
IRWD Drought Tolerant Demonstration Garden

IRVINE RANCH WATER DISTRICT

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

Irvine, California

Water makes it possible.

Comprehensive Annual Financial Report

For fiscal year ended June 30, 2015

Irvine Ranch Water District
Irvine, California

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Douglas J. Reinhart
John B. Withers

Paul A. Cook, General Manager

Prepared by:
Irvine Ranch Water District
Finance Department

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INTRODUCTORY SECTION

December 14, 2015

To The Board of Directors,
Irvine Ranch Water District:

Management of the Irvine Ranch Water District (IRWD or the District) has prepared a Comprehensive Annual Financial Report of IRWD for the fiscal year ended June 30, 2015. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable, 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. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by 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, 2015 were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2015 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 21 years. The District is a leader in developing and implementing resource management initiatives such as water recycling, urban runoff and water conservation, and 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 population served is 370,000 through approximately 105,000 water and over 99,000 sewer service connections. The number of service connections has increased by approximately 19% 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 and various sewage treatment alternatives 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, and replace facilities, while maintaining competitive rates now and in the future.

People

The District employs approximately 350 staff who are responsible for 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 12 years.

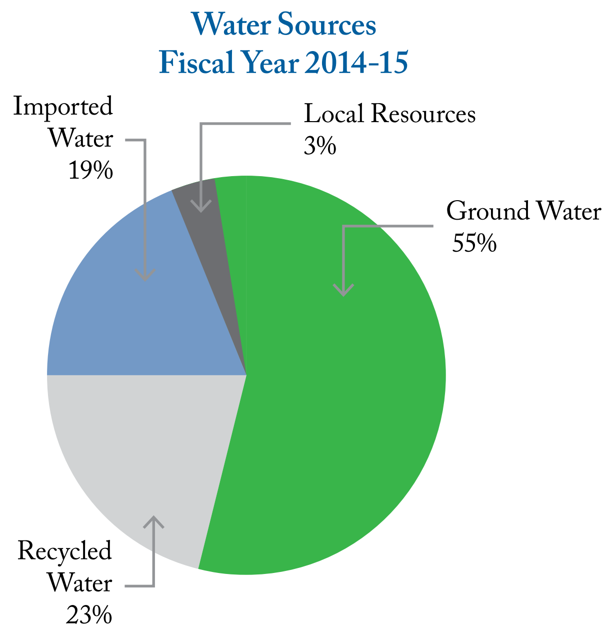
Services

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 its dependence on imported water, in 1979, the District began to develop a series of local wells known as the Dyer Road Wellfield to pump high quality groundwater from the Orange County Groundwater Basin, managed by the Orange County Water District (OCWD).

The District also operates and treats groundwater produced from the Deep Aquifer Treatment System (DATS), Irvine Desalter Project (IDP), and Wells 21 and 22 Desalter Facility. In addition, the District operates wells in the Lake Forest area, which is outside of the current boundaries of OCWD. In Fiscal Year (FY) 2014-15, the largest component of the District's water supply was local groundwater, which accounted for 55% of its total water supply.



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

The District purchased 19% of its water supply in FY 2014-15 from the Metropolitan Water District, the region's wholesale water supplier. This water is imported from the Colorado River, which is transported approximately 240 miles through deserts and over mountain ranges to Southern California, and from the Delta, which is transported approximately 400 miles from Northern California.

Recycled Water System

The District treats sewage to provide water for irrigation and industrial purposes which reduces its reliance on the more expensive imported water and increases its system reliability. Sewage from the community is collected and recycled to California State Water Resources Control Board standards at the Michelson Water Recycling Plant and the Los Alisos Water Recycling Plant, which have the combined capacity to produce nearly 35.5 million gallons of recycled water per day. Once treated, the recycled water is used in the system, which in FY 2014-15 accounted for approximately 23% of the District's total water supply. Approximately 85% of all business and community landscaped areas (parks, school grounds, golf courses, street medians, etc.) in the District's service area are irrigated with recycled water. The District also provides recycled water for various industrial and commercial uses. IRWD's ultimate goal is to recycle all its sewage flows whereby recycled water will represent 25% of its total water supply after the District is fully developed. This increase in recycled water supply will also provide a substantial portion of the water needed to support future growth and redevelopment.

The District operates 5 wells and reservoirs that collect local water for non-potable uses, including Irvine Lake, a 25,000 acre-feet reservoir which receives stream flow (native water) coming from the Santiago Creek watershed. This water is used primarily in the foothills area of the District for agricultural and other irrigation purposes, and supplements the recycled water system during peak demand periods. In addition, the District has approximately 5,400 acre feet of recycled water storage capacity and is currently evaluating additional recycled water storage projects.

When viewing District-wide water consumption from all systems, groundwater provides 55% of the District's consolidated water demand with recycled water and imported water providing 23% and 19%, respectively, and native water from captured storm water flow supplying the remaining 3%.

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 treatment plants. In FY 2014-15, the District treated approximately 80% of its sewage while the remainder of the sewage collected by the District was diverted to capacity owned at the Orange County Sanitation District treatment facilities. The District plans to expand its treatment capacity to serve its growing population as needed. This expansion is discussed in more detail in the *Major Initiatives* section of this document.

Urban Runoff Source Control and Treatment System

IRWD is statutorily authorized to control and treat urban runoff, and conducts various projects and programs as part of an effort to protect the quality of water within the San Diego Creek watershed. In the early 1990s, the District reconstructed wetlands at the San Joaquin Marsh where natural biological processes remove a substantial amount of the pollutant load from San Diego Creek before it reaches environmentally sensitive Upper Newport Bay. In light of this success, the District obtained special legislation allowing it to add urban runoff treatment to its services, and operates a regional urban runoff treatment project known as the Natural Treatment System. As of June 30, 2015, the Natural Treatment System consists of 24 wetland treatment sites located throughout the District's service area with several more currently under construction. The District has mechanisms in place to fund the operation of these systems.

Drought and Water Use Efficiency

The District is a leader in the innovation and implementation of water use efficiency measures that promote the most efficient use of water, both on a per capita and per acre basis. As a result, the District has been well positioned to handle the effects of the current drought. On April 1, 2015 Governor Brown issued an Executive Order requiring the State Water Resources Control Board (SWRCB) to adopt a regulation mandating a 25% reduction in statewide urban potable water use from 2013 levels.

Water Use Efficiency Landscape

Water agencies were assigned specific reduction targets based on 2013 usage and the District was required to achieve a 16% reduction. The District has relied on the effectiveness of its rate structure, combined with increased outreach and expanded conservation programs to ensure that it meets or exceeds its mandated reduction in a financially sustainable way. The District's allocation-based rate structure, implemented in 1991, was carefully designed to promote the efficient use of water by providing customers pricing signals related to over-use of water. This structure, which the District updated in 2009 and most recently in 2015, is recognized as a model for other agencies to emulate. The District's customers have one of the lowest residential gallons per capita per day rates in California.

The District has also led the use of recycled water starting in the late 1960s and presently serves over 5,400 sites with more than 30,000 acre feet of recycled water annually representing 23% of the District's total water supply. The use of recycled water has helped the District achieve its conservation targets and has reduced the District's need to import expensive potable supplies. The District's Water Use Efficiency Plan is a comprehensive strategy that includes not only environmental considerations, but also addresses the considerable positive financial benefits of water use efficiency for the District and its customers. Specifically:

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

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

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

Recycled Water

Due to the investments made by the District to diversify its resources, expand the use of recycled water and improve water use efficiency, IRWD provides reliable, high quality water to its customers at the lowest possible cost.

Legislative and Regulatory Affairs

The District actively monitors and works to influence 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 productively in policy discussions surrounding sustainable groundwater management in California. The District's efforts with regards to groundwater management policy ensured that the District's ability to make use of local groundwater and to operate its water banking projects in Kern County were protected. The District and its Board of Directors also participate in state and regional trade associations including the Association of California Water Agencies, the California Association of Sewer Agencies, the WateReuse Association and the California Special District Association.

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 systems.

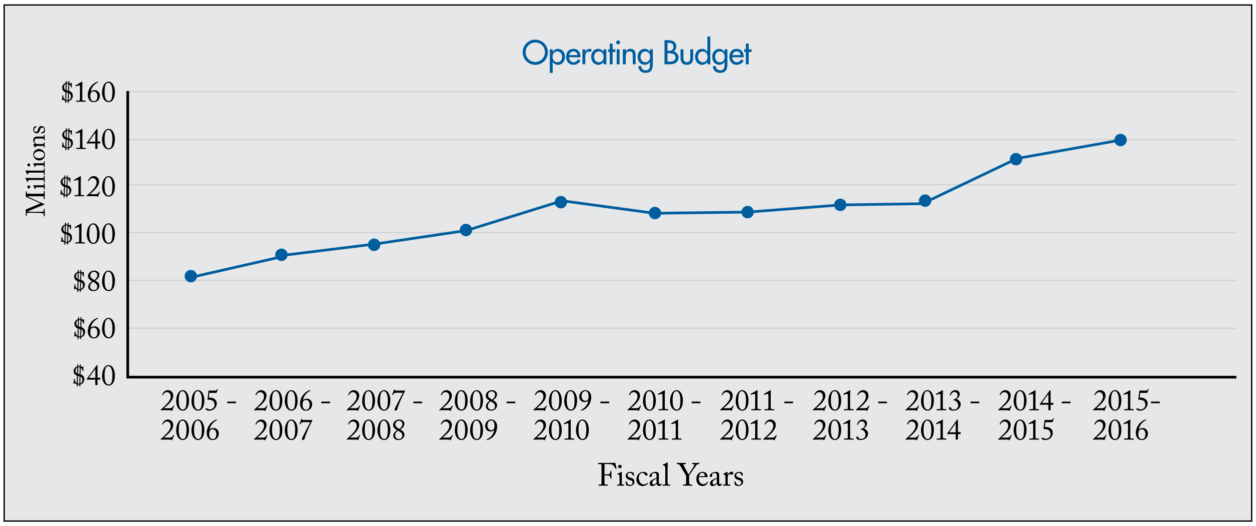
Infrastucture Assets

	2005	2010	2015
Potable System			
Miles of Water Line	990	1,169	1,622
Number of Storage Tanks	27	37	36
Maximum Storage Capacity (acre feet)	418	456	456
Number of Pumping Plants	24	45	42
Number of Wells	21	24	27
Well Production Capacity (cfs)	100	117	128
Water Banking Storage Capacity (acre feet)	-	57,600	59,600
Non-Potable and Recycled Systems			
Miles of Recycled Line	307	407	509
Number of Storage Tanks	14	11	12
Number of Open Reservoirs	4	4	5
Maximum Storage Capacity (acre feet)	23,696	23,703	24,155
Number of Pumping Plants	17	18	19
Number of Wells	3	5	5
Well Production Capacity (cfs)	3.8	9.8	9.8
Sewer System			
Miles of Sewer Line	656	940	1,019
Number of Lift Stations	19	18	14
Treatment Plants	2	2	2
Treatment Capacity (mgd)	22.5	25.5	35.5
Sewage Flows to Michelson Plant	44%	68%	69%
Sewage Flows to Los Alisos Plant	17%	15%	12%
Sewage Flows to Orange County Sanitation District	39%	17%	19%

