficiaries Currently Receiving Benefits	119	49	-	168
Inactive Employees Entitled to But not Yet Receiving Benefits	86	-	136	222
Active Employees	377	377	118	872
Total	582	426	254	1,262

Contributions

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

For the fiscal year ended June 30, 2023, the District's cash contributions were \$10.5 million and estimated implied subsidy was \$0.3 million resulting in total payments of \$10.8 million. The following shows contributions by each OPEB plan (in thousands):

	PEMHCA	RHCRP	Death Benefit	Total
Cash Contributions	\$ 7,887	\$ 1,909	\$ 710	\$ 10,506
Estimated Implied Subsidy	302	-	-	302
Total	\$ 8,189	\$ 1,909	\$ 710	\$ 10,808

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2022 measurement date was used to determine the June 30, 2023 total OPEB liability, based on the following actuarial methods and assumptions:

	PEMHCA	RHCRP	Death Benefit
Actuarial Method	Entry Age Normal		
Actuarial Assumptions:			
Contribution Policy	Pay-as-you-go		
Discount Rate	3.54% at June 30, 2022 and 2.16% at June 30, 2021 (Bond Buyer 20-Bond Index)		
Inflation	2.50% Annually		
Mortality, Disability, Termination, Retirement	CalPERS 2000-2019 Experience Study		
Mortality Improvement	Mortality Projected Fully Generational with Scale MP-2021		
Salary Increases	2.75% Annually and CalPERS 2000-2019 Experience Study		
Medical Trend	Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076 Medicare - 7.50% for 2024, decreasing to 3.45% in 2076	Not Applicable	
Minimum Increase	3.50%	Not Applicable	
Participation at Retirement	Medical Coverage: 90% if eligible for RHCRP. Otherwise, 50% if currently in District's medical plan, 0% if not.	3 years of District Service: 100% Participate	100% Participate

Change in Assumptions

For the fiscal year ended June 30, 2022 measurement period, the discount rate was increased from 2.16 percent to 3.54 percent based on the municipal bond rate. Inflation rate was decreased from 2.75 percent was 2.50 percent. CalPERS 2000-2019 experience study was used. Medical and PEMHCA minimum trends were updated. Participation assumption was updated. Mortality improvement scale was updated to Scale MP-2021.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 percent, which was based on the Bond Buyer 20-Bond G.O. Index.

Changes in the OPEB Liability

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

	PEMHCA	RHCRP	Death Benefit	Total
Balance at June 30, 2022	\$ 19,332	\$ 3,613	\$ 1,794	\$ 24,739
Changes Recognized for the Period:				
Service Cost	1,245	234	39	1,518
Interest	439	80	39	558
Changes in Assumptions	(3,342)	(333)	(332)	(4,007)
Difference between Expected and Actual Experience	(1,542)	(42)	(76)	(1,660)
Benefit Payments	(532)	(263)	(20)	(815)
Net Change	(3,732)	(324)	(350)	(4,406)
Balance at June 30, 2023	\$ 15,600	\$ 3,289	\$ 1,444	\$ 20,333

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2022 (in thousands).

OPEB Liability	Discount Rate - 1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate + 1% (4.54%)
PEMHCA	\$ 18,090	\$ 15,600	\$ 13,585
RHCRP	3,494	3,289	3,096
Death Benefit	1,551	1,444	1,349
Total	\$ 23,135	\$ 20,333	\$ 18,030

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(14) Other Post-Employment Benefits (Continued)

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

The following presents the OPEB liability, calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate for the measurement period ended June 30, 2022 (in thousands).

OPEB Liability	Healthcare Trend Rates -1%	Curent Healthcare Trend Rates	Healthcare Trend Rates +1%
PEMHCA	\$ 13,208	\$ 15,600	\$ 18,678
RHCRP	3,289	3,289	3,289
Death Benefit	1,444	1,444	1,444
Total	<u>\$ 17,941</u>	<u>\$ 20,333</u>	<u>\$ 23,411</u>

Subsequent Events

The District established an OPEB Trust and contributed \$10.0 million during the fiscal year ended June 30, 2023. This may reduce the net OPEB liability reported in future years.

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$2.0 million which consisted of \$1.7 million for PEMHCA and, \$0.3 million for RHCRP.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

On June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	PEMHCA	RHCRP	Death		PEMHCA	RHCRP	Death	
			Benefit	Total			Benefit	Total
OPEB Contributions made Subsequent to the Measurement Date	\$ 8,189	\$ 1,909	\$ 710	\$ 10,808	\$ -	\$ -	\$ -	\$ -
Changes in Assumptions	2,880	242	83	3,205	3,325	349	261	3,935
Difference between Expected and Actual Experience	1,134	182	-	1,316	1,380	38	112	1,530
Total	\$ 12,203	\$ 2,333	\$ 793	\$ 15,329	\$ 4,705	\$ 387	\$ 373	\$ 5,465

The District has \$10.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2024. \$(1.0) million net of deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense (income) as follows (in thousands):

Fiscal Year	PEMHCA	RHCRP	Death Benefit	Total
2024	\$ 34	\$ 10	\$ (70)	\$ (26)
2025	33	10	(78)	(35)
2026	117	10	(82)	45
2027	173	24	(60)	137
2028	87	25	-	112
Thereafter	(1,135)	(42)	-	(1,177)
Total	\$ (691)	\$ 37	\$ (290)	\$ (944)

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(15) Deferred Compensation Plans

Retirement for Part Time Employees

The District provides pension benefits for all its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. For the year ended June 30, 2023, the District's payroll covered by the plan was \$212,872. The District made no employer contributions. Employees contributed \$16,418 for the fiscal year ended June 30, 2023.

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 2023 is \$22,500.

Effective January 1, 2008, for employees with one year or more of services, the District provides 100% matching up to an annual maximum of 3% of the employee's base salary after one year of service. Such employer contribution amounts are deposited into a money purchase plan pursuant to Section 401(a) of the Internal Revenue Code. All full-time employees who have completed two years of regular, full-time service with the District, are eligible for an additional District contribution. Beginning with the first month following an employee's second anniversary date, the District will deposit to the employee's 401 (a) Plan account on a per-pay period basis an amount equal to 1% of the employee's base salary. During the fiscal year ended June 30, 2023, the District contributed \$1.4 million to employee accounts under the 401(a) plan.

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

(16) Risk Management

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(16) Risk Management (Continued)

Property, Boiler and Machinery insurance is provided by the Public Risk Innovation, Solutions, and Management (PRISM). Property insurance includes flood insurance for all properties, and earthquake insurance for the District’s real estate investment properties. General and excess liability coverage and excess workers’ compensation insurance are provided through participation in the PRISM program. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Ironshore Holdings, a Liberty Mutual Company.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Excess coverage insurance policies cover individual general liability claims in excess of \$100,000, property claims in excess of \$50,000 and workers compensation claims in excess of \$125,000.

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

Fiscal Year	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year	Due within One Year	Due in more than One Year
2022	\$ 1,749	\$ 138	\$ (237)	\$ 1,650	\$ 572	\$ 1,078
2023	1,650	(82)	-	1,568	522	1,046

(17) Commitments and Contingencies

Legal Actions

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

(18) Net Position

Net position at June 30, 2023 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	\$ 2,081,706
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(520,052)
Certificates of participation	(127,867)
Notes payable	(197)
Leases payable	(715)
Deferred refunding charges	1,643
Total net investment in capital assets	<u>1,434,518</u>
Restricted net position:	
Restricted for water services	336,752
Restricted for sewer services	418,196
Total restricted net position	<u>754,948</u>
Total net position	<u><u>\$ 2,189,466</u></u>

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2023

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

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

	Measurement Date: June 30				
	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	\$ 6,872	\$ 6,161	\$ 6,001	\$ 5,498	\$ 5,098
Interest	22,582	21,815	20,700	19,651	18,570
Changes of Assumptions	11,019	-	-	-	(1,605)
Difference between Expected and Actual Experience	(2,982)	1,990	1,509	2,535	(235)
Benefit Payments, Including Refunds of Employee Contributions	(14,694)	(13,708)	(12,655)	(11,807)	(10,770)
Net Change in Total Pension Liability	22,797	16,258	15,555	15,877	11,058
Total Pension Liability – Beginning	323,147	306,889	291,334	275,457	264,399
Total Pension Liability – Ending (a)	\$ 345,944	\$ 323,147	\$ 306,889	\$ 291,334	\$ 275,457
Plan Fiduciary Net Position					
Contributions – Employer	\$ 10,467	\$ 9,569	\$ 8,430	\$ 7,185	\$ 6,157
Contributions – Employees	3,117	2,855	2,741	2,511	2,401
Net Investment Income	(21,483)	52,638	11,115	13,809	16,707
Benefit Payments, Including Refunds of Employee Contributions	(14,694)	(13,708)	(12,655)	(11,807)	(10,770)
Administrative Expense	(176)	(232)	(314)	(151)	(308)
Other Miscellaneous Income / (Expense) ⁽¹⁾	-	-	-	-	(585)
Net Change in Fiduciary Net Position	(22,769)	51,122	9,317	11,547	13,602
Plan Fiduciary Net Position – Beginning ⁽²⁾	283,306	232,184	222,867	211,320	197,718
Plan Fiduciary Net Position – Ending (b)	\$ 260,537	\$ 283,306	\$ 232,184	\$ 222,867	\$ 211,320
Plan Net Pension Liability – Ending (a) - (b)	\$ 85,407	\$ 39,841	\$ 74,705	\$ 68,467	\$ 64,137
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.31%	87.67%	75.66%	76.50%	76.72%
Covered Payroll	\$ 39,474	\$ 38,702	\$ 37,389	\$ 33,758	\$ 32,213
Plan Net Pension Liability as a Percentage of Covered Payroll	216.36%	102.94%	199.80%	202.82%	199.10%

