

Innovating for Our Customers



Water Quality Sampler Drone

Irvine Ranch Water District
Orange County, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for fiscal year ended June 30, 2025



**Irvine Ranch
Water District**

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Annual Comprehensive Financial Report

For fiscal year ended June 30, 2025

Irvine Ranch Water District

Irvine, California

Board of Directors

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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, 2025

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November 10, 2025

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

Management of the Irvine Ranch Water District (IRWD or the District) has prepared an Annual Comprehensive Financial Report of IRWD for the fiscal year ended June 30, 2025. 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, 2025 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, 2025 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 25 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 639,000 and includes approximately 126,000 water and 121,000 sewer service and recycled water connections. The number of service connections has increased by approximately 18% over the last ten years.

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

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

People



IRWD's Staff

The District employed an average of 408 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 six years.

Services

The District is functionally organized into four core service areas:

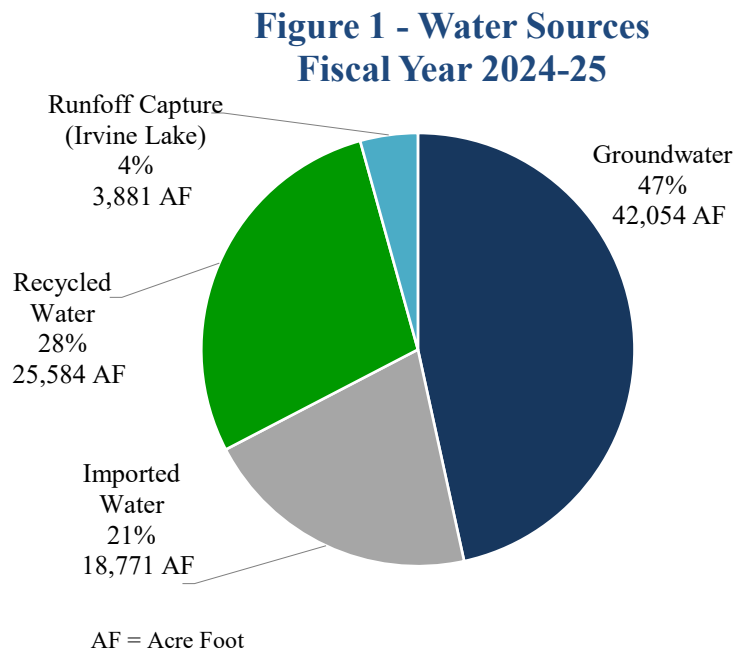
Drinking or “Potable” Water System

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) 2024-25, local groundwater accounted for 47% 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 2024-25 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.



The District has enhanced the reliability of its water supply by expanding beyond local groundwater and recycled water systems to include water banking facilities in Kern County, California.



IRWD Water Banking Facility

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 2024-25 accounted for approximately 28% of the District's total water supply (Figure 1). Approximately 86% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) within the District's service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's goal is to continue recycling its sewage flows to provide 25% to 30% of its total water supply once the District's service area is fully developed.

The District operates a non-potable system which includes three wells, five open reservoirs and twelve storage tanks that store water for non-potable uses. In total, the District has approximately 3,500 acre feet of active recycled water storage capacity. IRWD has 100% ownership in Irvine Lake, a 25,000 acre-feet reservoir that can capture and store both stormwater and imported water supplies.

Sewage Collection and Treatment System

The District has an extensive network of gravity sewers, force mains, sewage lift stations, and siphons that convey sewage to two District-owned water recycling plants or to the Orange County Sanitation District (OC San). In FY 2024-25, the District treated approximately 74% of its sewage, and the remainder was diverted for treatment to OC San treatment facilities. The MWRP Biosolids and Energy Recovery Facility treated solids generated at the Michelson Water Recycling Plant which eliminates the need to send them to OC San for treatment. The biogas produced from the anaerobic digesters was used as fuel for the microturbines to generate electricity to power the facility. The District plans to expand its treatment capacity when and if necessary to serve its growing population.

Urban Runoff Source Control and Treatment System

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

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 2016 to 2025.

| Infrastructure Assets | | |
|---|---------|---------|
| | 2016 | 2025 |
| Potable System | | |
| Miles of Water Line | 1,760 | 2,216 |
| Number of Storage Tanks | 36 | 38 |
| Maximum Storage Capacity (acre feet) | 456 | 470 |
| Number of Pumping Stations | 39 | 37 |
| Number of Wells | 27 | 27 |
| Well Production Capacity (cfs) | 128 | 123 |
| Water Banking Storage Capacity (acre feet) | 126,000 | 126,000 |
| Potable Treatment Plants | 4 | 6 |
| Non-Potable and Recycled Water Systems | | |
| Miles of Recycled Water Line | 525 | 589 |
| Number of Storage Tanks | 12 | 12 |
| Number of Open Reservoirs | 5 | 5 |
| Maximum Storage Capacity (acre feet) | 24,155 | 24,160 |
| Number of Pumping Plants | 20 | 21 |
| Number of Wells | 5 | 3 |
| Well Production Capacity (cfs) | 10.0 | 6.2 |
| Sewer System | | |
| Miles of Sewer Line | 1,070 | 1,536 |
| Number of Lift Stations | 13 | 11 |
| Treatment Plants | 2 | 3 |
| Treatment Capacity (mgd) (Tertiary) | 33.5 | 33.5 |
| Sewage Flows to Michelson Plant | 69% | 63% |
| Sewage Flows to Los Alisos Plant | 12% | 11% |
| Sewage Flows to Orange County Sanitation District | 19% | 26% |
| Natural Treatment System | | |
| Urban Runoff Treatment Facilities | N/A | 45 |
| Nuisance Water Diversions | N/A | 3 |
| 1 acre foot = 325,900 gallons | | |
| cfs = cubic feet per second | | |
| mgd = million gallons per day | | |
| N/A = Not Available | | |

Water Use Efficiency

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

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

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

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

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

The basic tenets of the Plan include local, state and national policy development and leadership, focused customer interface, extensive education and outreach, technology advances, and the development of financial incentives. During the past fiscal year, the District provided financial incentives to residential and business customers to install water efficient devices such as irrigation equipment and conversions from high water use turf landscape to water-efficient landscapes. The District has also pioneered the use of recycled water beginning in the late 1960s and presently serves over 6,100 sites, with approximately 25,000 acre feet of recycled water sold in FY 2024-25 representing 28% of the District's total water supply (Figure 1). The use of recycled water reduced the District's need to import more expensive potable supplies. Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD is well prepared to withstand the effects of climate change, including more frequent period of 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

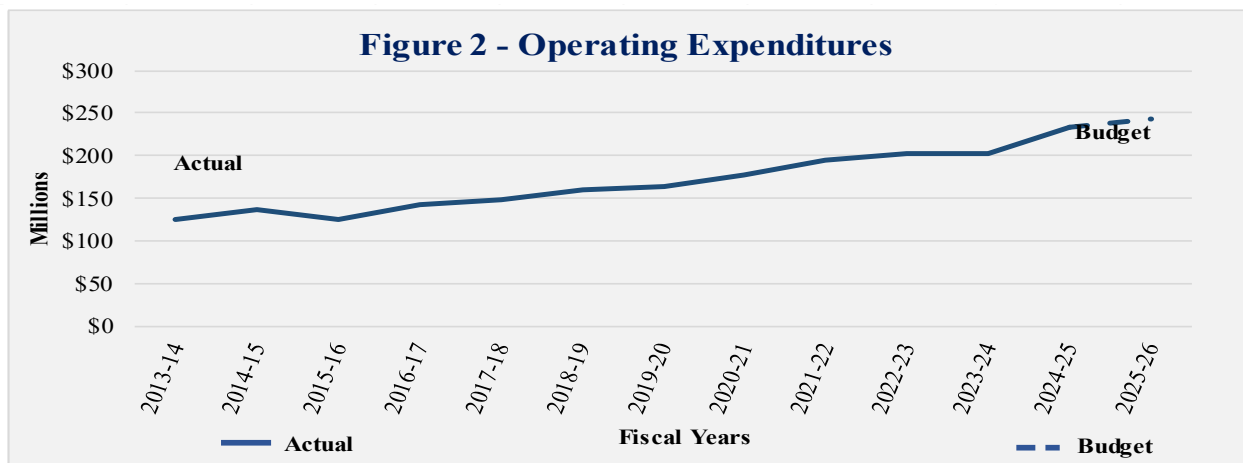
In compliance with California Water Code Section 10632, IRWD adopted an updated Water Shortage Contingency Plan (WSCP) in June 2021. The WSCP allows the District to strategically reduce water use through a number of potential actions that are staged dependent upon the severity of water shortages. The 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. Currently, the State Water Board has no statewide emergency water conservation regulations in place.

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 emergency water supplies, recycled water, low-income rate assistance and other water policies 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, among others.

Financial Plan

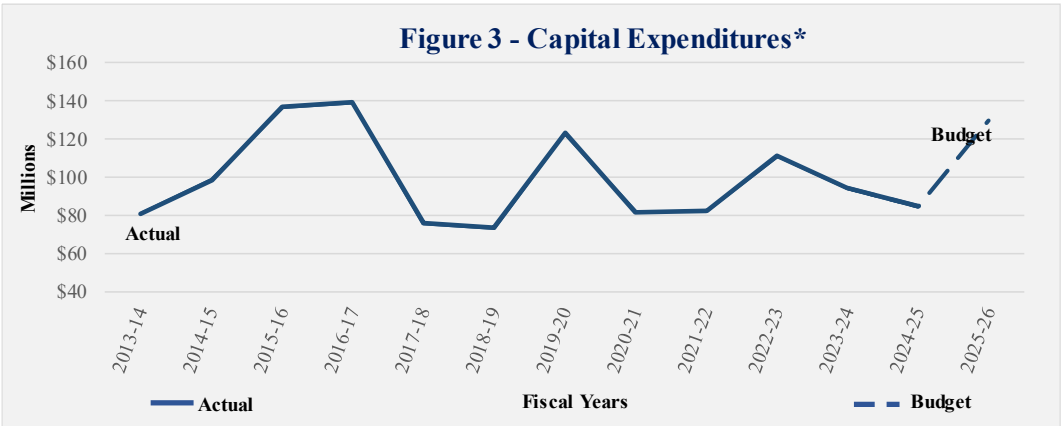
In March 2025, the Board approved a two-year (biennial) operating budget for FY 2025-26 and FY 2026-27. The goal of the District's operating budget process is to appropriately fund the resources required to provide quality service to IRWD customers as cost-efficiently as possible. As shown in Figure 2, the actual operating expenditures through FY 2025-26, as well as the Board approved operating budget for 2026-27.



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 \$234.5 million in FY 2024-25 to \$242.5 million in FY 2025-26 and to \$257.0 million in FY 2026-27. 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 March 2025 based on new, enhancement and replacement infrastructure needs. As shown in Figure 3, the actual capital expenditures through FY 2025-26 and the budget for FY 2026-27.



* 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 \$111.0 million for FY 2024-25. Many capital budget projects extend beyond one fiscal year.

Customer Rates & Charges

Customer 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. Customer 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 FY 2026, the District completed a detailed cost of service study which confirmed that customer 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 2024-25, the District's water fixed service charge was \$13.20 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 2024-25 monthly fixed service charge includes a customer enhancement and replacement component of \$0.70 and \$2.59 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 2025, 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 2024-25 rates and higher cost associated with usage in the higher tiers.

FY 2024-25 Residential Rate Structure – Potable Water (Commodity Charge)

| Tier | Percent of Estimated Customer Need | Cost per ccf* |
|-------------|---|----------------------|
| Low Volume | 0 - 40% | \$1.99 |
| Base Rate | 41 - 100% | \$2.65 |
| Inefficient | 101 - 140% | \$6.55 |
| Wasteful | 141% + | \$16.46 |

*One ccf (100 cubic feet) = 748 gallons

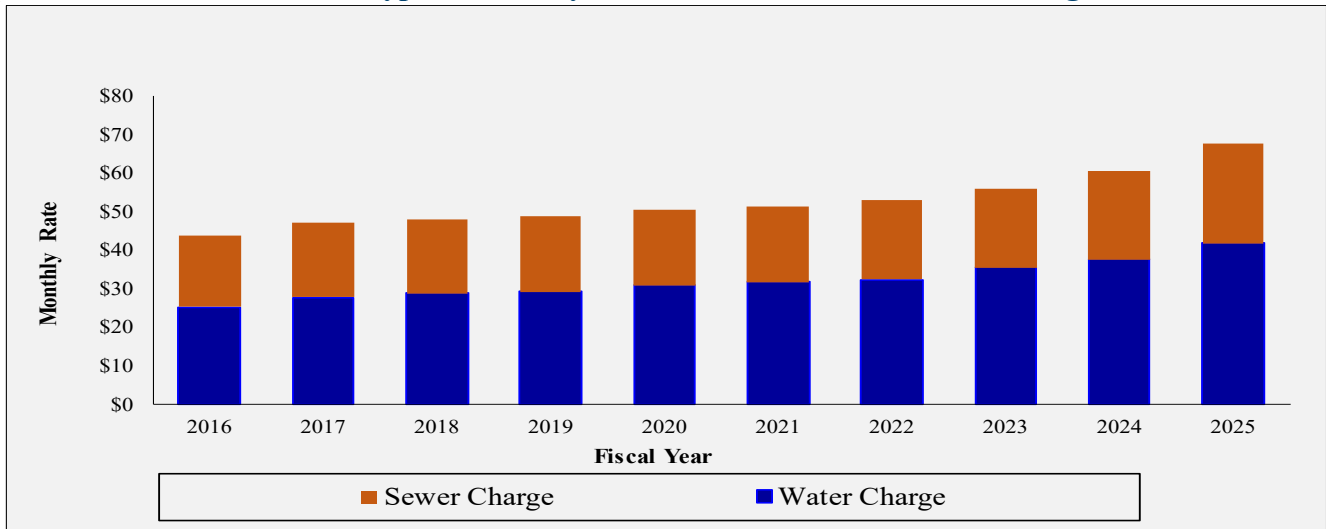
Sewer Rates

The District's sewer service rates are the lowest in Orange County. For a typical residential customer, the fixed monthly service charge was \$25.70. The monthly service charge includes a monthly customer enhancement and replacement component of \$0.82 and \$11.56 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 2024-25. Increased costs reflect pass-through increases from outside agencies and wholesale supplies and increased operational costs for both water and sewer, including funding for future infrastructure replacement.

FY 2024-25 Typical Monthly District Residential Customer Charges*



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

Factors Affecting Financial Condition

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

State and Local Economy

Orange County is the third most populous county in California with over 3.2 million residents and a varied economy in which no single industry is considered dominant. With a location central to Orange County, the District's service area is the home to numerous corporate headquarters such as Oakley, Edwards Life Sciences, Blizzard Entertainment, Bandai Namco Holdings USA Inc. and Glidewell Laboratories. The District is also home to various educational institutions, including University of California Irvine, Concordia University, two community colleges, and other colleges and universities with satellite campuses. The total estimated daytime population served is approximately 639,000.

During FY 2024-25, the District continued to expand its operating facilities to accommodate approximately 2,300 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 \$51.3 billion in 2016 to more than \$97.6 billion in 2025, demonstrating the strength of the local economy.

Long-Term Water Use Efficiency

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

Financial Planning & Budgeting

Short-Term

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

Long-Term

Meeting the goals of reliable, cost effective long-term water and sewer service requires substantial planning for both capital improvements and changing operating conditions. The District's capital program anticipates the need to update, expand or provide redundancy as well as refurbish and replace existing facilities as they reach the end of their useful life. District staff identify future infrastructure requirements well in advance of needs to ensure the necessary funding for those projects is available. Capital projects are funded through a combination of connection fees, property taxes and customer 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 customer rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2024-25, the combined funds for water and sewer customer enhancement/replacement were \$42.5 million.

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

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

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

Pension and Other Post-Employment Benefits Funding

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

The District made initial contributions of \$35.0 million to the Pension Trust, and since then has made additional contributions to the Pension Trust ranging from \$1.9 million to \$12.8 million. As of June 30, 2025, the fair value of the assets in the Pension Trust was approximately \$139.7 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 |
|---------------------------------------|--|-------------------------------------|--|
| 06/30/23 | \$345.9 | \$355.4 | 102.7% |
| 06/30/24 | 364.2 | 382.3 | 105.0% |
| 06/30/25 | 387.7 | 423.7 | 109.3% |

⁽¹⁾ As of the measurement date June 30, 2022, 2023, and 2024 respectively.

The District made initial contributions of \$10.0 million to the OPEB Trust. As of June 30, 2025, the fair value of the assets in the OPEB Trust was approximately \$13.1 million. As of the measurement period ended June 30, 2024, \$11.6 million of the OPEB Trust assets as a percentage of \$20.4 million of the OPEB liability was 56.8 percent.

Cash Management Policies and Practices

The District is regulated by State law (primarily California Government Code Section 53600, et seq.) as to the types of fixed-income securities in which it can invest cash assets. In addition, the Board of Directors annually adopts an investment policy that may be 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, 2025, the District's cash and investments (excluding real property investments) totaled approximately \$393.7 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, 2025, the District owns or has an interest in six properties with an approximate fair value of \$336.5 million. The District's income-producing real estate investments have a weighted average return (based on cost) for FY 2024-25 of 14.7%. Net revenues of \$15.9 million generated in FY 2024-25 from the District's real estate investments are retained within the Replacement Fund and effectively reduce future increases in customer 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, 2025, its debt portfolio included 66.0% of fixed rate debt and 34.0% of variable rate debt. The average all-in cost of debt, including the District's fixed rate payer swaps, was 3.44% 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, 2025, 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, 2025, there were eight outstanding General Obligation (GO) bond issues consisting of \$183.1 million in variable rate mode and \$265.9 million in fixed rate mode (excluding any unamortized premium or discount). As of June 30, 2025, the District also had one outstanding Certificate of Participation (COP) issue with a balance of \$96.9 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, 2025, the District had net revenues equal to 3.3 times senior debt service coverage.

Prior to FY 2003-04, the District's outstanding debt was all in a variable rate mode and the Board of Directors took certain actions to manage and mitigate the interest rate risk. The District's practice 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 2024-25, Federal subsidy payments were cut by 5.7% under permanent congressionally mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.44%.

Risk Management

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

Major Initiatives

The District's major initiatives during FY 2024-25 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.

Per- and polyfluoroalkyl substances, often referred to by the abbreviation PFAS, are human-made chemicals found in food packaging, consumer products, and other applications. As an emerging "contaminant of concern," in 2018 IRWD proactively tested for PFAS and voluntarily shut down one water well that had tested positive for PFAS. That well remained out of service until a groundwater treatment system at the well site was constructed and put into service. This new treatment system removes all PFAS from the water drawn from that location. None of the water IRWD delivers to its customers contains any detectable PFAS.

Water Banking

In addition to developing its local groundwater and recycled water systems, the District has further improved 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. In addition, these agreements provide an option to extend in 15-year increments upon written agreement of IRWD and Rosedale.

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

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

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

Kern Fan Groundwater Storage Project

The Kern Fan Groundwater Storage Project (Kern Fan Project) will become a regional water bank in the Kern Fan area to capture, recharge and store unallocated Article 21 water from the State Water Project (SWP) and other water supplies during wet hydrologic periods. Water stored in the Kern Fan Project would be extracted when needed to provide ecosystem, emergency supply and water supply benefits. IRWD's share of the Kern Fan Project would be used in conjunction with the Strand Ranch and Stockdale West Integrated Banking Projects to meet IRWD's contingency storage needs at build-out. IRWD's goal for contingency storage is to secure supplies adequate to backfill the loss of imported supplies for three consecutive years. The Kern Fan Project, along with the IRWD Water Bank will allow IRWD to meet this goal. The project will be developed, implemented, and operated by the Groundwater Banking Joint Powers Authority, which was formed between IRWD and Rosedale-Rio Bravo Water Storage District in April 2020.

In August 2017, IRWD and Rosedale jointly submitted a grant application to the California Water Commission (CWC) for the proposed Kern Fan Project. The application sought Proposition 1 funds available from the CWC through the Water Storage Investment Program (WSIP). The CWC has conditionally awarded \$111.4 million to the Kern Fan Project. In addition, in 2023 the first phase of the Kern Fan Project was awarded a total of \$8.7 million in federal funding from the Bureau of Reclamation under the Small Surface Water and Groundwater Storage Projects Program. The GBJPA continues to pursue additional funding opportunities.

Water Rights

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

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

Syphon Recycled Water Seasonal Storage Reservoir

Syphon Reservoir, constructed in 1943 and located north of Irvine, is a water storage reservoir historically used for agricultural purposes. The District purchased Syphon Reservoir in January 2010, and in 2015 completed the process of converting the reservoir into a recycled water seasonal storage facility. Seasonal storage reservoirs allow the District to store excess recycled water produced in the

winter months for use in higher demand summer months. This will increase water reliability by reducing the District's dependency on imported water from MWD used to supplement the recycled water system. In 2013, the District completed a feasibility study to increase storage capacity in Syphon Reservoir from its current capacity of 450 acre feet to approximately 5,000 acre feet. Additional storage capacity would allow the District to utilize more of the recycled water it produces. An expansion of Syphon Reservoir to approximately 5,000 acre feet would allow for recycling 100% of the sewage flows tributary to MWRP. The District completed the preliminary design for the reservoir expansion and is advancing final design, which is anticipated to be complete in 2025. Construction of the expanded reservoir is anticipated to be complete in Summer 2031.

Community Education and Outreach

IRWD provides community education and outreach programs throughout the year to enhance customer understanding of the value of water and the services we provide. These programs enhance public appreciation and build trust with our customers. Fiscal Year 2024-2025 continued this long-standing tradition of both digital and face-to-face outreach with events and programs:

First in Customer Satisfaction: Communications and outreach contribute to stronger relationships with community. For a fourth consecutive year, Irvine Ranch Water District was ranked the best mid-sized water utility in the Western United States for Customer Satisfaction by global data analytics company J.D. Power. Customers ranked IRWD No. 1 in seven of eight categories: Quality/Reliability, Ease of Doing Business, People, Trust, Resolving Problems, Information Provided, and Digital Channels. IRWD is the only agency in the nation with four straight top awards.

Events: IRWD expanded the scope of its traditional Community Tours, adding several new themed events, many of which were scheduled on nontraditional days and times during the workweek and on weekends to increase customer participation among younger working adults. IRWD's traditional tour of the San Joaquin Marsh became a bat-themed family event where customers toured the Marsh ponds at sunset and used special radio telemetry devices to locate bats flying at dusk. A tour of IRWD's Biosolids and Energy Recovery Facility was also established, along with a Marsh photo tour and a Natural Treatment System nature walk. Traditional tours and community events, such as IRWD's annual kid-focused H2O Show & Tell open house, helped to round out a successful year that introduced IRWD to a broader, more representative segment of the community.

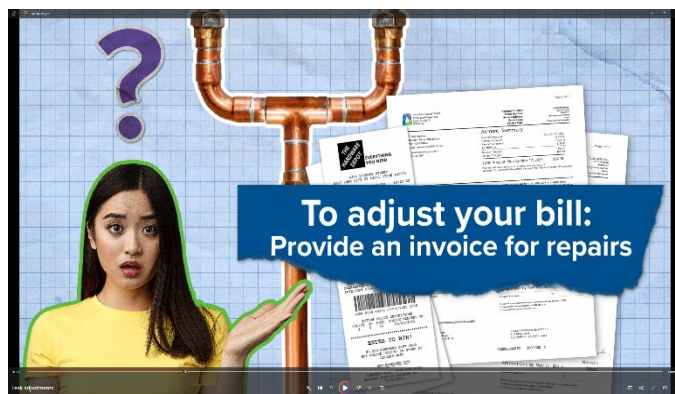
Digital Media: Fiscal Year 2024-2025 marked another banner year in digital outreach with more than 24 million total impressions recorded — more than twice the previous year's record of nearly 11 million. The gain reflects the District's cutting-edge approach to seeking out new platforms, strategies and technologies to reach audiences in the spaces where they spend their time online.