1 acre foot = 325,900 gallons
cfs = cubic feet per second
mgd = millions gallons per day

Financial Plan

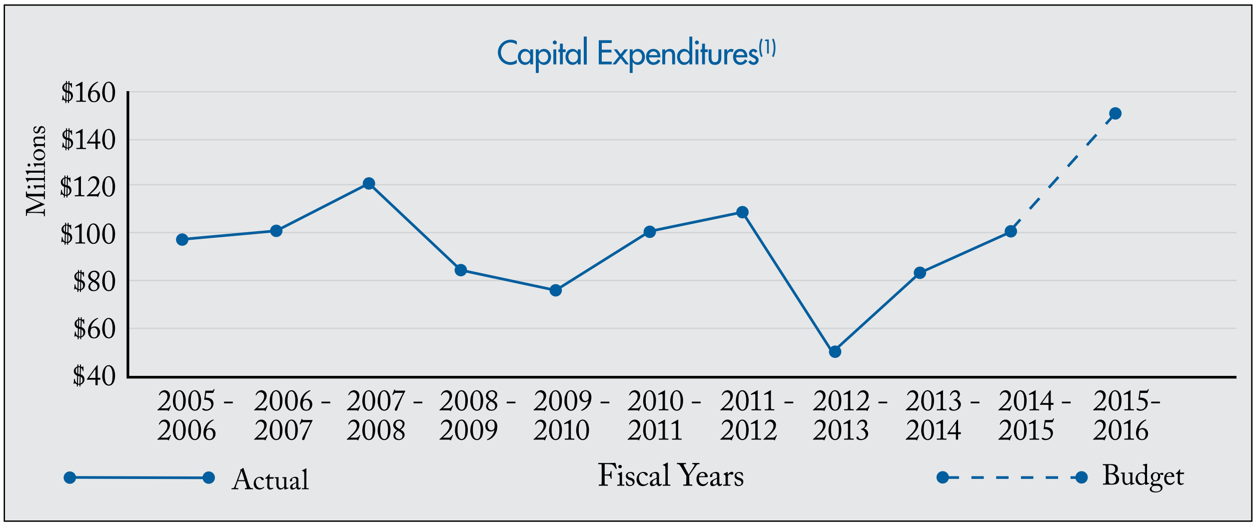
Each year, the Board approves an annual operating budget. The goal of the District's operating budget process is to appropriately fund the resources required to provide excellent service to its customers as cost-efficiently as possible. The graph below shows the approved operating budget over the last 10 years. Increases reflect costs associated with customer growth within the District as well as an increase in overall operating expenses. Increases have been kept to a minimum by aggressively pursuing reductions in expenses to offset uncontrollable expenses, such as pass-through rate increases from outside agencies. The approved FY 2015-16 budget increased to $140.4 million from $130.6 million in FY 2014-15, or 7.5%. The primary drivers for the increases were an assumed increase in the use of recycled water, primarily associated with increased cost of water within the District and an increase in the costs associated with increased flows treated by the Orange County Sanitation District (OCSD).



The Board also approves an annual capital budget based on new, enhancement and replacement infrastructure needs. Below are the actual capital expenditures thru FY 2014-15. The reduced spending in 2012-13 from prior years represents the District's focus on the completion of several projects and the design period for two new key projects, the MWRP Biosolids and Energy Recovery Facilities and the Baker Water Treatment plant, both of which began construction in FY 2013-14. For FY 2015-16, the adopted capital budget was $150.2 million. Many capital budget projects extend beyond one fiscal year.

Biosolids and Energy Recovery Facilities Project

The District's capital program currently includes more than 500 active and planned projects with expenditures estimated at more than $600 million over the next 20 years.



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

User Rates & Charges

User rates and charges are primarily used for funding the District's operation and maintenance expenses. The District separates the cost of constructing water and sewer infrastructure from the cost of daily operations and maintenance. User rates, as discussed below, are billed to customers on a monthly basis, and include a component for the inevitable replacement of existing infrastructure. The District sets replacement monies aside in advance to help stabilize rates and avoid significant potential future rate swings. In 2015, the District completed a detailed cost of service study which confirmed that user rates billed to customers are based on actual costs to provide the services.

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

Water Rates

The District's rate structure for water use is separated into a commodity charge component and a service charge component. The commodity charge reflects the cost of the District's water supplies while the service charges fund the remaining fixed operational expenses of the District. For FY 2014-15, the District's water fixed service charge was $10.50 per month (for the Irvine Ranch and Los Alisos rate areas). The District has a long history of planning for the inevitable replacement of capital infrastructure, and has set monies aside into enhancement and replacement funds for this purpose. In FY 2014-15, the monthly fixed service charge includes a user enhancement and replacement component of $0.70 and $0.80, respectively, per month, intended to fund current and future capital costs that provide reliability and redundancy to the District's infrastructure.

In FY 2014-15, the District had a five-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 and property characteristics, giving consideration to factors such as the number of occupants, type or classification of use, size of lot or irrigated area, evapotranspiration rate for the billing period and other consistently applied criteria. The chart below illustrates the five-tier structure that reflects the increased cost associated with usage in the higher tiers.

As of June 30, 2015, approximately 85% of the District's customers are within the first two tiers and 95% of customers fall within the District's first 3 tiers, making IRWD rates among the lowest in Orange County.

FY 2014-15 Residential Rate Structure – Potable Water (Commodity Charge)*

Tier	Percent of Estimated Customer Need	Cost per ccf
Low Volume	0 – 40%	$0.88
Base Rate	41 – 100%	$1.34
Inefficient	101 – 130%	$3.91
Excessive	131 – 160%	$6.22
Wasteful	161% +	$12.60

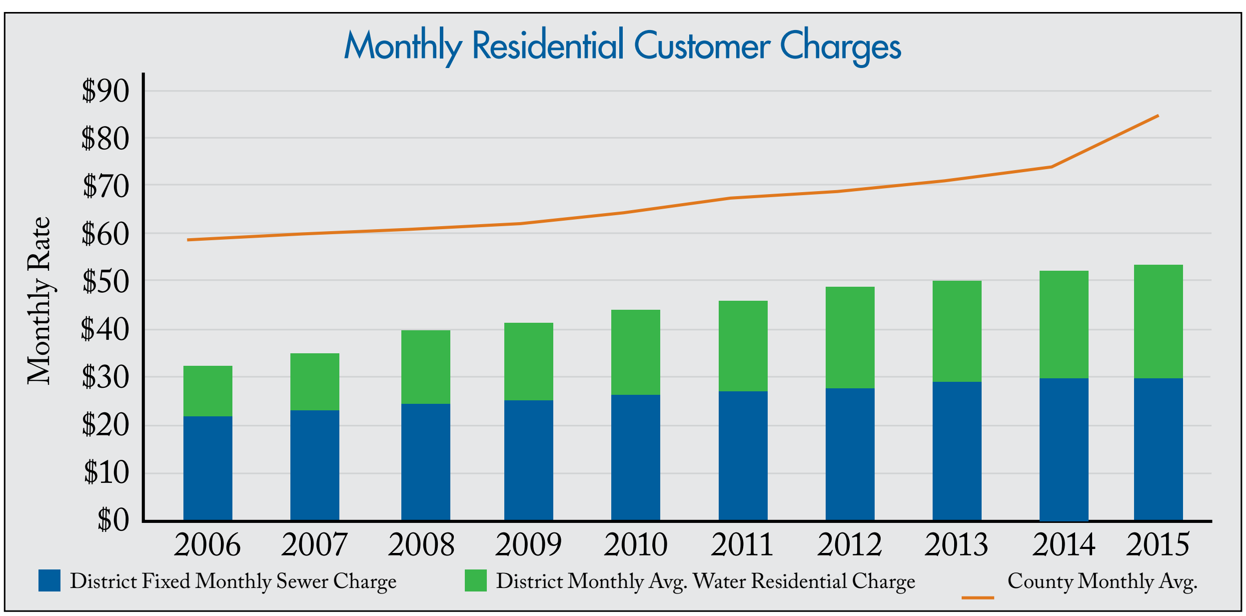
One ccf (100 cubic feet) = 748 gallons

Sewer Rates

The District's sewer rates are also among the lowest in Orange County, with a fixed monthly service charge of $20.50 in FY 2014-15 for a typical residential customer that covers the collection and treatment of sewage. This monthly service charge also includes a user enhancement and replacement component of $0.70 and $6.70, respectively, per month, which is intended to fund current and future capital costs to replace, refurbish and upgrade the existing system. The monthly service fee of $6.70 includes $1.65 to fund the construction of the MWRP Biosolids and Energy Recovery Facilities discussed in more detail under Major Initiatives – *Expanded Water Recycling Options and System Reliability*. These components are projected to grow annually.

Historic Rate Trends

The following chart reflects the annual "base rate" charge for an average customer's water and sewer service through FY 2014-15. The District raised rates in each of the last several years due largely to increased costs for wholesale supplies and fixed service costs for both water and sewer, including funding for future infrastructure development.



* This rate structure is for Residential Detached Dwelling Units in the Irvine Ranch rate area. Customers of the former Orange Park Acres Mutual Water Company and the former Los Alisos Water District are on a separate rate structure based on their respective consolidation agreements.

The District has completed five consolidations over the last eighteen years –
Santa Ana Heights Mutual Water Company in 1997, Carpenter Irrigation District in 2000, Los Alisos Water District in 2001, Santiago County Water District in 2006, and Orange Park Acres Mutual Water Company in 2008, resulting in approximately a 20% increase to the District's customer base.

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

Customers served by the districts consolidating with IRWD buy-in to the District's existing infrastructure and, when completed, receive the benefit of lower rates, enhanced reliability and increased services.

Factors Affecting Financial Condition

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

State and Local Economy

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

During FY 2014-15, the District continued to expand its operating facilities to accommodate more than 2,000 new water service connections constructed within District boundaries. There remains about 20% of future development, including the Northern Sphere of Irvine, Lake Forest and property from two de-commissioned military bases. Needs of these areas have been included in the planning and facilities included in the capital budget.

The assessed value of land in the District's service area has grown significantly in the last decade from $22.1 billion in 2005 to more than $47.1 billion in 2015, demonstrating the strength of the local economy.

The State of California's financial condition has historically impacted local governments such as cities, counties and special districts. In 1992, special districts were subjected to legislation that shifted substantial amounts of property tax revenue to the State. In FY 2009-10, the State borrowed approximately $2 million from the District, with the obligation required to be repaid within three years with interest. In June 2013, the State repaid the District with interest. Under Proposition 1A, the State can only exercise its borrowing right again one more time prior to 2019.

Drought

As discussed in more detail in Drought and Water Use Efficiency, in 2015, the State Water Resources Control Board mandated that District achieve a 16% reduction from its 2013 base usage. As customers decrease their consumption, there is a corresponding decrease in District revenues. The District is well positioned to sustain the reduction in revenues due to its rate structure which effectively splits costs into variable and fixed rate components. The decreased consumption is offset by a decrease in related variable costs. The fixed rate component covers the fixed operating and maintenance costs. As a result, the District does not anticipate any revenue shortfall to cover expenses as a result of the decreased consumption.