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

	Measurement Date: June 30			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 4,825	\$ 4,066	\$ 4,005	\$ 3,942
Interest	17,806	17,092	16,343	15,436
Changes of Assumptions	15,182	-	(4,127)	-
Difference between Expected and Actual Experience	(1,702)	(1,856)	530	-
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,631)
Net Change in Total Pension Liability	<u>26,390</u>	<u>10,213</u>	<u>8,386</u>	<u>11,747</u>
Total Pension Liability – Beginning	238,009	227,796	219,410	207,663
Total Pension Liability – Ending (a)	<u><u>\$ 264,399</u></u>	<u><u>\$ 238,009</u></u>	<u><u>\$ 227,796</u></u>	<u><u>\$ 219,410</u></u>
Plan Fiduciary Net Position				
Contributions – Employer	\$ 5,450	\$ 4,926	\$ 4,524	\$ 4,330
Contributions – Employees	2,280	2,519	2,170	2,712
Net Investment Income	20,205	946	4,049	26,787
Benefit Payments, Including Refunds of Employee Contributions	(9,721)	(9,089)	(8,365)	(7,632)
Administrative Expense	(265)	(110)	(208)	-
Other Miscellaneous Income / (Expense) ⁽¹⁾	-	-	-	-
Net Change in Fiduciary Net Position	<u>17,949</u>	<u>(808)</u>	<u>2,170</u>	<u>26,197</u>
Plan Fiduciary Net Position – Beginning ⁽²⁾	179,769	180,577	178,407	152,210
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 197,718</u></u>	<u><u>\$ 179,769</u></u>	<u><u>\$ 180,577</u></u>	<u><u>\$ 178,407</u></u>
Plan Net Pension Liability – Ending (a) - (b)	<u><u>\$ 66,681</u></u>	<u><u>\$ 58,240</u></u>	<u><u>\$ 47,219</u></u>	<u><u>\$ 41,003</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.78%	75.53%	79.27%	81.31%
Covered Payroll	\$ 30,823	\$ 28,802	\$ 27,596	\$ 26,264
Plan Net Pension Liability as a Percentage of Covered Payroll	216.33%	202.21%	171.11%	156.12%

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

(2) Includes any beginning of year adjustment.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2023
 (Continued)

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

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

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

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

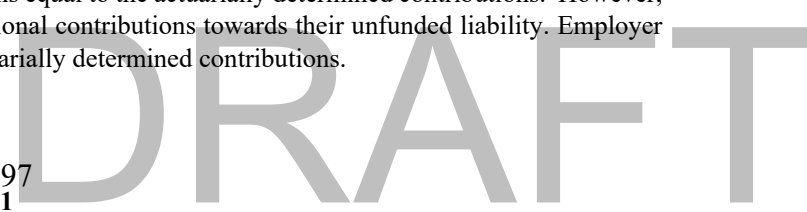
Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15 percent to 6.90 percent. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15 percent for measurement dates 2017 through 2021, 7.65 percent for measure dates 2015 through 2016, and 7.50 percent for measurement date 2014.

(b) Schedule of Contributions (in thousands)

Fiscal Year Ended June 30 ⁽¹⁾	2023	2022	2021	2020	2019
Actuarially Determined Contribution ⁽²⁾	\$ 11,830	\$ 10,467	\$ 9,569	\$ 8,430	\$ 7,185
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(11,830)	(10,467)	(9,569)	(8,430)	(7,185)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 43,127	\$ 39,474	\$ 38,702	\$ 37,389	\$ 33,758
Contributions as a Percentage of Covered Payroll	27.43%	26.52%	24.72%	22.55%	21.28%
Fiscal Year Ended June 30 ⁽¹⁾	2018	2017	2016	2015	
Actuarially Determined Contribution ⁽²⁾	\$ 6,157	\$ 5,450	\$ 4,926	\$ 4,524	
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(6,157)	(5,450)	(4,926)	(4,524)	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	
Covered Payroll	\$ 32,213	\$ 30,823	\$ 28,802	\$ 27,596	
Contributions as a Percentage of Covered Payroll	19.11%	17.68%	17.10%	16.39%	

(1) Historical information is required only for measurement periods from which GASB 68 is applicable. Fiscal Year 2015 was the first year of GASB 68 implementation.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.



Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2023
 (Continued)

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

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

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2023 were from the June 30, 2020 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Fair Value of Assets
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% (net of investment and administrative expenses)
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

Changes in Assumptions: On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2022-23 were calculated using a discount rate of 7.00 percent.

Subsequent Event: The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of June 30, 2020. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase future required contributions while investment returns above the assumed rate of return will decrease future required contributions.

CalPERS will be completing an Asset Liability Management (ALM) review process in November 2021 that will review the capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. In addition, the Actuarial Office will be completing its Experience Study to review the demographic experience within the pension system and make recommendations to modify future assumptions where appropriate.

Furthermore, this valuation does not reflect any impacts from the COVID-19 pandemic on your pension plan. The impact of COVID-19 on retirement plans is not yet known and CalPERS actuaries will continue to monitor the effects and, where necessary, make future adjustments to actuarial assumptions.

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2023
 (Continued)

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

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

The projected employer contributions on Page 6 are calculated under the assumption that the discount rate remains at 7.00 percent going forward and that the realized rate of return on assets for fiscal year 2020-21 is 7.00 percent.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2021. Any subsequent changes or actions are not reflected.

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

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

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

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

Irvine Ranch Water District
 Required Supplementary Information
 For the Fiscal Year Ended June 30, 2023
 (Continued)

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

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

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

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

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

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

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

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

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

For the fiscal year ended June 30, 2018 measurement period, the discount rate was 3.87 percent based on municipal bond rate. CalPERS 1997-2015 Experience Study was used. Mortality improvement scale was updated to Scale MP-2018. Medical claims costs were developed by Axene Health Partners based on demographic data for the CalPERS health plans provided by CalPERS and Axene's proprietary AHP Cost Model. Short term medical trend was developed in consultation with Axene Health Partners' healthcare actuaries. Long-term medical trend developed using the Society of Actuaries Getzen Model of Long-Run Medical Cost Trends. Participation at retirement for medical coverage was updated to 70% if eligible for RHCRP. A 2% load on the cash liability was added to estimate the ACA Excise Tax.

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2023
(Continued)

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

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

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

Subsequent Event: The District established an OPEB Trust and contributed \$10.0 million during the fiscal year ended June 30, 2023. This may reduce the net OPEB liability reported in future years.

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Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2023

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

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

Net Position
Changes in Net Position

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

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

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

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

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

Principal Employers
Demographic and Economic Statistics

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

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

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2014 ⁽¹⁾	2015 ⁽²⁾	2016 ⁽³⁾	2017 ⁽⁴⁾	2018 ⁽⁵⁾
Assets					
Current and other assets	\$ 462.7	\$ 332.9	\$ 456.6	\$ 735.1	\$ 797.4
Capital assets	1,567.5	1,647.4	1,731.6	1,848.3	1,890.8
Total assets	<u>2,030.2</u>	<u>1,980.3</u>	<u>2,188.2</u>	<u>2,583.4</u>	<u>2,688.2</u>
Deferred Outflows of Resources	<u>37.7</u>	<u>43.3</u>	<u>49.7</u>	<u>61.6</u>	<u>41.7</u>
Liabilities					
Current and other liabilities	54.9	51.5	65.4	78.5	52.5
Long-term liabilities	623.4	602.8	589.8	790.9	831.7
Total liabilities	<u>678.3</u>	<u>654.3</u>	<u>655.2</u>	<u>869.4</u>	<u>884.2</u>
Deferred Inflows of Resources	<u>-</u>	<u>14.6</u>	<u>4.4</u>	<u>3.6</u>	<u>4.8</u>
Net Position					
Net investment in capital assets	981.3	1,074.6	1,178.5	1,087.9	1,155.5
Restricted for water services	165.1	148.6	221.5	264.3	289.5
Restricted for sewer services	243.2	131.5	178.3	419.8	395.9
Total net position	<u>\$ 1,389.6</u>	<u>\$ 1,354.7</u>	<u>\$ 1,578.3</u>	<u>\$ 1,772.0</u>	<u>\$ 1,840.9</u>

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

(Continued)

	Fiscal Year				
	2019	2020	2021	2022	2023
Assets					
Current and other assets	\$ 803.8	\$ 828.7	\$ 869.0	\$ 882.3	\$ 866.7
Capital assets	1,958.7	1,987.8	2,023.8	2,029.8	2,081.7
Total assets	2,762.5	2,816.5	2,892.8	2,912.1	2,948.4
Deferred Outflows of Resources	41.2	47.6	44.9	32.1	58.3
Liabilities					
Current and other liabilities	53.8	56.0	64.4	69.9	60.2
Long-term liabilities	817.4	812.4	797.4	732.8	747.0
Total liabilities	871.2	868.4	861.8	802.7	807.2
Deferred Inflows of Resources	4.5	3.9	1.7	29.5	10.0
Net Position					
Net investment in capital assets	1,238.8	1,283.8	1,336.7	1,362.3	1,434.5
Restricted for water services	313.0	350.0	384.0	358.3	336.8
Restricted for sewer services	376.2	358.0	353.5	391.4	418.2
Total net position	\$ 1,928.0	\$ 1,991.8	\$ 2,074.2	\$ 2,112.0	\$ 2,189.5

Source: Irvine Ranch Water District Basic Financial Statements

Notes:

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

Irvine Ranch Water District

Changes in Net Position For the Past Ten Fiscal Years

(in millions)