IRWD kicked off its most ambitious outreach campaign ever: a multi-year, multilingual tipping-point effort to inspire customers to transform their yards into beautiful, family-friendly living spaces — sparking a new way of thinking about landscape that moves away from traditional lawns — with the start of IRWD's Yardtopia™ Initiative.



The long-term initiative will use video and imagery to provide inspiration, and tools and other resources to help customers rethink their yards. The campaign goal is to create a cultural shift in public perceptions of what a yard should be, resulting in voluntary removal of nonfunctional grass in yards that: makes the most of outdoor living spaces, ensures appropriate water use and irrigation, and is environmentally friendly and sustainable.

A digital teaser campaign, “A Step Outside,” premiered in January after an extensive brand development process built on demographic studies, surveys and customer focus groups. A new microsite, yardtopia.com, was created to provide help and inspiration with beautiful imagery, content and an online tool customers can use to create a landscape design using a photo of their yard. That was followed by a “What’s Your Yardtopia” launch campaign in March. For both campaigns, video ads were delivered to customers via social media and digital TV.



Video Outreach: A new series of how-to videos was launched in FY 2024-2025, walking customers through the steps necessary to landscape efficiently, set up sprinkler systems, and check for leaks indoors and out. For customers who fix leaks that led to higher water bills, a video on how to apply for a bill adjustment was also prepared. The videos were taped in English, and posted with subtitles in Chinese and Spanish.

Business Outreach: The District’s business outreach program, IRWD Connect, which encourages vendors to build strong relationships with District staff and one another, continued this year. This year the program and other like it engaged hundreds of professionals, representing a wide variety of industries, in IRWD networking opportunities. Additionally, a rebrand of the District’s WaterStar business recognition program gave a fresh look to program flyers, posters, correspondence and other outreach materials. A new presentation was created to explain the benefits of participating in the program and the opportunities for recognition of those who do. The result: Participation doubled as more commercial customers decided to do their part to save water.



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, 2024. 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



Neeven Adly
Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

Board of Directors

| | |
|-----------------------------|---------------------|
| President and Director | Douglas J. Reinhart |
| Vice President and Director | Steven E. LaMar |
| Director | Daniel R. Feron |
| Director | Peer A. Swan |
| Director | John B. Withers |

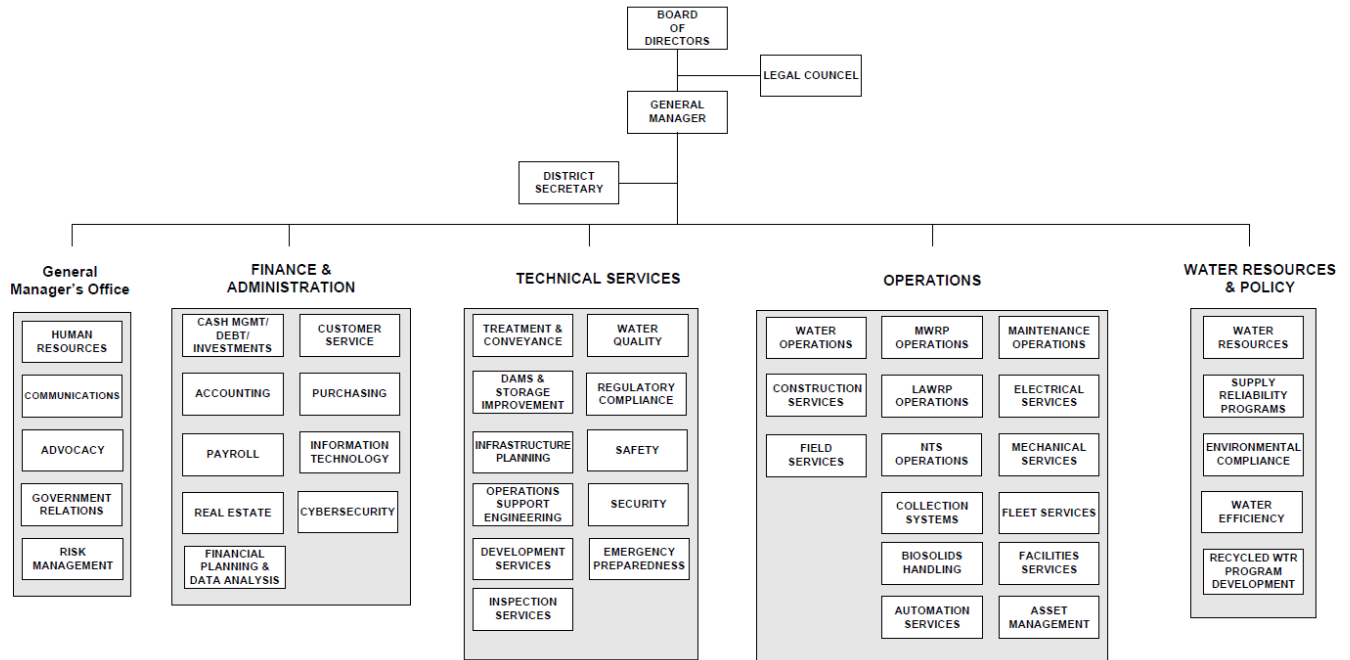
Executive Management

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

Irvine Ranch Water District

Organizational Chart (By Function)

Fiscal Year 2024-25





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Irvine Ranch Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2025

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, 2025, 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, 2025, 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.

Emphasis of Matter

As described in Note 19 to the financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101. As a result, the financial statements for the fiscal year ended June 30, 2025, reflect a certain prior period adjustment as described further in Note 19 to the financial statements. Our opinion is not modified with respect to this matter.

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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025 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.

A handwritten signature in blue ink, appearing to read "Davis Lam" followed by a stylized flourish.

Irvine, California
November 5, 2025

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, 2025. 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 \$2,423.3 million (net position), consisting of \$1,570.2 million in net investment in capital assets, \$139.7 million restricted for pension trust investments, \$13.1 million restricted for OPEB trust investments, \$248.5 million restricted for water services, and \$451.8 million restricted for sewer services. This is an increase of \$127.7 million or 5.6 percent over the prior fiscal year net position of \$2,295.6 million.
- Total assets are \$3,152.6 million, an increase of \$99.6 million or 3.3 percent over the prior fiscal year. Total assets consist primarily of \$393.7 million in cash and investments, \$58.5 million in receivables, \$33.9 million in other current assets, \$2,161.4 million in net capital assets, and \$505.1 million in noncurrent assets. The increase from the prior year is due primarily to a \$49.8 million increase in net capital assets, a \$16.0 million increase in real estate investments, a \$12.1 million increase in due from other agencies, and a \$8.9 million increase in prepaid items and deposits.
- Total liabilities are \$758.9 million, a decrease of \$33.8 million or 4.3 percent from the prior fiscal year. Liabilities consist primarily of \$586.3 million of debt, \$108.1 million of net pension and OPEB liabilities, \$59.9 million of accounts payable and other liabilities, and \$4.5 million of swap liability. The total decrease over the prior year is due primarily to a total principal debt payments of \$40.2 million made during the fiscal year, partially offset by a \$11.4 million increase in accounts payable and accrued expenses.
- 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, 2025, the District's total pension assets (including the CalPERS and Pension Trust assets) as a percentage of its total pension liability is 109.3 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, 2025, the total value of the assets in the OPEB Trust was approximately \$13.1 million. For more detail, see Note 14 of the Notes to the Basic Financial Statements.
- Total revenues are \$409.6 million, an increase of \$20.8 million or 5.3 percent over the prior fiscal year. Operating revenues increased \$40.2 million due primarily to a Board approved rate increase effective August 2024 and increase in customer sales. Nonoperating revenues decreased \$19.4 million due primarily to change in the fair value of real estate investments.
- Total expenses are \$352.1 million, an increase of \$25.7 million or 7.9 percent over the prior fiscal year. Operating expenses consist primarily of \$236.5 million in water and sewer related revenues to operating the systems and \$84.2 million of depreciation. Operating expenses increased by \$27.1 million due primarily to higher imported water purchase and increased electricity and operating supplies for the sewer and recycled water systems. Nonoperating expenses decreased by \$1.4 million due to a decrease of \$1.6 million in interest expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

- Capital contributions are \$64.5 million, an increase of \$20.8 million or 47.6 percent over the prior fiscal year. This is due primarily to a \$24.9 million increase in the number of donated facilities that were completed and donated from developers to the District, partially offset by a \$5.8 million decrease in connection fees paid by developers.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis of the District

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary

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

| Table 1 - Summary of Net Position (in millions) | | | | |
|--|-------------------|-------------------|----------------------------|-------------------|
| | 2025 | 2024 | Increase/(Decrease) | |
| | | | Amount | Percentage |
| Assets | | | | |
| Current assets | \$ 486.1 | \$ 462.0 | \$ 24.1 | 5.2% |
| Capital assets, net | 2,161.4 | 2,111.7 | 49.7 | 2.4% |
| Other noncurrent assets | 505.1 | 479.3 | 25.8 | 5.4% |
| Total assets | 3,152.6 | 3,053.0 | 99.6 | 3.3% |
| Deferred Outflows of Resources | 39.8 | 44.4 | (4.6) | -10.4% |
| Liabilities | | | | |
| Current liabilities | 76.7 | 67.2 | 9.5 | 14.1% |
| Long-term liabilities | 682.2 | 725.5 | (43.3) | -6.0% |
| Total liabilities | 758.9 | 792.7 | (33.8) | -4.3% |
| Deferred Inflows of Resources | 10.2 | 9.1 | 1.1 | 12.1% |
| Net Position | | | | |
| Net investment in capital assets | 1,570.2 | 1,479.9 | 90.3 | 6.1% |
| Restricted for pension trust investments | 139.7 | 123.7 | 16.0 | 12.9% |
| Restricted for OPEB trust investments | 13.1 | 11.6 | 1.5 | 12.9% |
| Restricted for water services | 248.5 | 261.5 | (13.0) | -5.0% |
| Restricted for sewer services | 451.8 | 418.9 | 32.9 | 7.9% |
| Total net position | \$ 2,423.3 | \$ 2,295.6 | \$ 127.7 | 5.6% |

As shown in Table 1, the District's total assets increased \$99.6 million or 3.3 percent during the current fiscal year. Current assets increased \$24.1 million or 5.2 percent due primarily to a \$12.1 million increase in due from other agencies relating to cash deposits held by OC San, the District's third-party provider based on the agreements between the two agencies for future obligations; a \$8.9 million increase in prepaid items and deposits, and a \$2.1 million in customer accounts receivable.

Capital assets increased \$49.7 million or 2.4 percent during the current fiscal year. The District added \$117.9 million in water and sewer assets during the year partially offset by an increase of \$77.5 million in accumulated depreciation. The largest capital spending during the current fiscal year was \$8.3 million for the San Joaquin Reservoir Filtration Facility, \$5.9 million for the Well ET-1 PFAS Treatment, and \$5.9 million for the Syphon Reservoir Expansion.

Other noncurrent assets increased \$25.8 million or 5.4 percent during the current fiscal year. The increase primarily due a \$16.0 million increase in the fair value of pension trust investments, a \$6.1 million increase in real estate investments, and a \$2.2 million in the investments in joint venture.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

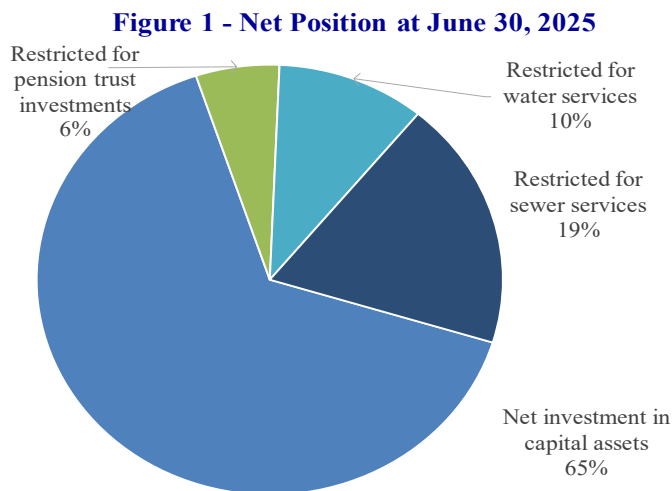
Financial Position Summary (Continued)

The District's deferred outflows of resources decreased by \$4.6 million or 10.4 percent over the prior fiscal year. The decrease is due primarily to a \$5.9 million decrease in pension actuarial related changes in assumptions and experiences, partially offset by a \$1.4 million increase in pension contributions.

The District's total liabilities decreased \$33.8 million or 4.3 percent in the current fiscal year. This was due primarily to a \$40.2 million in principal payments of the District's general obligation bonds, certificates of participation, and notes, lease, and subscription payables during the current fiscal year and a \$2.3 million premium amortization, partially offset by a \$11.4 million increase in accounts payable and accrued expenses.

The District's deferred inflows of resources increased \$1.1 million or 12.1 percent in the current fiscal year. This is primarily due to a \$1.7 million increase in OPEB actuarial related changes in assumptions and experiences, partially offset by a \$0.6 million decrease in pension actuarial related changes in assumptions and experiences .

Net position at the end of the current fiscal year increased \$127.7 million or 5.6 percent. Net position consists of net investment in capital assets and restricted net positions (Figure 1).



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 \$1,570.2 million or 65.0 percent of total net position, an increase of \$90.3 million from the prior fiscal year. The change is due primarily to \$49.7 million in net capital asset additions, \$40.2 million debt principal payments, \$1.1 million capital-related accounts payable and retainage payable, and \$2.3 million amortizations of premiums in the current fiscal year.

Restricted net position for pension trust investments was \$139.7 million or 6.0 percent of total net position. Restricted net position for OPEB trust investments was \$13.1 million or 0.5 percent of total net position. Restricted net position for water services was \$248.5 million or 10.0 percent of total net position. Restricted net position for sewer services was \$451.8 million or 19.0 percent of total net position. Restricted net positions are restricted by legislation which imposes requirements that District assets be used only for the specific purposes for which it was formed.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Activities and Changes in Net Position

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

| Table 2 - Revenues, Expenses and Changes in Net Position (in millions) | | | | |
|---|-------------------|-------------------|----------------------------|-------------------|
| | 2025 | 2024 | Increase/(Decrease) | |
| | | | Amount | Percentage |
| Operating revenues | | | | |
| Water sales and service charges | \$ 133.8 | \$ 112.3 | \$ 21.5 | 19.1% |
| Sewer sales and service charges | 113.1 | 94.4 | 18.7 | 19.8% |
| Total operating revenues | 246.9 | 206.7 | 40.2 | 19.4% |
| Nonoperating revenues | | | | |
| Property taxes | 86.3 | 81.8 | 4.5 | 5.5% |
| Interest income | 21.0 | 15.7 | 5.3 | 33.8% |
| Increase in fair value of investments | 2.0 | 3.7 | (1.7) | -45.9% |
| Real estate income | 21.4 | 20.7 | 0.7 | 3.4% |
| Increase in fair value of real estate investments | 9.2 | 31.4 | (22.2) | -70.7% |
| Pension trust interest and dividends income | 9.0 | 7.4 | 1.6 | 21.6% |
| Increase in fair value of pension trust investments | 7.1 | 9.6 | (2.5) | -26.0% |
| OPEB trust interest and dividends income | 0.5 | 0.5 | - | 0.0% |
| Increase in fair value of OPEB trust investments | 1.0 | 1.1 | (0.1) | -9.1% |
| Other income | 5.2 | 10.2 | (5.0) | -49.0% |
| Total nonoperating revenues | 162.7 | 182.1 | (19.4) | -10.7% |
| Total revenues | 409.6 | 388.8 | 20.8 | 5.3% |
| Operating expenses | | | | |
| Water services expenses | 143.0 | 129.0 | 14.0 | 10.9% |
| Sewer services expenses | 93.5 | 82.0 | 11.5 | 14.0% |
| Depreciation | 84.2 | 82.6 | 1.6 | 1.9% |
| Total operating expenses | 320.7 | 293.6 | 27.1 | 9.2% |
| Nonoperating expenses | | | | |
| Interest expense | 21.0 | 22.6 | (1.6) | -7.1% |
| Real estate expense | 7.6 | 8.1 | (0.5) | -6.2% |
| Other expense | 2.8 | 2.1 | 0.7 | 33.3% |
| Total nonoperating expenses | 31.4 | 32.8 | (1.4) | -4.3% |
| Total expenses | 352.1 | 326.4 | 25.7 | 7.9% |
| Income before capital contributions | 57.5 | 62.4 | (4.9) | -7.9% |
| Capital contributions | 64.5 | 43.7 | 20.8 | 47.6% |
| Income before special item | 122.0 | 106.1 | 15.9 | 15.0% |
| Special item | 6.4 | - | 6.4 | 100.0% |
| Change in net position | 128.4 | 106.1 | 22.3 | 21.0% |
| Beginning net position, as restated (note 19) | 2,294.9 | 2,189.5 | 105.4 | 4.8% |
| Ending net position | \$ 2,423.3 | \$ 2,295.6 | \$ 127.7 | 5.6% |

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Revenues

As shown in Table 2, the District's operating revenues total \$246.9 million or 60.3 percent of total revenues. Water sales contributed \$133.8 million or 54.2 percent to total operating revenues and sewer sales contributed \$113.1 million or 45.8 percent to total operating revenues. Operating revenues increased by \$40.2 million or 19.4 percent from the prior fiscal year. The increase is primarily due to a Board approved rate increase effective August 2024 and increase in customer sales.

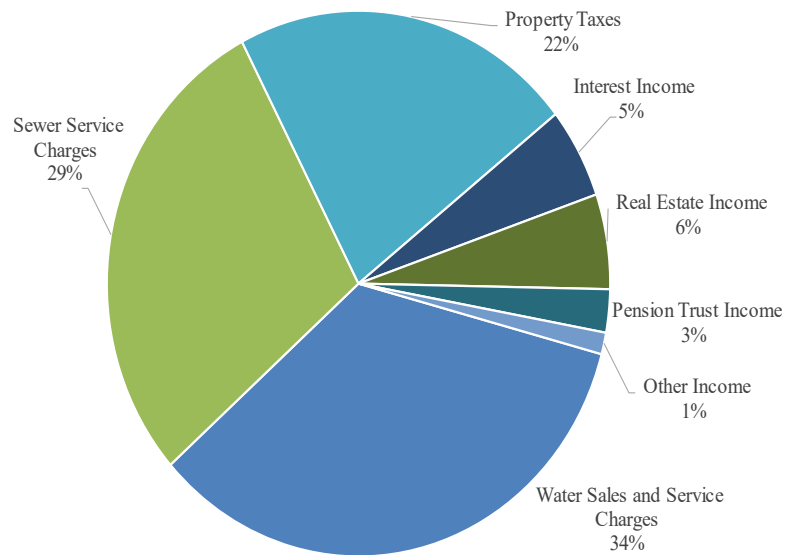
The chart below (Figure 2) illustrates the sources of revenue for the fiscal year ended June 30, 2025.

Nonoperating revenues total \$162.7 million and account for 39.7 percent of total revenues for the fiscal year ended June 30, 2025. This is a decrease of \$19.4 million or 10.7 percent from the prior fiscal year. The decrease in the current fiscal year is due to:

- A decrease of \$26.5 million in changes in the fair value of the real estate investments, pension and OPEB trust investments, and District's fixed income investments.
- An increase of \$5.3 million in the District's fixed income investment interest income.
- A decrease of \$5.0 million in other income due primarily to a \$1.5 million decrease in native water revenue, a \$1.3 million decrease in joint venture revenues, and a \$1.2 million decrease in federal grant for customer payment subsidy.
- An increase of \$4.5 million in one percent and ad valorem property tax revenue associated with higher assessed values in the District's service area.
- An increase of \$1.6 million in pension trust investments.
- An increase of \$0.7 million in income from the real estate investments.

Figure 2 - Revenues for Fiscal Year Ended June 30, 2025

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



Expenses

As shown in Table 2, operating expenses total \$320.7 million, of which \$236.5 million relates to the cost of providing water and sewer services to the District's customers. Water service operating costs are 106.9 percent of water operating revenues and sewer service operating costs are 82.7 percent of sewer operating revenues. Water and sewer operating expenses, excluding depreciation, increased by \$25.5 million or 12.1 percent over the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses (Continued)

Water expenses totaled \$143.0 million, an increase of \$14.0 million or 10.9 percent from the prior fiscal year primarily due to:

- An increase of \$6.8 million in water costs due primarily to higher imported water purchases.
- An increase of \$4.3 million in general and administration expenses.
- An increase of \$1.1 million in labor and employee benefits.
- An increase of \$1.0 million in electricity costs for potable and untreated water treatment and system maintenance.
- An increase of \$0.9 million in expensed water projects relating to the District's capital program.
- Other net decreases of \$0.1 million.

Sewer service expenses totaled \$93.5 million, an increase of \$11.5 million or 14.0 percent from the prior fiscal year primarily due to:

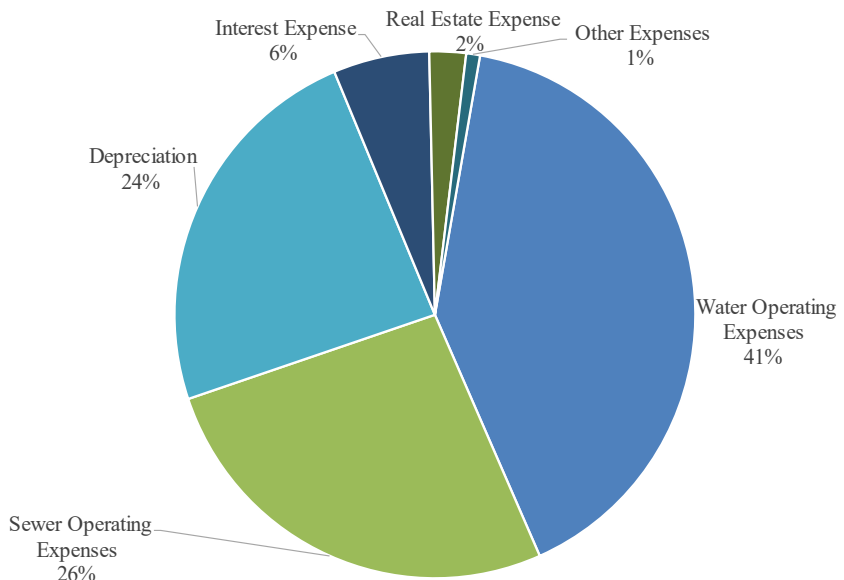
- An increase of \$5.7 million in electricity and operating supplies for the sewer and recycled water systems.
- An increase of \$4.1 million in general and administration expenses.
- An increase of \$1.4 million in higher recycled water purchases.
- Other net increases of \$0.3 million.

Depreciation expense totaled \$84.2 million, an increase of \$1.6 million or 1.9 percent over the prior fiscal year. The increase is the result of the additions of capital assets.