Financial Planning & Budgeting

Short-Term

The Board of Directors approves operating and capital budgets annually and allocates required funding accordingly. The General Manager has limited discretion to transfer capital between activities and Board approval is required for any overall increase or substantial changes. Throughout the fiscal year, actual expenditures are compared to budget. Variances between budget and actual results are analyzed and evaluated to ensure the District's financial goals and objectives are being met.

The budget process is further supported by the District's long-term financial models, enabling the Board to make informed decisions on setting rates and charges that ensure the long-term stability of the District. Funding needs are assessed using these financial planning models.

Long-Term

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

The District has a long history of planning for the enhancement and replacement of aging water and sewer infrastructure. Recognizing that infrastructure replacement is both inevitable and costly, the District established infrastructure Enhancement and Replacement Funds to provide funding for updating, expanding, redundancy, as well as replacing and refurbishing various components of the water and sewer systems. The objective of the funds are to help moderate the financial impact on future user rates attributable to expenditures associated with enhancing and replacing capital facilities. For FY 2014-15, the combined water and sewer user enhancement/replacement fees were $8.90 per month. For FY 2015-16, the combined water and sewer user enhancement/replacement fees are $10.20 per month. The increase is part of a planned approach to avoid significant rate fluctuations resulting from future major capital initiatives.

Over time, the District has evolved from a newly developing area towards being a fully developed area. While many of the projects slated for construction will provide additional capacity for ultimate demands, the focus of the District is transitioning from building new infrastructure projects to ongoing operations and maintenance activities, as well as upgrading and replacing existing infrastructure. Connection fees paid by developers, which contributed $29.2 million to new capital in FY 2014-15 will decline as the District nears build-out. The District has developed a sophisticated financial model to factor in such variables as future development, construction costs, growth rates, inflation, redevelopment and other items in order to project rate setting for funding future capital needs.

In 2011, the District began a strategic process to review and, if appropriate, develop modifications to the current capital funding plan. The process resulted in a master consolidation plan that combined certain improvement districts in order to maintain the future financial viability of each area. The plan allocates funding responsibility for capital improvements to the areas which will benefit from those respective facilities and separates areas on the basis of projected timing of development so that construction can be matched to the development. Diversification of the District's water supply and sewage treatment options are also major objectives of the District's master plans. Those objectives are discussed in further detail in the *Major Initiatives* section of this introduction.

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

Pension Funding

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

Investment policy and asset allocation decisions relating to the Trust are made by a Retirement Board consisting of 2 members from the IRWD Board of Directors and the General Manager. In FY 2013, the District made an initial $35.0 million contribution to the Pension Benefits Trust, and in FY 2014 and FY 2015, the District made additional contributions of $2.2 million and $2.1 million, respectively. As of June 30, 2015, the fair market value of the assets in the Pension Benefits Trust was approximately $45.3 million. As of June 30, 2015, the assets were invested in the Vanguard Institutional Index Fund, Fidelity Concord Spartan International Fund, Metropolitan West Total Return Bond Fund, and Federated Government Obligations Money Market Fund.

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68* (GASB 71). Due to the District's proactive approach to address the pension issue, at June 30, 2015, the District's pension plan was fully funded. Additional information on the District's net pension asset/liability can be found in Note 13 of the Notes to the Basic Financial Statements.

Cash Management Policies and Practices

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

For FY 2014-15, the District's fixed-income investment portfolio consisted primarily of short-term securities with a portfolio average maturity of approximately 9 months. These securities included U.S. government agency notes, U.S. government agency discount notes, the State-managed Local Agency Investment Fund and local government investments. The annual return on all of the District's cash investments in FY 2014-15 was approximately 0.50%. Including real estate investments, the weighted average rate of return was 2.94% for the same period.

At June 30, 2015, the District's cash assets totaled approximately $267.6 million. Cash balances are allocated to various funds including the Replacement Fund, New Capital Fund, Capital Enhancement Fund, Construction Fund, Debt Service Fund and others. No unspent bond proceeds were available at year end.

Real Property Investments

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

As of June 30, 2015, the District has an interest in five properties with a net book value of $43.3 million and a weighted average return (on original cost) for FY 2014-15 of 12.7%. Net revenues of $6.3 million generated in FY 2014-15 from the District's real estate investments are retained within the Replacement Fund.

Debt Management Policies and Practices

The District has strived 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 also minimizes its exposure to interest rate risk by balancing its fixed and variable rate debt and has leveraged the opportunities provided by the low interest rate environment.

The District has primarily used General Obligation (G.O.) bonds and Certificates of Participation (COPs) to fund its capital facilities. As of June 30, 2015, there were eight outstanding general obligation bond issues with a balance of $328.8 million in variable rate mode and $175.0 million in fixed rate mode (excluding any unamortized premium or discount). The District also has one outstanding COPs issue with a balance of $61.3 million in fixed rate mode. The District has secured direct pay letters of credit to enhance certain issues of its variable rate debt.

Under California law, all of the G.O. bonds are secured by the District's ability to levy ad valorem property taxes in the applicable improvement districts to pay debt service. Although the District has elected to use a combination of ad valorem property taxes and other legally available funds to pay debt service, the legal authority exists to fully fund G.O. bond debt service through such ad valorem taxes.

The COPs issue is secured by certain revenues of the overall District, predominantly user rates. The District is required under some of its debt covenants to collect revenues which will be at least sufficient to yield net revenues equal to 125% of senior debt service payable during the fiscal year. Prior to FY 2003-04, all of the District's outstanding debt was in a variable rate mode and the Board of Directors took certain actions to manage and mitigate the interest rate risk. The Board adopted a policy to maintain a target amount of investment assets equal to at least 75% of the outstanding un- hedged variable rate debt. In addition, the District began an interest rate swap program under which $130 million notional amount of LIBOR-based fixed payer swaps were executed. These interest rate swaps have allowed the District to limit the risk exposure on approximately $194 million (or 59.0%) of its variable rate debt to approximately 4.01% (assumes a historical ratio for the tax-exempt SIFMA Index versus taxable 1-month LIBOR of 67%).

In FY 2010-11, the District issued $175 million of general obligation fixed rate debt utilizing the taxable Build America Bond (BABs) program. BABs, created under the American Recovery and Reinvestment Act, are taxable bonds with subsidy payments made by the Treasury Department to issuers equaling 35% of the interest costs. In FY 2014-15, the Federal subsidy payments were cut by 7.3% under Congressionally-mandated sequestration. As a result of the reduced subsidy payments, the net interest rate for the District's BABs issue increased from 4.30% to 4.47%.

The District maintains a healthy balance between fixed and variable rate debt. As of June 30, 2015, the District's outstanding debt portfolio included fixed rate debt at 41.8%, synthetically fixed (hedged) variable rate debt at 34.3% and unhedged variable rate debt at 23.9%, resulting in an average all-in cost of debt of approximately 3.36% for the year.

Risk Management

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

Major Initiatives

The District's major initiatives during FY 2014-15 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 to the Basin Production Percentage (BPP) set by the Orange County Water District (OCWD) and have enough capacity to meet demands during outage conditions. Currently the District has the ability to produce 28,900 acre feet per year (AFY) of groundwater that requires no treatment, other than disinfection. The District also has three systems that produce 19,700 AFY of groundwater that requires treatment. In addition, the District operates 5 wells for non-potable uses.

Water Banking

In addition to developing the local groundwater system, the District has diversified its water supply portfolio by developing a water bank in Kern County, California. The purpose of the water bank is to improve the District's water supply reliability by capturing water during wet hydrologic periods for use during severe dry periods or imported water supply interruptions. The water bank is an important part of the District's ability to deliver water under such conditions.

Opportunities for groundwater banking programs in Southern California are limited and more expensive. In contrast, the extensive groundwater basin in Kern County is managed to allow storage of water by outside entities. In 2006, the District purchased approximately 640 acres of high quality groundwater recharge land that overlies the regional Kern County groundwater basin along the Kern River. In 2010, the District purchased an additional 323 acres of recharge land adjacent to the property. The District has completed construction of 761 acres of groundwater recharge ponds on the combined properties.

During January 2009, the District has entered into a 30-year water banking partnership with the Rosedale-Rio Bravo Water Storage District (Rosedale) in Kern County. The District's partnership program with Rosedale gives the District a long-term equity ownership of water banking capacity rather than typical contract or lease arrangements employed by most other agencies. As of June 30, 2015, approximately 38,500 acre feet (AF) of water has been recharged at the District's water banking facilities. An additional 514 AF will be stored by the end of 2015. The majority of this stored water was made available through a 28-year Exchange Agreement that the District has with Buena Vista Water Storage District (BVWSD) in Kern County and agreements with three separate State Water Project Contractors throughout California. The terms of these agreements require that half of the water be returned to the originating water districts within 5 to 10 years with the balance of the water being available to the District for its use. As of June 30, 2015, the District owned approximately 17,400 AF of water in storage at its water banking facilities and related programs.

Seven groundwater wells that can be used to recover water from the water bank have been constructed on the District's water banking properties. Wellheads and pipelines have also been constructed to convey water from these wells to the Cross Valley Canal and to the California Aqueduct. These recovery facilities were successfully used to recover and deliver 1,000 AF of water for use by IRWD in 2015, verifying that all necessary agreements and facilities are in place for IRWD to make use of water stored in the water banking projects under periods of severe drought or during periods of supply interruptions. In addition, these wells were recently used to return water to IRWD's exchange partners.

The District is currently finalizing an Environmental Impact Report (EIR) for the construction and operation of recovery wells on additional lands purchased in 2010. This EIR is expected to be certified in late 2015 and construction of the additional wells will begin following the certification and approval by the District and Rosedale's Board of Directors.

Strand Ranch Water Banking Pump

Baker Water Treatment Plant

The Baker Water Treatment Plant (WTP), which is currently under construction, is anticipated to be online and operational in the summer of 2016. The Baker WTP will produce approximately 28 million gallons per day of drinking water and will be capable of treating imported water from Metropolitan Water District of Southern California and local untreated water from Irvine Lake. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. Although the Baker WTP will be owned and operated by the District, partial capacity in the plant is being purchased by four other water agencies located in Southern Orange County. The Baker WTP will provide an operational source of supply to the project participants and, in the event of a short-term water shortage emergency, will provide regional water reliability to other neighboring Southern Orange County water agencies. The project cost is estimated at approximately $103 million, with IRWD responsible for approximately 23% of the total cost.

Water Rights

The District owns 1,747 acre feet of State Water Project water rights within the Dudley Ridge Water District located in Kings County, California. The rights provide another source of water supply to enhance reliability. The District receives an allotment of water on an annual basis as determined by the Department of Water Resources and varies each year based on rainfall and other available water supply. The District will continue to look for other opportunities to obtain water rights to enhance it's water supply reliability.