	Fiscal Year				
	2014	2015 ⁽¹⁾	2016 ⁽²⁾	2017 ⁽³⁾	2018 ⁽⁴⁾
Operating Revenues					
Water sales and service charges	\$ 66.3	\$ 70.1	\$ 76.7	\$ 77.2	\$ 84.6
Sewer sales and service charges	58.1	62.8	67.7	72.1	76.8
Total operating revenues	124.4	132.9	144.4	149.3	161.4
Operating Expenses					
Water services expenses	71.3	67.3	69.3	71.2	82.5
Sewer services expenses	46.3	60.4	48.1	51.8	52.1
Depreciation	46.8	51.0	58.3	61.8	63.9
Total operating expenses	164.4	178.7	175.7	184.8	198.5
Operating income (loss)	(40.0)	(45.8)	(31.3)	(35.5)	(37.1)
Nonoperating Revenues (Expenses)					
Property taxes	42.8	40.2	46.3	51.3	57.2
Investment income	1.0	1.2	1.2	2.8	4.1
Increase (decrease) in fair value of investments	(16.2)	-	-	(1.6)	(1.6)
JPA investment income	29.5	-	-	-	-
Real estate income	11.9	12.5	13.1	13.4	16.7
Increase (decrease) in fair value of real estate investments	-	-	5.6	10.1	4.1
Pension trust interest and dividends income	-	-	-	-	3.0
Increase (decrease) in fair value of pension trust investments	-	-	-	-	2.2
Other income	11.0	10.1	7.8	7.1	7.4
Interest expense	(15.8)	(13.9)	(15.4)	(18.8)	(26.0)
JPA interest expense	(17.2)	-	-	-	-
Real estate expense	(6.1)	(6.3)	(4.4)	(4.4)	(13.3)
Pension trust expense	-	-	-	-	-
Other expenses	(7.2)	(9.7)	(2.8)	(1.9)	(0.2)
Total nonoperating revenue (expenses)	33.7	34.1	51.4	58.0	53.6
Income (loss) before capital contributions	(6.3)	(11.7)	20.1	22.5	16.5
Contributed capital assets	34.7	42.6	53.3	41.9	60.6
Increase (decrease) in net position	28.4	30.9	73.4	64.4	77.1
Net position at beginning of year	1,361.2	1,389.6	1,354.7	1,578.3	1,772.0
Prior period adjustments	-	(65.8)	150.2	129.3	(8.2)
Net position at end of year	\$ 1,389.6	\$ 1,354.7	\$ 1,578.3	\$ 1,772.0	\$ 1,840.9

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

(in millions)
(Continued)

	Fiscal Year				
	2019	2020	2021	2022	2023
Operating Revenues					
Water sales and service charges	\$ 94.1	\$ 90.2	\$ 96.6	\$ 103.3	\$ 103.6
Sewer sales and service charges	76.8	77.2	82.2	84.9	84.7
Total operating revenues	170.9	167.4	178.8	188.2	188.3
Operating Expenses					
Water services expenses	83.9	89.4	101.6	106.4	110.2
Sewer services expenses	59.5	66.6	71.0	64.9	72.4
Depreciation	64.8	67.6	68.0	79.0	83.5
Total operating expenses	208.2	223.6	240.6	250.3	266.1
Operating income (loss)	(37.3)	(56.2)	(61.8)	(62.1)	(77.8)
Nonoperating Revenues (Expenses)					
Property taxes	63.1	66.4	67.7	70.8	77.0
Investment income	6.2	7.8	5.3	(0.8)	7.3
Increase (decrease) in fair value of investments	5.2	2.3	(4.6)	(3.8)	2.6
JPA investment income	-	-	-	-	-
Real estate income	17.8	18.2	15.4	16.4	18.7
Increase (decrease) in fair value of real estate investments	6.1	0.6	25.7	7.6	7.8
Pension trust interest and dividends income	2.1	3.3	4.4	5.0	8.3
Increase (decrease) in fair value of pension trust investments	3.2	1.5	20.5	(18.0)	3.7
Other income	8.9	6.6	6.3	6.5	7.3
Interest expense	(25.5)	(22.2)	(20.8)	(20.7)	(22.4)
JPA interest expense	-	-	-	-	-
Real estate expense	(9.4)	(5.6)	(5.6)	(6.6)	(7.3)
Pension trust expense	(0.1)	(0.1)	(0.1)	-	-
Other expenses	(2.6)	(5.2)	(1.4)	(2.8)	(2.0)
Total nonoperating revenue (expenses)	75.0	73.6	112.8	53.6	101.0
Income (loss) before capital contributions	37.7	17.4	51.0	(8.5)	23.2
Contributed capital assets	49.4	46.4	31.4	46.3	54.3
Increase (decrease) in net position	87.1	63.8	82.4	37.8	77.5
Net position at beginning of year	1,840.9	1,928.0	1,991.8	2,074.2	2,112.0
Prior period adjustments	-	-	-	-	-
Net position at end of year	\$ 1,928.0	\$ 1,991.8	\$ 2,074.2	\$ 2,112.0	\$ 2,189.5

Source: IRWD Basic Financial Statements

Notes:

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Residential	34,068	32,375	28,573	30,384	32,848
Commercial	8,803	8,391	8,377	8,179	8,769
Industrial	4,891	6,233	5,118	5,084	4,923
Public Authority	2,458	2,583	2,234	2,282	2,633
Construction & Temporary	739	863	1,230	874	1,292
Landscape	5,671	5,327	3,843	4,126	4,740
Agricultural	3,277	2,547	2,216	1,856	1,839
Landscape/Agricultural	30,021	32,139	26,386	26,374	29,736
Total	89,928	90,458	77,977	79,159	86,780

	Fiscal Year				
	2019	2020	2021	2022	2023
Residential	31,642	33,073	35,851	34,787	31,943
Commercial	8,624	7,818	7,744	7,871	7,785
Industrial	4,831	4,636	4,819	4,931	4,567
Public Authority	2,369	1,972	1,617	1,857	2,157
Construction & Temporary	542	480	543	688	498
Landscape	4,065	4,229	5,014	4,949	3,748
Agricultural	1,114	1,013	471	399	291
Landscape/Agricultural	26,153	29,659	31,042	30,298	25,055
Total	79,340	82,880	87,101	85,780	76,044

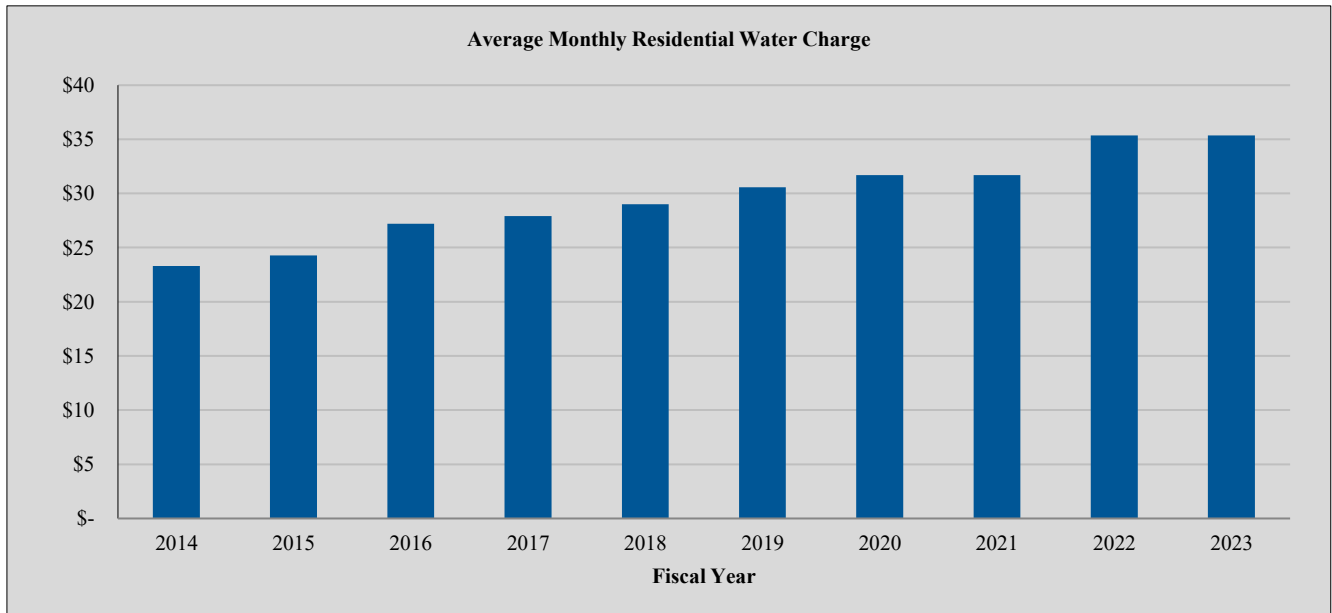
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates ⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Base Commodity Rate (per ccf)	Average Monthly Residential Charge
2014	\$ 9.85	\$ 1.27	\$ 23.29
2015	10.50	1.34	24.28
2016	10.30	1.62	27.19
2017	10.30	1.65	27.90
2018	10.30	1.70	29.00
2019	10.35	1.89	30.58
2020	10.35	2.00	31.70
2021	10.35	2.00	31.70
2022 ⁽²⁾	10.75	2.42	35.34
2023	10.75	2.42	35.34



Source: Irvine Ranch Water District

Note:

⁽¹⁾ The water charge to the typical residential customer is based upon an average of 12 ccf per month. The first 5 ccf are at the District's low volume rate, which is \$0.89 less than the commodity base rate in FY 2023. The fixed monthly service charge includes components that are added to enhancement and replacement funds for future inevitable repair and replacement of IRWD's infrastructure.