Nonoperating expenses totaled \$31.4 million, a decrease of \$1.4 million or 4.3 percent from the prior fiscal year primarily due to:

- A decrease of \$1.6 million in interest expense associated with the District's debt.
- A decrease of \$0.5 million in real estate expense.
- An increase of \$0.7 million other expenses.

Figure 3 - Functional Expenses for Fiscal Year Ended June 30, 2025



Capital Contributions

Capital contributions totaled \$64.5 million, an increase of \$20.8 million or 47.6 percent from the prior fiscal year. Donated facilities from developers increased \$24.9 million due to higher number projects that were completed and donated to the District. Connection fees paid by developers were \$21.1 million, a decrease of \$5.8 million from the prior year due to a lower number of new units in the building industry. The District also received \$1.7 million more from grants / contributions from federal, state, and local agencies compared to the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets

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

| Table 3 - Capital Assets, Net of Depreciation (in millions) | | | | |
|--|-------------------|-------------------|----------------------------|-------------------|
| | 2025 | 2024 | Increase/(Decrease) | |
| | | | Amount | Percentage |
| Water assets | \$ 1,388.0 | \$ 1,342.6 | \$ 45.4 | 3.4% |
| Sewer assets | 1,860.4 | 1,787.9 | 72.5 | 4.1% |
| Less: accumulated depreciation | (1,369.8) | (1,292.3) | (77.5) | 6.0% |
| Land and water rights | 128.8 | 127.5 | 1.3 | 1.0% |
| Construction in progress | 154.0 | 146.0 | 8.0 | 5.5% |
| Total | \$ 2,161.4 | \$ 2,111.7 | \$ 49.7 | 2.4% |

Capital assets, net of depreciation increased \$49.7 million or 2.4 percent in the current fiscal year. Construction in Progress added \$108.5 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, 2025 were \$100.4 million. The District's accumulated depreciation increased by \$77.5 million for depreciation expense in the current fiscal year. The following is a list of the top 10 capital projects expenditures which accounted for 42.9 percent of total capital assets additions incurred in the current fiscal year (in millions):

| Project Description | Amount |
|---|----------------|
| San Joaquin Reservoir Filtration Facility | \$ 8.3 |
| Well ET-1 PFAS Treatment | 5.9 |
| Syphon Reservoir Expansion | 5.9 |
| Santiago Dam Outlet Replacement | 5.1 |
| Santiago Canyon Area Pump Station Improvements | 4.7 |
| MWRP Tertiary Filter Rehabilitation | 4.5 |
| Fleming Reservoir and Pump Station Improvements | 3.9 |
| Operations Center Cng, Diesel, Gasoline Fueling Facility-SS | 3.2 |
| PA51 Marine and Alton Creek | 3.1 |
| Zone A to Rattlesnake Reservoir Pump Station | 1.9 |
| Total | \$ 46.5 |

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, 2025, the District had total debt outstanding of \$586.3 million, a decrease of \$41.8 million or 6.7 percent from the prior fiscal year.

| Table 4 - Outstanding Debt (including current portions) (in millions) | | | | |
|--|-----------------|-----------------|----------------------------|-------------------|
| | 2025 | 2024 | Increase/(Decrease) | |
| | | | Amount | Percentage |
| General Obligation bonds | \$ 468.1 | \$ 504.4 | \$ (36.3) | -7.2% |
| Certificates of participation | 116.4 | 122.3 | (5.9) | -4.8% |
| Notes payable | - | 0.1 | (0.1) | -100.0% |
| Leases payable | 1.3 | 1.0 | 0.3 | 30.0% |
| Subscription payable | 0.5 | 0.3 | 0.2 | 66.7% |
| Total | \$ 586.3 | \$ 628.1 | \$ (41.8) | -6.7% |

During the current fiscal year, the decreases in the District's total debt were primarily due to \$40.2 million in debt payments and \$2.3 million of premium amortization. The decrease was offset by a \$0.4 million increase in leases payable and a \$0.3 million increase in subscription payable. The District's rated debt obligations have received the following ratings from the three major rating agencies:

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

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

Contacting the District's Financial Management

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

Irvine Ranch Water District
Statement of Net Position
June 30, 2025
(with comparative data as of June 30, 2024)
(in thousands)

| | <u>6/30/2025</u> | <u>6/30/2024</u> |
|--|--------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Investments (note 2) | \$ 393,704 | \$ 393,484 |
| Receivables: | | |
| Customer accounts receivable | 15,110 | 13,024 |
| Interest receivable | 3,006 | 3,104 |
| Notes receivable, current portion | 92 | 89 |
| Due from other agencies (note 6) | 29,465 | 17,389 |
| Leases receivable, current portion (note 7) | 209 | 148 |
| Other receivables | 10,610 | 11,123 |
| Total receivables | <u>58,492</u> | <u>44,877</u> |
| Other Current Assets: | | |
| Inventories (note 4) | 23,627 | 22,244 |
| Prepaid items and deposits | 10,235 | 1,347 |
| Total other current assets | <u>33,862</u> | <u>23,591</u> |
| Total current assets | <u>486,058</u> | <u>461,952</u> |
| Noncurrent Assets: | | |
| Capital Assets (note 5): | | |
| Water assets | 1,388,019 | 1,342,581 |
| Sewer assets | 1,860,401 | 1,787,892 |
| Subtotal | <u>3,248,420</u> | <u>3,130,473</u> |
| Less accumulated depreciation | <u>(1,369,809)</u> | <u>(1,292,287)</u> |
| Total capital assets being depreciated, net | 1,878,611 | 1,838,186 |
| Land and water rights | 128,844 | 127,546 |
| Construction in progress | 153,973 | 145,938 |
| Total capital assets, net | <u>2,161,428</u> | <u>2,111,670</u> |
| Other Noncurrent Assets: | | |
| Notes receivable, net of current portion | 77 | 173 |
| Leases receivable, net of current portion (note 7) | 2,248 | 2,214 |
| Real estate investments (note 8) | 338,215 | 332,122 |
| Pension trust investments (note 2) | 139,749 | 123,707 |
| OPEB trust investments (note 2) | 13,086 | 11,601 |
| Investment in joint venture (note 9) | 11,717 | 9,508 |
| Total other noncurrent assets | <u>505,092</u> | <u>479,325</u> |
| Total noncurrent assets | <u>2,666,520</u> | <u>2,590,995</u> |
| TOTAL ASSETS | <u>3,152,578</u> | <u>3,052,947</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred refunding charges | 1,329 | 1,485 |
| Accumulated decrease in fair value of swap agreements (note 3) | 4,507 | 3,829 |
| Pension contributions (note 13) | 13,417 | 12,026 |
| Pension actuarial changes (note 13) | 16,644 | 22,509 |
| OPEB contributions (note 14) | 839 | 804 |
| OPEB actuarial changes (note 14) | 3,095 | 3,736 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>39,831</u> | <u>44,389</u> |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Net Position
June 30, 2025
(with comparative data as of June 30, 2024)
(in thousands)
(Continued)

| | <u>6/30/2025</u> | <u>6/30/2024</u> |
|---|---------------------|---------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | 36,925 | 25,526 |
| Customer deposits and advance payments | 6,352 | 7,144 |
| Accrued interest: | | |
| General obligation bonds | 3,443 | 4,067 |
| Other accrued interest payable | 1,832 | 1,721 |
| Current portion of long-term liabilities: | | |
| General obligation bonds (note 10) | 17,534 | 18,939 |
| Certificates of participation (note 10) | 6,281 | 5,931 |
| Notes payable (note 10) | 40 | 79 |
| Leases payable (note 10) | 228 | 119 |
| Subscription payable (note 10) | 191 | 119,000 |
| Other long term liabilities (note 10) | 2,746 | 2,471 |
| Unearned revenue (note 11) | 565 | 565 |
| Claims liability (note 16) | 537 | 506 |
| Total current liabilities | <u>76,674</u> | <u>67,187</u> |
| Long-Term Liabilities: | | |
| General obligation bonds, net of current portion (note 10) | 450,580 | 485,414 |
| Certificates of participation, net of current portion (note 10) | 110,060 | 116,340 |
| Notes payable, net of current portion (note 10) | - | 40 |
| Leases payable, net of current portion (note 10) | 1,111 | 912 |
| Subscription payable, net of current portion (note 10) | 288 | 239 |
| Other long-term liabilities (note 10) | 4,453 | 4,190 |
| Unearned revenue, net of current portion (note 11) | 2,004 | 2,568 |
| Claims liability, net of current portion (note 16) | 1,071 | 1,170 |
| Net pension liability (note 13) | 87,686 | 88,674 |
| OPEB liability (note 14) | 20,435 | 22,095 |
| Swap liability (note 3) | 4,507 | 3,829 |
| Total long-term liabilities | <u>682,195</u> | <u>725,471</u> |
| TOTAL LIABILITIES | <u>758,869</u> | <u>792,658</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Lease related (note 7) | 2,388 | 2,364 |
| Pension actuarial changes (note 13) | 1,193 | 1,789 |
| OPEB actuarial changes (note 14) | 6,661 | 4,918 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>10,242</u> | <u>9,071</u> |
| NET POSITION (note 18) | | |
| Net investment in capital assets | 1,570,177 | 1,479,904 |
| Restricted for pension trust investments | 139,749 | 123,707 |
| Restricted for OPEB trust investments | 13,086 | 11,601 |
| Restricted for water services | 248,508 | 261,489 |
| Restricted for sewer services | 451,778 | 418,906 |
| TOTAL NET POSITION | <u>\$ 2,423,298</u> | <u>\$ 2,295,607</u> |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2025
(with comparative data for the Fiscal Year Ended June 30, 2024)
(in thousands)

| | 6/30/2025 | 6/30/2024 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Water sales and service charges | \$ 133,770 | \$ 112,267 |
| Sewer sales and service charges | 113,176 | 94,386 |
| Total operating revenues | <u>246,946</u> | <u>206,653</u> |
| OPERATING EXPENSES | | |
| Water: | | |
| Water services | 117,266 | 107,609 |
| General and administrative | 25,706 | 21,382 |
| Sewer: | | |
| Sewer services | 70,214 | 62,799 |
| General and administrative | 23,296 | 19,227 |
| Depreciation | 84,188 | 82,615 |
| Total operating expenses | <u>320,670</u> | <u>293,632</u> |
| Operating income (loss) | <u>(73,724)</u> | <u>(86,979)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property taxes | 86,319 | 81,800 |
| Interest income (loss) | 20,952 | 15,684 |
| Increase (decrease) in fair value of investments | 1,971 | 3,725 |
| Real estate income (note 8) | 21,441 | 20,675 |
| Increase (decrease) in fair value of real estate investments (note 8) | 9,208 | 31,364 |
| Pension trust interest and dividends income | 9,020 | 7,441 |
| Increase (decrease) in fair value of pension trust investments | 7,082 | 9,585 |
| OPEB trust interest and dividends income | 551 | 539 |
| Increase (decrease) in fair value of OPEB trust investments | 957 | 1,081 |
| Other income | 5,213 | 10,255 |
| Interest expense | (21,030) | (22,614) |
| Real estate expense (note 8) | (7,621) | (8,065) |
| Pension trust expense | (61) | (61) |
| OPEB trust expense | (23) | (19) |
| Other expenses | (2,782) | (2,025) |
| Total nonoperating revenues (expenses) | <u>131,197</u> | <u>149,365</u> |
| Income before capital contributions | <u>57,473</u> | <u>62,386</u> |
| CAPITAL CONTRIBUTIONS | | |
| Donated facilities | 37,056 | 12,113 |
| Connection fees | 21,075 | 26,902 |
| Capital grants | 6,380 | 4,740 |
| Total capital contributions | <u>64,511</u> | <u>43,755</u> |
| Income before special item | 121,984 | 106,141 |
| SPECIAL ITEM | | |
| Transfer of capital assets (note 5) | 6,414 | - |
| Change in net position | 128,398 | 106,141 |
| NET POSITION AT BEGINNING OF YEAR, as previously reported | 2,295,607 | 2,189,466 |
| Change in accounting principle (GASB 101) (note 19) | (707) | - |
| NET POSITION AT BEGINNING OF YEAR, as restated | <u>2,294,900</u> | <u>2,189,466</u> |
| NET POSITION AT END OF YEAR | <u>\$ 2,423,298</u> | <u>\$ 2,295,607</u> |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2025
(with comparative data for the Fiscal Year Ended June 30, 2024)
(in thousands)

| | 2025 | 2024 |
|--|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers and users | \$ 243,949 | \$ 205,364 |
| Cash paid to suppliers of goods and services | (162,557) | (105,361) |
| Cash paid for employees services | (81,233) | (74,169) |
| Net cash provided by (used for) operating activities | 159 | 25,834 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property tax receipts | 86,319 | 81,800 |
| Operating grant | - | 1,366 |
| Net cash provided by (used for) noncapital financing | 86,319 | 83,166 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (89,775) | (100,379) |
| Proceeds from disposition of capital assets | 132 | 147 |
| Proceeds from long term debt | 3,695 | 4,409 |
| Principal payments on long-term liabilities | (44,125) | (23,531) |
| Interest and fiscal agent costs on long term liabilities | (23,687) | (24,873) |
| Developer connection fees and related receipts | 27,455 | 31,642 |
| Net cash provided by (used for) capital and related financing activities | (126,305) | (112,585) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment earnings | 30,537 | 22,753 |
| Investment earnings in real estate | 18,361 | 8,265 |
| Acquisition and construction of real estate investments | (1,425) | (1,114) |
| Proceeds from sale or maturity of investments | 217,451 | 239,542 |
| Purchases of investments | (221,340) | (291,833) |
| Collections on notes receivable | 92 | 88 |
| Net cash provided by (used for) investing activities | 43,676 | (22,299) |
| Net increase (decrease) in cash and cash equivalents | 3,849 | (25,884) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 8,138 | 34,022 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 11,987 | \$ 8,138 |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Cash Flows
For the Fiscal Year ended June 30, 2025
(with comparative data for the Fiscal Year Ended June 30, 2024)
(in thousands)
(Continued)

| | 2025 | 2024 |
|--|------------------|------------------|
| Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position: | | |
| Cash and investments | \$ 393,704 | \$ 393,484 |
| Pension trust investments | 139,749 | 123,707 |
| OPEB trust investments | 13,086 | 11,601 |
| Subtotal | 546,539 | 528,792 |
| Less long-term investments | (534,552) | (520,654) |
| Cash and cash equivalents at end of year | \$ 11,987 | \$ 8,138 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (73,724) | \$ (86,979) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | |
| Other nonoperating income | 5,212 | 10,255 |
| Other nonoperating expenses | (2,782) | (2,025) |
| (Gain) loss on disposition of capital assets | 1,081 | 616 |
| Depreciation and amortization | 84,188 | 82,615 |
| (Increase) decrease in customer receivables | (2,085) | (2,352) |
| (Increase) decrease in leases receivables | (94) | (142) |
| (Increase) decrease in other receivables | 513 | 1,058 |
| (Increase) decrease in inventories | (1,384) | (2,916) |
| (Increase) decrease due from other agencies | (12,076) | 19,271 |
| (Increase) decrease in prepaid expenses and other assets | (8,888) | 28 |
| (Increase) decrease in investment in joint venture | (2,210) | (2,536) |
| (Increase) decrease in deferred outflows | 5,080 | 2,290 |
| Increase (decrease) in accounts payable and accrued expenses | 10,249 | 2,983 |
| Increase (decrease) in customer deposits and advance payments | (791) | 546 |
| Increase (decrease) in compensated absences | (22) | (472) |
| Increase (decrease) in claims payable | (68) | 108 |
| Increase (decrease) in unearned revenue | (565) | (565) |
| Increase (decrease) in net OPEB liability | (1,660) | 1,762 |
| Increase (decrease) in net pension liability | (987) | 3,267 |
| Increase (decrease) in deferred inflows | 1,172 | (978) |
| Net cash provided by (used for) operating activities | \$ 159 | \$ 25,834 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Contributions of capital assets from developers | \$ 12,113 | \$ 12,113 |
| Contributions of capital assets from other governments | 6,414 | - |
| Change in accounts payable related to capital assets | 1,148 | 4,511 |
| Lease and subscription assets acquired through agreements | 766 | 850 |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Statement of Fiduciary Net Position
June 30, 2025
(with comparative data as of June 30, 2024)
(in thousands)

| | Custodial Fund | |
|--------------------------------|-----------------------|---------------|
| | <u>2025</u> | <u>2024</u> |
| ASSETS | | |
| Cash and investments (note 2) | \$ 1,011 | \$ 993 |
| Interest receivable | - | 4 |
| TOTAL ASSETS | <u>1,011</u> | <u>997</u> |
| NET POSITION | | |
| Restricted for: | | |
| San Joaquin Wildlife Sanctuary | 1,011 | 997 |
| TOTAL NET POSITION | <u>\$ 1,011</u> | <u>\$ 997</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, 2025
(with comparative data for the Fiscal Year Ended June 30, 2024)
(in thousands)

| | Custodial Fund | |
|--|------------------------|----------------------|
| | <u>2025</u> | <u>2024</u> |
| ADDITIONS | | |
| Interest and dividends income | \$ 18 | \$ 42 |
| Total additions | <u>18</u> | <u>42</u> |
| DEDUCTIONS | | |
| Administrative expenses | <u>4</u> | <u>6</u> |
| Total deductions | <u>4</u> | <u>6</u> |
| Increase (decrease) in net position | 14 | 36 |
| NET POSITION AT BEGINNING OF YEAR | <u>997</u> | <u>961</u> |
| NET POSITION AT END OF YEAR | <u><u>\$ 1,011</u></u> | <u><u>\$ 997</u></u> |

See accompanying notes to the basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

(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, 2025
(Continued)

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

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

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

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

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

(b) **Basic Financial Statements**

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

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

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

The fiduciary fund types include a custodial fund. The custodial fund is used to account for assets held by the District as a custodian for the activities of the San Joaquin Wildlife Sanctuary (SJWS).

Both the enterprise fund and fiduciary custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying basic financial statements.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2025
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(d) Property Taxes (Continued)

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

(e) Cash and Cash Equivalents

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

(f) District Investments

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

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

(g) Pension and OPEB Trusts Investments

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

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

(h) Real Estate Investments

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

(i) Fair Value Measurements

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(i) Fair Value Measurements (Continued)

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

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

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

(j) Inventory and Prepaid Items

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

(k) Capital Assets and Depreciation

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

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

(l) Compensated Absences

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2023 |
| Measurement Date (MD) | June 30, 2024 |
| Measurement Period (MP) | July 1, 2023 to June 30, 2024 |

(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, 2024 |
| Measurement Date (MD) | June 30, 2024 |
| Measurement Period (MP) | July 1, 2023 to June 30, 2024 |

(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, 2025
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(p) Leases

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

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

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

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

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

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

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(p) Leases (Continued)

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

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

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

(q) Subscription Based Information Technology Arrangements (SBITA)

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

(r) Use of Estimates

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

(s) Comparative Financial Statements and Reclassifications

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(2) **Cash and Investments**

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows (in thousands):

| | |
|---|--------------------------|
| Proprietary Fund: | |
| District Cash and Investments | \$ 393,704 |
| Pension Trust Investments | 139,749 |
| OPEB Trust Investments | 13,086 |
| Total Proprietary Fund | <u>546,539</u> |
| Fiduciary Fund - Custodial Fund: | |
| Cash and investments | <u>1,011</u> |
| Total Cash and Investments | <u><u>\$ 547,550</u></u> |

Cash and investments as of June 30, 2025 consist of the following (in thousands):

| | |
|--------------------------------------|--------------------------|
| Deposits with financial institutions | \$ 6,641 |
| Investments | <u>540,909</u> |
| Total Cash and Investments | <u><u>\$ 547,550</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, 2025
(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, 2025
(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, 2025
(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, 2025 (in thousands):

| Investment Type | Amount | Remaining Maturity | | | |
|--|-------------------|----------------------|--------------------|----------------------|-------------------|
| | | 12 Months Or Less | 13 to 36 Months | 37 Months Or More | Not Applicable |
| Federal Agency Securities | \$ 29,994 | \$ 19,943 | \$ - | \$ 10,051 | \$ - |
| Local Area Investment Fund | 51,789 | 51,789 | - | - | - |
| US Treasury Note | 299,600 | 44,919 | 123,910 | 130,771 | - |
| Money Market | 6,691 | 6,691 | - | - | - |
| Total District Investments | 388,074 | 123,342 | 123,910 | 140,822 | - |
| Mutual Funds - Equities | 93,246 | - | - | - | 93,246 |
| Mutual Funds - Fixed Income Bonds | 46,450 | 598 | 6,681 | 39,171 | - |
| Cash | 53 | 53 | - | - | - |
| Total Pension Trust Investments | 139,749 | 651 | 6,681 | 39,171 | 93,246 |
| Mutual Funds - Equities | 8,732 | - | - | - | 8,732 |
| Mutual Funds - Fixed Income Bonds | 4,347 | 56 | 625 | 3,666 | - |
| Cash | 7 | 7 | - | - | - |
| Total OPEB Trust Investments | 13,086 | 63 | 625 | 3,666 | 8,732 |
| Total Investments | \$ 540,909 | \$ 124,056 | \$ 131,216 | \$ 183,659 | \$ 101,978 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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:

| Investment Type | Amount | AAA ⁽¹⁾ | AA ⁽¹⁾ | Not Rated |
|----------------------------|-------------------|---------------------------|--------------------------|------------------|
| Federal Agency Securities | \$ 29,994 | \$ - | \$ 29,994 | \$ - |
| Local Area Investment Fund | 51,789 | - | - | 51,789 |
| US Treasury Note | 299,600 | - | 299,600 | - |
| Money Market | 6,691 | 6,691 | - | - |
| Total | \$ 388,074 | \$ 6,691 | \$ 329,594 | \$ 51,789 |

Pension Trust Investments:

| Investment Type | Amount |
|-----------------------------------|--------------------------|
| Mutual Funds - Equities | \$ 93,246 ⁽²⁾ |
| Mutual Funds - Fixed Income Bonds | 46,450 ⁽³⁾ |
| Cash | 53 ⁽⁴⁾ |
| Total | \$ 139,749 |

OPEB Trust Investments:

| Investment Type | Amount |
|-----------------------------------|-------------------------|
| Mutual Funds - Equities | \$ 8,732 ⁽⁵⁾ |
| Mutual Funds - Fixed Income Bonds | 4,347 ⁽⁶⁾ |
| Cash | 7 ⁽⁷⁾ |
| Total | \$ 13,086 |

⁽¹⁾ Based on Moody's rating.

⁽²⁾ Equity Mutual Funds as of 6/30/2025 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 6/30/2025, 43.95% of the holdings were rated A-AAA, 53.65% of the holdings were rated B-BBB, and 2.40% of the holdings were rated below B or Not Rated.

⁽⁴⁾ Cash is not rated.

⁽⁵⁾ Equity Mutual Funds as of 6/30/2025 include four "index funds" and are comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

⁽⁶⁾ Fixed Income Mutual Funds are comprised of two diversified portfolios of fixed income securities. As of 6/30/2025, 43.95% of the holdings were rated A-AAA, 53.65% of the holdings were rated B-BBB, and 2.40% of the holdings were rated below B or Not Rated.