Syphon Recycled Water Seasonal Storage Facility

Syphon Reservoir, located in the northern portion of Irvine, is a sixty-year-old untreated water storage reservoir historically used by the Irvine Company for agricultural purposes. The District purchased Syphon Reservoir from the Irvine Company 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 450 AF up to 5,000 AF. Additional storage will allow the District to recycle more sewage flows to the MWRP. An expansion of Syphon Reservoir to 5,000 AF would allow for recycling 100% of the sewage flows tributary to MWRP and reduce the District's need to supplement the recycled water system with imported water in dry years. The District is currently evaluating funding alternatives for the reservoir expansion.

Expanded Water Recycling Options and System Reliability

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

The most recent example of expanded water recycling reliability is a major capacity expansion of the MWRP from 18 million gallons per day (mgd) to 28 mgd, completed in 2014.

The two plants operated by the District currently have capacities of 28 (MWRP) and 7.5 (LAWRP) mgd, with a collective capacity of 35.5 mgd.

Expanding existing infrastructure for sewage treatment has four primary benefits including:

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

In addition to the projects identified above, the District has evaluated alternative approaches to recover the solids and biogas generated by its water recycling facility. The evaluation of alternative approaches for handling MWRP solids, currently conveyed to Fountain Valley for treatment by OCSD, included consideration of many factors such as costs and potential community impacts. As a result, the District is building new capital facilities at the MWRP to thicken, digest, dewater, and dry biosolids to allow safe reuse of pellets as either fertilizer or e-fuel, which will reduce the District's treatment costs.

Biosolids and Energy Recovery Facilities Project

The process also allows for the conversion of biogas into energy thereby further reducing the District's dependency and costs from its third party electricity provider. The construction of the MWRP Biosolids Handling and Energy Recovery Facilities is anticipated to be completed in 2016 at an estimated project cost of $212 million.

Community Education and Outreach

The District's commitment to community education and outreach recognizes the significant impact lifelong water education can have on a community. Today, the District's water efficiency and environmental programs provide a key Best Management Practice under the California Urban Water Conservation Council's memorandum of understanding dedicated to increasing efficient water use statewide. From student water and science education programs to resident tours, IRWD is dedicated to teaching value and fostering appreciation for water and the environment which are both vital resources.

Community water education and an awareness of water use efficiency begin at a young age. The District provides innovative water education programs to students in its' service area through a unique partnership with the Discovery Science Foundation. These exceptional programs are available to all kindergarten through middle school students in any public, private or home school in our service area and meet all California curriculum content standards while bringing water education to life for our students. The partnership with the Discovery Science Foundation allows the District to effectively reach students in its service area with innovative and informative water education. Through these programs, the District teaches the next generation of community members to be good stewards of its precious water and environmental resources.

The District's San Joaquin Marsh Campus, which houses the IRWD Learning Center and Visitors Center, is the embodiment of the District's dedication to lifelong water education. The location of the Campus at the San Joaquin Marsh provides a wide variety of educational venues and teaching opportunities utilizing the District's Natural Treatment System, the Butterfly Garden, and the San Diego Creek. The Learning Center is a dedicated facility for water education in our community. The Learning Center features two state-of-the-art classrooms and a patio that can be utilized as an outdoor learning facility. Throughout the year, the Learning Center houses not only the District's education programs but also its resident tours, community events, and programs run by the District's Marsh partner, Sea & Sage Audubon. The Visitor's Center at the historic Irvine Ranch Marsh House provides informative self-guided tours on the District's environmental and water use efficiency efforts and is open to the public seven days a week.

These programs and the District Marsh Campus provide the backbone of the District's community education and outreach efforts. In addition, the District offers water use efficiency workshops and webinars; customized in-class lectures for high school and college classes; and customized educational tours for community organizations in our service area. Teaching children and in turn, their families about water and the environment at an early age helps teach the community as a whole about the importance of protecting vital resources and the value of water.

In addition to already established water use efficiency community outreach efforts, the District has responded to the Governor's statewide drought declaration by offering new and effective outreach programs designed to educate customers about the drought and what they can do to decrease their water use. A key component of this effort is a series of RightScape workshops that teach customers about drought tolerant landscaping and irrigation techniques.

Drought Outreach

The 2015 IRWD Drought Expo was attended by over 1,500 customers who learned about water use efficiency and landscaping techniques from experts, and participated in tours of the IRWD Drought Tolerant Garden that displays over 80 different types of drought tolerant plants. Attendees were introduced to the new IRWD Recycled Water Fill Station that allows customers that do not yet have access to recycled water the ability to use this water source for outdoor irrigation purposes.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Irvine Ranch Water District for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2004 through June 30, 2014. In order to be awarded a Certificate of Achievement, IRWD was required to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

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

Staff would like to acknowledge the IRWD Board of Directors for their unfailing support and for maintaining the highest standards of professionalism in the management of the District's operations and finances. We would also like to thank the dedicated employees of the District for their commitment to providing high quality service to the District's customers. The preparation of this report would not have been possible without the efficient and dedicated service of the entire 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	Cheryl L. Clary
General Manager	Executive Director of Finance & Administration

Irvine Ranch Water District
List of Principal Officials

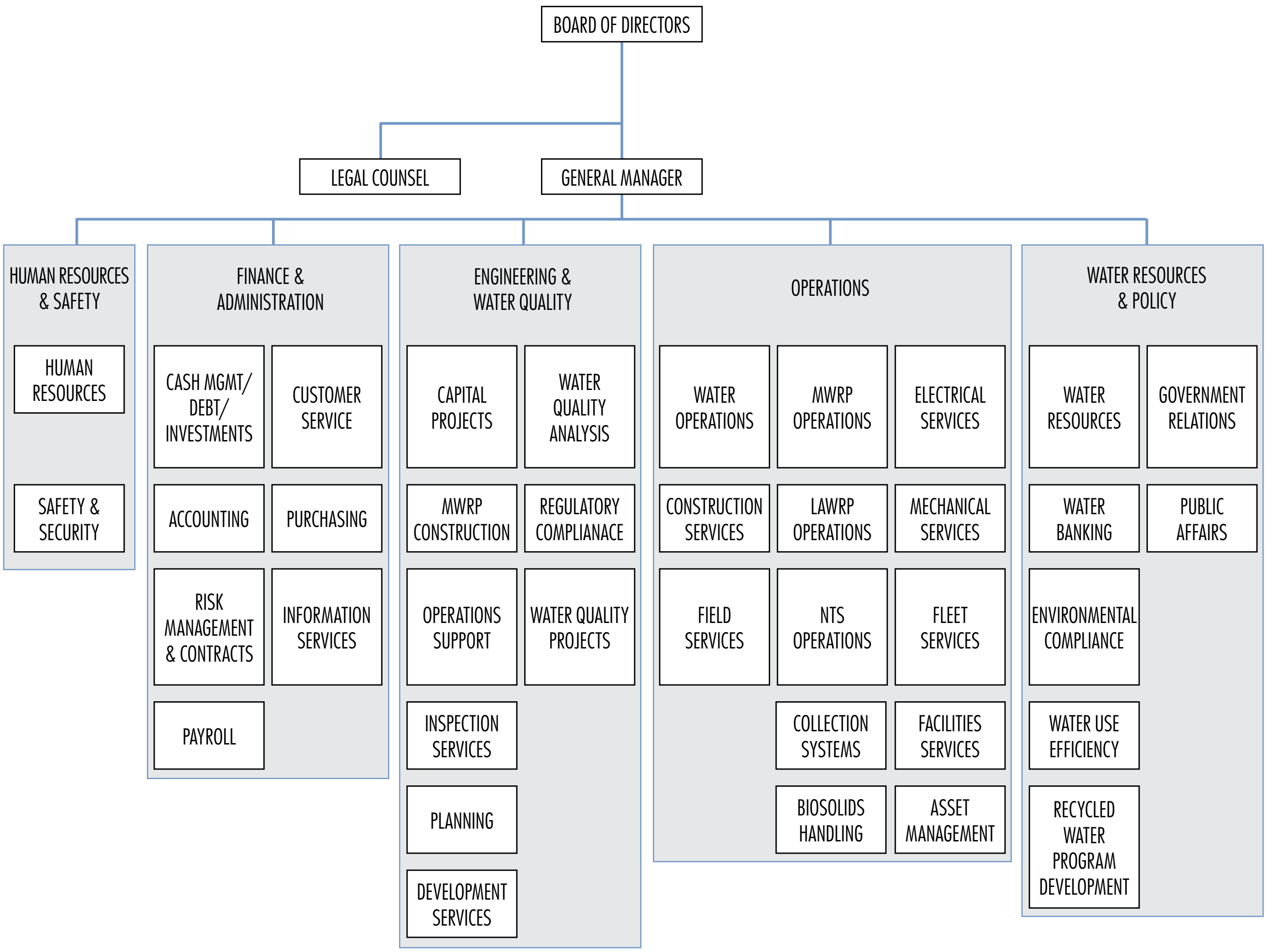
Board of Directors

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

Executive Management

General Manager	Paul A. Cook
Executive Director of Finance & Administration	Cheryl L. Clary
Executive Director of Operations	Patrick O. Sheilds
Executive Director of Engineering & Water Quality	Kevin L. Burton
Executive Director of Water Resources & Policy	Paul A. Weghorst
Director of Human Resources	Jenny L. Roney
Director of Water Resources	Fiona M. Sanchez
Director of Public Affairs	Beth M. Beeman
Director of Administrative Services	Tony J. Mossbarger
Director of Treasury and Risk Management	Robert C. Jacobson

Irvine Ranch Water District
Organizational Chart
(By Function)
Fiscal Year 2014-15



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irvine Ranch Water District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

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FINANCIAL SECTION

Financial Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2015

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Board of Directors
Irvine Ranch Water District
Irvine, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Irvine Ranch Water District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Irvine Ranch Water District, as of June 30, 2015, 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.

Emphasis of Matter

As described further in note 13 to the financial statements, during the year ended June 30, 2015, the District implemented GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the Irvine Ranch Water District for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated December 1, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Board of Directors
Irvine Ranch Water District
Page Three

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
November 27, 2015

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, 2015. This section should be read in conjunction with the basic financial statements and notes to the basic financial statements, which follow this analysis.

Financial Highlights:

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $1,354.7 million (net position), representing $1,074.6 million in net investment in capital assets, $162.1 million restricted for water services and $118.0 million restricted for sewer services. This is a decrease of $34.9 million or 2.5 percent over the prior fiscal year net position of $1,389.6 million.

- Total assets are $1,980.3 million, a decrease of $49.9 million or 2.5 percent over the prior fiscal year. Cash and receivables were used to fund capital assets during the year. In addition, the net pension asset decreased by $50.3 million due to the reclassification of cumulative excess pension contributions from net pension asset in 2014 to a prior period adjustment in 2015 as required by the implementation of the new pension accounting standards.

- Total revenues are $196.9 million, a decrease of $7.5 million or 3.7 percent over the prior fiscal year. Higher operating revenues associated with a Board approved rate increase and increased customer demand as a result of warmer drier weather were more than offset by lower non-operating revenues associated with the lack of investment income in 2015 due to the maturity of the investments which supported the JPA bonds in 2014.