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

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

Customer Name	2023			2014		
	Total Sales	Rank	Percentage of Water Sales Revenues	Total Sales	Rank	Percentage of Water Sales Revenues
The Irvine Company	\$ 9,463,558	1	9.12%	\$ 2,695,226	1	4.06%
University of California - Irvine	1,675,663	2	1.62%	1,243,724	2	1.88%
Jazz Semiconductor	1,600,481	3	1.54%	765,756	3	1.15%
B Braun Medical, Inc	1,457,806	4	1.41%	603,321	4	0.91%
Woodbridge Village Association	625,392	5	0.60%	422,656	5	0.64%
City of Irvine	517,196	6	0.50%	360,461	6	0.54%
Allergan Sales, LLC	359,714	7	0.35%	275,341	8	0.42%
Irvine Unified School District	332,588	8	0.32%			
City of Lake Forest	305,835	9	0.30%	236,595	10	0.36%
Maruchan, Inc	302,759	10	0.29%			
Heritage Fields, LLC				296,884	7	0.45%
ERP Operating LP				238,963	9	0.36%
Total	\$ 16,640,992		16.05%	\$ 7,138,927		10.77%

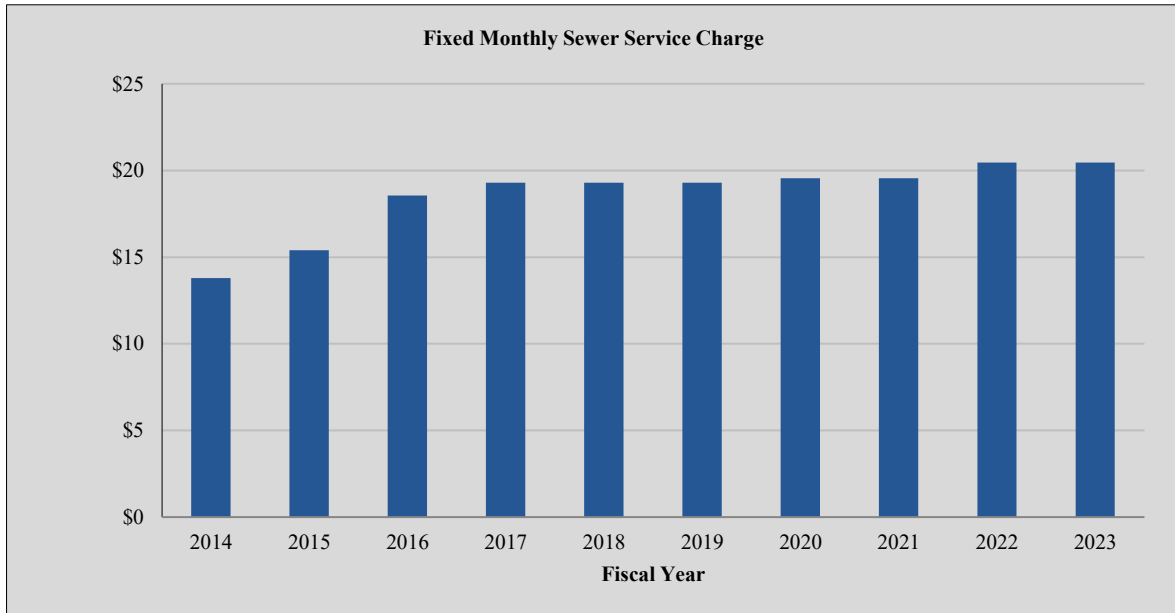
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2014	\$ 13.80
2015	15.40
2016	18.55
2017	19.30
2018	19.30
2019	19.30
2020	19.55
2021	19.55
2022 ⁽²⁾	20.45
2023	20.45



Source: Irvine Ranch Water District

Note:

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

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

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

Customer Name	2023			2014		
	Total Sales	Rank	Percentage of Sewer Sales Revenues	Total Sales	Rank	Percentage of Sewer Sales Revenues
The Irvine Company	\$ 13,071,552	1	15.43%	\$ 3,096,888	1	5.33%
City of Irvine	2,840,890	2	3.35%	2,135,707	2	3.68%
University of California - Irvine	2,662,137	3	3.14%	1,684,231	3	2.90%
B Braun Medical, Inc	798,647	4	0.94%	543,502	5	0.94%
Irvine Unified School District	702,617	5	0.83%	535,744	6	0.92%
Crystal Cove Community Association	399,138	6	0.47%			
ERP Operating, LP	371,713	7	0.44%			
Caltrans District 12	369,927	8	0.44%	918,254	4	1.58%
City of Tustin	346,229	9	0.41%			
Woodbury Community Association	318,842	10	0.38%			
Hertiage Fields, LLC				373,192	7	0.64%
Los Olivos Apartments				278,100	8	0.48%
Royalty Carpet Mills				316,847	9	0.55%
Allergan Sales, LLC				312,114	10	0.54%
Total	\$ 21,881,692		25.83%	\$ 10,194,579		17.54%

Source: Irvine Ranch Water District

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

Improvement District	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
112	\$0.03168	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.03000	\$0.01560	\$0.01100	\$0.01100
113	0.05940	0.03000	0.03000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000	0.04000
121	0.01311	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
125	N/A	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300	0.01300
130	0.00680	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135	0.00421	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140	0.01000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150	0.01980	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
153	N/A	0.00001	0.00001	0.00001	0.02000	0.02000	0.02000	0.00900	0.00900	0.00900
161	0.01758	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
182	0.02700	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
184	0.01350	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
185	N/A	0.00001	0.00001	0.00001	0.02300	0.02300	0.02300	0.00810	0.00810	0.00810
186	0.04787	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
188	0.21540	0.21540	0.21540	0.21540	0.07350	0.07350	0.07350	0.03090	0.03090	0.03090
212	0.07452	0.04500	0.04500	0.04500	0.04500	0.04500	0.04500	0.04860	0.03650	0.03650
213	0.08720	0.03800	0.03800	0.05900	0.05900	0.05900	0.05900	0.05900	0.05900	0.05900
221	0.01700	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
225	N/A	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
230	0.02200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
235	0.00266	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
240	0.02140	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500
250	0.03600	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
252	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001
253	N/A	0.00001	0.00001	0.00001	0.02100	0.02100	0.02100	0.01300	0.01300	0.01300
261	0.02830	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
282	0.01890	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
284	0.03239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
285	N/A	0.00001	0.00001	0.00001	0.03050	0.03050	0.03050	0.01370	0.01370	0.01370
286	0.00201	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
288	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.01000	0.00850	0.00850	0.00850

Source: Irvine Ranch Water District

Note:

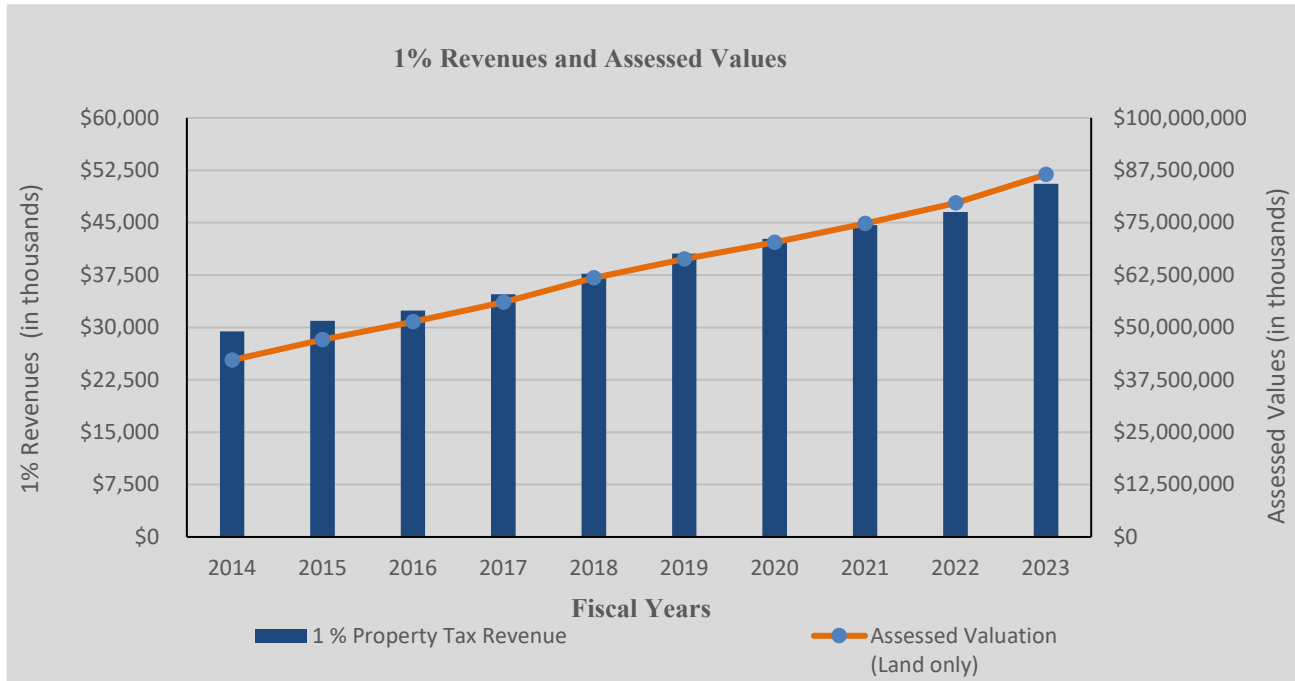
⁽¹⁾ The ad valorem property tax rates for the consolidated improvement district are effective July 1, 2014.

Irvine Ranch Water District

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

(in thousands)

Fiscal Year	Assessed Valuation (Land only)	1 % Property Tax Revenue
2014	\$ 42,205,844	\$ 29,445
2015	47,059,437	30,924
2016	51,340,888	32,427
2017	56,028,731	34,761
2018	61,803,980	37,693
2019	66,341,210	40,543
2020	70,305,737	42,669
2021	74,770,230	44,621
2022	79,714,452	46,530
2023	86,464,986	50,548



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

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

Irvine Ranch Water District
Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2023

Direct Rate:

Irvine Ranch Water District I.D. No. 112	\$0.01100
Irvine Ranch Water District I.D. No. 113	0.04000
Irvine Ranch Water District I.D. No. 125	0.01300
Irvine Ranch Water District I.D. No. 153	0.00900
Irvine Ranch Water District I.D. No. 185	0.00810
Irvine Ranch Water District I.D. No. 188	0.03090
Irvine Ranch Water District I.D. No. 212	0.03650
Irvine Ranch Water District I.D. No. 213	0.05900
Irvine Ranch Water District I.D. No. 225	0.01500
Irvine Ranch Water District I.D. No. 240	0.01500
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 253	0.01300
Irvine Ranch Water District I.D. No. 285	0.01370
Irvine Ranch Water District I.D. No. 288	0.00850

Overlapping Rates:

School Districts:

Coast Community College District	0.03102
Rancho Santiago Community College District	0.02738
Rancho Santiago Community College District SFID 1	0.01953
Irvine Unified School District SFID No. 1	0.02582
Laguna Beach Unified School District	0.00971
Newport Mesa Unified School District	0.01724
Orange Unified School District	0.02555
Saddleback Valley Unified School District	0.02227
Santa Ana Unified School District	0.06976
Tustin Unified School District SFID 2002-1	0.02280
Tustin Unified School District SFID 2008-1	0.02592
Tustin Unified School District SFID 2012-1	0.01775

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2023

Property Owner's Name	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	\$ 2,810,528,429	2.96%
LBA IV-PPI LLC	2,025,851,018	2.13%
B Braun Medical Inc	553,249,623	0.58%
Allergan USA Inc	528,272,818	0.56%
Irvine Apartment Communities LP	460,618,163	0.48%
Edwards Lifesciences LLC	447,397,477	0.47%
Jamboree Center LLC	433,634,011	0.46%
Park Place Michelson LLC	425,466,066	0.45%
Irvine Office Towers LLC	415,644,322	0.44%
Heritage Fields El Toro LLC	385,155,728	0.41%
	\$ 8,485,817,655	8.94%

Source: City of Irvine Annual Comprehensive Financial Report
(Fiscal Year Ended June 30, 2022).
Data was not yet available for FY 2022/23 from the City of Irvine.
The City of Irvine is only a part of the IRWD service area.