⁽⁷⁾ Cash is not rated.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

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

Concentration of Credit Risk

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

| Issuer | Investment Type | Amount |
|---------------|-------------------------|------------------|
| FFCB | Federal Agency Security | \$ 25,039 |
| | Total | <u>\$ 25,039</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, 2025 (in thousands):

District Cash and Investments:

| Investment Type | Amount | Fair Value Measurements | |
|----------------------------|-----------------------|--------------------------------|------------------|
| | | Level 1 | Level 2 |
| Federal Agency Securities | \$ 29,994 | \$ - | \$ 29,994 |
| Local Area Investment Fund | 51,789 ⁽¹⁾ | - | - |
| US Treasury Note | 299,600 | 299,600 | - |
| Money Market | 6,691 ⁽¹⁾ | - | - |
| Total | <u>\$ 388,074</u> | <u>\$ 299,600</u> | <u>\$ 29,994</u> |

Pension Trust Cash and Investments:

| Investment Type | Amount | Fair Value Measurements |
|-----------------------------------|-------------------|--------------------------------|
| | | Level 1 |
| Mutual Funds - Equities | \$ 93,246 | \$ 93,246 |
| Mutual Funds - Fixed Income Bonds | 46,450 | 46,450 |
| Cash | 53 ⁽¹⁾ | - |
| Total | <u>\$ 139,749</u> | <u>\$ 139,696</u> |

OPEB Cash and Investments:

| Investment Type | Amount | Fair Value Measurements |
|-----------------------------------|------------------|--------------------------------|
| | | Level 1 |
| Mutual Funds - Equities | \$ 8,732 | \$ 8,732 |
| Mutual Funds - Fixed Income Bonds | 4,347 | 4,347 |
| Cash | 7 ⁽¹⁾ | - |
| Total | <u>\$ 13,086</u> | <u>\$ 13,079</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, 2025
(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, 2025, the notional amount and fair value balance of the District's interest rate swaps are \$60.0 million and \$(4.5) million, respectively. For the year ended June 30, 2025, the decrease in fair value of the fixed payer interest rate swaps was \$0.7 million.

The fair value of the swap agreements at June 30, 2025 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 SOFR fixed payer swaps, that the current SOFR forward rates implied by the SOFR yield curves correctly anticipate future SOFR 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, 2025
(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, 2025, 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. SOFR | Aa2/A+/AA |
| Fixed Payer | Hedge of changes in cash flows on pool of variable rate debt issues | \$30,000 | 3/10/07 | 3/10/29 | Pay 5.687%; receive 1-Mo. SOFR | 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, 2025, 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 Aa2/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, 2025.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 SOFR index decreases, the District's net payment on the swap increases. Alternatively, on its fixed payer swaps, as the 1-month SOFR 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, 2025.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facilities. As of June 30, 2025, the District had 49,600 acre-feet of banked water in various water bank facilities at a cost of \$11.4 million. Inventories at June 30, 2025 consisted of the following (in thousands):

| | | |
|------------------------|-----------|---------------|
| Water in storage | \$ | 11,396 |
| Materials and supplies | | 12,231 |
| Total | \$ | 23,627 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2025 is as follows (in thousands):

| | Balance June 30, 2024 | Additions | Deletions | Balance June 30, 2025 |
|--|--------------------------|-------------------|---------------------|--------------------------|
| Capital assets, depreciable: | | | | |
| Land leasehold | \$ 4,860 | \$ - | \$ - | \$ 4,860 |
| Right-to-use leased asset | 1,162 | 447 | - | 1,609 |
| Right-to-use subscription asset | 454 | 318 | - | 772 |
| Buildings and structures | 848,284 | 21,220 | (1,004) | 868,500 |
| Transmissions and distributions | 1,990,615 | 100,237 | (598) | 2,090,254 |
| Machinery and equipment | 285,098 | 3,529 | (6,202) | 282,425 |
| Sub-Total | 3,130,473 | 125,751 | (7,804) | 3,248,420 |
| Less: Accumulated depreciation: | | | | |
| Land leasehold | (1,844) | (97) | - | (1,941) |
| Right-to-use leased asset | (152) | (149) | - | (301) |
| Right-to-use subscription asset | (113) | (133) | - | (246) |
| Buildings and structures | (393,947) | (18,776) | 528 | (412,195) |
| Transmissions and distributions | (696,662) | (57,880) | 178 | (754,364) |
| Machinery and equipment | (199,569) | (7,153) | 5,960 | (200,762) |
| Sub-Total | (1,292,287) | (84,188) | 6,666 | (1,369,809) |
| Total depreciable capital assets, net | 1,838,186 | 41,563 | (1,138) | 1,878,611 |
| Capital assets, non-depreciable: | | | | |
| Land and water rights | 127,546 | 1,373 | (75) | 128,844 |
| Construction in progress | 145,938 | 108,462 | (100,427) | 153,973 |
| Total capital assets, net | \$ 2,111,670 | \$ 151,398 | \$ (101,640) | \$ 2,161,428 |

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2025 were \$100.4 million. The District's proportionate share of the Orange County Sanitation District's jointly funded capital assets increased \$19.5 million during the fiscal year ended June 30, 2025.

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, 2025 was \$6.5 million.

During the current fiscal year, the Serrano Water District (SWD) and IRWD entered into a purchase and sale agreement. The ownership and operations of the Santiago Reservoir property, Howiler Water Treatment Plant, and untreated water conveyance facilities, with a carrying value of \$6.4 million, were transferred from SWD to IRWD. The transaction was recorded and reported as a special item and capital assets, net of accumulated depreciation in IRWD's basic financial statements. In addition, SWD and IRWD entered into a water service reliability agreement. IRWD provides water supply reliability services to SWD and reimburses / pays for certain capital and non-capital costs.

(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.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

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

The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. During the fiscal year ended June 30, 2025, the District paid \$12.2 million of the equity integration adjustment of OC San's capital assets. In addition, the District's CORF and collection projects payments to OC San for the current fiscal year totaled \$7.3 million.

The District's share of the jointly funded capital assets and CORF in the amount of \$121.7 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, 2025, the District had a net receivable of \$29.5 million from OC San which is reflected as a due from other agencies in the District's basic financial statements.

(7) Leases Receivable

The District, as a lessor, entered into non-cancellable lease agreements for farming, recreational activities, and cell sites. These leases expire at various dates through 2041. Payments to the District are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease receivable. During the fiscal year, the District recognized \$1.1 million in lease revenue and \$0.05 million in interest revenue related to these leases. As of June 30, 2025, the District's receivable for lease payments was \$2.5 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, 2025, the balance of the deferred inflow of resources was \$2.4 million. The following schedule is the expected future minimum payments under these agreements (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|-----------------|
| 2026 | \$ 209 | \$ 55 | \$ 264 |
| 2027 | 228 | 51 | 279 |
| 2028 | 236 | 46 | 282 |
| 2029 | 246 | 40 | 286 |
| 2030 | 138 | 34 | 172 |
| 2031-2035 | 709 | 123 | 832 |
| 2036-2040 | 628 | 43 | 671 |
| 2041 | 63 | 1 | 64 |
| Total | \$ 2,457 | \$ 393 | \$ 2,850 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(8) Real Estate Investments

Real estate investments as of June 30, 2025 consist of the following (in thousands):

| | |
|---------------------------------------|--------------------------|
| Real estate investments at fair value | \$ 336,508 |
| Other assets | 1,707 |
| Total | <u><u>\$ 338,215</u></u> |

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

| | Balance | Increase | Capital | Balance |
|---------------------------------|--------------------------|------------------------|------------------------|--------------------------|
| | June 30, 2024 | in | Additions | June 30, 2025 |
| | Fair Value | | | |
| Wood Canyon Villas, L.P. | \$ 38,421 | \$ 2,305 | \$ - | \$ 40,726 |
| Sycamore Canyon Apartments | 220,000 | 5,553 | 1,379 | 226,932 |
| 230 Commerce Office Property | 10,000 | 200 | - | 10,200 |
| Waterworks Way Business Park | 13,500 | 270 | - | 13,770 |
| Sand Canyon Professional Center | 12,000 | 240 | - | 12,240 |
| Sand Canyon General Office | 32,000 | 640 | - | 32,640 |
| Total | <u><u>\$ 325,921</u></u> | <u><u>\$ 9,208</u></u> | <u><u>\$ 1,379</u></u> | <u><u>\$ 336,508</u></u> |

Net real estate income as of June 30, 2025 is as follows (in thousands):

| | |
|---|-------------------------|
| Real estate income | \$ 21,441 |
| Increase in fair value of real estate investments | 9,208 |
| Real estate expense | <u>(7,621)</u> |
| Net real estate income | <u><u>\$ 23,028</u></u> |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 95.2% occupied at June 30, 2025. 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 94.6% occupied as of June 30, 2025. The property's fair value was determined using an appraisal valuation in 2024 and adjusted with a growth factor in 2025.

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 70.3% occupied as of June 30, 2025. The property's fair value was determined using an appraisal valuation in 2024 and adjusted with a growth factor in 2025.

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, 2025, the building was 100% occupied. The property's fair value was determined using an appraisal valuation in 2024 and adjusted with a growth factor in 2025.

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, 2025. The property's fair value was determined using an appraisal valuation in 2024 and adjusted with a growth factor in 2025.

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, 2025. The property's fair value was determined using an appraisal valuation in 2024 and adjusted with a growth factor in 2025.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 \$11.7 million at June 30, 2025. 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, 2025 was as follows (in thousands):

| | Balance June 30, 2024 (Restated) | | | Balance June 30, 2025 | | | Due within One Year | Due in more than one Year |
|---------------------------------------|--|------------------|--------------------|--------------------------|------------------|-------------------|------------------------|------------------------------|
| | | Additions | Deletions | | | | | |
| General Obligation Bonds: | | | | | | | | |
| 1993 C Consolidated | \$ 19,200 | \$ - | \$ (19,200) | \$ - | \$ - | \$ - | | |
| 2008A Refunding | 39,000 | - | (2,000) | 37,000 | 2,500 | 34,500 | | |
| 2009A Consolidated | 45,000 | - | (2,500) | 42,500 | 2,500 | 40,000 | | |
| 2009B Consolidated | 45,000 | - | (2,500) | 42,500 | 2,500 | 40,000 | | |
| 2010B BABS | 175,000 | - | (3,120) | 171,880 | 2,790 | 169,090 | | |
| 2011A-1 Refunding | 38,760 | - | (2,100) | 36,660 | 2,220 | 34,440 | | |
| 2011A-2 Refunding | 25,840 | - | (1,400) | 24,440 | 1,480 | 22,960 | | |
| 2016 Consolidated | 96,605 | - | (2,495) | 94,110 | 2,620 | 91,490 | | |
| Unamortized Premium | 19,948 | - | (924) | 19,024 | 924 | 18,100 | | |
| Sub-total | 504,353 | - | (36,239) | 468,114 | 17,534 | 450,580 | | |
| Certificates of Participation: | | | | | | | | |
| 2016 Certificates | 101,490 | - | (4,555) | 96,935 | 4,905 | 92,030 | | |
| Unamortized Premium | 20,781 | - | (1,375) | 19,406 | 1,376 | 18,030 | | |
| Sub-total | 122,271 | - | (5,930) | 116,341 | 6,281 | 110,060 | | |
| Notes Payable | 119 | - | (79) | 40 | 40 | - | | |
| Leases Payable | 1,031 | 446 | (138) | 1,339 | 228 | 1,111 | | |
| Subscription Payable | 358 | 318 | (197) | 479 | 191 | 288 | | |
| Other Long-Term Liabilities: | | | | | | | | |
| Compensated Absences (Note 19) | 6,629 | 5,924 | (5,947) | 6,606 | 2,643 | 3,963 | | |
| Other Long-Term Liabilities | 739 | 3,695 | (3,841) | 593 | 103 | 490 | | |
| Sub-total | 7,368 | 9,619 | (9,788) | 7,199 | 2,746 | 4,453 | | |
| Total Long-Term Liabilities | \$ 635,500 | \$ 10,383 | \$ (52,371) | \$ 593,512 | \$ 27,020 | \$ 566,492 | | |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(10) Long-Term Liabilities (Continued)

The following summarizes the major terms of outstanding long-term debt at June 30, 2025 (in thousands):

| | Date of Issue | Original Issue | Revenue Sources | Final Maturity Date | Interest Rates |
|---------------------------------------|------------------|-------------------|--------------------|---------------------------|-------------------|
| General Obligation Bonds: | | | | | |
| 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, 2025 ranging from 1.26% to 2.16% 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 |
|---------------------------|-------------------|-------------------|-------------------------------|---------------------------|-------------------|
| 2026 | \$ 16,610 | \$ 20,106 | \$ 574 | \$ (3,757) | \$ 33,533 |
| 2027 | 17,165 | 19,532 | 574 | (3,696) | 33,575 |
| 2028 | 17,900 | 18,929 | 574 | (3,628) | 33,775 |
| 2029 | 18,370 | 18,288 | 574 | (3,551) | 33,681 |
| 2030 | 18,965 | 17,621 | - | (3,469) | 33,117 |
| 2031-2035 | 128,975 | 68,825 | - | (16,405) | 181,395 |
| 2036-2040 | 183,560 | 39,755 | - | (8,738) | 214,577 |
| 2041-2045 | 40,460 | 7,015 | - | - | 47,475 |
| 2046 | 7,085 | 372 | - | - | 7,457 |
| Sub-total | 449,090 | 210,443 | 2,296 | (43,244) | 618,585 |
| Plus: Unamortized premium | 19,024 | - | - | - | 19,024 |
| Total | <u>\$ 468,114</u> | <u>\$ 210,443</u> | <u>\$ 2,296</u> | <u>\$ (43,244)</u> | <u>\$ 637,609</u> |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 |
|---------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 4,905 | \$ 4,847 | \$ 9,752 |
| 2027 | 5,225 | 4,602 | 9,827 |
| 2028 | 5,600 | 4,340 | 9,940 |
| 2029 | 5,985 | 4,060 | 10,045 |
| 2030 | 6,395 | 3,761 | 10,156 |
| 2031-2035 | 22,960 | 14,313 | 37,273 |
| 2036-2040 | 17,840 | 9,769 | 27,609 |
| 2041-2045 | 22,765 | 4,841 | 27,606 |
| 2046 | 5,260 | 263 | 5,523 |
| Sub-total | 96,935 | 50,796 | 147,731 |
| Plus: Unamortized premium | 19,406 | - | 19,406 |
| Total | \$ 116,341 | \$ 50,796 | \$ 167,137 |

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, 2025 were as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|--------------|
| 2026 | \$ 40 | \$ 1 | \$ 41 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(10) Long-Term Liabilities (Continued)

Leases Payable

The District, as a lessee, has entered into noncancellable lease agreements for production well sites, antenna sites, and equipment. These leases expire on various dates through 2043. The District's payments are based on the terms in each agreement and include certain variable payments not included in the measurement of the lease payable. As of June 30, 2025, leased assets and the related accumulated amortization totaled \$1.6 million and \$0.3 million, respectively. The lease liability on June 30, 2025 was \$1.3 million.

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|-----------------|
| 2026 | \$ 228 | \$ 30 | \$ 258 |
| 2027 | 199 | 24 | 223 |
| 2028 | 211 | 19 | 230 |
| 2029 | 146 | 15 | 161 |
| 2030 | 31 | 13 | 44 |
| 2031-2035 | 174 | 53 | 227 |
| 2036-2040 | 212 | 31 | 243 |
| 2041-2043 | 138 | 6 | 144 |
| Total | \$ 1,339 | \$ 191 | \$ 1,530 |

Subscription-Based Information Technology Arrangements (SBITA) Payable

The District has entered into subscription-based information technology arrangements (SBITAs), to use software for its operational needs. The SBITA arrangements expire at various dates through 2029. As of June 30, 2025, SBITA assets and the related accumulated amortization totaled \$0.8 million and \$0.2 million, respectively. The subscription payable on June 30, 2025 was \$0.5 million.

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|---------------|
| 2026 | \$ 191 | \$ 10 | \$ 201 |
| 2027 | 202 | 5 | 207 |
| 2028 | 86 | 2 | 88 |
| Total | \$ 479 | \$ 17 | \$ 496 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(11) Unearned Revenue

Unearned revenue at June 30, 2025 consisted of the following (in thousands):

| | |
|--|------------------------|
| Unearned revenue, current portion | \$ 565 |
| Unearned revenue, net of current portion | 2,004 |
| Total | <u>\$ 2,569</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, 2025 was \$0.5 million.

(12) Letters of Credit

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

The terms of the letters of credit, as of June 30, 2025 are summarized as follows (in thousands):

| Letter of Credit | Trustee | Amount | Expiration Date |
|----------------------------|-------------------------|---------------|------------------------|
| Bank of America: | | | |
| 2009 Series A Consolidated | U.S. Bank | \$ 42,975 | May 1, 2028 |
| 2009 Series B Consolidated | U.S. Bank | 42,975 | May 1, 2028 |
| 2011 Series A-1 Refunding | Bank of New York Mellon | 37,070 | February 8, 2027 |
| 2011 Series A-2 Refunding | Bank of New York Mellon | 24,713 | February 8, 2027 |
| Sumitomo Mitsui: | | | |
| 2008 Series A Refunding | Bank of New York Mellon | 37,547 | March 13, 2028 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2025, are summarized as follows:

| | Hire Date | | |
|--|-------------------------------------|---|--|
| | Prior to October 1, 2012 | On or after October 1, 2012 to December 31, 2012 | On or after January 1, 2013 |
| Benefit Formula | 2.5% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit Vesting Schedule | 5 Years of Service | 5 Years of Service | 5 Years of Service |
| Benefit Payments | Monthly for Life | Monthly for Life | Monthly for Life |
| Minimum Retirement Age | 50 | 50 | 52 |
| Monthly Benefits, as a % of Eligible Compensation | 2.0% to 2.5% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required Employee Contribution Rate | 8.00% | 7.00% | 7.50% |
| Required Employer Normal Cost Rate | 10.26% | 10.26% | 10.26% |

In addition, the District made a \$8.6 million unfunded liability contribution during the current fiscal year.

Employees Covered

As of June 30, 2023 (valuation date), the following employees were covered by the benefit terms for the Plan:

| | |
|--|-------------------|
| Active Employees | 393 |
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 343 |
| Inactive Employees Entitled to But not Yet Receiving Benefits | <u>253</u> |
| Total | <u><u>989</u></u> |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2025, the total pension liability was determined using the following actuarial methods and assumptions:

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

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

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2025
(Continued)

(13) Defined Benefit Pension Plan (Continued)

Discount Rate

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

Pension Plan Fiduciary Net Position

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

Changes in the Net Pension Liability

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

| | Increase (Decrease) | | |
|---|------------------------------------|--|--|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (c) = (a) - (b) |
| Balance at June 30, 2024 | \$ 364,167 | \$ 275,493 | \$ 88,674 |
| Changes Recognized for the Period: | | | |
| Service Cost | 7,682 | - | 7,682 |
| Interest | 25,334 | - | 25,334 |
| Changes of Benefit Terms | - | - | - |
| Changes of Assumptions | - | - | - |
| Difference between Expected and Actual Experience | 7,798 | - | 7,798 |
| Contributions – Employer | - | 11,983 | (11,983) |
| Contributions – Employees | - | 3,404 | (3,404) |
| Net Investment Income | - | 26,638 | (26,638) |
| Benefit Payments, Including Refunds of Employee Contributions | (17,293) | (17,293) | - |
| Administrative Expense | - | (223) | 223 |
| Net Change | 23,521 | 24,509 | (988) |
| Balance at June 30, 2025 | \$ 387,688 | \$ 300,002 | \$ 87,686 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 | \$ 139,895 | \$ 87,686 | \$ 44,535 |

Subsequent Events

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

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 (EARS�) 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 measurement period ended June 30, 2024 was 4.6 years, which was obtained by dividing the total service years of 4,575 (the sum of remaining service lifetimes of the active employees) by 989 (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, 2025
(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, 2025, the District recognized pension expense of \$16.3 million. At June 30, 2025, 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 | \$ 13,417 | \$ - |
| Differences between Expected and Actual Experiences | 8,190 | (1,193) |
| Changes in Assumptions | 4,407 | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 4,047 | - |
| Total | \$ 30,061 | \$ (1,193) |

\$13.4 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. \$15.5 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 |
|--------------------|--|
| 2026 | \$ 4,039 |
| 2027 | 10,931 |
| 2028 | 1,007 |
| 2029 | (526) |
| Total | \$ 15,451 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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 \$158 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, 2025
(Continued)

(14) Other Post-Employment Benefits (Continued)

Employees Covered

As of the June 30, 2024 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 | 121 | 49 | - | 170 |
| Inactive Employees Entitled to But not Yet Receiving Benefits | 114 | - | 131 | 245 |
| Active Employees | 391 | 391 | 91 | 873 |
| Total | 626 | 440 | 222 | 1,288 |

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, 2025, the District's cash contributions were \$0.5 million and estimated implied subsidy was \$0.3 million resulting in total payments of \$0.8 million. The following shows contributions by each OPEB plan (in thousands):

| | PEMHCA | RHCRP | Death Benefit | Total |
|---------------------------|---------------|---------------|--------------------------|---------------|
| Cash Contributions | \$ 236 | \$ 305 | \$ 20 | \$ 561 |
| Estimated Implied Subsidy | 278 | - | - | 278 |
| Total | \$ 514 | \$ 305 | \$ 20 | \$ 839 |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(14) Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2024 measurement date was used to determine the June 30, 2025 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 | 3.93% at June 30, 2024 and 3.65% at June 30, 2023 (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 - 7.90% for 2026, decreasing to 3.45% in 2076 Medicare - 6.90% for 2026, decreasing to 3.45% in 2076 | Not Applicable | |
| Minimum Increase | 3.5% annually | 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, 2024 measurement period, the discount rate was increased from 3.65 percent to 3.93 percent based on the municipal bond rate.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(14) Other Post-Employment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 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, 2024 | <u>\$ 16,281</u> | <u>\$ 4,289</u> | <u>\$ 1,525</u> | <u>\$ 22,095</u> |
| Changes Recognized for the Period: | | | | |
| Service Cost | 878 | 250 | 39 | 1,167 |
| Interest | 617 | 161 | 57 | 835 |
| Assumptions Changes | (599) | (76) | (21) | (696) |
| Expected vs. Actual Experience | (1,785) | 150 | (531) | (2,166) |
| Benefit Payments | (501) | (299) | - | (800) |
| Net Change | <u>(1,390)</u> | <u>186</u> | <u>(456)</u> | <u>(1,660)</u> |
| Balance at June 30, 2025 | <u><u>\$ 14,891</u></u> | <u><u>\$ 4,475</u></u> | <u><u>\$ 1,069</u></u> | <u><u>\$ 20,435</u></u> |

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, 2024 (in thousands).

| | Discount Rate - 1% (2.93%) | Current Discount Rate (3.93%) | Discount Rate + 1% (4.93%) |
|-----------------------|---|--|---|
| OPEB Liability | | | |
| PEMHCA | \$ 17,205 | \$ 14,891 | \$ 13,012 |
| RHCRP | 4,752 | 4,475 | 4,214 |
| Death Benefit | 1,147 | 1,069 | 999 |
| Total | <u><u>\$ 23,104</u></u> | <u><u>\$ 20,435</u></u> | <u><u>\$ 18,225</u></u> |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2024 (in thousands).

| OPEB Liability | Healthcare Trend Rates -1% | Current Healthcare Trend Rates | Healthcare Trend Rates +1% |
|----------------|----------------------------------|--------------------------------------|----------------------------------|
| PEMHCA | \$ 12,649 | \$ 14,891 | \$ 17,768 |
| RHCRP | 4,475 | 4,475 | 4,475 |
| Death Benefit | 1,069 | 1,069 | 1,069 |
| Total | <u>\$ 18,193</u> | <u>\$ 20,435</u> | <u>\$ 23,312</u> |

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, 2025, the District recognized OPEB expense of \$1.5 million which consisted of \$1.3 million for PEMHCA, \$0.4 million for RHCRP, and \$(0.2) million for death benefit.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(14) Other Post-Employment Benefits (Continued)

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

On June 30, 2025, 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 | | | |
|--|--------------------------------|---------------|--------------|-----------------|-------------------------------|---------------|---------------|-----------------|
| | | | Death | Total | | | Death | Total |
| | PEMHCA | RHCRP | Benefit | | PEMHCA | RHCRP | Benefit | |
| OPEB Contributions made Subsequent to the Measurement Date | \$ 514 | \$ 305 | \$ 20 | \$ 839 | \$ - | \$ - | \$ - | \$ - |
| Changes in Assumptions | 1,918 | 178 | 14 | 2,110 | 3,081 | 351 | 139 | 3,571 |
| Difference between Expected and Actual Experience | 721 | 264 | - | 985 | 2,654 | 30 | 406 | 3,090 |
| Total | \$ 3,153 | \$ 747 | \$ 34 | \$ 3,934 | \$ 5,735 | \$ 381 | \$ 545 | \$ 6,661 |

The District has \$0.8 million reported as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the fiscal year ending June 30, 2025. \$(3.6) 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 |
|--------------|-------------------|--------------|-----------------|-------------------|
| 2026 | \$ (161) | \$ 14 | \$ (252) | \$ (399) |
| 2027 | (105) | 28 | (229) | (306) |
| 2028 | (191) | 29 | (50) | (212) |
| 2029 | (323) | 21 | - | (302) |
| 2030 | (607) | 15 | - | (592) |
| Thereafter | (1,709) | (46) | - | (1,755) |
| Total | \$ (3,096) | \$ 61 | \$ (531) | \$ (3,566) |

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(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, 2025, the District's payroll covered by the plan was \$243,885. The District made no employer contributions. Employees contributed \$20,369 for the fiscal year ended June 30, 2025.