- Total expenses are $208.6 million, a decrease of $2.1 million or 1.0 percent over the prior fiscal year. Lower non-operating interest expense associated with the maturity of the JPA bonds in 2014 were partially offset by increased cost of sewer services associated with higher flows and other passed through costs from an outside agency.

- Capital contributions are $42.6 million, an increase of $7.9 million or 22.8 percent over the prior fiscal year due primarily to higher connection fees associated with increased housing construction by developers.

- Total debt is $572.8 million, a decrease of $18.6 million or 3.1 percent over the prior fiscal year. The decrease in overall debt is due primarily to principal payments during the current fiscal year.

- During 2015, the District funded $2.1 million in excess of its annual required contribution to the Irvine Ranch Water District Post-Employment Benefits Trust (Pension Benefits Trust) in order to reduce its unfunded pension liability. The Pension Benefits Trust was established in the fiscal year ended June 30, 2013 to fund the District's CalPERS unfunded liability. The trust provides the District with an alternative that allows for investment by a professional fund management team selected and monitored by the District. Future excess contributions are transferred to CalPERS at the District's discretion. As of June 30, 2015, the pension plan is fully funded. For more detail, see Note 13 of the Notes to the Basic Financial Statements.

- Total deferred inflows of resources increased $14.6 million over the prior year, representing the difference between projected and actual earnings on the pension investments, as required under the new pension accounting standards.

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, the Statement of Cash Flows, Statement of Fiduciary Net Position, and 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 additional 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 are deducted from assets and deferred outflows of resources. Net position is displayed in two components: net investment in capital assets and restricted for water and sewer services.

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

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

Fiduciary Fund is used to account for resources held for the benefit of parties outside the government. The District's fiduciary fund consists of the Pension Benefits Trust fund, which is maintained to account for assets held by the Pension Benefits Trust in a trustee capacity. The Pension Benefits Trust was established to fund the CalPERS unfunded liability, providing the District with an alternative to CalPERS that allows for investment by a professional fund management team selected and monitored by the District, with future excess contributions transferred to CalPERS at the District's discretion.

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 assessment.

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, and liabilities. The net position represents the District's net worth including, but not limited to, capital contributions and investments 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)

			Increase/(Decrease)	
Assets	**2015**	**2014**	**Amount**	**Percentage**
Current and other assets	$ 270.7	$ 348.9	$ (78.2)	-22.4%
Capital assets, net	1,647.4	1,567.5	79.9	5.1%
Other noncurrent assets	62.2	113.8	(51.6)	-45.3%
Total assets	1,980.3	2,030.2	(49.9)	-2.5%
Deferred Outflow of Resources				
Deferred refunding charges	1.4	1.6	(0.2)	-12.5%
Accumulated decrease in fair value of swap agreements	35.3	36.1	(0.8)	-2.2%
Pension contributions	6.6	-	6.6	100%
Total deferred outflow of resources	43.3	37.7	5.6	14.9%
Liabilities				
Current and other liabilities	51.5	54.9	(3.4)	-6.2%
Long-term liabilities	602.8	623.4	(20.6)	-3.3%
Total liabilities	654.3	678.3	(24.0)	-3.5%
Deferred Inflows of Resources				
Pension actuarial	14.6	-	14.6	100%
Net Position				
Net investment in capital assets	1,074.6	918.3	93.3	9.5%
Restricted for water services	162.1	187.9	(25.8)	-13.7%
Restricted for sewer services	118.0	220.4	(102.4)	-46.5%
Total net position	**$ 1,354.7**	**$ 1,389.6**	**$ (34.9)**	**-2.5%**

As shown in Table 1, the District's total assets decreased $49.9 million or 2.5 percent. Cash and receivables were used to fund capital assets during the year. Other noncurrent assets decreased $51.6 million primarily as a result of the implementation of new pension accounting standards, GASB 68 and 71. The 2014 amount reflects the cumulative excess contributions over the cumulative annual required contributions. The 2014 amount is reflected as a prior period adjustment in 2015 as required under the new pension accounting standards. The net pension asset in 2015 represents the full funding of the pension plan by $1.6 million. Additional information on the District's pension plan can be found in Note 13 of the Notes to the Basic Financial Statements.

The District's deferred outflows of resources increased $5.6 million or 14.9%. This is due primary to $6.6 million of pension contributions made to the CalPERS and the Pension Benefits Trust in the current fiscal year, which are now reflected in Deferred Outflows as required by the new pension accounting standards. The 2014 pension contributions are reflected as pension expense.

The increase was partially offset by a decrease in the accumulated fair value of swaps from $36.1 million in the prior fiscal year to $35.3 million in the current fiscal year.

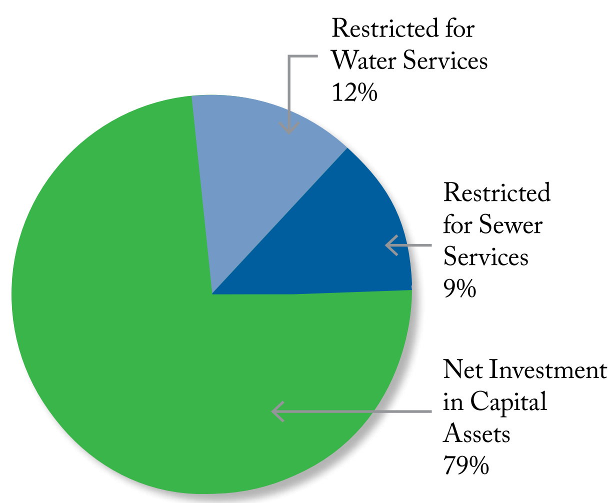
The District's total liabilities decreased $24.0 million or 3.5 percent from $678.3 million in the prior fiscal year to $654.3 million in the current fiscal year. The reduction in the District's debt is the result of principal payments of $18.3 million during the current fiscal year. In addition, accounts payable decreased due to the release of $3.1 million of construction contract retention payments. The District's long-term liabilities decreased $20.6 million or 3.3 percent over the prior fiscal year due primarily to a reclassification of $19.8 million of general obligation bonds, certificates of participation, and notes payable from long-term liabilities to current liabilities.

The District's deferred inflows of resources increased $14.6 million. The increase represents the difference between 2015 projected and actual earnings on pension plan investments as required under the new pension accounting standards. This amount will be amortized to pension expense over the next 4 years.

Net position at end of the current fiscal year decreased from $1,389.6 million in the prior fiscal year to $1,354.7 million in the current fiscal year, a decrease of $34.9 million or 2.5 percent in the District's overall financial condition.

Net position consists of net investment in capital assets and restricted net position. Net investment in capital assets reflects capital assets, net of accumulated depreciation/amortization and the liabilities attributable to their acquisition, construction, or improvement of those assets. Net investment in capital assets was $1,074.6 million or 79.3 percent of total net position, an increase of $93.3 million or 9.5 percent from the prior fiscal year. Several major District capital projects contributed to the increase, including the Biosolids and Baker Pipeline Project which accounted for approximately 78 percent of the increase.

Net Position at June 30, 2015



Restricted net position for water services were $162.1 million or 12.0 percent of total net position. Restricted net position for sewer services were $118.0 million or 8.7 percent of total net position. Restricted net positions are externally restricted by legislation which imposes legally enforceable requirements that its 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)

			Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percentage**
Operating Revenues				
Water sales and service charges	$ 70.1	$ 66.3	$ 3.8	5.7%
Sewer sales and service charges	62.8	58.1	4.7	8.1%
Total operating revenues	132.9	124.4	8.5	6.8%
Non-operating Revenues				
Property taxes	40.2	42.8	(2.6)	-6.1%
Interest income	1.2	1.0	0.2	20.0%
Increase (decrease) in fair value of investments	-	(16.2)	16.2	-100%
JPA investment income	-	29.5	(29.5)	-100%
Real estate income	12.5	11.9	0.6	5.0%
Other income	10.1	11.0	(0.9)	-8.2%
Total non-operating revenues	64.0	80.0	(16.0)	-20.0%
Total revenues	196.9	204.4	(7.5)	-3.7%
Operating Expenses				
Water services expenses	67.3	71.3	(4.0)	-5.6%
Sewer services expenses	60.4	46.3	14.1	30.5%
Depreciation	51.0	46.8	4.2	9.0%
Total operating expenses	178.7	164.4	14.3	8.7%
Non-operating Expenses				
Interest expense	13.9	15.8	(1.9)	-12.0%
JPA interest expense	-	17.2	(17.2)	-100%
Real estate expense	6.3	6.1	0.2	3.3%
Other expense	9.7	7.2	2.5	34.7%
Total non-operating expenses	29.9	46.3	(16.4)	-35.4%
Total expenses	208.6	210.7	(2.1)	-1.0%
Income/(loss) before capital contributions	(11.7)	(6.3)	(5.4)	85.7%
Capital contributions	42.6	34.7	7.9	22.8%
Change in Net Position	30.9	28.4	2.5	8.8%
Change in Net Position	1,389.6	1,361.2	28.4	2.1%
Prior period adjustments [1]	(65.8)	-	(65.8)	-100%
Ending Net Position	**$ 1,354.7**	**$ 1,389.6**	**$ (34.9)**	**-2.5%**

[1] The prior period adjustment relating to the implementation of new pension accounting standards, GASB 68 and 71, was recorded in the fiscal year ended June 30, 2015, as information relating to the prior year was not readily available. Additional information on the restatement of net position can be found in Note 18 of the Notes to the Basic Financial Statements.

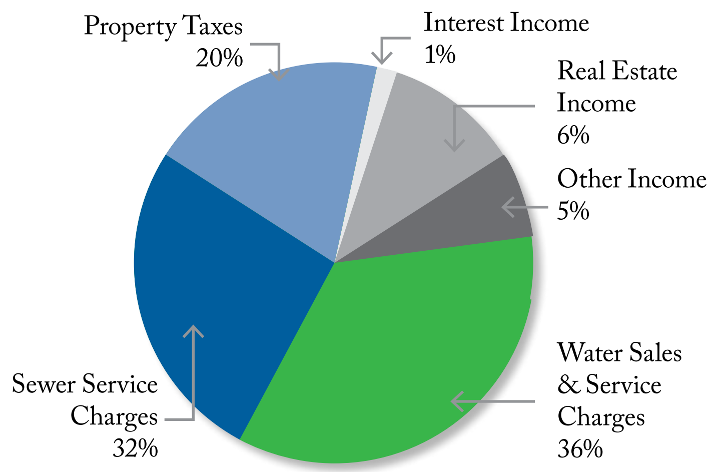
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Revenues:

As shown in Table 2, the District's operating revenues total $132.9 million or 67.5 percent of total revenues. Water sales contribute 52.7 percent to total operating revenues and sewer sales contribute 47.3 percent to total operating revenues. Operating revenues increased by $8.5 million or 6.8 percent from the prior fiscal year. Overall, approximately 95.0 percent of the operating revenue increase is attributable to a Board approved rate increase. The remaining increase in operating revenue is due to customer growth in the District's service areas due to increased housing activity and increased consumption due to the warmer drier weather. The chart below illustrates the sources of revenue for the fiscal year ended June 30, 2015.