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

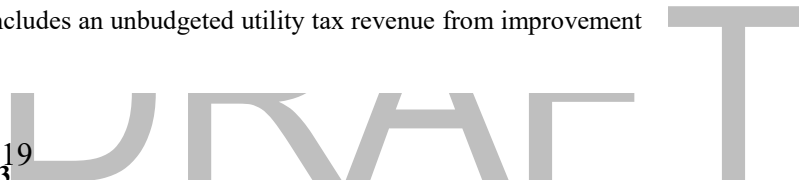
Fiscal Year	Levied During Fiscal Year		Collected During Fiscal Year	
	1 Percent ⁽¹⁾	General Obligation ⁽²⁾	1 Percent	General Obligation ⁽³⁾
2014	\$ 26,749,900	\$ 11,374,556	\$ 27,606,048	\$ 12,463,175
2015	29,000,000	9,203,641	28,668,756	9,585,904
2016	31,900,000	11,133,538	31,115,506	10,879,713
2017	33,500,000	11,679,081	33,318,168	12,822,313
2018	35,000,000	13,964,731	35,977,694	15,482,916
2019	39,000,000	16,142,433	38,717,848	17,906,438
2020	45,000,000	18,480,090	40,739,166	19,603,125
2021	46,000,000	18,367,833	42,670,804	18,868,884
2022	50,000,000	18,933,891	47,107,934	16,600,820
2023	51,500,000	21,691,577	47,795,279	21,453,267
Total	\$ 387,649,900	\$ 150,971,371	\$ 373,717,203	\$ 155,666,555

Fiscal Year	Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent	General Obligation	1 Percent	General Obligation
2014	103.20%	109.57%	\$ 1,148,873	\$ 988,796
2015	98.86%	104.15%	2,275,461	4,888
2016	97.54%	97.72%	1,192,700	884,301
2017	99.46%	109.79%	1,230,854	1,443,272
2018	102.79%	110.87%	1,542,713	1,635,416
2019	99.28%	110.93%	1,510,697	1,911,630
2020	90.53%	106.08%	1,749,765	1,515,136
2021	92.76%	102.73%	2,072,539	1,183,562
2022	94.22%	87.68%	2,254,923	989,922
2023	92.81%	98.90%	2,865,206	1,471,983
Total			\$ 17,843,731	\$ 12,028,906

Source County of Orange Tax Ledger

Notes:

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



Irvine Ranch Water District

Outstanding Debt by Type ⁽¹⁾

For the Past Ten Fiscal Years

Fiscal Year	Total Service Connections ⁽²⁾	General Obligation Bonds	GO Debt per Connection	Certificates of Participation	COPS Debt per Connection
2014	200,559	\$ 515,900,000	\$ 2,572	\$ 73,565,000	\$ 367
2015	203,762	503,800,000	2,472	67,293,000	330
2016	209,267	491,200,000	2,347	60,387,000	289
2017	215,573	608,118,000	2,821	153,626,000	713
2018	222,918	586,493,000	2,631	150,275,000	674
2019	227,749	574,669,000	2,523	146,744,000	644
2020	231,439	562,645,000	2,431	143,028,000	618
2021	235,819	550,421,000	2,334	138,233,000	586
2022	239,735	535,341,000	2,233	133,182,000	556
2023	242,503	520,052,000	2,145	127,867,000	527

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

Fiscal Year	Notes Payable	Notes Payable per Connection	Total Debt	Total Debt per Connection
2014	\$ 1,984,000	\$ 10	\$ 591,449,000	\$ 2,949
2015	1,728,000	8	572,821,000	2,811
2016	1,469,000	7	553,056,000	2,643
2017	1,209,000	6	762,953,000	3,539
2018	947,000	4	737,715,000	3,309
2019	684,000	3	722,097,000	3,171
2020	419,000	2	706,092,000	3,051
2021	347,000	1	689,001,000	2,922
2022	273,000	1	668,796,000	2,790
2023	197,000	1	648,116,000	2,673

Source: Irvine Ranch Water District

Notes:

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

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

Irvine Ranch Water District
Outstanding General Obligation Bonds by Improvement District
As of June 30, 2023

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2023
112	\$ 28,512,300	\$ 8,111,000	\$ 20,401,300	\$ 7,009,000
113	25,769,500	16,300,000	9,469,500	13,061,000
125	735,246,000	429,729,000	305,517,000	164,842,000
153	237,300,000	7,601,000	229,699,000	7,276,000
154	4,839,000	-	4,839,000	-
185	13,500,000	1,493,000	12,007,000	1,429,000
188	8,174,000	4,590,000	3,584,000	1,560,000
Total	\$ 1,053,340,800	\$ 467,824,000	\$ 585,516,800	\$ 195,177,000
210	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
212	108,711,800	26,013,000	82,698,800	22,899,000
213	87,647,500	28,565,000	59,082,500	20,487,000
225	856,643,000	493,304,000	363,339,000	233,876,000
240	117,273,000	49,722,000	67,551,000	13,313,000
253	122,283,000	11,877,000	110,406,000	11,370,000
285	21,300,000	1,809,000	19,491,000	1,731,000
288	8,977,000	443,000	8,534,000	327,000
Total	\$ 1,324,835,300	\$ 613,733,000	\$ 711,102,300	\$ 304,003,000
Total	\$ 2,378,176,100	\$ 1,081,557,000	\$ 1,296,619,100	\$ 499,180,000

Source: Irvine Ranch Water District

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

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 112				Improvement District 212			
2014	\$ 780,606,904	\$ 5,562,000	0.00712523	2014	\$ 780,606,904	\$ 15,218,000	0.01949509
2015	1,333,029,836	5,470,000	0.00410343	2015	1,333,029,836	14,974,000	0.01123306
2016	1,850,638,433	5,378,000	0.00290602	2016	1,850,638,433	14,731,000	0.00795996
2017	2,077,681,111	7,658,000	0.00368584	2017	2,077,681,111	24,801,000	0.01193687
2018	2,795,881,726	7,567,000	0.00270648	2018	2,795,881,726	24,558,000	0.00878363
2019	3,230,805,159	7,476,000	0.00231397	2019	3,230,805,159	24,314,000	0.00752568
2020	3,706,557,300	7,384,000	0.00199227	2020	3,706,557,300	24,070,000	0.00649398
2021	3,874,872,238	7,293,000	0.00188213	2021	3,874,872,238	23,827,000	0.00614911
2022	4,552,071,395	7,152,000	0.00157115	2022	4,552,071,395	23,368,000	0.00513349
2023	4,929,961,405	7,009,000	0.00142171	2023	4,929,961,405	22,899,000	0.00464486
Improvement District 113				Improvement District 213			
2014	\$ 674,596,339	\$ 14,150,000	0.02097551	2014	\$ 674,596,339	\$ 22,074,000	0.03272179
2015	827,524,085	13,900,000	0.01679709	2015	827,524,085	21,488,000	0.02596662
2016	885,391,548	13,638,000	0.01540335	2016	885,391,548	20,839,000	0.02353648
2017	1,031,821,023	14,870,000	0.01441141	2017	1,031,821,023	24,950,000	0.02418055
2018	1,143,798,184	14,597,000	0.01276187	2018	1,143,798,184	24,288,000	0.02123452
2019	1,186,452,170	14,320,000	0.01206960	2019	1,186,452,170	23,621,000	0.01990894
2020	1,283,110,993	14,037,000	0.01094015	2020	1,283,110,993	22,947,000	0.01788419
2021	1,334,069,673	13,750,000	0.01030681	2021	1,334,069,673	22,267,000	0.01669103
2022	1,408,807,895	13,409,000	0.00951798	2022	1,408,807,895	21,383,000	0.01517808
2023	1,588,646,528	13,061,000	0.00822146	2023	1,588,646,528	20,487,000	0.01289588
Improvement District 125				Improvement District 225			
2014	\$ 29,578,638,615	\$ 192,075,000	0.00649371	2014	\$ 24,757,488,949	\$ 240,995,000	0.00973423
2015	32,752,414,757	187,604,000	0.00572794	2015	27,557,606,802	235,865,000	0.00855898
2016	35,506,392,050	182,932,000	0.00515209	2016	29,945,134,379	230,535,000	0.00769858
2017	38,802,873,378	194,719,000	0.00501816	2017	32,838,922,602	268,655,000	0.00818099
2018	42,983,731,609	187,049,000	0.00435162	2018	36,549,538,031	260,260,000	0.00712075
2019	45,924,240,097	184,083,000	0.00400841	2019	39,234,190,651	256,320,000	0.00653308
2020	48,290,836,261	178,837,000	0.00370333	2020	41,383,837,339	250,818,000	0.00606078
2021	50,618,755,410	174,616,000	0.00344963	2021	43,435,406,719	245,995,000	0.00566347
2022	54,374,081,019	169,762,000	0.00312211	2022	46,663,295,492	239,979,000	0.00514278
2023	58,826,902,804	164,842,000	0.00280215	2023	50,684,289,211	233,876,000	0.00461437