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 2025 is \$23,500.

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, 2025, the District contributed \$1.5 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, 2025
(Continued)

(16) Risk Management (Continued)

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

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

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

| Fiscal Year | Liability Beginning of Year | Claims and Changes in Estimates | Claim Payments | Liability End of Year | Due within One Year | Due in more than One Year |
|--------------------|--|--|---------------------------|--------------------------------------|------------------------------------|--|
| 2024 | \$ 1,046 | \$ 657 | \$ (27) | \$ 1,676 | \$ 506 | \$ 1,170 |
| 2025 | 1,676 | 289 | (357) | 1,608 | 537 | 1,071 |

(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, 2025
(Continued)

(18) Net Position

Net position at June 30, 2025 consisted of the following (in thousands):

| | |
|--|----------------------------|
| Net investment in capital assets: | |
| Property, plant and equipment, net | \$ 2,161,428 |
| Outstanding liabilities to construct capital assets: | |
| General obligation bonds | (468,114) |
| Certificates of participation | (116,340) |
| Notes payable | (40) |
| Leases payable | (1,340) |
| Subscription payable | (480) |
| Deferred refunding charges | 1,330 |
| Capital-related accounts payable and retainage payable | (6,267) |
| Total net investment in capital assets | <u>1,570,177</u> |
| Restricted net position: | |
| Restricted for pension trust investments | 139,749 |
| Restricted for OPEB trust investments | 13,086 |
| Restricted for water services | 248,508 |
| Restricted for sewer services | 451,778 |
| Total restricted net position | <u>853,121</u> |
| Total net position | <u><u>\$ 2,423,298</u></u> |

(19) Restatement of Net Position

During the fiscal year ended June 30, 2025, the District recorded the following change in accounting principle (in thousands):

| | |
|---|----------------------------|
| Net position, 6/30/24, as previously reported | \$ 2,295,607 |
| Change in accounting principle: | |
| GASB Statement No. 101 Compensated Absences | <u>(707)</u> |
| Net position, 6/30/24, as restated | <u><u>\$ 2,294,900</u></u> |

The District implemented GASB Implementation Statement No. 101 for accounting and reporting of compensated absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Irvine Ranch Water District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

(20) Subsequent Events

In July 2025, the Irvine Ranch Water District issued \$125.0 million of consolidated Series 2025A refunding bonds (the Series 2025A Refunding Bonds) to refund a portion of the outstanding 2010B BABs.

In July 2025, the Irvine Ranch Water District issued \$57.9 million of consolidated Series 2025B refunding bonds (the Series 2025B Refunding Bonds) to refund a portion of the outstanding 2010B BABs.

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

(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 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 7,682 | \$ 7,058 | \$ 6,872 | \$ 6,161 | \$ 6,001 |
| Interest | 25,334 | 23,790 | 22,582 | 21,815 | 20,700 |
| Changes of Benefit Terms | - | 227 | - | - | - |
| Changes of Assumptions | - | - | 11,019 | - | - |
| Difference between Expected and Actual Experience | 7,798 | 3,008 | (2,982) | 1,990 | 1,509 |
| Benefit Payments, Including Refunds of Employee Contributions | (17,293) | (15,860) | (14,694) | (13,708) | (12,655) |
| Net Change in Total Pension Liability | 23,521 | 18,223 | 22,797 | 16,258 | 15,555 |
| Total Pension Liability – Beginning | 364,167 | 345,944 | 323,147 | 306,889 | 291,334 |
| Total Pension Liability – Ending (a) | \$ 387,688 | \$ 364,167 | \$ 345,944 | \$ 323,147 | \$ 306,889 |
| Plan Fiduciary Net Position | | | | | |
| Contributions – Employer | \$ 11,983 | \$ 11,773 | \$ 10,467 | \$ 9,569 | \$ 8,430 |
| Contributions – Employees | 3,404 | 3,100 | 3,117 | 2,855 | 2,741 |
| Net Investment Income | 26,638 | 16,136 | (21,483) | 52,638 | 11,115 |
| Benefit Payments, Including Refunds of Employee Contributions | (17,293) | (15,860) | (14,694) | (13,708) | (12,655) |
| Administrative Expense | (223) | (193) | (176) | (232) | (314) |
| Other Miscellaneous Income / (Expense) ⁽¹⁾ | - | - | - | - | - |
| Net Change in Fiduciary Net Position | 24,509 | 14,956 | (22,769) | 51,122 | 9,317 |
| Plan Fiduciary Net Position – Beginning ⁽²⁾ | 275,493 | 260,537 | 283,306 | 232,184 | 222,867 |
| Plan Fiduciary Net Position – Ending (b) | \$ 300,002 | \$ 275,493 | \$ 260,537 | \$ 283,306 | \$ 232,184 |
| Plan Net Pension Liability – Ending (a) - (b) | \$ 87,686 | \$ 88,674 | \$ 85,407 | \$ 39,841 | \$ 74,705 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.38% | 75.65% | 75.31% | 87.67% | 75.66% |
| Covered Payroll | \$ 44,199 | \$ 40,357 | \$ 39,474 | \$ 38,702 | \$ 37,389 |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 198.39% | 219.72% | 216.36% | 102.94% | 199.80% |

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
(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 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total Pension Liability | | | | | |
| Service Cost | \$ 5,498 | \$ 5,098 | \$ 4,825 | \$ 4,066 | \$ 4,005 |
| Interest | 19,651 | 18,570 | 17,806 | 17,092 | 16,343 |
| Changes of Benefit Terms | - | - | - | - | - |
| Changes of Assumptions | - | (1,605) | 15,182 | - | (4,127) |
| Difference between Expected and Actual Experience | 2,535 | (235) | (1,702) | (1,856) | 530 |
| Benefit Payments, Including Refunds of Employee Contributions | (11,807) | (10,770) | (9,721) | (9,089) | (8,365) |
| Net Change in Total Pension Liability | 15,877 | 11,058 | 26,390 | 10,213 | 8,386 |
| Total Pension Liability – Beginning | 275,457 | 264,399 | 238,009 | 227,796 | 219,410 |
| Total Pension Liability – Ending (a) | \$ 291,334 | \$ 275,457 | \$ 264,399 | \$ 238,009 | \$ 227,796 |
| Plan Fiduciary Net Position | | | | | |
| Contributions – Employer | \$ 7,185 | \$ 6,157 | \$ 5,450 | \$ 4,926 | \$ 4,524 |
| Contributions – Employees | 2,511 | 2,401 | 2,280 | 2,519 | 2,170 |
| Net Investment Income | 13,809 | 16,707 | 20,205 | 946 | 4,049 |
| Benefit Payments, Including Refunds of Employee Contributions | (11,807) | (10,770) | (9,721) | (9,089) | (8,365) |
| Administrative Expense | (151) | (308) | (265) | (110) | (208) |
| Other Miscellaneous Income / (Expense) ⁽¹⁾ | - | (585) | - | - | - |
| Net Change in Fiduciary Net Position | 11,547 | 13,602 | 17,949 | (808) | 2,170 |
| Plan Fiduciary Net Position – Beginning ⁽²⁾ | 211,320 | 197,718 | 179,769 | 180,577 | 178,407 |
| Plan Fiduciary Net Position – Ending (b) | \$ 222,867 | \$ 211,320 | \$ 197,718 | \$ 179,769 | \$ 180,577 |
| Plan Net Pension Liability – Ending (a) - (b) | \$ 68,467 | \$ 64,137 | \$ 66,681 | \$ 58,240 | \$ 47,219 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 76.50% | 76.72% | 74.78% | 75.53% | 79.27% |
| Covered Payroll | \$ 33,758 | \$ 32,213 | \$ 30,823 | \$ 28,802 | \$ 27,596 |
| Plan Net Pension Liability as a Percentage of Covered Payroll | 202.82% | 199.10% | 216.33% | 202.21% | 171.11% |

- (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, 2025
(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: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15 percent to 6.90 percent. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65 percent for measurement dates June 30, 2015 through June 30, 2016.

(b) Schedule of Contributions (in thousands)

| Fiscal Year Ended June 30 | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|------------------|------------------|------------------|------------------|------------------|
| Actuarially Determined Contribution ⁽¹⁾ | \$ 13,417 | \$ 11,983 | \$ 11,773 | \$ 10,467 | \$ 9,569 |
| Contributions in Relation to the Actuarially Determined Contribution ⁽¹⁾ | (13,417) | (11,983) | (11,773) | (10,467) | (9,569) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 47,109 | \$ 44,199 | \$ 40,357 | \$ 39,474 | \$ 38,702 |
| Contributions as a Percentage of Covered Payroll | 28.48% | 27.11% | 29.17% | 26.52% | 24.72% |
| Fiscal Year Ended June 30 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Actuarially Determined Contribution ⁽¹⁾ | \$ 8,430 | \$ 7,185 | \$ 6,157 | \$ 5,450 | \$ 4,926 |
| Contributions in Relation to the Actuarially Determined Contribution ⁽¹⁾ | (8,430) | (7,185) | (6,157) | (5,450) | (4,926) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 37,389 | \$ 33,758 | \$ 32,213 | \$ 30,823 | \$ 28,802 |
| Contributions as a Percentage of Covered Payroll | 22.55% | 21.28% | 19.11% | 17.68% | 17.10% |

- ⁽¹⁾ Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
(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, 2025 were from the June 30, 2022 funding valuation report.

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

Changes in Assumptions: There are no significant changes to the actuarial methods or assumptions for the June 30, 2022 actuarial valuation.

Subsequent Event: This actuarial valuation report reflects fund investment return through June 30, 2022 and statutory / regulatory changes and board actions through January 2023.

During the period between the valuation date and the publication of the annual valuation report, inflation has been significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contributions requirements and downward pressure on the funded status in the June 30, 2023 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, CalPERS continues to believe the long-term inflation assumption of 2.3% is appropriate.

There have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
(Continued)

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

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

| PEMHCA | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement Date: June 30 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 878 | \$ 877 | \$ 1,245 | \$ 1,194 | \$ 671 | \$ 594 | \$ 472 | \$ 549 |
| Interest | 617 | 574 | 439 | 420 | 484 | 479 | 364 | 310 |
| Assumptions Changes | (599) | (257) | (3,342) | 157 | 2,957 | 727 | 682 | (1,173) |
| Expected vs. Actual Experience | (1,785) | - | (1,542) | - | 1,005 | - | 951 | - |
| Benefit Payments | (501) | (513) | (532) | (493) | (467) | (377) | (343) | (304) |
| Net Change in Total OPEB Liability | (1,390) | 681 | (3,732) | 1,278 | 4,650 | 1,423 | 2,126 | (618) |
| Total OPEB Liability – Beginning | 16,281 | 15,600 | 19,332 | 18,054 | 13,404 | 11,981 | 9,855 | 10,473 |
| Total OPEB Liability – Ending | \$14,891 | \$16,281 | \$15,600 | \$19,332 | \$18,054 | \$13,404 | \$11,981 | \$ 9,855 |
| Covered Employee Payroll | \$48,398 | \$48,115 | \$41,479 | \$42,831 | \$42,190 | \$37,226 | \$35,629 | \$30,823 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 30.77% | 33.84% | 37.61% | 45.14% | 42.79% | 36.01% | 33.63% | 31.97% |

| RHCRP | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement Date: June 30 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 250 | \$ 185 | \$ 234 | \$ 225 | \$ 176 | \$ 161 | \$ 148 | \$ 161 |
| Interest | 161 | 118 | 80 | 81 | 113 | 125 | 112 | 94 |
| Benefit Terms Changes | - | 1,018 | - | - | - | - | - | - |
| Assumptions Changes | (76) | (30) | (333) | 11 | 263 | 69 | 1 | (136) |
| Expected vs. Actual Experience | 150 | - | (42) | - | 164 | - | 125 | - |
| Benefit Payments | (299) | (291) | (263) | (288) | (361) | (332) | (306) | (286) |
| Net Change in Total OPEB Liability | 186 | 1,000 | (324) | 29 | 355 | 23 | 80 | (167) |
| Total OPEB Liability – Beginning | 4,289 | 3,289 | 3,613 | 3,584 | 3,229 | 3,206 | 3,126 | 3,293 |
| Total OPEB Liability – Ending | \$ 4,475 | \$ 4,289 | \$ 3,289 | \$ 3,613 | \$ 3,584 | \$ 3,229 | \$ 3,206 | \$ 3,126 |
| Covered Employee Payroll | \$48,398 | \$48,036 | \$41,361 | \$42,795 | \$41,634 | \$36,529 | \$35,629 | \$30,823 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 9.25% | 8.93% | 7.95% | 8.44% | 8.61% | 8.84% | 9.00% | 10.14% |

| Death Benefit | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement Date: June 30 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Service Cost | \$ 39 | \$ 39 | \$ 39 | \$ 38 | \$ 29 | \$ 27 | \$ 28 | \$ 32 |
| Interest | 57 | 53 | 39 | 39 | 57 | 58 | 58 | 47 |
| Assumptions Changes | (21) | (11) | (332) | 6 | 160 | 41 | (10) | (92) |
| Expected vs. Actual Experience | (531) | - | (76) | - | (116) | - | (168) | - |
| Benefit Payments | - | - | (20) | (20) | - | (10) | (20) | (10) |
| Net Change in Total OPEB Liability | (456) | 81 | (350) | 63 | 130 | 116 | (112) | (23) |
| Total OPEB Liability – Beginning | 1,525 | 1,444 | 1,794 | 1,731 | 1,601 | 1,485 | 1,597 | 1,620 |
| Total OPEB Liability – Ending | \$ 1,069 | \$ 1,525 | \$ 1,444 | \$ 1,794 | \$ 1,731 | \$ 1,601 | \$ 1,485 | \$ 1,597 |
| Covered Employee Payroll | \$14,951 | \$16,852 | \$16,167 | \$16,053 | \$18,712 | \$18,455 | \$19,775 | \$16,028 |
| OPEB Liability as a Percentage of Covered Employee Payroll | 7.15% | 9.05% | 8.93% | 11.18% | 9.25% | 8.68% | 7.51% | 9.96% |

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

Irvine Ranch Water District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2025
(Continued)

(2) Other Post-Employment Benefits (Continued)

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

Benefit Changes:

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

Changes of Assumptions:

For the fiscal year ended June 30, 2024 measurement period, the discount rate was 3.93 percent based on municipal bond rate.

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

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

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

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

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

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

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

Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2025

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 | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|------------|------------|
| | 2016 ⁽¹⁾ | 2017 ⁽²⁾ | 2018 ⁽³⁾ | 2019 | 2020 |
| Assets | | | | | |
| Current and other assets | \$ 456.6 | \$ 735.1 | \$ 797.4 | \$ 803.8 | \$ 828.7 |
| Capital assets | 1,731.6 | 1,848.3 | 1,890.8 | 1,958.7 | 1,987.8 |
| Total assets | 2,188.2 | 2,583.4 | 2,688.2 | 2,762.5 | 2,816.5 |
| Deferred Outflows of Resources | 49.7 | 61.6 | 41.7 | 41.2 | 47.6 |
| Liabilities | | | | | |
| Current and other liabilities | 65.4 | 78.5 | 52.5 | 53.8 | 56.0 |
| Long-term liabilities | 589.8 | 790.9 | 831.7 | 817.4 | 812.4 |
| Total liabilities | 655.2 | 869.4 | 884.2 | 871.2 | 868.4 |
| Deferred Inflows of Resources | 4.4 | 3.6 | 4.8 | 4.5 | 3.9 |
| Net Position | | | | | |
| Net investment in capital assets | 1,178.5 | 1,087.9 | 1,155.5 | 1,238.8 | 1,283.8 |
| Restricted net position | 399.8 | 684.1 | 685.4 | 689.2 | 708.0 |
| Total net position | \$ 1,578.3 | \$ 1,772.0 | \$ 1,840.9 | \$ 1,928.0 | \$ 1,991.8 |

Irvine Ranch Water District

Net Position

For the Past Ten Fiscal Years

(in millions)

(Continued)

| | Fiscal Year | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 ⁽⁴⁾ |
| Assets | | | | | |
| Current and other assets | \$ 869.0 | \$ 882.3 | \$ 876.7 | \$ 941.3 | \$ 991.2 |
| Capital assets | 2,023.8 | 2,029.8 | 2,081.7 | 2,111.7 | 2,161.4 |
| Total assets | 2,892.8 | 2,912.1 | 2,958.4 | 3,053.0 | 3,152.6 |
| Deferred Outflows of Resources | 44.9 | 32.1 | 48.3 | 44.4 | 39.8 |
| Liabilities | | | | | |
| Current and other liabilities | 64.4 | 69.9 | 60.2 | 67.2 | 76.7 |
| Long-term liabilities | 797.4 | 732.8 | 747.0 | 725.5 | 682.2 |
| Total liabilities | 861.8 | 802.7 | 807.2 | 792.7 | 758.9 |
| Deferred Inflows of Resources | 1.7 | 29.5 | 10.0 | 9.1 | 10.2 |
| Net Position | | | | | |
| Net investment in capital assets | 1,336.7 | 1,362.3 | 1,434.5 | 1,479.9 | 1,570.2 |
| Restricted net position | 737.5 | 749.7 | 755.0 | 815.7 | 853.1 |
| Total net position | \$ 2,074.2 | \$ 2,112.0 | \$ 2,189.5 | \$ 2,295.6 | \$ 2,423.3 |

Source: Irvine Ranch Water District Basic Financial Statements

Notes:

- ⁽¹⁾ 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.
- ⁽²⁾ 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.
- ⁽³⁾ 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.
- ⁽⁴⁾ The District implemented GASB Statement No. 101 for the fiscal year ended June 30, 2025. 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 | | | | |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|
| | 2016 ⁽¹⁾ | 2017 ⁽²⁾ | 2018 ⁽³⁾ | 2019 | 2020 |
| Operating Revenues | | | | | |
| Water sales and service charges | \$ 76.7 | \$ 77.2 | \$ 84.6 | \$ 94.1 | \$ 90.2 |
| Sewer sales and service charges | 67.7 | 72.1 | 76.8 | 76.8 | 77.2 |
| Total operating revenues | 144.4 | 149.3 | 161.4 | 170.9 | 167.4 |
| Operating Expenses | | | | | |
| Water services expenses | 69.3 | 71.2 | 82.5 | 83.9 | 89.4 |
| Sewer services expenses | 48.1 | 51.8 | 52.1 | 59.5 | 66.6 |
| Depreciation | 58.3 | 61.8 | 63.9 | 64.8 | 67.6 |
| Total operating expenses | 175.7 | 184.8 | 198.5 | 208.2 | 223.6 |
| Operating income (loss) | (31.3) | (35.5) | (37.1) | (37.3) | (56.2) |
| Nonoperating Revenues (Expenses) | | | | | |
| Property taxes | 46.3 | 51.3 | 57.2 | 63.1 | 66.4 |
| Investment income | 1.2 | 2.8 | 4.1 | 6.2 | 7.8 |
| Increase (decrease) in fair value of investments | - | (1.6) | (1.6) | 5.2 | 2.3 |
| Real estate income | 13.1 | 13.4 | 16.7 | 17.8 | 18.2 |
| Increase (decrease) in fair value of real estate investments | 5.6 | 10.1 | 4.1 | 6.1 | 0.6 |
| Pension trust interest and dividends income | - | - | 3.0 | 2.1 | 3.3 |
| Increase (decrease) in fair value of pension trust investments | - | - | 2.2 | 3.2 | 1.5 |
| OPEB trust interest and dividends income | - | - | - | - | - |
| Increase (decrease) in fair value of OPEB trust investments | - | - | - | - | - |
| Other income | 7.8 | 7.1 | 7.4 | 8.9 | 6.6 |
| Interest expense | (15.4) | (18.8) | (26.0) | (25.5) | (22.2) |
| Real estate expense | (4.4) | (4.4) | (13.3) | (9.4) | (5.6) |
| Pension trust expense | - | - | - | (0.1) | (0.1) |
| Other expenses | (2.8) | (1.9) | (0.2) | (2.6) | (5.2) |
| Total nonoperating revenue (expenses) | 51.4 | 58.0 | 53.6 | 75.0 | 73.6 |
| Income (loss) before capital contributions | 20.1 | 22.5 | 16.5 | 37.7 | 17.4 |
| Contributed capital assets | 53.3 | 41.9 | 60.6 | 49.4 | 46.4 |
| Income (loss) before special item | 73.4 | 64.4 | 77.1 | 87.1 | 63.8 |
| Special item | - | - | - | - | - |
| Change in net position | 73.4 | 64.4 | 77.1 | 87.1 | 63.8 |
| Net position at beginning of year | 1,354.7 | 1,578.3 | 1,772.0 | 1,840.9 | 1,928.0 |
| Prior period adjustments | 150.2 | 129.3 | (8.2) | - | - |
| Net position at end of year | \$ 1,578.3 | \$ 1,772.0 | \$ 1,840.9 | \$ 1,928.0 | \$ 1,991.8 |