Net non-operating revenues account for 32.5 percent of total revenue for the fiscal year ended June 30, 2015. This is a decrease of $16.0 million or 20.0 percent from the prior fiscal year due primarily to the reduction in the JPA investment income resulting from the JPA investment maturities in March 2014. Non-operating revenues consist primarily of property tax revenue allocated to the District from the County and real estate income generated from the District's real estate investment assets.

Sources of Revenue for Fiscal Year Ended June 30, 2015



Expenses:

As shown in Table 2, operating expenses total $178.7 million, of which $127.7 million relates to cost of service. Water service operating costs are 96.0 percent and 107.5 percent of revenues in fiscal years 2015 and 2014, respectively. Sewer service operating costs are 96.2 percent and 79.7 percent of revenues in fiscal years 2015 and 2014, respectively. Water and sewer operating expenses, excluding depreciation, increased by $10.1 million or 8.6 percent over the prior fiscal year.

Water expenses totaled 67.3 million, a decrease of $4.0 million or 5.6 percent as a result of the reclassification of the 2015 annual required contribution to CalPERS from expense to "deferred outflows of resources" as required under the new pension accounting standards.

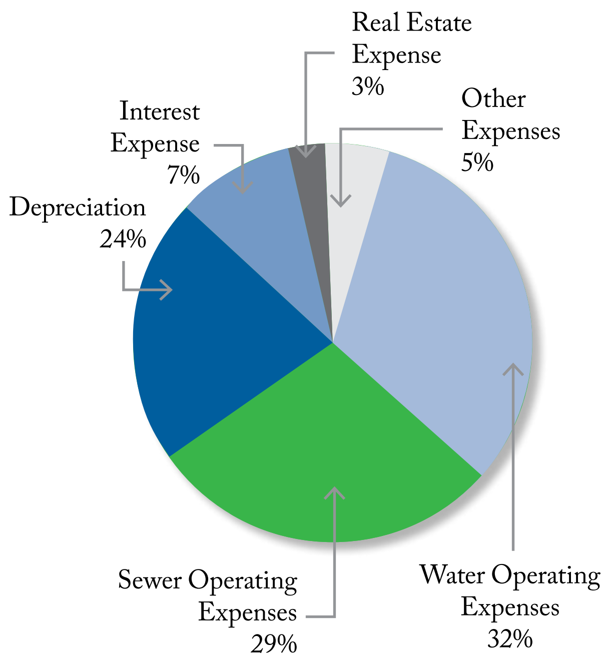
Expenses: (Continued)

Sewer service expenses totaled $60.4 million, an increase of $14.1 million or 30.5 percent over the prior fiscal year. The increase is due primarily to more sewer expense projects associated with the District's capital program in 2015, an increase in the cost of handling, treatment, and disposal of sewage solids residuals sent to the District's third party provider (the Orange County Sanitation District), partially offset by the reclassification of the 2015 annual required contribution to CalPERS from expense to "deferred outflows of resources" as required under the new pension accounting standards.

Depreciation expense totaled $51.0 million, an increase of $4.2 million or 9.0 percent over the prior fiscal year. The increase is the result of the completion of several capital projects. During the fiscal year ended June 30, 2015, $228.5 million assets were placed in service.

Non-operating expenses totaled $29.9 million, a decrease of $16.4 million or 35.4 percent over the prior fiscal year. The decrease is primarily due to a reduction of $17.2 million in JPA interest expense resulting from the principal maturities of the JPA bonds in March 2014. Non-operating expenses consist primarily of interest expense of the District's debts, real estate expense associated with the District's real estate investment assets and some capital assets and project write-offs.

Functional Expenses for Fiscal Year Ended June 30, 2015



Capital Contributions:

Capital contributions totaled $42.6 million, an increase of $7.9 million or 22.8 percent over the prior fiscal year. The increase is due primarily to higher connection fees received from developers as a result of increased housing construction and a Board approved connection rate increase. During the current fiscal year, the District added over 3,900 new water and sewer connections for a total of $29.2 million of connection fees. The District also received $12.3 million of donated facilities from developers and $1.1 million of grants from federal and state agencies during the year.

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)

			Increase/(Decrease)	
	2015	2014	Amount	Percentage
Waterworks in service	$ 964.3	$ 921.9	$ 42.4	4.6%
Sewer plant in service	1,124.1	946.5	177.6	18.8%
Less: accumulated depreciation	(688.6)	(641.9)	(46.7)	7.3%
Land and water rights	82.7	86.3	(3.6)	-4.2%
Construction in progress	164.9	254.7	(89.8)	-35.3%
Total	**$ 1,647.4**	**$ 1,567.5**	**$ 79.9**	**5.1%**

Capital assets, net of depreciation increased $79.9 million or 5.1% from $1,567.5 million in the prior fiscal year to $1,647.4 million in the current fiscal year. The increase in the net capital assets was primarily due to an increase $126.6 million of Construction in Progress during the current fiscal year. The following is a list of top 10 capital projects expenditures incurred in the current fiscal year (in millions):

Project Description	Amount
MWRP Biosolids and Energy Recovery Facilities	$ 58.8
Baker Water Treatment Plant of the District	13.8
MWRP Expansion Phase II	7.5
OPA/Regional Groundwater Project	4.6
Utility Billing Oracle CC&B Implementation	2.5
PA18 Hidden Canyon Zone 3-4 Booster Pump Stations	2.5
Silverado Canyon Road 12" Domestic Water Pipe Improvements	2.0
PA51 Reach B Sewer	1.8
PA51 Reach A Sewer	1.7
PA18 Zone B-C Booster Pump Stations	1.6
Total	**$ 96.8**

Total projects transferred from Construction in Progress to Capital Assets and depreciated during the fiscal year ended June 30, 2015 were $216.5 million.

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, 2015, the District had total debt outstanding of $572.8 million, a decrease of $18.6 million or 3.1 percent from the prior fiscal year.

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

			Increase/(Decrease)	
	2015	2014	Amount	Percentage
General obligation bonds	$ 503.8	$ 515.9	$ (12.1)	-2.3%
Certificates of participation	67.3	73.5	(6.2)	-8.4%
Notes payable	1.7	2.0	(0.3)	-15.0%
Total	**$ 572.8**	**$ 591.4**	**$ (18.6)**	**-3.1%**

During the current fiscal year, the decreases in the District's total debt were primarily due to principal maturities of $18.3 million. The District also amortized $0.3 million of certificates of participation during the current fiscal year.

The District's rated debt obligations have received the following ratings from the three major rating agencies:

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

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

Contacting the District's Financial Management:

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

Irvine Ranch Water District

Statement of Net Position
June 30, 2015
(with comparative data as of June 30, 2014)
(amounts expressed in thousands)

	2015	2014
ASSETS		
Current Assets:		
Cash and Investments (note 2)	$ 250,372	$ 300,908
Receivables:		
Customer accounts receivable	6,288	8,164
Interest receivable	293	239
Notes receivable, current portion	13	1
Allen-McColloch Pipeline receivable, current portion	3	1
Due from other agencies	-	21,218
Other receivables	5,215	3,251
Total receivables	11,812	32,874
Other Current Assets:		
Inventories (note 4)	3,693	3,047
Prepaid items and deposits (note 8)	4,796	12,122
Total other current assets	8,489	15,169
Total current assets	270,673	348,951
Noncurrent Assets:		
Capital Assets (note 5):		
Waterworks in service	964,305	921,899
Sewer plant in service	1,124,081	946,524
Subtotal	2,088,386	1,868,423
Less accumulated depreciation	(688,599)	(641,897)
Total capital assets being depreciated, net	1,399,787	1,226,526
Land and water rights	82,721	86,252
Construction in progress	164,914	254,747
Total capital assets, net	1,647,422	1,567,525
Other Noncurrent Assets:		
Bond proceed cash and investments	-	5,234
Investments - swap collateral (note 2)	11,005	9,721
Investment in installment sale agreement (note 2)	6,216	1,123
Notes receivable, net of current portion	100	126
Allen-McColloch Pipeline receivable, net	-	3
Real estate investments (note 7)	43,270	45,612
Net pension asset (note 13)	1,567	51,937
Total other noncurrent assets	62,158	113,756
Total noncurrent assets	1,709,580	1,681,281
TOTAL ASSETS	**1,980,253**	**2,030,232**
DEFERRED OUTFLOW OF RESOURCES		
Deferred refunding charges	1,389	1,586
Accumulated decrease in fair value of swap agreements (note 3)	35,260	36,064
Pension contributions (note 13)	6,638	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	**43,287**	**37,650**

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Net Position
June 30, 2015
(with comparative data as of June 30, 2014)
(amounts expressed in thousands)
(Continued)

	2015	2014
LIABILITIES		
Current Liabilities:		
Account payable and accrued expenses	21,823	25,758
Customer deposits and advance payments	3,576	4,009
Accrued interest:		
General obligation bonds	1,479	1,501
Other accrued interest payable	2,257	2,347
Current portion of long-term liabilities:		
General obligation bonds (note 9)	12,600	12,100
Certificates of participation (note 9)	6,906	6,271
Notes payable (note 9)	259	257
Other long term liabilities (note 9)	1,638	1,527
Unearned revenue (note 10)	525	525
Claims liability (note 17)	428	564
Total current liabilities	51,491	54,859
Long-Term Liabilities:		
General obligation bonds, net of current portion (note 9)	491,200	503,800
Certificates of participation, net of current portion (note 9)	60,387	67,294
Notes payable, net of current portion (note 9)	1,469	1,727
Other long term liabilities (note 9)	3,010	2,912
Unearned revenue, net of current portion (note 10)	7,849	8,374
Claims liability, net of current portion (note 17)	768	612
Net OPEB obligation (note 14)	2,856	2,625
Swap liability (note 3)	35,260	36,064
Total long-term liabilities	602,799	623,408
TOTAL LIABILITIES	**654,290**	**678,267**
DEFERRED INFLOWS OF RESOURCES		
Pension actuarial (note 13)	14,587	-
TOTAL NET POSITION	**14,587**	-
NET POSITION (note 12):		
Net investment in capital assets	1,074,602	981,310
Restricted for water services	162,043	187,877
Restricted for sewer services	118,018	220,428
TOTAL NET POSITION	**$ 1,354,663**	**$ 1,389,615**

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, 2015
(with comparative data for the Fiscal Year Ended June 30, 2014)
(amounts expressed in thousands)