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

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 240							
2014	\$ 5,609,174,229	\$ 24,078,000	0.00429261	2014	\$ 228,692,347	n/a	n/a
2015	6,031,968,996	22,767,000	0.00377439	2015	666,622,225	n/a	n/a
2016	6,449,202,772	21,431,000	0.00332305	2016	1,287,363,937	n/a	n/a
2017	7,000,292,817	21,271,000	0.00303859	2017	2,893,148,966	\$ 11,877,000	0.00410522
2018	7,667,626,922	17,921,000	0.00233723	2018	4,097,566,306	11,877,000	0.00289855
2019	8,000,510,347	17,202,000	0.00215011	2019	5,118,350,587	11,877,000	0.00232047
2020	8,281,189,054	16,177,000	0.00195352	2020	5,812,018,792	11,877,000	0.00204357
2021	8,600,764,183	15,240,000	0.00177194	2021	6,577,643,858	11,877,000	0.00180566
2022	9,219,006,303	14,277,000	0.00154865	2022	7,561,167,645	11,630,000	0.00153812
2023	9,751,138,008	13,313,000	0.00136528	2023	8,891,276,761	11,370,000	0.00127878
Improvement District 153							
2014	\$ 8,687,744	n/a	n/a				
2015	666,622,225	n/a	n/a				
2016	1,287,363,937	n/a	n/a				
2017	2,893,148,966	\$ 7,601,000	0.00262724				
2018	4,097,566,306	7,601,000	0.00185500				
2019	5,118,350,587	7,601,000	0.00148505				
2020	5,812,018,792	7,601,000	0.00130785				
2021	6,577,643,858	7,601,000	0.00115558				
2022	7,561,167,645	7,443,000	0.00098437				
2023	8,891,276,761	7,276,000	0.00081833				
Improvement District 253							
2014	\$ 228,692,347	n/a	n/a				
2015	666,622,225	n/a	n/a				
2016	1,287,363,937	n/a	n/a				
2017	2,893,148,966	\$ 11,877,000	0.00410522				
2018	4,097,566,306	11,877,000	0.00289855				
2019	5,118,350,587	11,877,000	0.00232047				
2020	5,812,018,792	11,877,000	0.00204357				
2021	6,577,643,858	11,877,000	0.00180566				
2022	7,561,167,645	11,630,000	0.00153812				
2023	8,891,276,761	11,370,000	0.00127878				
Improvement District 154							
2014	\$ 9,111,103	n/a	n/a				
2015	9,289,351	n/a	n/a				
2016	9,266,433	n/a	n/a				
2017	9,376,883	n/a	n/a				
2018	9,529,712	n/a	n/a				
2019	9,720,296	n/a	n/a				
2020	9,914,693	n/a	n/a				
2021	10,017,398	n/a	n/a				
2022	10,217,738	n/a	n/a				
2023	10,389,872	n/a	n/a				

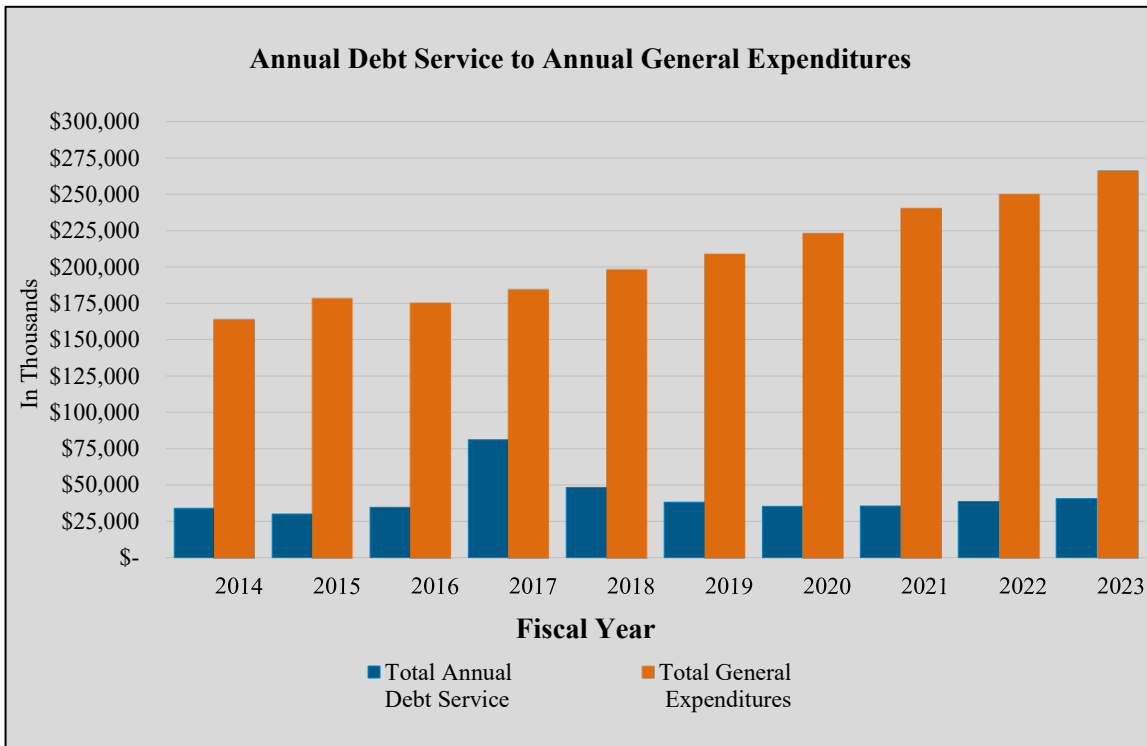
Irvine Ranch Water District
Ratio of General Obligation Debt to Assessed Values
for the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 185				Improvement District 285			
2014	\$ 85,119,097	n/a	n/a	2014	\$ 85,119,097	n/a	n/a
2015	209,634,682	n/a	n/a	2015	209,634,682	n/a	n/a
2016	586,316,903	n/a	n/a	2016	586,316,903	n/a	n/a
2017	836,640,799	\$ 1,493,000	0.00178452	2017	836,640,799	\$ 1,809,000	0.00216222
2018	1,209,166,559	1,493,000	0.00123473	2018	1,209,166,559	1,809,000	0.00149607
2019	1,465,394,626	1,493,000	0.00101884	2019	1,465,394,626	1,809,000	0.00123448
2020	1,262,000,047	1,493,000	0.00118295	2020	1,262,000,047	1,809,000	0.00143326
2021	1,299,866,233	1,493,000	0.00114858	2021	1,299,866,233	1,809,000	0.00139168
2022	1,424,002,022	1,462,000	0.00102668	2022	1,424,002,022	1,771,000	0.00124368
2023	1,563,921,378	1,429,000	0.00091373	2023	1,563,921,378	1,731,000	0.00110683
Improvement District 188				Improvement District 288			
2014	\$ 14,446,476	\$ 1,468,000	0.10161648	2014	\$ 14,446,476	\$ 280,000	0.01938189
2015	14,735,113	1,462,000	0.09921879	2015	14,735,113	270,000	0.01832358
2016	185,851,827	1,456,000	0.00783420	2016	185,851,827	260,000	0.00139896
2017	196,953,990	1,603,000	0.00813896	2017	196,953,990	393,000	0.00199539
2018	212,742,385	1,597,000	0.00750673	2018	212,742,385	383,000	0.00180030
2019	246,753,329	1,591,000	0.00644773	2019	246,753,329	373,000	0.00151163
2020	255,088,204	1,585,000	0.00621204	2020	255,088,204	363,000	0.00142345
2021	284,644,152	1,579,000	0.00554728	2021	284,644,152	353,000	0.00124014
2022	329,117,953	1,569,000	0.00476729	2022	329,117,953	340,000	0.00103306
2023	388,854,365	1,560,000	0.00401178	2023	388,854,365	327,000	0.00084093

Source: Irvine Ranch Water District

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

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2014	\$ 34,009	\$ 164,420	20.7%
2015	29,921	178,713	16.7%
2016	34,560	175,694	19.7%
2017	81,029	184,854	43.8%
2018	48,349	198,549	24.4%
2019	38,176	209,413	18.2%
2020	35,247	223,549	15.8%
2021	35,474	240,685	14.7%
2022	38,563	250,269	15.4%
2023	40,683	266,091	15.3%



Source: Irvine Ranch Water District

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues					
Water sales and service charges	\$ 66,321	\$ 70,110	\$ 76,692	\$ 77,252	\$ 84,575
Sewer sales and service charges	58,109	62,808	67,682	72,054	76,789
Developer Connection fees	22,429	29,183	32,109	25,563	32,674
Net real estate income	7,760	8,191	8,693	9,076	3,405
Interest income	1,671	1,515	1,585	3,210	4,489
Net earnings on JPA	12,356	-	-	-	-
Available 1% property tax revenue	28,532	29,770	31,645	34,247	29,649
Other	10,974	7,899	7,836	7,117	7,504
Total Revenues	208,152	209,476	226,242	228,519	239,085
Expenses					
Water supply services	57,624	57,978	57,499	55,296	63,671
Sewer services	37,715	54,575	40,413	42,752	38,115
Administrative and general	17,487	16,012	19,909	22,664	25,748
Pension and OPEB Expense	4,785	2,237	2,831	5,146	6,173
Other	7,163	9,752	2,800	1,997	174
Total Expenses	124,774	140,554	123,452	127,855	133,881
Net Revenues	\$ 83,378	\$ 68,922	\$ 102,790	\$ 100,664	\$ 105,204
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 6,409	\$ 4,839	\$ 6,036	\$ 8,605	\$ 10,499
Parity Obligations					
Certificates of Participation	\$ 8,753	\$ 9,098	\$ 9,487	\$ 11,675	\$ 7,722
1997 State Loan #3	227	227	227	194	194
Series 2010B Bonds	7,825	7,829	7,823	7,813	7,807
Series 2011-A Index Tender Notes	2,360	2,455	2,927	2,967	3,675
2016 General Obligation	-	-	-	1,605	5,301
Total Parity Obligations Debt Service	19,165	19,609	20,464	24,254	24,699
Remaining Revenues	\$ 70,622	\$ 54,152	\$ 88,362	\$ 85,015	\$ 91,004
Parity Obligation Coverage	4.7 x	3.8 x	5.3 x	4.5 x	4.7 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 7,475	\$ 7,734	\$ 7,712	\$ 6,798	\$ 5,739
State Loans and SCWD Debt	308	308	308	133	122
Total Subordinate Obligations	7,783	8,042	8,020	6,931	5,861
Remaining Revenues	\$ 62,839	\$ 46,110	\$ 80,342	\$ 78,084	\$ 85,143
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 3,013	\$ 3,358	\$ 3,226	\$ 3,128	\$ 10,834
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	4,797	4,463	5,396	5,341	6,265
Sub-total Pledged Revenues	70,649	53,931	88,964	86,553	102,242
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	28,532	29,770	31,645	34,247	29,649
Additional Net Revenues	34,307	16,340	48,697	43,837	55,494
Total with Additional Pledged Revenues	\$ 70,649	\$ 53,931	\$ 88,964	\$ 86,553	\$ 102,242
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 10,968	\$ 12,840	\$ 11,173	\$ 12,385	\$ 20,843
GO Bond Coverage	6.4 x	4.2 x	8.0 x	7.0 x	4.9 x
Remaining Revenues	\$ 59,681	\$ 41,091	\$ 77,791	\$ 74,168	\$ 81,399
Total Debt Coverage	2.6 x	2.0 x	3.0 x	2.7 x	2.6 x