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

| | Fiscal Year | | | | |
|--|--------------------|-------------------|-------------------|-------------------|----------------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 ⁽⁴⁾ |
| Operating Revenues | | | | | |
| Water sales and service charges | \$ 96.6 | \$ 103.3 | \$ 103.6 | \$ 112.3 | \$ 133.8 |
| Sewer sales and service charges | 82.2 | 84.9 | 84.7 | 94.4 | 113.1 |
| Total operating revenues | 178.8 | 188.2 | 188.3 | 206.7 | 246.9 |
| Operating Expenses | | | | | |
| Water services expenses | 101.6 | 106.4 | 110.2 | 129.0 | 143.0 |
| Sewer services expenses | 71.0 | 64.9 | 72.4 | 82.0 | 93.5 |
| Depreciation | 68.0 | 79.0 | 83.5 | 82.6 | 84.2 |
| Total operating expenses | 240.6 | 250.3 | 266.1 | 293.6 | 320.7 |
| Operating income (loss) | (61.8) | (62.1) | (77.8) | (86.9) | (73.8) |
| Nonoperating Revenues (Expenses) | | | | | |
| Property taxes | 67.7 | 70.8 | 77.0 | 81.8 | 86.3 |
| Investment income | 5.3 | (0.8) | 7.3 | 15.7 | 21.0 |
| Increase (decrease) in fair value of investments | (4.6) | (3.8) | 2.6 | 3.7 | 2.0 |
| Real estate income | 15.4 | 16.4 | 18.7 | 20.7 | 21.4 |
| Increase (decrease) in fair value of real estate investments | 25.7 | 7.6 | 7.8 | 31.4 | 9.2 |
| Pension trust interest and dividends income | 4.4 | 5.0 | 8.3 | 7.4 | 9.0 |
| Increase (decrease) in fair value of pension trust investments | 20.5 | (18.0) | 3.7 | 9.6 | 7.1 |
| OPEB trust interest and dividends income | - | - | - | 0.5 | 0.5 |
| Increase (decrease) in fair value of OPEB trust investments | - | - | - | 1.1 | 1.0 |
| Other income | 6.3 | 6.5 | 7.3 | 10.2 | 5.2 |
| Interest expense | (20.8) | (20.7) | (22.4) | (22.6) | (21.0) |
| Real estate expense | (5.6) | (6.6) | (7.3) | (8.1) | (7.6) |
| Pension trust expense | (0.1) | - | - | - | - |
| Other expenses | (1.4) | (2.8) | (2.0) | (2.1) | (2.8) |
| Total nonoperating revenue (expenses) | 112.8 | 53.6 | 101.0 | 149.3 | 131.3 |
| Income (loss) before capital contributions | 51.0 | (8.5) | 23.2 | 62.4 | 57.5 |
| Contributed capital assets | 31.4 | 46.3 | 54.3 | 43.7 | 64.5 |
| Income (loss) before special item | 82.4 | 37.8 | 77.5 | 106.1 | 122.0 |
| Special item | - | - | - | - | 6.4 |
| Change in net position | 82.4 | 37.8 | 77.5 | 106.1 | 128.4 |
| Net position at beginning of year | 1,991.8 | 2,074.2 | 2,112.0 | 2,189.5 | 2,295.6 |
| Prior period adjustments | - | - | - | - | (0.7) |
| Net position at end of year | \$ 2,074.2 | \$ 2,112.0 | \$ 2,189.5 | \$ 2,295.6 | \$ 2,423.3 |

Source: IRWD Basic Financial Statements

Notes:

- ⁽¹⁾ 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.
- ⁽²⁾ 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.
- ⁽³⁾ 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.
- ⁽⁴⁾ The District implemented GASB Statement No. 101 for the fiscal year ended June 30, 2025. 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 | | | | |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Residential | 28,573 | 30,384 | 32,848 | 31,642 | 33,073 |
| Commercial | 8,377 | 8,179 | 8,769 | 8,624 | 7,818 |
| Industrial | 5,118 | 5,084 | 4,923 | 4,831 | 4,636 |
| Public Authority | 2,234 | 2,282 | 2,633 | 2,369 | 1,972 |
| Construction & Temporary | 1,230 | 874 | 1,292 | 542 | 480 |
| Landscape | 3,843 | 4,126 | 4,740 | 4,065 | 4,229 |
| Agricultural | 2,216 | 1,856 | 1,839 | 1,114 | 1,013 |
| Landscape/Agricultural | 26,386 | 26,374 | 29,736 | 26,153 | 29,659 |
| Total | 77,977 | 79,159 | 86,780 | 79,340 | 82,880 |

| | Fiscal Year | | | | |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| Residential | 35,851 | 34,787 | 31,943 | 32,258 | 34,165 |
| Commercial | 7,744 | 7,871 | 7,785 | 8,092 | 8,637 |
| Industrial | 4,819 | 4,931 | 4,567 | 4,367 | 4,712 |
| Public Authority | 1,617 | 1,857 | 2,157 | 2,177 | 2,354 |
| Construction & Temporary | 543 | 688 | 498 | 331 | 459 |
| Landscape | 5,014 | 4,949 | 3,748 | 3,471 | 4,150 |
| Agricultural | 471 | 399 | 291 | 312 | 304 |
| Landscape/Agricultural | 31,042 | 30,298 | 25,055 | 25,314 | 29,400 |
| Total | 87,101 | 85,780 | 76,044 | 76,322 | 84,181 |

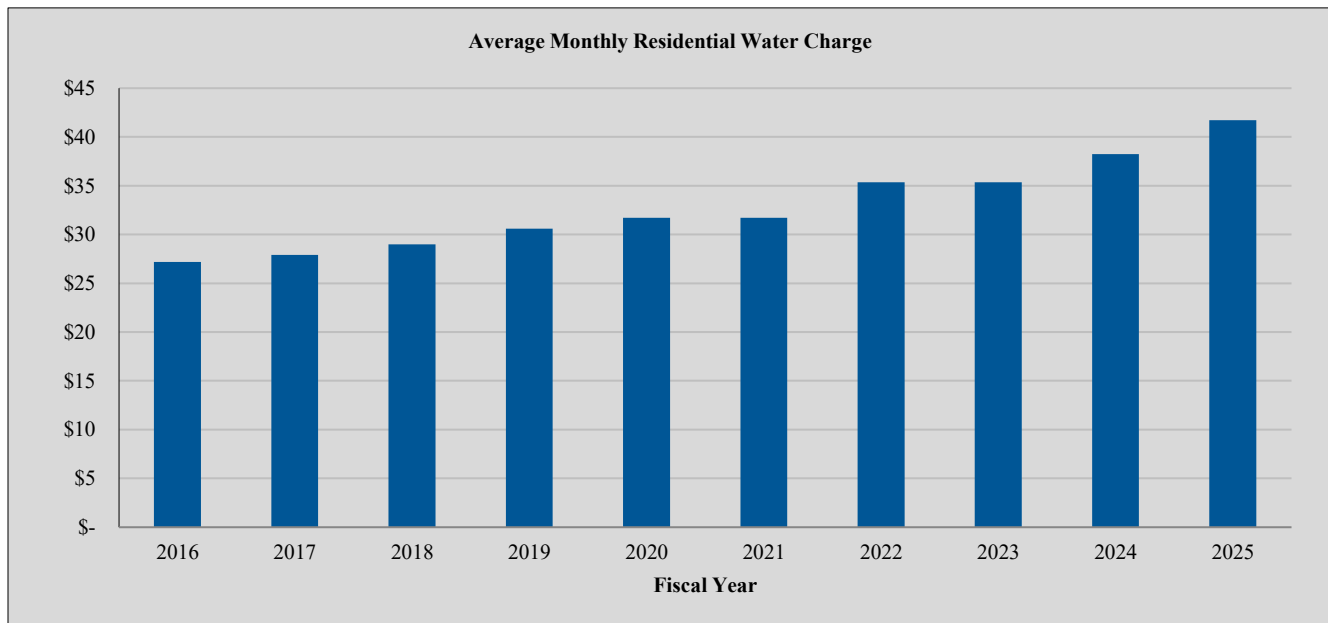
Source: Irvine Ranch Water District

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 |
|---------------------|----------------------|-------------------------------|------------------------------------|
| 2016 | \$ 10.30 | \$ 1.62 | \$ 27.19 |
| 2017 | 10.30 | 1.65 | 27.90 |
| 2018 | 10.30 | 1.70 | 29.00 |
| 2019 | 10.35 | 1.89 | 30.58 |
| 2020 | 10.35 | 2.00 | 31.70 |
| 2021 | 10.35 | 2.00 | 31.70 |
| 2022 ⁽²⁾ | 10.75 | 2.42 | 35.34 |
| 2023 | 10.75 | 2.42 | 35.34 |
| 2024 | 11.85 | 2.52 | 38.24 |
| 2025 | 13.20 | 2.65 | 41.70 |



Source: Irvine Ranch Water District

Note:

- ⁽¹⁾ The water charge to the typical residential customer is based upon an average of 12 ccf per month. The first 5 ccf are at the District's low volume rate, which is \$0.77 less than the commodity base rate in FY 2024. The fixed monthly service charge includes components that are added to enhancement and replacement funds for future inevitable repair and replacement of IRWD's infrastructure.

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

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

| Customer Name | 2025 | | | 2016 | | |
|-----------------------------------|----------------------|------|--|----------------------|------|--|
| | Total Sales | Rank | Percentage of Water Sales Revenues | Total Sales | Rank | Percentage of Water Sales Revenues |
| The Irvine Company | \$ 11,282,860 | 1 | 8.42% | 6,840,148 | 2 | 8.92% |
| University of California - Irvine | 2,219,435 | 2 | 1.66% | 1,323,149 | 1 | 1.73% |
| Jazz Semiconductor | 1,836,938 | 3 | 1.37% | 982,407 | 3 | 1.28% |
| B Braun Medical, Inc | 1,723,152 | 4 | 1.29% | 860,399 | 4 | 1.12% |
| Woodbridge Village Association | 857,742 | 5 | 0.64% | | | |
| City of Irvine | 511,242 | 6 | 0.38% | 320,057 | 6 | 0.42% |
| Irvine Unified School District | 503,626 | 7 | 0.38% | 202,414 | 10 | 0.26% |
| Foothill Ranch Maint Corp | 472,525 | 8 | 0.35% | | | |
| Maruchan, Inc | 456,078 | 9 | 0.34% | | | |
| ERP Operating LP | 412,882 | 10 | 0.31% | 268,513 | 7 | 0.35% |
| Allergen Sales, LLC | | | | 333,733 | 5 | 0.44% |
| Royalty Carpet Mills | | | | 239,695 | 8 | 0.31% |
| City of Lake Forest | | | | 223,565 | 9 | 0.29% |
| Total | \$ 20,276,482 | | 15.14% | \$ 11,594,080 | | 15.12% |

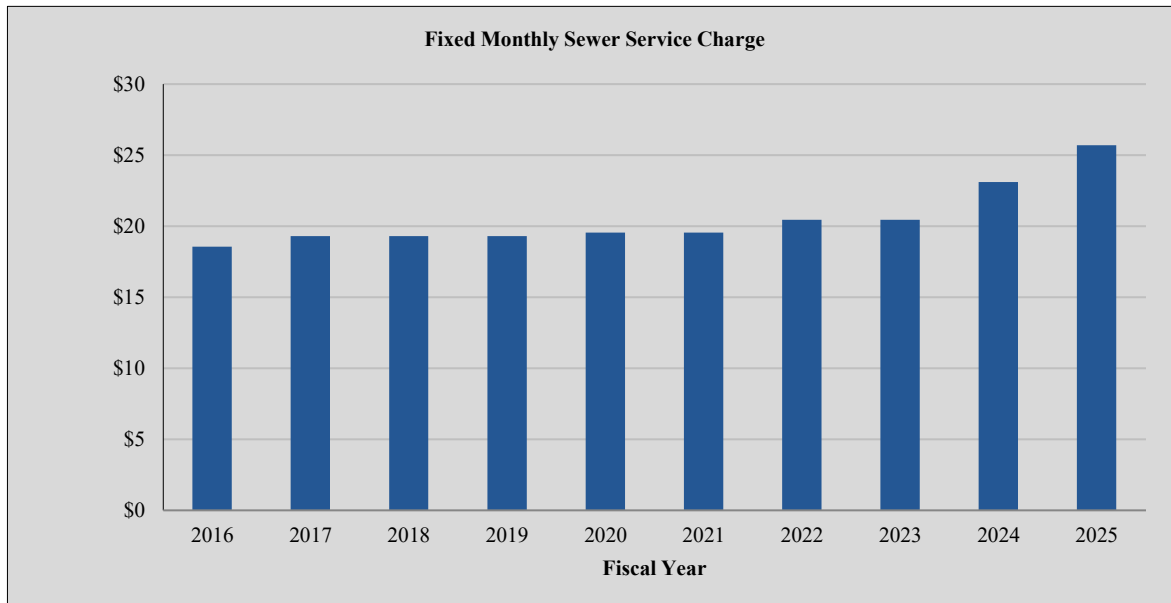
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates⁽¹⁾

For the Past Ten Fiscal Years

| Fiscal Year | Fixed Monthly Service Charge |
|---------------------|---|
| 2016 | \$ 18.55 |
| 2017 | 19.30 |
| 2018 | 19.30 |
| 2019 | 19.30 |
| 2020 | 19.55 |
| 2021 | 19.55 |
| 2022 ⁽²⁾ | 20.45 |
| 2023 | 20.45 |
| 2024 | 23.10 |
| 2025 | 25.70 |



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 | 2025 | | | 2016 | | |
|--------------------------------------|----------------------|------|--|----------------------|------|--|
| | Total Sales | Rank | Percentage of Sewer Sales Revenues | Total Sales | Rank | Percentage of Sewer Sales Revenues |
| The Irvine Company | \$ 16,895,519 | 1 | 14.93% | \$ 10,980,957 | 1 | 16.22% |
| City of Irvine | 4,115,284 | 2 | 3.64% | 2,067,260 | 2 | 3.05% |
| University of California - Irvine | 3,619,870 | 3 | 3.20% | 1,848,176 | 3 | 2.73% |
| B Braun Medical, Inc | 1,348,173 | 4 | 1.19% | 743,310 | 4 | 1.10% |
| Irvine Unified School District | 1,004,970 | 5 | 0.89% | 546,002 | 5 | 0.81% |
| Crystal Cove Community Association | 772,124 | 6 | 0.68% | 327,704 | 10 | 0.48% |
| Portola Springs Comm Association | 586,111 | 7 | 0.52% | | | |
| Great Park Neighborhoods Association | 584,722 | 8 | 0.52% | | | |
| Baker Ranch Community Association | 510,024 | 9 | 0.45% | | | |
| ERP Operating LP | 462,280 | 10 | 0.41% | | | |
| Caltrans District 12 | | | | 417,388 | 6 | 0.62% |
| Orange County Produce | | | | 386,681 | 7 | 0.57% |
| Royal Carpet Mills | | | | 377,990 | 8 | 0.56% |
| Heritage Fields | | | | 342,817 | 9 | 0.51% |
| Total | \$ 29,899,076 | | 26.43% | \$ 18,038,285 | | 26.65% |

Source: Irvine Ranch Water District

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

| Improvement | Fiscal Year | | | | | | | | | |
|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| District | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| 112 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.03000 | \$0.01560 | \$0.01100 | \$0.01100 | \$0.01100 | \$0.01100 |
| 113 | 0.03000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 | 0.04000 |
| 125 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.01300 | 0.00850 | 0.00850 |
| 153 | 0.00001 | 0.00001 | 0.02000 | 0.02000 | 0.02000 | 0.00900 | 0.00900 | 0.00900 | 0.00100 | 0.00100 |
| 185 | 0.00001 | 0.00001 | 0.02300 | 0.02300 | 0.02300 | 0.00810 | 0.00810 | 0.00810 | 0.00810 | 0.00810 |
| 188 | 0.21540 | 0.21540 | 0.07350 | 0.07350 | 0.07350 | 0.03090 | 0.03090 | 0.03090 | 0.03090 | 0.03090 |
| 212 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04860 | 0.03650 | 0.03650 | 0.03650 | 0.03650 |
| 213 | 0.03800 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 | 0.05900 |
| 225 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01950 | 0.01950 |
| 240 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01500 | 0.01950 | 0.01950 |
| 252 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 |
| 253 | 0.00001 | 0.00001 | 0.02100 | 0.02100 | 0.02100 | 0.01300 | 0.01300 | 0.01300 | 0.02100 | 0.02100 |
| 285 | 0.00001 | 0.00001 | 0.03050 | 0.03050 | 0.03050 | 0.01370 | 0.01370 | 0.01370 | 0.01370 | 0.01370 |
| 288 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.00850 | 0.00850 | 0.00850 | 0.00850 | 0.00850 |

Source: Irvine Ranch Water District

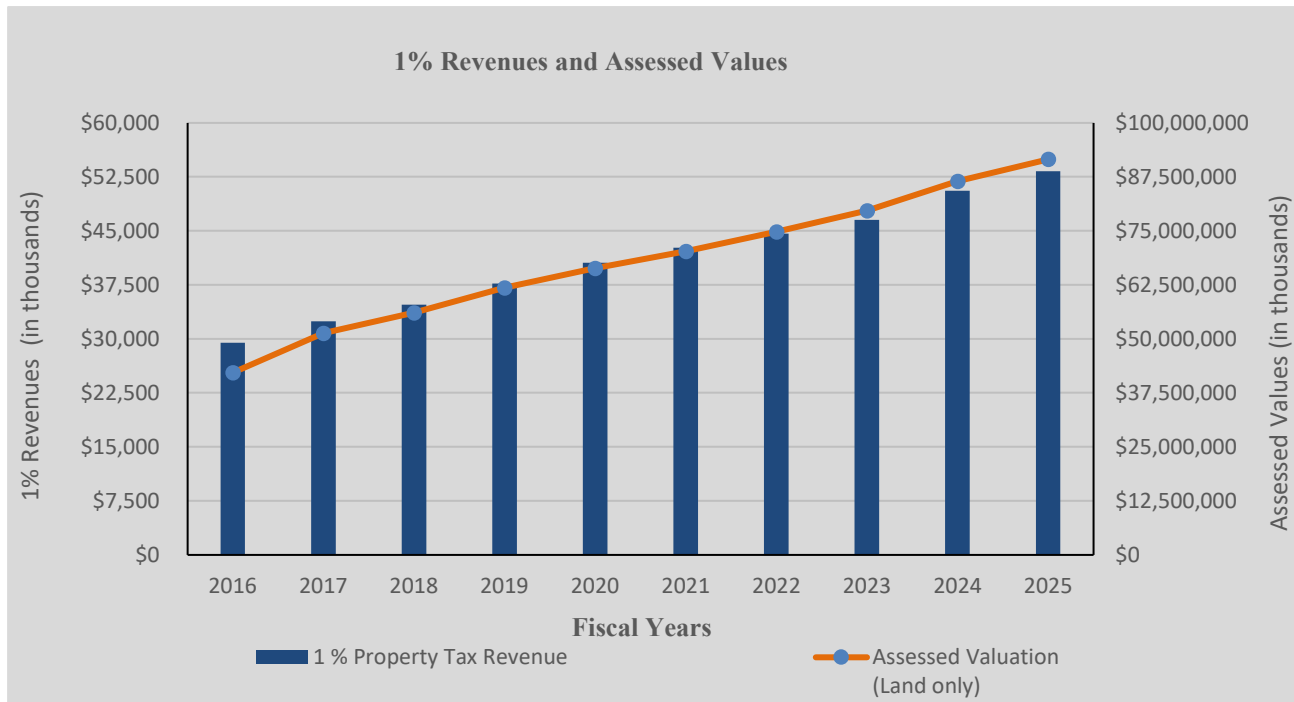
Note:

⁽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 |
|-------------|-----------------------------------|--------------------------|
| 2016 | \$ 51,340,888 | \$ 32,427 |
| 2017 | 56,028,731 | 34,761 |
| 2018 | 61,803,980 | 37,693 |
| 2019 | 66,341,210 | 40,543 |
| 2020 | 70,305,737 | 42,669 |
| 2021 | 74,770,230 | 44,621 |
| 2022 | 79,714,452 | 46,530 |
| 2023 | 86,464,986 | 50,548 |
| 2024 | 91,578,795 | 53,297 |
| 2025 | 97,599,400 | 56,071 |



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, 2025

Direct Rates:

| | |
|--|---------|
| Irvine Ranch Water District I.D. No. 112 | 0.01100 |
| Irvine Ranch Water District I.D. No. 113 | 0.04000 |
| Irvine Ranch Water District I.D. No. 125 | 0.00850 |
| Irvine Ranch Water District I.D. No. 153 | 0.00100 |
| Irvine Ranch Water District I.D. No. 185 | 0.00810 |
| Irvine Ranch Water District I.D. No. 188 | 0.03090 |
| Irvine Ranch Water District I.D. No. 212 | 0.03650 |
| Irvine Ranch Water District I.D. No. 213 | 0.05900 |
| Irvine Ranch Water District I.D. No. 225 | 0.01950 |
| Irvine Ranch Water District I.D. No. 240 | 0.01950 |
| Irvine Ranch Water District I.D. No. 252 | 0.00001 |
| Irvine Ranch Water District I.D. No. 253 | 0.02100 |
| Irvine Ranch Water District I.D. No. 285 | 0.01370 |
| Irvine Ranch Water District I.D. No. 288 | 0.00850 |

Overlapping Rates:

School Districts:

| | |
|---|---------|
| Coast Community College District | 0.02837 |
| Rancho Santiago Community College District | 0.02596 |
| Rancho Santiago Community College District SFID 1 | 0.01913 |
| Irvine Unified School District SFID No. 1 | 0.02687 |
| Laguna Beach Unified School District | 0.00876 |
| Newport Mesa Unified School District | 0.01684 |
| Orange Unified School District | 0.02443 |
| Saddleback Valley Unified School District | 0.02108 |
| Santa Ana Unified School District | 0.06076 |
| Tustin Unified School District SFID 2002-1 | 0.01311 |
| Tustin Unified School District SFID 2008-1 | 0.02062 |
| Tustin Unified School District SFID 2012-1 | 0.01566 |

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District
Principal Property Taxpayers
Fiscal Year Ended June 30, 2025

| Property Owner's Name | Assessed Valuation of Property, including Land & Improvements | Percentage of Total City Taxable Assessed Value |
|----------------------------------|--|--|
| The Irvine Company | \$ 1,962,723,571 | 1.82% |
| LBA IV-PPI LLC | 738,469,161 | 0.69% |
| B Braun Medical Inc | 647,501,450 | 0.60% |
| Edwards Lifesciences LLC | 598,645,155 | 0.56% |
| Allergan USA Inc. | 560,789,278 | 0.52% |
| Irvine Apartment Communities LP | 479,652,528 | 0.45% |
| Jamboree Center LLC | 452,423,049 | 0.42% |
| Irvine Office Towers LLC | 432,635,291 | 0.40% |
| Irvine Promenade Apartments LLC | 422,410,142 | 0.39% |
| Park Place Michelson LLC | 398,350,134 | 0.37% |
| | \$ 6,693,599,759 | 6.22% |