	2015	2014
OPERATING REVENUES:		
Water sales and service charges	$ 70,110	$ 66,321
Sewer sales and service charges	62,808	58,109
Total operating revenues	132,918	124,430
OPERATING EXPENSES:		
Water:		
Water services	57,978	57,624
General and administrative	9,319	13,660
Sewer:		
Sewer services	54,575	37,715
General and administrative	5,826	8,612
Depreciation	51,015	46,809
Total operating expenses	178,713	164,420
Operating income (loss)	(45,795)	(39,990)
NONOPERATING REVENUES (EXPENSES):		
Property taxes	40,227	42,751
Interest income	1,214	1,079
Increase (decrease) in fair value of investments	(28)	(16,177)
JPA investment income	-	29,522
Real estate income	12,518	11,899
Other income	10,103	10,974
Interest expense	(13,903)	(15,836)
JPA interest expense	-	(17,166)
Real estate expense	(6,251)	(6,139)
Other expenses	(9,752)	(7,163)
Total nonoperating revenues (expenses)	34,128	33,744
Income (loss) before capital contributions	(11,667)	(6,246)
CAPITAL CONTRIBUTIONS:		
Donated facilities	12,277	9,171
Connection fees	29,183	22,429
Other	1,080	3,084
Increase (decrease) in net position	30,873	128,438
NET POSITION AT BEGINNING OF YEAR	**1,389,615**	**1,361,177**
Prior period adjustments (note 18)	(65,825)	-
NET POSITION AT END OF YEAR	**$ 1,354,663**	**$ 1,389,615**

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(with comparative data for the Fiscal Year Ended June 30, 2014)
(amounts expressed in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 131,872	$ 128,861
Cash paid to suppliers of goods and services	(65,453)	(46,570)
Cash paid for employees services	(49,376)	(43,856)
Net cash provided by (used for) operating activities	17,043	38,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property tax receipts	42,431	40,614
Net cash provided by noncapital financing	42,431	40,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(116,836)	(98,217)
Proceeds from disposition of capital assets	27	312
Principal payments on long-term liabilities	(18,121)	(642,367)
Interest and issuance costs on long term liabilities	(14,057)	(29,134)
Developer connection fees and related receipts	30,263	25,513
Net cash provided by (used for) capital and related financing activities	(118,724)	(743,893)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings	1,261	48,237
Investment earnings in real estate	8,609	6,959
Proceeds from sale or maturity of investments	224,864	816,716
Purchases of investments	(289,224)	(200,785)
Collections on notes receivable	15	2,392
Net cash provided by (used for) investing activities	(54,475)	673,519
Net increase (decrease) in cash and cash equivalents	(113,725)	8,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**114,199**	**105,524**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 474**	**$ 114,199**

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(with comparative data for the Fiscal Year Ended June 30, 2014)
(amounts expressed in thousands)
(Continued)

	2015	2014
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Assets:		
Cash and investments	$ 250,372	$ 300,908
Bond Proceed cash and investments	-	5,234
Investments - swap collateral	11,005	9,721
Investment in installment sale agreement	6,216	1,123
Subtotal	267,593	316,986
Less long-term investments	(267,119)	(202,787)
Cash and cash equivalents at end of year	$ 474	$ 114,199
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (45,795)	$ (39,990)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Other nonoperating income	10,103	10,974
Other nonoperating expenses	(9,752)	(7,163)
(Gain) loss on disposition of capital assets	7,629	9,205
Depreciation and amortization	51,015	46,809
(Increase) decrease in customer receivables	1,876	190
(Increase) decrease in other receivables	(1,964)	1,022
(Increase) decrease in inventories	(646)	1,194
(Increase) decrease due from other agencies	9,336	9,716
(Increase) decrease in prepaid expenses and other assets	7,326	110
(Increase) decrease in net pension asset	(22,021)	(1,789)
(Increase) decrease in deferred outflows	(72)	-
Increase (decrease) in accounts payable and accrued expenses	(3,936)	4,345
Increase (decrease) in customer deposits and advance payments	(433)	3,745
Increase (decrease) in compensated absences	64	324
Increase (decrease) in claims payable	20	88
Increase (decrease) in unearned revenue	(525)	(526)
Increase (decrease) in net OPEB obligation	231	181
Increase (decrease) in deferred inflows	14,587	-
Net cash provided by (used for) operating activities	$ 17,043	$ 38,435
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	$ 12,277	$ 9,171
Unrealized gain (loss) on investments	(28)	(16,177)
Total noncash investing, capital and financing activities	$ 12,249	$ (7,006)

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Fiduciary Net Position
Fiduciary Fund - Pension Benefits Trust Fund
June 30, 2015
(with comparative data as of June 30, 2014)
(amounts expressed in thousands)

	2015	2014
ASSETS		
Cash and investments (note 2)		
Equities	$ 30,756	$ 32,370
Fixed income bonds	10,472	10,172
Money market	4,068	28
Interest receivable	17	21
TOTAL ASSETS	**45,313**	**42,591**
NET POSITION		
Net position held in trust for pension benefits	$ 45,313	$ 42,591

See accompanying notes to the basic financial statements.

Irvine Ranch Water District

Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Pension Benefits Trust Fund
For the Fiscal Year Ended June 30, 2015
(with comparative data for the Fiscal Year Ended June 30, 2014)
(amounts expressed in thousands)

	2015	2014
ADDITIONS		
Contributions:		
Employer	$ 2,113	$ 2,237
Total contributions	2,113	2,237
Investment income:		
Interest	17	21
Dividends	894	868
Investments gain	128	2,206
Net increase (decrease) in the fair value of investments	(357)	2,368
Total investment earnings	682	5,463
Total additions	2,795	7,700
DEDUCTIONS		
Administrative expenses	73	109
Total additions	73	109
Increase (decrease) in net position	2,722	7,591
NET POSITION AT BEGINNING OF YEAR	**42,591**	**35,000**
NET POSITION AT END OF YEAR	**$ 45,313**	**$ 42,591**

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Irvine Ranch Water District (District) was formed in 1961 as a special district under Division 13 of the California Water Code (the Act). The District provides potable and 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, with the exceptions of the Los Alisos and Orange Park Acres service areas. The Los Alisos and Orange Park Acres areas were consolidated into the District in 2001 and 2008, respectively. Los Alisos and Orange Park Acres currently have separate user rate structures for water sales and service charges.

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:

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
101/210	Overall District Boundary

(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 financially 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, and 2010 Refunding 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.

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

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.

Irvine Ranch Water District Improvement Corporation – In August 1986, the District formed a 501(c)(4) corporation for the purpose of financing water, sewer and other public improvements. The Corporation's only transactions are related to the debt service payments on the outstanding 1986 Certificates of Participation which were refunded by the Irvine Ranch Water District Service Corporation Certificates of Refunding Series 2010. The Corporation is governed by the five members of the Board of Directors of the District. The District accounts for the Corporation's activities in several Improvement Districts. The Irvine Ranch Water District Improvement Corporation does not issue separate financial statements. There is no current activity for the Corporation.

(1) Summary of Significant Accounting Policies (Continued)

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 – Fiduciary Fund, the Statement of Changes in Fiduciary Net Position – Fiduciary Fund, 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 in 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. In addition, the District accounts the Irvine Ranch Water District Post-Employment Benefits Trust (Pension Benefits Trust) as a fiduciary fund. The Pension Benefits Trust fund is maintained to account for assets held in a trustee capacity. Both the enterprise fund and the Pension Benefits Trust fund utilize the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying basic financial statements.

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

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 that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

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

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

(1) Summary of Significant Accounting Policies (Continued)

(e) Cash and Cash Equivalents

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

(f) District Investments

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

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

(g) Pension Benefits Trust Investments

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

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

(h) Real Estate Investments

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

(i) Inventory and Prepaid Items

Water inventory is stated at its purchase cost using the first in, first out 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.

(1) Summary of Significant Accounting Policies (Continued)

(j) 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 fair market value on the date received. The District capitalizes all assets with a historical cost of at least $2,500 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

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

(k) Capitalized Interest

Interest costs on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset.

(l) Compensated Absences

During the current fiscal year, the District changed its policy in 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 320 hours (or more with written approval of the General Manager). Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave for up to 96 hours in excess of the first 80 hours accumulated. Fifty percent of accumulated sick leave up to a maximum of 960 hours may be paid upon termination of employment. All accumulated vacation and vested sick leave pay is recorded as expense at the time the benefit is earned.

(m) Pensions

For purposes of measuring the net pension liability and 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 as fair value.

(1) Summary of Significant Accounting Policies (Continued)

(m) Pensions (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, 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, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

(n) Deferred Outflows/Inflows of Resources

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

- Deferred refunding charges reported in the statement of net position result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Accumulated decrease in fair value of swap agreements reported in the statement of net position results from the changes in fair market value of the fixed payer interest rate swaps.

- As a result of implementation of GASB Statement No. 68, all cash contributions made to the CalPERS and the Benefits Trust during the current fiscal year are reclassified as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualified for reporting in this category as a result of implementation of GASB Statement No. 68. The difference between the actual earnings on pension plan investments and projected earnings on pension plan investments is amortized over five years. The unamortized amount of that difference is represented as deferred inflows of resources.

(1) Summary of Significant Accounting Policies (Continued)

(o) 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.

(p) 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.

(q) Adopted GASB Pronouncements

The following is a list of GASB pronouncements that are effective for the current fiscal year:

GASB Statement No. 68 - The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.* This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Statement was implemented effective July 1, 2014.

GASB Statement No. 69 – The GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December15, 2013. The Statement was implemented effective July 1, 2014, which had no impact on the District.

GASB Statement No. 71 – The GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Statement was implemented effective July 1, 2014.

(2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows (in thousands):

Statement of Net Position:	
Cash and investments	$ 250,372
Investments-swap collateral	11,005
Investment in installment sale agreement	6,216
Total Cash and Investments	**267,593**
Fiduciary Fund - Pension Benefits Trust:	
Cash and investments:	
Equities	30,756
Fixed income	10,472
Money market	4,068
	45,296
Total Cash and Investments	**$ 312,889**

Cash and investments as of June 30, 2015 consist of the following (in thousands):

District Cash and Investments:	
Cash on hand	$ 3
Deposits with financial institutions	422
Investments	267,168
Total Cash and Investments	267,593
Fiduciary Fund - Pension Benefits Trust:	
Cash and investments:	
Equities - mutual funds	30,756
Fixed income bonds - mutual funds	10,472
Money market - mutual funds	4,068
	45,296
Total Cash and Investments	**$ 312,889**

Investments-Swap Collateral funds are held in separate trust accounts and earn the Federal Funds Effective Rate which was 0.08% as of June 30, 2015.

(2) Cash and Investments (Continued)

District Authorized Investment Policy

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

(2) Cash and Investments (Continued)

District Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. None of the District's bond trustees hold any debt proceeds or monies that are subject to investment under the debt agreements.

Pension Benefits Trust (The Trust) Authorized Investment Strategy

The Trust's investment policy authorizes investment of Trust assets in financial instruments in three broad categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Investments may include derivatives, options and futures as portfolio protection strategies. The following is a summary of the Trust's investment policy.

The Retirement Board (the "Board') consists of two IRWD Board members and the General Manager. The Board shall designate multiple investment managers to manage the assets under their supervision subject to the laws of the State of California and Investment Guidelines established by the Board. The long term asset allocation policy including the minimum-maximum asset allocation range for each asset class is as follows:

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

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

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-I, P-I 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.

(2) Cash and Investments (Continued)

Pension Benefits Trust Authorized Investment Strategy (Continued)

Equity investments are restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange. Not more than 5% of the total stock portfolio valued at market 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 market 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 market value of fixed income securities.