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Revenues					
Water sales and service charges	\$ 94,107	\$ 90,213	\$ 96,609	\$ 103,286	\$ 103,623
Sewer sales and service charges	76,841	77,187	82,234	84,955	84,693
Developer Connection fees	18,205	10,943	18,913	10,449	14,355
Net real estate income	8,372	12,549	9,822	9,756	11,398
Interest income	6,992	7,640	3,694	1,860	9,396
Net earnings on JPA	-	-	-	-	-
Available 1% property tax revenue	42,389	44,463	47,172	49,781	53,045
Other	8,876	6,606	6,336	6,529	7,267
Total Revenues	255,782	249,601	264,780	266,616	283,777
Expenses					
Water supply services	64,004	67,792	79,221	89,186	87,070
Sewer services	43,734	49,497	51,540	48,353	50,751
Administrative and general	28,220	28,336	30,170	29,377	34,533
Pension and OPEB Expense	7,906	9,260	10,373	11,286	12,638
Other	2,615	5,240	1,432	2,791	1,972
Total Expenses	146,479	160,125	172,736	180,993	186,964
Net Revenues	\$ 109,303	\$ 89,476	\$ 92,044	\$ 85,623	\$ 96,813
Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds	\$ 12,554	\$ 13,548	\$ 13,009	\$ 13,329	\$ 15,260
Parity Obligations					
Certificates of Participation	\$ 7,821	\$ 7,916	\$ 9,304	\$ 9,341	\$ 9,358
1997 State Loan #3	194	194	-	-	-
Series 2010B Bonds	7,792	7,778	7,756	7,764	7,764
Series 2011-A Index Tender Notes	4,045	3,887	3,236	3,487	5,231
2016 General Obligation	5,301	5,301	5,301	7,456	7,415
Total Parity Obligations Debt Service	25,153	25,076	25,597	28,048	29,768
Remaining Revenues	\$ 96,704	\$ 77,948	\$ 79,456	\$ 70,904	\$ 82,305
Parity Obligation Coverage	4.8 x	4.1 x	4.1 x	3.5 x	3.8 x
Subordinate Obligations					
Fixed Payer Swap Payments	\$ 4,513	\$ 2,496	\$ 3,331	\$ 3,247	\$ 1,081
State Loans and SCWD Debt	122	100	108	100	100
Total Subordinate Obligations	4,635	2,596	3,439	3,347	1,181
Remaining Revenues	\$ 92,069	\$ 75,352	\$ 76,017	\$ 67,557	\$ 81,124
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	\$ 1,192	\$ 1,141	\$ 860	\$ 1,117	\$ 1,427
Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds	6,922	7,223	6,693	6,602	7,289
Sub-total Pledged Revenues	100,183	83,716	83,570	75,276	89,840
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	42,389	44,463	47,172	49,781	53,045
Additional Net Revenues	49,680	30,889	28,845	17,754	28,079
Total with Additional Pledged Revenues	\$ 100,183	\$ 83,716	\$ 83,570	\$ 75,276	\$ 89,840
Debt Service					
Non-Double-Barrel GO Bond Debt Service	\$ 11,436	\$ 10,781	\$ 9,222	\$ 9,689	\$ 12,321
GO Bond Coverage	8.8 x	7.8 x	9.1 x	7.8 x	7.3 x
Remaining Revenues	\$ 88,747	\$ 72,935	\$ 74,348	\$ 65,587	\$ 77,519
Total Debt Coverage	3.2 x	2.9 x	2.9 x	2.6 x	2.8 x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2023

Name of Company	Number of Employees	Percentage of Employment
University of California Irvine	25,634	9.25%
Peraton State and Local Inc.	17,000	6.13%
Irvine Unified School District	4,026	1.45%
Blizzard Entertainment Inc.	4,022	1.45%
Mastec North America Inc.	4,000	1.44%
Edwards Lifesciences LLC	3,152	1.14%
Digital Insurance Inc.	2,603	0.94%
SA Recycling LLC	2,000	0.72%
B Braun Medical Inc.	1,910	0.69%
Center for Autism	1,892	0.68%
		23.89%

Source: City of Irvine Comprehensive Annual Financial Report
(Fiscal Year Ended June 30, 2022).

Data was not yet available for FY 2022/23 from the City of Irvine.
The City of Irvine is only a part of the IRWD service area.

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

Fiscal Year	IRWD Population ⁽¹⁾	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income (in thousands)	County of Orange Unemployment Rate ⁽³⁾
2014	369,335	242,651	92,663	9,595,168	5.0%
2015	384,349	250,384	90,585	10,593,508	4.2%
2016	397,966	258,386	91,999	10,946,242	3.6%
2017	410,584	267,086	92,278	12,840,224	3.2%
2018	423,779	276,176	93,823	12,272,130	2.6%
2019	439,526	280,202	104,185	12,272,130	2.4%
2020	447,678	281,707	100,969	12,788,062	13.7%
2021	456,019	307,670	105,126	13,662,292	6.4%
2022	464,556	310,250	108,318	13,944,948	2.9%
2023	468,941	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	3.7%

Source: City of Irvine Annual Comprehensive Financial Report (Fiscal Year Ended June 30, 2022) and State of California website.

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

Note:

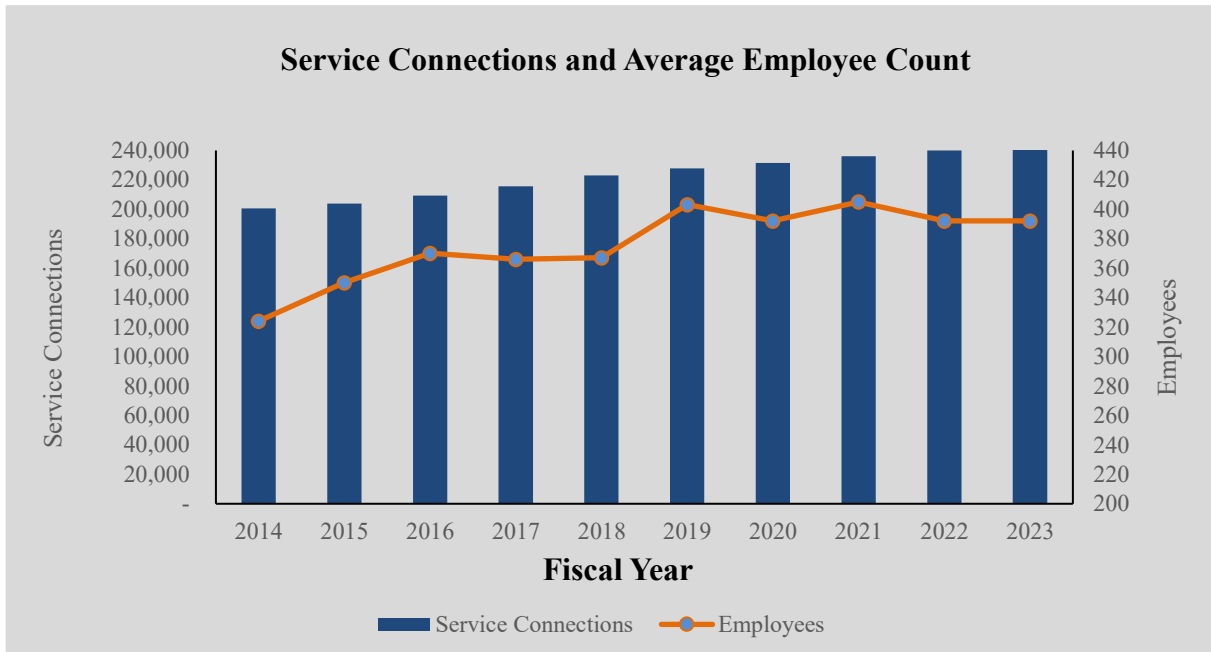
⁽¹⁾ Irvine Ranch Water District

⁽²⁾ City of Irvine Population, Median Family Income, and Total Personal Income for FY 2023 have not yet been published by the City of Irvine.