Source: City of Irvine Annual Comprehensive Financial Report
(Fiscal Year Ended June 30, 2024).
Data was not yet available for FY 2024/25 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⁾ |
| 2016 | \$ 31,900,000 | \$ 11,133,538 | \$ 31,115,506 | \$ 10,879,713 |
| 2017 | 33,500,000 | 11,679,081 | 33,318,168 | 12,822,313 |
| 2018 | 35,000,000 | 13,964,731 | 35,977,694 | 15,482,916 |
| 2019 | 39,000,000 | 16,142,433 | 38,717,848 | 17,906,438 |
| 2020 | 45,000,000 | 18,480,090 | 40,739,166 | 19,603,125 |
| 2021 | 46,000,000 | 18,367,833 | 42,670,804 | 18,868,884 |
| 2022 | 50,000,000 | 18,933,891 | 47,107,934 | 16,600,820 |
| 2023 | 51,500,000 | 21,691,577 | 47,795,279 | 21,453,267 |
| 2024 | 54,600,000 | 24,300,000 | 50,582,191 | 24,369,008 |
| 2025 | 62,400,000 | 25,500,708 | 53,162,228 | 25,897,791 |
| Total | \$ 448,900,000 | \$ 180,193,882 | \$ 421,186,818 | \$ 183,884,275 |

| Fiscal Year | Percentage Collected | | Amount of Levy Collected in Subsequent Periods | |
|--------------------|-----------------------------|---------------------------|---|---------------------------|
| | 1 Percent | General Obligation | 1 Percent | General Obligation |
| 2016 | 97.54% | 97.72% | \$ 1,192,700 | \$ 884,301 |
| 2017 | 99.46% | 109.79% | 1,230,854 | 1,443,272 |
| 2018 | 102.79% | 110.87% | 1,542,713 | 1,635,416 |
| 2019 | 99.28% | 110.93% | 1,510,697 | 1,911,630 |
| 2020 | 90.53% | 106.08% | 1,749,765 | 1,515,136 |
| 2021 | 92.76% | 102.73% | 2,072,539 | 1,183,562 |
| 2022 | 94.22% | 87.68% | 2,254,923 | 989,922 |
| 2023 | 92.81% | 98.90% | 2,865,206 | 1,471,983 |
| 2024 | 92.64% | 100.28% | 1,422,024 | 1,157,139 |
| 2025 | 85.20% | 101.56% | 1,374,931 | 1,404,131 |
| Total | | | \$ 17,216,352 | \$ 13,596,492 |

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 | Notes Payable | Notes Payable per Connection |
|--------------------|---|---------------------------------|-------------------------------|--------------------------------------|---------------------------------|----------------------|-------------------------------------|
| 2016 | 209,267 | \$ 491,200,000 | \$ 2,347 | \$ 60,387,000 | \$ 289 | \$ 1,469,000 | \$ 7 |
| 2017 | 215,573 | 608,118,000 | 2,821 | 153,626,000 | 713 | 1,209,000 | 6 |
| 2018 | 222,918 | 586,493,000 | 2,631 | 150,275,000 | 674 | 947,000 | 4 |
| 2019 | 227,749 | 574,669,000 | 2,523 | 146,744,000 | 644 | 684,000 | 3 |
| 2020 | 231,439 | 562,645,000 | 2,431 | 143,028,000 | 618 | 419,000 | 2 |
| 2021 | 235,819 | 550,421,000 | 2,334 | 138,233,000 | 586 | 347,000 | 1 |
| 2022 | 239,735 | 535,341,000 | 2,233 | 133,182,000 | 556 | 273,000 | 1 |
| 2023 | 242,503 | 520,052,000 | 2,145 | 127,867,000 | 527 | 197,000 | 1 |
| 2024 | 244,713 | 504,353,000 | 2,061 | 122,271,000 | 500 | 119,000 | 0 |
| 2025 | 247,042 | 468,114,000 | 1,895 | 116,341,000 | 471 | 40,000 | 0 |

Irvine Ranch Water District

Outstanding Debt by Type ⁽¹⁾

For the Past Ten Fiscal Years
(Continued)

| Fiscal Year | Leases Payable | Leases per Connection | Subscription Payable | Subscription Payable per Connection | Total Debt | Total Debt per Connection |
|-------------|----------------|-----------------------|----------------------|-------------------------------------|----------------|---------------------------|
| 2016 | \$ - | \$ - | \$ - | \$ - | \$ 553,056,000 | \$ 2,643 |
| 2017 | - | - | - | - | 762,953,000 | 3,539 |
| 2018 | - | - | - | - | 737,715,000 | 3,309 |
| 2019 | - | - | - | - | 722,097,000 | 3,171 |
| 2020 | - | - | - | - | 706,092,000 | 3,051 |
| 2021 | - | - | - | - | 689,001,000 | 2,922 |
| 2022 | 494,000 | 2 | - | - | 669,290,000 | 2,792 |
| 2023 | 715,000 | 3 | - | - | 648,831,000 | 2,676 |
| 2024 | 1,031,000 | 4 | 358,000 | 1 | 628,132,000 | 2,567 |
| 2025 | 1,339,000 | 5 | 479,000 | 2 | 586,313,000 | 2,373 |

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, 2025

| Improvement District | General Obligation Bonds Authorized | General Obligation Bonds Issued | Remaining Unissued General Obligation Bonds Authorized | Amount Outstanding as of June 30, 2025 |
|-----------------------------|--|--|---|---|
| 112 | \$ 28,512,300 | \$ 8,111,000 | \$ 20,401,300 | \$ 6,660,000 |
| 113 | 25,769,500 | 16,300,000 | 9,469,500 | 12,251,000 |
| 125 | 735,246,000 | 429,729,000 | 305,517,000 | 148,435,000 |
| 153 | 237,300,000 | 7,601,000 | 229,699,000 | 6,918,000 |
| 154 | 4,839,000 | - | 4,839,000 | - |
| 185 | 13,500,000 | 1,493,000 | 12,007,000 | 1,359,000 |
| 188 | 8,174,000 | 4,590,000 | 3,584,000 | 1,518,000 |
| Total | \$ 1,053,340,800 | \$ 467,824,000 | \$ 585,516,800 | \$ 177,141,000 |
| 210 | \$ 2,000,000 | \$ 2,000,000 | \$ - | \$ - |
| 212 | 108,711,800 | 26,013,000 | 82,698,800 | 21,776,000 |
| 213 | 87,647,500 | 28,565,000 | 59,082,500 | 18,661,000 |
| 225 | 856,643,000 | 493,304,000 | 363,339,000 | 215,072,000 |
| 240 | 117,273,000 | 49,722,000 | 67,551,000 | 3,684,000 |
| 253 | 122,283,000 | 11,877,000 | 110,406,000 | 10,810,000 |
| 285 | 21,300,000 | 1,809,000 | 19,491,000 | 1,646,000 |
| 288 | 8,977,000 | 443,000 | 8,534,000 | 300,000 |
| Total | \$ 1,324,835,300 | \$ 613,733,000 | \$ 711,102,300 | \$ 271,949,000 |
| Total | \$ 2,378,176,100 | \$ 1,081,557,000 | \$ 1,296,619,100 | \$ 449,090,000 |

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 | | | |
| 2016 | \$ 1,850,638,433 | \$ 5,378,000 | 0.00290602 | 2016 | \$ 1,850,638,433 | \$ 14,731,000 | 0.00795996 |
| 2017 | 2,077,681,111 | 7,658,000 | 0.00368584 | 2017 | 2,077,681,111 | 24,801,000 | 0.01193687 |
| 2018 | 2,795,881,726 | 7,567,000 | 0.00270648 | 2018 | 2,795,881,726 | 24,558,000 | 0.00878363 |
| 2019 | 3,230,805,159 | 7,476,000 | 0.00231397 | 2019 | 3,230,805,159 | 24,314,000 | 0.00752568 |
| 2020 | 3,706,557,300 | 7,384,000 | 0.00199227 | 2020 | 3,706,557,300 | 24,070,000 | 0.00649398 |
| 2021 | 3,874,872,238 | 7,293,000 | 0.00188213 | 2021 | 3,874,872,238 | 23,827,000 | 0.00614911 |
| 2022 | 4,552,071,395 | 7,152,000 | 0.00157115 | 2022 | 4,552,071,395 | 23,368,000 | 0.00513349 |
| 2023 | 4,929,961,405 | 7,009,000 | 0.00142171 | 2023 | 4,929,961,405 | 22,899,000 | 0.00464486 |
| 2024 | 5,563,257,127 | 6,863,000 | 0.00123363 | 2024 | 5,563,257,127 | 22,418,000 | 0.00402965 |
| 2025 | 6,550,655,405 | 6,660,000 | 0.00101669 | 2025 | 6,550,655,405 | 21,776,000 | 0.00332425 |
| Improvement District 113 | | | | Improvement District 213 | | | |
| 2016 | \$ 885,391,548 | \$ 13,638,000 | 0.01540335 | 2016 | \$ 885,391,548 | \$ 20,839,000 | 0.02353648 |
| 2017 | 1,031,821,023 | 14,870,000 | 0.01441141 | 2017 | 1,031,821,023 | 24,950,000 | 0.02418055 |
| 2018 | 1,143,798,184 | 14,597,000 | 0.01276187 | 2018 | 1,143,798,184 | 24,288,000 | 0.02123452 |
| 2019 | 1,186,452,170 | 14,320,000 | 0.01206960 | 2019 | 1,186,452,170 | 23,621,000 | 0.01990894 |
| 2020 | 1,283,110,993 | 14,037,000 | 0.01094015 | 2020 | 1,283,110,993 | 22,947,000 | 0.01788419 |
| 2021 | 1,334,069,673 | 13,750,000 | 0.01030681 | 2021 | 1,334,069,673 | 22,267,000 | 0.01669103 |
| 2023 | 1,408,807,895 | 13,409,000 | 0.00951798 | 2022 | 1,408,807,895 | 21,383,000 | 0.01517808 |
| 2023 | 1,588,646,528 | 13,061,000 | 0.00822146 | 2023 | 1,588,646,528 | 20,487,000 | 0.01289588 |
| 2024 | 1,724,504,898 | 12,706,000 | 0.00736791 | 2024 | 1,724,504,898 | 19,580,000 | 0.01135398 |
| 2025 | 1,852,248,758 | 12,251,000 | 0.00661412 | 2025 | 1,852,248,758 | 18,661,000 | 0.01007478 |
| Improvement District 125 | | | | Improvement District 225 | | | |
| 2016 | \$ 35,506,392,050 | \$ 182,932,000 | 0.00515209 | 2016 | \$ 29,945,134,379 | \$ 230,535,000 | 0.00769858 |
| 2017 | 38,802,873,378 | 194,719,000 | 0.00501816 | 2017 | 32,838,922,602 | 268,655,000 | 0.00818099 |
| 2018 | 42,983,731,609 | 187,049,000 | 0.00435162 | 2018 | 36,549,538,031 | 260,260,000 | 0.00712075 |
| 2019 | 45,924,240,097 | 184,083,000 | 0.00400841 | 2019 | 39,234,190,651 | 256,320,000 | 0.00653308 |
| 2020 | 48,290,836,261 | 178,837,000 | 0.00370333 | 2020 | 41,383,837,339 | 250,818,000 | 0.00606078 |
| 2021 | 50,618,755,410 | 174,616,000 | 0.00344963 | 2021 | 43,435,406,719 | 245,995,000 | 0.00566347 |
| 2023 | 54,374,081,019 | 169,762,000 | 0.00312211 | 2022 | 46,663,295,492 | 239,979,000 | 0.00514278 |
| 2023 | 58,826,902,804 | 164,842,000 | 0.00280215 | 2023 | 50,684,289,211 | 233,876,000 | 0.00461437 |
| 2024 | 62,336,527,168 | 159,799,000 | 0.00256349 | 2024 | 53,700,047,342 | 227,631,000 | 0.00423893 |
| 2025 | 66,487,987,841 | 148,435,000 | 0.00223251 | 2025 | 57,407,311,000 | 215,071,000 | 0.00374640 |

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 | | | |
| | | | | 2016 | \$ 6,449,202,772 | \$ 21,431,000 | 0.00332305 |
| | | | | 2017 | 7,000,292,817 | 21,271,000 | 0.00303859 |
| | | | | 2018 | 7,667,626,922 | 17,921,000 | 0.00233723 |
| | | | | 2019 | 8,000,510,347 | 17,202,000 | 0.00215011 |
| | | | | 2020 | 8,281,189,054 | 16,177,000 | 0.00195352 |
| | | | | 2021 | 8,600,764,183 | 15,240,000 | 0.00177194 |
| | | | | 2023 | 9,219,006,303 | 14,277,000 | 0.00154865 |
| | | | | 2023 | 9,751,138,008 | 13,313,000 | 0.00136528 |
| | | | | 2024 | 10,343,422,222 | 12,260,000 | 0.00118529 |
| | | | | 2025 | 10,943,164,500 | 3,684,000 | 0.00033665 |
| | | | | Improvement District 153 | | | |
| 2016 | \$ 1,287,363,937 | n/a | n/a | 2016 | \$ 1,287,363,937 | n/a | n/a |
| 2017 | 2,893,148,966 | \$ 7,601,000 | 0.00262724 | 2017 | 2,893,148,966 | \$ 11,877,000 | 0.00410522 |
| 2018 | 4,097,566,306 | 7,601,000 | 0.00185500 | 2018 | 4,097,566,306 | 11,877,000 | 0.00289855 |
| 2019 | 5,118,350,587 | 7,601,000 | 0.00148505 | 2019 | 5,118,350,587 | 11,877,000 | 0.00232047 |
| 2020 | 5,812,018,792 | 7,601,000 | 0.00130785 | 2020 | 5,812,018,792 | 11,877,000 | 0.00204357 |
| 2021 | 6,577,643,858 | 7,601,000 | 0.00115558 | 2021 | 6,577,643,858 | 11,877,000 | 0.00180566 |
| 2022 | 7,561,167,645 | 7,443,000 | 0.00098437 | 2022 | 7,561,167,645 | 11,630,000 | 0.00153812 |
| 2023 | 8,891,276,761 | 7,276,000 | 0.00081833 | 2023 | 8,891,276,761 | 11,370,000 | 0.00127878 |
| 2024 | 9,801,263,572 | 7,102,000 | 0.00072460 | 2024 | 9,801,263,572 | 11,097,000 | 0.00113220 |
| 2025 | 11,109,314,146 | 6,918,000 | 0.00062272 | 2025 | 11,109,314,146 | 10,810,000 | 0.00097306 |
| | | | | Improvement District 154 | | | |
| 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 | | | | |
| 2023 | 10,217,738 | n/a | n/a | | | | |
| 2023 | 10,389,872 | n/a | n/a | | | | |
| 2024 | 10,600,716 | n/a | n/a | | | | |
| 2025 | 10,812,722 | n/a | n/a | | | | |

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

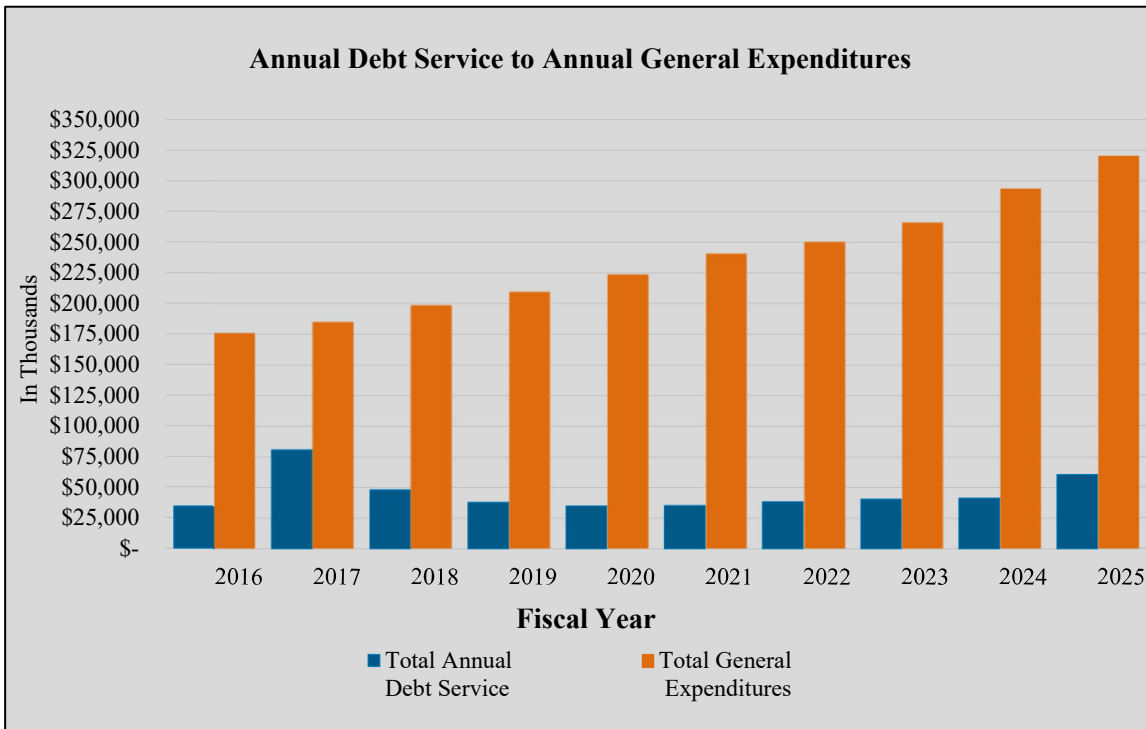
| Fiscal Year | Assessed Valuation | General Obligation Debt Outstanding | General Obligation Debt to Assessed Valuation | Fiscal Year | Assessed Valuation | General Obligation Debt Outstanding | General Obligation Debt to Assessed Valuation |
|---------------------------------|--------------------|-------------------------------------|---|---------------------------------|--------------------|-------------------------------------|---|
| Improvement District 185 | | | | Improvement District 285 | | | |
| 2016 | \$ 586,316,903 | n/a | n/a | 2016 | \$ 586,316,903 | n/a | n/a |
| 2017 | 836,640,799 | \$ 1,493,000 | 0.00178452 | 2017 | 836,640,799 | \$ 1,809,000 | 0.00216222 |
| 2018 | 1,209,166,559 | 1,493,000 | 0.00123473 | 2018 | 1,209,166,559 | 1,809,000 | 0.00149607 |
| 2019 | 1,465,394,626 | 1,493,000 | 0.00101884 | 2019 | 1,465,394,626 | 1,809,000 | 0.00123448 |
| 2020 | 1,262,000,047 | 1,493,000 | 0.00118295 | 2020 | 1,262,000,047 | 1,809,000 | 0.00143326 |
| 2021 | 1,299,866,233 | 1,493,000 | 0.00114858 | 2021 | 1,299,866,233 | 1,809,000 | 0.00139168 |
| 2023 | 1,424,002,022 | 1,462,000 | 0.00102668 | 2022 | 1,424,002,022 | 1,771,000 | 0.00124368 |
| 2023 | 1,563,921,378 | 1,429,000 | 0.00091373 | 2023 | 1,563,921,378 | 1,731,000 | 0.00110683 |
| 2024 | 1,636,972,734 | 1,395,000 | 0.00085218 | 2024 | 1,636,972,734 | 1,690,000 | 0.00103239 |
| 2025 | 1,716,373,631 | 1,359,000 | 0.00079179 | 2025 | 1,716,373,631 | 1,690,000 | 0.00098463 |
| Improvement District 188 | | | | Improvement District 288 | | | |
| 2016 | \$ 185,851,827 | \$ 1,456,000 | 0.00783420 | 2016 | \$ 185,851,827 | \$ 260,000 | 0.00139896 |
| 2017 | 196,953,990 | 1,603,000 | 0.00813896 | 2017 | 196,953,990 | 393,000 | 0.00199539 |
| 2018 | 212,742,385 | 1,597,000 | 0.00750673 | 2018 | 212,742,385 | 383,000 | 0.00180030 |
| 2019 | 246,753,329 | 1,591,000 | 0.00644773 | 2019 | 246,753,329 | 373,000 | 0.00151163 |
| 2020 | 255,088,204 | 1,585,000 | 0.00621204 | 2020 | 255,088,204 | 363,000 | 0.00142345 |
| 2021 | 284,644,152 | 1,579,000 | 0.00554728 | 2021 | 284,644,152 | 353,000 | 0.00124014 |
| 2023 | 329,117,953 | 1,569,000 | 0.00476729 | 2022 | 329,117,953 | 340,000 | 0.00103306 |
| 2023 | 388,854,365 | 1,560,000 | 0.00401178 | 2023 | 388,854,365 | 327,000 | 0.00084093 |
| 2024 | 409,635,549 | 1,550,000 | 0.00378385 | 2024 | 409,635,549 | 314,000 | 0.00076654 |
| 2025 | 433,463,498 | 1,518,000 | 0.00350202 | 2025 | 433,463,498 | 300,000 | 0.00069210 |

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 |
|-------------|---------------------------|----------------------------|--|
| 2016 | \$ 34,560 | \$ 175,694 | 19.7% |
| 2017 | 81,029 | 184,854 | 43.8% |
| 2018 | 48,349 | 198,549 | 24.4% |
| 2019 | 38,176 | 209,413 | 18.2% |
| 2020 | 35,247 | 223,549 | 15.8% |
| 2021 | 35,474 | 240,685 | 14.7% |
| 2022 | 38,563 | 250,269 | 15.4% |
| 2023 | 40,683 | 266,091 | 15.3% |
| 2024 | 41,609 | 293,632 | 14.2% |
| 2025 | 60,900 | 320,670 | 19.0% |



Source: Irvine Ranch Water District

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

| | Fiscal Year | | | | |
|---|-------------------|-------------------|-------------------|-------------------|------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues | | | | | |
| Water sales and service charges | \$ 76,692 | \$ 77,252 | \$ 84,575 | \$ 94,107 | \$ 90,213 |
| Sewer sales and service charges | 67,682 | 72,054 | 76,789 | 76,841 | 77,187 |
| Developer Connection fees | 32,109 | 25,563 | 32,674 | 18,205 | 10,943 |
| Net real estate income | 8,693 | 9,076 | 3,405 | 8,372 | 12,549 |
| Interest income | 1,585 | 3,210 | 4,489 | 6,992 | 7,640 |
| Available 1% property tax revenue | 31,645 | 34,247 | 29,649 | 42,389 | 44,463 |
| Other | 7,836 | 7,117 | 7,504 | 8,876 | 6,606 |
| Total Revenues | 226,242 | 228,519 | 239,085 | 255,782 | 249,601 |
| Expenses | | | | | |
| Water supply services | 57,499 | 55,296 | 63,671 | 64,004 | 67,792 |
| Sewer services | 40,413 | 42,752 | 38,115 | 43,734 | 49,497 |
| Administrative and general | 19,909 | 22,664 | 25,748 | 28,220 | 28,336 |
| Pension and OPEB Expense | 2,831 | 5,146 | 6,173 | 7,906 | 9,260 |
| Other | 2,800 | 1,997 | 174 | 2,615 | 5,240 |
| Total Expenses | 123,452 | 127,855 | 133,881 | 146,479 | 160,125 |
| Net Revenues | \$ 102,790 | \$ 100,664 | \$ 105,204 | \$ 109,303 | \$ 89,476 |
| Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds | \$ 6,036 | \$ 8,605 | \$ 10,499 | \$ 12,554 | \$ 13,548 |
| Parity Obligations | | | | | |
| Certificates of Participation | \$ 9,487 | \$ 11,675 | \$ 7,722 | \$ 7,821 | \$ 7,916 |
| 1997 State Loan #3 | 227 | 194 | 194 | 194 | 194 |
| Series 2010B Bonds | 7,823 | 7,813 | 7,807 | 7,792 | 7,778 |
| Series 2011-A Index Tender Notes | 2,927 | 2,967 | 3,675 | 4,045 | 3,887 |
| 2016 General Obligation | - | 1,605 | 5,301 | 5,301 | 5,301 |
| Total Parity Obligations Debt Service | 20,464 | 24,254 | 24,699 | 25,153 | 25,076 |
| Remaining Revenues | \$ 88,362 | \$ 85,015 | \$ 91,004 | \$ 96,704 | \$ 77,948 |
| Parity Obligation Coverage | 5.3 x | 4.5 x | 4.7 x | 4.8 x | 4.1 x |
| Subordinate Obligations | | | | | |
| Fixed Payer Swap Payments | \$ 7,712 | \$ 6,798 | \$ 5,739 | \$ 4,513 | \$ 2,496 |
| State Loans and SCWD Debt | 308 | 133 | 122 | 122 | 100 |
| Total Subordinate Obligations | 8,020 | 6,931 | 5,861 | 4,635 | 2,596 |
| Remaining Revenues | \$ 80,342 | \$ 78,084 | \$ 85,143 | \$ 92,069 | \$ 75,352 |
| Non-Double-Barrel GO Bonds | | | | | |
| Revenues Pledged to Non-Double-Barrel GO Bonds | | | | | |
| 1% Property tax revenues (Pledged to Secured Bonds) | \$ 3,226 | \$ 3,128 | \$ 10,834 | \$ 1,192 | \$ 1,141 |
| Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds | 5,396 | 5,341 | 6,265 | 6,922 | 7,223 |
| Sub-total Pledged Revenues | 88,964 | 86,553 | 102,242 | 100,183 | 83,716 |
| Additional Funds Available for Non-Double-Barrel GO Bonds | | | | | |
| Remaining 1% Property Tax Revenues | 31,645 | 34,247 | 29,649 | 42,389 | 44,463 |
| Additional Net Revenues | 48,697 | 43,837 | 55,494 | 49,680 | 30,889 |
| Total with Additional Pledged Revenues | \$ 88,964 | \$ 86,553 | \$ 102,242 | \$ 100,183 | \$ 83,716 |
| Debt Service | | | | | |
| Non-Double-Barrel GO Bond Debt Service | \$ 11,173 | \$ 12,385 | \$ 20,843 | \$ 11,436 | \$ 10,781 |
| GO Bond Coverage | 8.0 x | 7.0 x | 4.9 x | 8.8 x | 7.8 x |
| Remaining Revenues | \$ 77,791 | \$ 74,168 | \$ 81,399 | \$ 88,747 | \$ 72,935 |
| Total Debt Coverage | 3.0 x | 2.7 x | 2.6 x | 3.2 x | 2.9 x |