⁽³⁾ State of California Employment Development Department

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

Fiscal Year	Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population ⁽¹⁾	Service Connections per Employee
2014	103,077	97,482	200,559	324	619
2015	104,678	99,084	203,762	350	582
2016	107,402	101,865	209,267	370	566
2017	110,520	105,053	215,573	366	589
2018	114,164	108,754	222,918	367	607
2019	116,539	111,210	227,749	403	565
2020	118,263	113,176	231,439	392	590
2021	120,437	115,382	235,819	405	582
2022	122,401	117,334	239,735	392	612
2023	123,737	118,766	242,503	392	619



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

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

	Fiscal Year									
	2014	2015	2016⁽¹⁾	2017	2018	2019	2020	2021	2022	2023
Water										
Residential	1,848	1,727	2,513	2,928	3,355	2,314	1,783	2,077	1,895	1,310
Commercial/Industrial/ Public Authority	40	(126)	82	88	133	27	16	27	2	27
Fire Protection	50	29	107	83	99	68	21	57	38	36
Construction & Temporary	36	4	3	14	43	(23)	(28)	(5)	28	(30)
Landscape Irrigation	(4)	(30)	19	5	13	(11)	(65)	21	1	(7)
Agricultural	(1)	(3)	0	0	1	0	(3)	(3)	0	0
Total Water	1,969	1,601	2,724	3,118	3,644	2,375	1,724	2,174	1,964	1,336
Sewer										
Residential	1,829	1,727	2,501	2,894	3,340	2,314	1,781	2,059	1,899	1,316
Commercial/Industrial/ Public Authority	41	(232)	88	84	137	45	21	46	4	34
Construction & Temporary	0	0	0	0	0	0	1	0	0	2
Landscape Irrigation	127	113	0	0	0	0	0	0	0	0
Agricultural	(3)	(6)	0	0	0	0	0	0	1	0
Total Sewer	1,994	1,602	2,589	2,978	3,477	2,359	1,803	2,105	1,904	1,352
Recycled Water										
Residential	0	0	6	33	14	1	9	15	9	6
Commercial/Industrial/ Public Authority	0	0	8	9	14	12	6	11	2	9
Construction & Temporary	0	0	13	8	(5)	(1)	(9)	(7)	6	(3)
Landscape Irrigation	0	0	162	161	199	85	155	86	34	69
Agricultural	0	0	3	(1)	2	0	2	(4)	(3)	(1)
Total Recycled Water	0	0	192	210	224	97	163	101	48	80
Total	3,963	3,203	5,505	6,306	7,345	4,831	3,690	4,380	3,916	2,768

Source: Irvine Ranch Water District

Note:

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water										
Residential	9	12	11	11	12	11	11	12	11	10
Commercial	66	57	60	57	61	59	51	53	53	52
Industrial	192	267	222	232	213	212	201	211	216	202
Public Authority	305	378	287	260	260	242	164	134	160	209
Construction & Temporary	241	398	285	148	172	75	70	97	111	84
Treated - Landscape Irrigation	182	110	74	82	95	82	76	100	98	74
Treated - Agricultural	575	646	327	402	403	255	283	387	166	107
Untreated - Agricultural	6,314	8,504	8,047	6,315	6,274	4,700	2,953	445	652	547
Total	7,884	10,372	9,313	7,507	7,490	5,636	3,809	1,439	1,467	1,285
Recycled water										
Landscape Irrigation	182	192	186	170	195	145	128	168	166	127
Agricultural	3,882	4,992	3,891	3,197	3,292	2,438	2,797	4,414	3,716	2,369
Total	4,064	5,184	4,077	3,367	3,487	2,583	2,925	4,582	3,882	2,496

Source: Irvine Ranch Water District

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

Source of Supply

(in Acre Feet)

Fiscal Year	Groudwater	Runoff Capture (Irvine Lake)	Imported Water	Recycled Water	Total Supply
2014	55,015	0	22,508	21,038	98,561
2015	47,905	6,152	18,628	22,866	95,551
2016	46,901	25	11,853	23,206	81,985
2017	49,208	1,937	19,397	22,006	92,549
2018	48,109	6,109	15,436	25,255	94,909
2019	47,258	4,151	13,937	22,381	87,727
2020	47,810	6,524	13,002	24,627	91,963
2021	47,170	4,508	17,132	26,413	95,223
2022	45,088	75	24,654	26,444	96,261
2023	43,964	1,044	18,258	23,996	87,263

Water Deliveries / Sales

(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled Water ⁽¹⁾	Total Demand
2014	59,907	30,021	89,928 ⁽¹⁾
2015	58,319	32,139	90,458 ⁽¹⁾
2016	51,098	26,879	77,977 ⁽²⁾
2017	51,299	27,860	79,159
2018	55,138	31,642	86,780
2019	51,651	27,689	79,340 ⁽³⁾
2020	51,761	31,119	82,880
2021	54,506	32,595	87,101
2022	53,378	32,402	85,780
2023	49,503	26,541	76,044 ⁽⁴⁾

Source: Irvine Ranch Water District

Notes:

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Potable System										
Miles of Water Line ⁽¹⁾	1,597	1,622	1,760	1,810	1,905	1,919	1,955	1,976	1,979	2,014
Number of Storage Tanks ⁽²⁾	36	36	36	36	36	36	37	37	37	37
Maximum Storage Capacity (Acre Feet)	456	456	456	456	456	456	467	467	466	466
Number of Pumping Stations	38	39	39	39	39	39	39	39	39	36
Number of Wells	26	27	27	27	27	27	27	27	27	27
Well Production Capacity (cfs)	124	128	128	118	118	118	118	118	118	119
Water Banking Storage (Acre Feet)	109,600	109,600	126,000	126,000	126,000	126,000	126,000	126,000	126,000	126,000
Potable Treatment Plants	4	4	4	5	5	5	5	5	5	5
Non-Potable and Recycled Systems										
Miles of Recycled Line ⁽¹⁾	503	509	525	540	555	565	570	572	576	583
Number of Storage Tanks	12	12	12	11	12	12	12	12	12	12
Number of Open Reservoirs	5	5	5	5	5	5	5	5	5	5
Maximum Storage Capacity (Acre Feet) ⁽³⁾	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,155	24,160
Number of Pumping Stations	19	20	20	20	19	19	19	19	19	22
Number of Wells ⁽⁴⁾	5	5	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.7
Sewer System										
Miles of Sewer Line	1,009	1,019	1,070	1,081	1,123	1,134	1,143	1,153	1,374	1,486
Number of Lift Stations ⁽⁵⁾	13	13	13	13	13	13	13	13	13	11
Treatment Plants	2	2	2	2	2	2	2	2	2	3
Treatment Capacity (mgd) (Tertiary)	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5

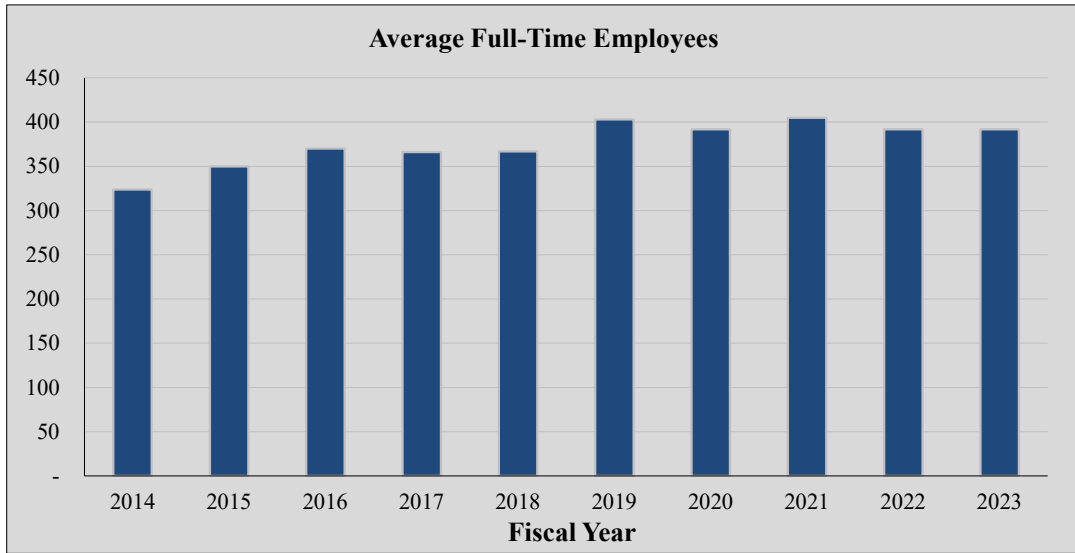
Source: Irvine Ranch Water District

Notes:

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average Full-Time Employees ⁽¹⁾	324	350	370	366	367	403	392	405	392	392



Source: Irvine Ranch Water District

Note:

⁽¹⁾ Includes permanent, temporary and interns.

REQUIRED AUDIT COMMUNICATIONS

Board of Directors
Irvine Ranch Water District
Irvine, California

We have audited the financial statements of Irvine Ranch Water District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated _____, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 31, 2023, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our letter dated _____, 2023.

Compliance with All Ethics Requirements Regarding Independence

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

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

statements and footnotes to the underlying accounting records to verify accuracy and has reviewed a disclosure checklist to ensure footnotes are complete and accurate.

Significant Risks Identified

We have identified the following significant risks:

- Implementation of the new Subscription Based Information Technology Arrangements (SBITAs) accounting standard. We reviewed the Authority's inventory of SBITAs and selected a sample of SBITA agreements to test the calculations of the transactions. We ensured the Authority's SBITA disclosure footnotes were accurate and complete in accordance with the new standard.
- Risk of unrecorded receivable or payables related to transactions with Orange County Sanitation District (OC San): We compared the information in the reports to the transactions in the District's records to ensure significant amounts were reconciled. We evaluated the need to record additional receivables or payables based on transactions that have occurred after the date of the most recent agreed upon procedures report.
- Risk of errors associated with real estate investments. We evaluated the District's categorizations of fair values in the financial statement footnotes for reasonableness. We reviewed appraisals and other documentation supporting the fair value of the District's Real Estate Investments.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements include:

- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service.
- Judgements regarding the fair value of real estate investments.
- Judgments regarding the fair value of interest rate swap agreements.

- Judgements involving the calculation of the net pension liability and related transactions
- Judgements involving the calculation of the other post-employment benefit (OPEB) liability and related transactions.

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

Financial Statement Disclosures

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

- The disclosure of investment fair value in note 2 to the financial statements
- The disclosure of interest rate swap agreements in note 3 to the financial statements
- The disclosure of pensions in note 13 to the financial statements
- The disclosure of OPEB in note 14 to the financial statements.

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

Significant Unusual Transactions

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management in a letter dated _____, 2023.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information Included in the Annual Comprehensive Financial Report

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

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

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

Irvine, California
_____, 2023

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Finance Personnel Committee
Irvine Ranch Water District
Irvine, California

We have audited, in accordance with the 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 the financial statements of Irvine Ranch Water District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California
_____, 2023