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

| | Fiscal Year | | | | |
|---|------------------|------------------|------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| Revenues | | | | | |
| Water sales and service charges | \$ 96,609 | \$ 103,286 | \$ 103,623 | \$ 112,267 | \$ 113,770 |
| Sewer sales and service charges | 82,234 | 84,955 | 84,693 | 94,386 | 113,176 |
| Developer Connection fees | 18,913 | 10,449 | 14,355 | 26,902 | 21,075 |
| Net real estate income | 9,822 | 9,756 | 11,398 | 12,610 | 13,821 |
| Interest income | 3,694 | 1,860 | 9,396 | 15,690 | 20,952 |
| Available 1% property tax revenue | 47,172 | 49,781 | 53,045 | 55,896 | 41,740 |
| Other | 6,336 | 6,529 | 7,267 | 10,255 | 5,212 |
| Total Revenues | 264,780 | 266,616 | 283,777 | 328,006 | 329,746 |
| Expenses | | | | | |
| Water supply services | 79,221 | 89,186 | 87,070 | 107,609 | 117,266 |
| Sewer services | 51,540 | 48,353 | 50,751 | 62,799 | 70,214 |
| Administrative and general | 30,170 | 29,377 | 34,533 | 31,636 | 34,680 |
| Pension and OPEB Expense | 10,373 | 11,286 | 12,638 | 12,830 | 14,256 |
| Other | 1,432 | 2,791 | 1,972 | 2,025 | 2,782 |
| Total Expenses | 172,736 | 180,993 | 186,964 | 216,899 | 239,198 |
| Net Revenues | \$ 92,044 | \$ 85,623 | \$ 96,813 | \$ 111,107 | \$ 90,548 |
| Applicable <i>Ad Valorem</i> Assessments Available for GO Double-Barrel Bonds | \$ 13,009 | \$ 13,329 | \$ 15,260 | \$ 16,388 | \$ 17,982 |
| Parity Obligations | | | | | |
| Certificates of Participation | \$ 9,304 | \$ 9,341 | \$ 9,358 | \$ 9,506 | \$ 9,630 |
| 1997 State Loan #3 | - | - | - | - | - |
| Series 2010B Bonds | 7,756 | 7,764 | 7,764 | 7,764 | 10,884 |
| Series 2011-A Index Tender Notes | 3,236 | 3,487 | 5,231 | 5,778 | 5,239 |
| 2016 General Obligation | 5,301 | 7,456 | 7,415 | 7,455 | 7,456 |
| Total Parity Obligations Debt Service | 25,597 | 28,048 | 29,768 | 30,503 | 33,209 |
| Remaining Revenues | \$ 79,456 | \$ 70,904 | \$ 82,305 | \$ 96,992 | \$ 75,321 |
| Parity Obligation Coverage | 4.1 x | 3.5 x | 3.8 x | 4.2 x | 3.3 x |
| Subordinate Obligations | | | | | |
| Fixed Payer Swap Payments | \$ 3,331 | \$ 3,247 | \$ 1,081 | \$ 105 | \$ 501 |
| State Loans and SCWD Debt | 108 | 100 | 100 | 100 | 59 |
| Total Subordinate Obligations | 3,439 | 3,347 | 1,181 | 205 | 560 |
| Remaining Revenues | \$ 76,017 | \$ 67,557 | \$ 81,124 | \$ 96,787 | \$ 74,761 |
| Non-Double-Barrel GO Bonds | | | | | |
| Revenues Pledged to Non-Double-Barrel GO Bonds | | | | | |
| 1% Property tax revenues (Pledged to Secured Bonds) | \$ 860 | \$ 1,117 | \$ 1,427 | \$ 1,689 | \$ 18,671 |
| Pro-rata Share <i>Ad valorem</i> Assessments for Non-Double-Barrel GO Bonds | 6,693 | 6,602 | 7,289 | 7,827 | 7,927 |
| Sub-total Pledged Revenues | 83,570 | 75,276 | 89,840 | 106,303 | 101,359 |
| Additional Funds Available for Non-Double-Barrel GO Bonds | | | | | |
| Remaining 1% Property Tax Revenues | 47,172 | 49,781 | 53,045 | 55,896 | 41,740 |
| Additional Net Revenues | 28,845 | 17,776 | 28,079 | 40,891 | 33,021 |
| Total with Additional Pledged Revenues | \$ 83,570 | \$ 75,276 | \$ 89,840 | \$ 106,303 | \$ 101,359 |
| Debt Service | | | | | |
| Non-Double-Barrel GO Bond Debt Service | \$ 9,222 | \$ 9,689 | \$ 12,321 | \$ 13,325 | \$ 29,310 |
| GO Bond Coverage | 9.1 x | 7.8 x | 7.3 x | 8.0 x | 3.5 x |
| Remaining Revenues | \$ 74,348 | \$ 65,587 | \$ 77,519 | \$ 92,978 | \$ 72,049 |
| Total Debt Coverage | 2.9 x | 2.6 x | 2.8 x | 3.1 x | 2.1 x |

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2025

| Name of Company | Number of Employees | Percentage of Employment |
|---------------------------------|--------------------------------|-------------------------------------|
| University of California Irvine | 28,546 | 13.35% |
| Peraton State and Local Inc. | 17,000 | 7.95% |
| Irvine Unified School District | 5,573 | 2.61% |
| Edwards Lifesciences LLC | 3,152 | 1.47% |
| Blizzard Entertainment Inc. | 2,327 | 1.09% |
| Olsson Inc. | 2,100 | 0.98% |
| B. Braun Medical Inc. | 1,910 | 0.89% |
| The Haskell Company | 1,453 | 0.68% |
| Western Digital Technologies | 1,350 | 0.63% |
| Panasonic Avionics Corporation | 1,345 | 0.63% |
| | | 30.28% |

Source: City of Irvine Comprehensive Annual Financial Report
(Fiscal Year Ended June 30, 2024).

Data was not yet available for FY 2024/25 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 ⁽⁴⁾ |
|--------------------|---------------------------------------|----------------------------------|--|---|--|
| 2016 | 405,192 | 258,386 | \$ 91,999 | \$ 10,946,242 | 3.6% |
| 2017 | 413,903 | 267,086 | 92,278 | 12,840,224 | 3.2% |
| 2018 | 420,877 | 276,176 | 93,823 | 12,272,130 | 2.6% |
| 2019 | 434,018 | 280,202 | 104,185 | 12,272,130 | 2.4% |
| 2020 | 426,912 | 281,707 | 100,969 | 12,788,062 | 13.7% |
| 2021 | 435,073 | 307,670 | 105,126 | 13,662,292 | 6.4% |
| 2022 | 437,564 | 310,250 | 108,318 | 13,944,948 | 2.9% |
| 2023 | 439,940 | 303,051 | 114,027 | 16,321,418 | 3.7% |
| 2024 | 446,365 | 314,550 | N/A ⁽²⁾ | 18,074,961 | 4.0% |
| 2025 | 450,323 | N/A ⁽³⁾ | N/A ⁽²⁾ | N/A ⁽³⁾ | 4.5% |

Source: City of Irvine Annual Comprehensive Financial Report (Fiscal Year Ended June 30, 2024) and State of California website.

Data for the entire Irvine Ranch Water District service area is not readily available.

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

Note:

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

⁽²⁾ City of Irvine Median Family Income for FY 2024 and FY 2025 have not yet been published by the City of Irvine.

⁽³⁾ City of Irvine Population and Total Personal Income for FY 2025 have not yet been published by the City of Irvine.

⁽⁴⁾ State of California Employment Development Department

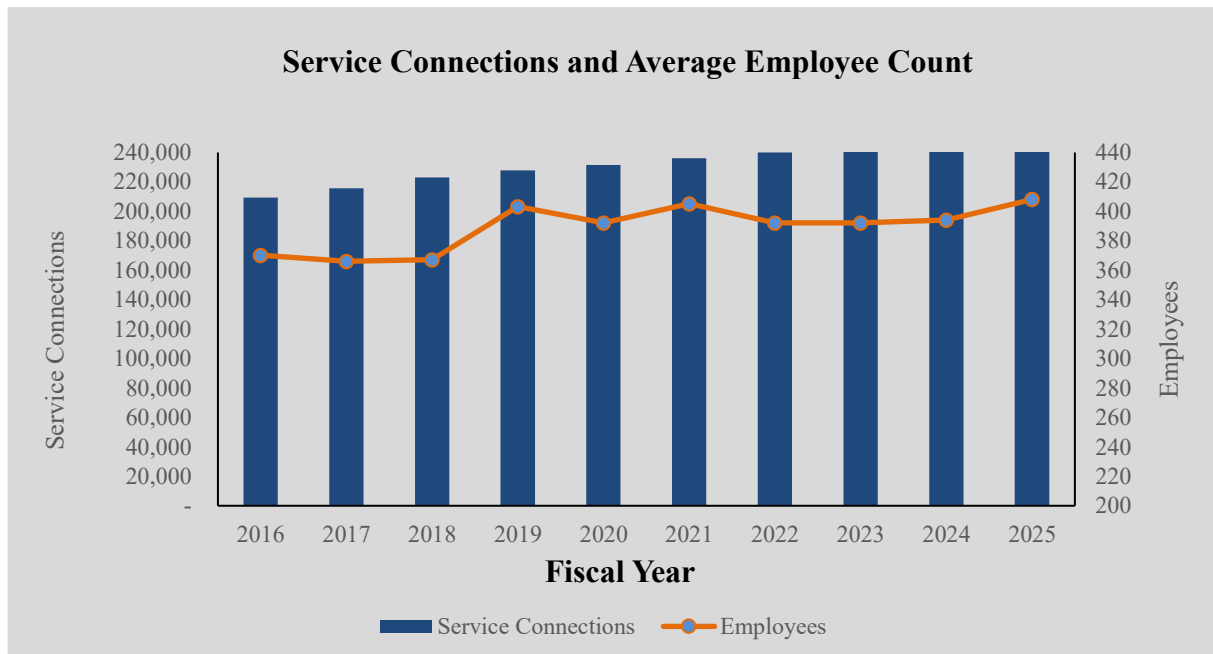
Irvine Ranch Water District

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 |
|-------------|---------|------------------------|---------------------------|--|----------------------------------|
| 2016 | 107,402 | 101,865 | 209,267 | 370 | 566 |
| 2017 | 110,520 | 105,053 | 215,573 | 366 | 589 |
| 2018 | 114,164 | 108,754 | 222,918 | 367 | 607 |
| 2019 | 116,539 | 111,210 | 227,749 | 403 | 565 |
| 2020 | 118,263 | 113,176 | 231,439 | 392 | 590 |
| 2021 | 120,437 | 115,382 | 235,819 | 405 | 582 |
| 2022 | 122,401 | 117,334 | 239,735 | 392 | 612 |
| 2023 | 123,737 | 118,766 | 242,503 | 392 | 619 |
| 2024 | 124,854 | 119,859 | 244,713 | 394 | 621 |
| 2025 | 125,977 | 121,065 | 247,042 | 408 | 605 |



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 | | | | | | | | | |
|--|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 ⁽¹⁾ | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Water | | | | | | | | | | |
| Residential | 2,513 | 2,928 | 3,355 | 2,314 | 1,783 | 2,077 | 1,895 | 1,310 | 1,085 | 1,104 |
| Commercial/Industrial/ Public Authority | 82 | 88 | 133 | 27 | 16 | 27 | 2 | 27 | 5 | 14 |
| Fire Protection | 107 | 83 | 99 | 68 | 21 | 57 | 38 | 36 | 21 | 12 |
| Construction & Temporary | 3 | 14 | 43 | (23) | (28) | (5) | 28 | (30) | 7 | (4) |
| Landscape Irrigation | 19 | 5 | 13 | (11) | (65) | 21 | 1 | (7) | (1) | (6) |
| Agricultural | 0 | 0 | 1 | 0 | (3) | (3) | 0 | 0 | 0 | 3 |
| Total Water | 2,724 | 3,118 | 3,644 | 2,375 | 1,724 | 2,174 | 1,964 | 1,336 | 1,117 | 1,123 |
| Sewer | | | | | | | | | | |
| Residential | 2,501 | 2,894 | 3,340 | 2,314 | 1,781 | 2,059 | 1,899 | 1,316 | 1,067 | 1,101 |
| Commercial/Industrial/ Public Authority | 88 | 84 | 137 | 45 | 21 | 46 | 4 | 34 | 0 | 22 |
| Construction & Temporary | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2 | 0 | (1) |
| Landscape Irrigation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Agricultural | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Total Sewer | 2,589 | 2,978 | 3,477 | 2,359 | 1,803 | 2,105 | 1,904 | 1,352 | 1,067 | 1,122 |
| Recycled Water | | | | | | | | | | |
| Residential | 6 | 33 | 14 | 1 | 9 | 15 | 9 | 6 | 5 | 1 |
| Commercial/Industrial/ Public Authority | 8 | 9 | 14 | 12 | 6 | 11 | 2 | 9 | 4 | 2 |
| Construction & Temporary | 13 | 8 | (5) | (1) | (9) | (7) | 6 | (3) | (4) | 1 |
| Landscape Irrigation | 162 | 161 | 199 | 85 | 155 | 86 | 34 | 69 | 22 | 81 |
| Agricultural | 3 | (1) | 2 | 0 | 2 | (4) | (3) | (1) | (1) | (1) |
| Total Recycled Water | 192 | 210 | 224 | 97 | 163 | 101 | 48 | 80 | 26 | 84 |
| Total | 5,505 | 6,306 | 7,345 | 4,831 | 3,690 | 4,380 | 3,916 | 2,768 | 2,210 | 2,329 |

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 | | | | | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Water | | | | | | | | | | |
| Residential | 11 | 11 | 12 | 11 | 11 | 12 | 11 | 10 | 10 | 11 |
| Commercial | 60 | 57 | 61 | 59 | 51 | 53 | 53 | 52 | 54 | 57 |
| Industrial | 222 | 232 | 213 | 212 | 201 | 211 | 216 | 202 | 195 | 219 |
| Public Authority | 287 | 260 | 260 | 242 | 164 | 134 | 160 | 209 | 214 | 233 |
| Construction & Temporary | 285 | 148 | 172 | 75 | 70 | 97 | 111 | 84 | 62 | 84 |
| Treated - Landscape Irrigation | 74 | 82 | 95 | 82 | 76 | 100 | 98 | 74 | 69 | 82 |
| Treated - Agricultural | 327 | 402 | 403 | 255 | 283 | 387 | 166 | 107 | 117 | 126 |
| Untreated - Agricultural | 8,047 | 6,315 | 6,274 | 4,700 | 2,953 | 445 | 652 | 547 | 569 | 733 |
| Total | 9,313 | 7,507 | 7,490 | 5,636 | 3,809 | 1,439 | 1,467 | 1,285 | 1,290 | 1,545 |
| Recycled water | | | | | | | | | | |
| Landscape Irrigation | 186 | 170 | 195 | 145 | 128 | 168 | 166 | 127 | 120 | 149 |
| Agricultural | 3,891 | 3,197 | 3,292 | 2,438 | 2,797 | 4,414 | 3,716 | 2,369 | 2,634 | 3,727 |
| Total | 4,077 | 3,367 | 3,487 | 2,583 | 2,925 | 4,582 | 3,882 | 2,496 | 2,754 | 3,876 |

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 |
|--------------------|-------------------|---|---------------------------|---------------------------|---------------------|
| 2016 | 46,901 | 25 | 11,853 | 23,206 | 81,985 |
| 2017 | 49,208 | 1,937 | 19,397 | 22,006 | 92,549 |
| 2018 | 48,109 | 6,109 | 15,436 | 25,255 | 94,909 |
| 2019 | 47,258 | 4,151 | 13,937 | 22,381 | 87,727 |
| 2020 | 47,810 | 6,524 | 13,002 | 24,627 | 91,963 |
| 2021 | 47,170 | 4,508 | 17,132 | 26,413 | 95,223 |
| 2022 | 45,088 | 75 | 24,654 | 26,444 | 96,261 |
| 2023 | 43,964 | 1,044 | 18,258 | 23,996 | 87,263 |
| 2024 | 43,573 | 6,102 | 12,679 | 23,778 | 86,132 |
| 2025 | 42,052 | 3,881 | 18,771 | 25,583 | 90,287 |

Water Deliveries / Sales

(in Acre Feet)

| Fiscal Year | Potable and Untreated | Recycled Water ⁽¹⁾ | Total Demand |
|--------------------|--------------------------------------|--|-------------------------|
| 2016 | 51,098 | 26,879 | 77,977 ⁽¹⁾ |
| 2017 | 51,299 | 27,860 | 79,159 |
| 2018 | 55,138 | 31,642 | 86,780 |
| 2019 | 51,651 | 27,689 | 79,340 ⁽²⁾ |
| 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 ⁽³⁾ |
| 2024 | 49,721 | 26,601 | 76,322 |
| 2025 | 53,369 | 30,808 | 84,177 |

Source: Irvine Ranch Water District

Notes:

- ⁽¹⁾ State mandated reduction in usage resulted in a significant decrease in overall demand.
- ⁽²⁾ Significant rainfall resulted in a decrease in overall demand.
- ⁽³⁾ 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 | | | | | | | | | |
|---|-----|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Potable System | | | | | | | | | | | |
| Miles of Water Line | (1) | 1,760 | 1,810 | 1,905 | 1,919 | 1,955 | 1,976 | 1,979 | 2,014 | 2,127 | 2,216 |
| Number of Storage Tanks | (2) | 36 | 36 | 36 | 36 | 37 | 37 | 37 | 37 | 37 | 38 |
| Maximum Storage Capacity (Acre Feet) | | 456 | 456 | 456 | 456 | 467 | 467 | 466 | 466 | 466 | 470 |
| Number of Pumping Stations | | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 36 | 36 | 37 |
| Number of Wells | | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Well Production Capacity (cfs) | | 128 | 118 | 118 | 118 | 118 | 118 | 118 | 119 | 123 | 123 |
| Water Banking Storage (Acre Feet) | | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 | 126,000 |
| Potable Treatment Plants | | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Non-Potable and Recycled Water Systems | | | | | | | | | | | |
| Miles of Recycled Water Line | (1) | 525 | 540 | 555 | 565 | 570 | 572 | 576 | 583 | 583 | 589 |
| Number of Storage Tanks | | 12 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Number of Open Reservoirs | | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Maximum Storage Capacity (Acre Feet) | (3) | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,155 | 24,160 | 24,160 | 24,160 |
| Number of Pumping Stations | | 20 | 20 | 19 | 19 | 19 | 19 | 19 | 22 | 21 | 21 |
| Number of Wells | (4) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 3 | 3 |
| Well Production Capacity (cfs) | | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 9.7 | 6.2 | 6.2 |
| Sewer System | | | | | | | | | | | |
| Miles of Sewer Line | | 1,070 | 1,081 | 1,123 | 1,134 | 1,143 | 1,153 | 1,374 | 1,486 | 1,518 | 1,536 |
| Number of Lift Stations | (5) | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 11 | 11 | 11 |
| Treatment Plants | | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 |
| Treatment Capacity (mgd) (Tertiary) | | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |

Source: Irvine Ranch Water District

Notes:

(1) Miles of Line include laterals.

(2) Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (467 AF). This number also includes the two 16-MG tanks at the Baker location and the newly constructed 3.7 MG Zone 1 Tank at the existing Zone 1 tank location.

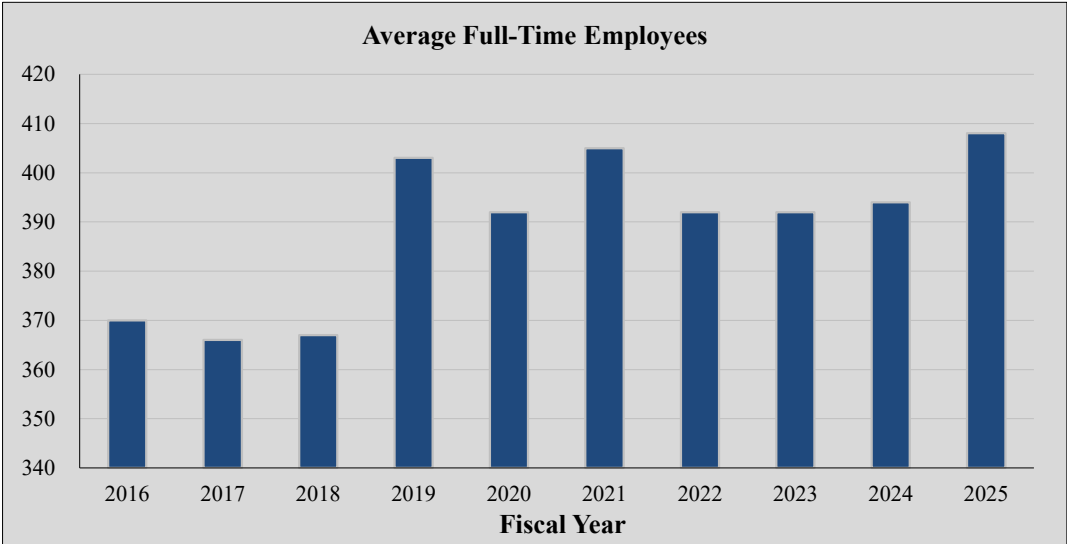
(3) Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.

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

(5) Excludes lift stations serving individual IRWD facilities.

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

| | Fiscal Year | | | | | | | | | |
|--|-------------|------|------|------|------|------|------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Average Full-Time Employees ⁽¹⁾ | 370 | 366 | 367 | 403 | 392 | 405 | 392 | 392 | 394 | 408 |



Source: Irvine Ranch Water District
Note:
⁽¹⁾ Includes permanent, temporary and interns.