Custodial Credit Risk

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

Disclosures Relating to Interest Rate Risk

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

(2) Cash and Investments (Continued)

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

District Cash and Investments:

		Remaining Maturity		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 36 Months**	**36 Months Or More**
Federal Agency Securities	$ 200,798	$ 118,092	$ 82,706	$ -
Local Agency Investment Fund	49,149	49,149	-	-
Treasury Equivalents[1]	11,005	11,005	-	-
Municipal Bonds - Installment Sale	6,216	-	622	5,594
Total	$ 267,168	$ 178,246	$ 83,328	$ 5,594

Pension Benefits Trust Fund:

		Remaining Maturity			
Investment Type	**Amount**	**12 Months Or Less**	**13 to 36 Months**	**36 Months Or More**	**Not Applicable**
Mutual Funds - Equities[2]	$ 30,756	$ -	$ -	$ -	$ 30,756
Mutual Funds - Fixed Income Bonds	10,472	390	990	9,092	-
Mutual Funds - Money Market	4,068	4,068	-	-	-
Total	$ 45,296	$ 4,458	$ 990	$ 9,092	$ 30,756

[1] Treasury Equivalents represent invested swap collateral earning the Effective Federal Funds Rate of interest which was 0.08% as of June 30, 2015.
[2] Equity securities are not subject to interest rate risk.

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

District Cash and Investments:

		Rating as of Year End	
Investment Type	Amount	Between AA- and AA+	Not Rated
Federal Agency Securities	$ 200,798	$ 160,787	$ 40,011
Local Agency Investment Fund	49,149	-	49,149
Treasury Equivalents	11,005	-	11,005
Municipal Bonds - Installment Sale	6,216	-	6,216
Total	$ 267,168	$ 160,787	$ 106,381

Pension Benefits Trust Fund:

Investment Type	Amount
Mutual Funds - Equities	$ 30,756 (1)
Mutual Funds - Fixed Income Bonds	10,472 (2)
Mutual Funds - Money Market	4,068 (3)
Total	$ 45,296

(1) Equity Mutual Funds as of 6/30/2015 include two "index funds" and are each comprised of diversified portfolios of equity securities. Credit ratings are not provided for Equity Mutual Funds.

(2) The Fixed Income Bonds Mutual Fund is comprised of one diversified portfolio of fixed income securities. As of 6/30/2015, 88.03% of the holdings were rated A-AAA, 11.12% of the holdings were rated B-BBB, and 0.85% of the holdings were rated below B or Not Rated.

(3) The Money Market Mutual Fund is rated AAA by Standard & Poors, Moody's and Fitch rating services.

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

(2) Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

In lieu of issuing third-party debt to fund its share of capital for the Baker WTP, El Toro Water District issued an instrument of indebtedness in the form of an installment sale agreement that the District has purchased as an investment. The District's primary purpose for entering into this agreement was to obtain a specified rate of return over the term of the agreement. The fixed interest rate of 4.57% was established on the date of the first purchase and is set at the Bloomberg A-Rated Utility Index for a 20-year indebtedness as of that date. Terms of the installment sale agreement provide for interest-only payments during construction of the Baker WTP, with principal and interest amortized over a 20-year period upon completion of construction.

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
FHLMC	Federal Agency Securities	$ 74,804
FHLB	Federal Agency Securities	65,984
FFCB	Federal Agency Securities	29,988
FNMA	Federal Agency Securities	24,993
	Sub-total	195,769
FAMCA	Federal Agency Securities	5,029
	Total	$ 200,798

The long term asset allocation policy of the Trust authorizes investment of assets in financial instruments in three broad categories: equity, fixed income, and real estate with a minimum-maximum asset allocation range for each asset class as approved by the Retirement Board.

Fund Name	Amount
Fidelity Spartan International Index Advantage Fund	$ 10,891
Vangaurd Institutional Index I	19,865
Metropolitan West Total Return Bond Fund	10,472
Federated Government Obligations Money Market Fund	4,068
Total	$ 45,296

(3) Interest Rate Swap Agreements

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

The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, including the schedule and credit support annex, is used as the form of contract with interest rate swap counterparties. The District is compliant with all Dodd-Frank Protocol provisions implemented during FY 2012-13 regarding swap advisor representation and transparency.

All outstanding interest rate swaps are pay-fixed, receive variable swaps ("fixed payer swaps"). As of June 30, 2015, the notional amount and fair value balance of the District's interest rate swaps is $130.0 million and $(35.3) million, respectively. For the year ended June 30, 2015, the increase in fair market value of the fixed payer interest rate swaps was $2.0 million.

The fair value of the swap agreements at June 30, 2015 is calculated using a zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming, for the LIBOR fixed payer swaps, that the current LIBOR forward rates implied by the LIBOR yield curves correctly anticipate future LIBOR spot interest rates. These payments are 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 2006 and 2007. The purpose of the fixed payer swaps was to hedge a portion of the interest rate risk exposure associated with the District's 100% variable rate debt structure at the time the swaps were executed. The interest rate swap notional amounts and maturities are not specifically related to a particular District debt issue, however are considered a hedge of a pooled portion of the District's variable rate debt exposure. The following table displays the objective and terms of the District's interest rate swaps outstanding at June 30, 2015, along with the credit rating of the associated counterparty.

(3) Interest Rate Swap Agreements (Continued)

Current Year Active Interest Rate Swaps (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	$ 20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	A1/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	20,000	6/04/06	6/04/19	Pay 6.200%; receive 1-Mo. LIBOR	A1/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	6/17/06	6/17/19	Pay 6.140%; receive 1-Mo. LIBOR	A1/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	A1/A/A+
Fixed Payer	Hedge of changes in cash flows on pool of variable rate debt issues	30,000	3/10/07	3/10/29	Pay 5.687%; receive 1-Mo. LIBOR	A1/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 plus outstanding swap accrual amounts in excess of ($15.0) million. As of June 30, 2015, the mark-to-market value of the total interest rate swaps with Citibank N.A. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of $8.8 million, and the mark-to-market value of the total interest rate swaps with Bank of America, N.A. as counterparty exceeded the threshold amount requiring a collateral deposit in the amount of $2.2 million. The collateral funds are held in separate trust accounts and earn interest at the Federal Funds Effective Rate (0.08% as of June 30, 2015). Swap collateral funds totaling $11.0 million are included as non-current Investment-Swap Collateral on the Statement of Net Position as of June 30, 2015.

(3) Interest Rate Swap Agreements (Continued)

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

The District has executed interest rate swap transactions with two counterparties. Their ratings are A1/A/A+ (62% of net exposure to credit risk) and A1/A/A+ (38% of net exposure to credit risk) as of June 30, 2015.

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

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

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

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

The collateral posted is to be in the form of U.S. Treasuries or other approved securities in the amount of the fair value of interest rate swaps in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the swaps may be terminated by the counterparty. The District's credit rating is Aa1/AAA/AAA; therefore, no additional collateral has been posted at June 30, 2015, other than the collateral posted as a result of the mark-to-market valuations at June 30, 2015.

(4) Inventories

Inventories consist of available water in storage and materials and supplies in the District's warehouse facility. As of June 30, 2015, the District had 1,000 acre-feet of wheeled water stored in the Irvine Lake in the amount of $0.6 million. In addition, the District had 21,474 acre-feet of banked water in various water bank facilities in the amount of $0.7 million. Inventories at June 30, 2015 consisted of the following (in thousands):

Water in storage	$ 1,336
Materials and supplies	2,357
Total	$ 3,693

(5) Capital Assets

Capital Asset activity for the year ended June 30, 2015 is as follows (in thousands):

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets:				
Land leasehold	$ 4,860	$ -	$ -	$ 4,860
Buildings and structures	628,516	75,914	(5,740)	698,690
Transmissions and distributions	977,369	137,127	(789)	1,113,707
Machinery and equipment	257,678	15,478	(2,027)	271,129
Sub-total	1,868,423	228,519	(8,556)	2,088,386
Less: Accumulated depreciation:				
Land leasehold	(874)	(97)	-	(971)
Buildings and structures	(225,678)	(15,702)	2,125	(239,255)
Transmissions and distributions	(308,285)	(23,748)	783	(331,250)
Machinery and equipment	(107,060)	(11,468)	1,405	(117,123)
Sub-total	(641,897)	(51,015)	4,313	(688,599)
Total depreciable capital assets, net	1,226,526	177,504	(4,243)	1,399,787
Capital assets, non-depreciable:				
Land and water rights	86,252	4	(3,535)	82,721
Construction in progress	254,747	126,629	(216,462)	164,914
Total capital assets, net	$ 1,567,525	$ 304,137	$ (224,240)	$ 1,647,422

(6) Capitalized Amounts

Net interest costs and certain administrative and general expenses relating to assets under construction are charged to construction-in-progress until the assets are ready for their intended use. The amount of administrative and general expenses and net interest costs capitalized to construction-in-progress for the year ended June 30, 2015 is as follows (in thousands):

Administrative and general expenses, capitalized	$ 6,545
Interest expenses, capitalized[1]	5,472
	$ 12,017

[1] The total amount of interest cost incurred for the year ended June 30, 2015 (both the amounts expensed and the amounts capitalized) was $19,375.

(7) Real Estate Investments

Real estate investments are as follows at June 30, 2015 (in thousands):

Wood Canyon Villas, L.P.	$ 6,000
Sycamore Canyon Apartments	17,789
230 Commerce Office Property	3,631
Waterworks Way Business Park	7,712
Sand Canyon Professional Center	8,138
Total	$ 43,270

Included in real estate investments are two apartment properties and three 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 two other commercial office buildings (Waterworks Way Business Park and Sand Canyon Professional Center).

The construction of Wood Canyon Villas, a 230-unit apartment complex, was completed in 1993. The complex is located in Orange County, California, and was 99% occupied at June 30, 2015. The Wood Canyon partnership agreement provides the District with a 9% cumulative preferred return on its unrecovered contribution accounts, as defined in the agreement (initially $6.0 million). The District's capital contributions and preferred return are guaranteed by the principals of the general partner.

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 97% occupied at June 30, 2015. In addition, the Sycamore Canyon Apartments completed a renovation project in 2007 for a total cost of $9.6 million.

(7) Real Estate Investments (Continued)

In 2003, the District completed construction of the 41,000 square foot for-lease 230 Commerce general office building located in Irvine, California. Land and construction costs for the project totaled $5.6 million and the building was 74% occupied as of June 30, 2015.

In November 2008, the District completed construction of a 37,200 square foot for-lease R&D office building located in Irvine, California known as the Waterworks Way Business Park. Construction of the building was a specific facilities requirement of the purchase agreement for land acquired for an adjacent District water treatment facility. Land and construction costs for the office project totaled $9.0 million. As of June 30, 2015 the building was 100% occupied.

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 cost for the project totaled $8.4 million and the building was 100% occupied as of June 30, 2015.

Net real estate income as of June 30, 2015 is as follows (in thousands):

Real estate income	$ 12,518
Real estate expense	(4,327)
Depreciation	(1,924)
	$ 6,267

(8) Orange County Sanitation District (OCSD)

The District, with OCSD, negotiated an agreement as of July 1, 1985, which has been amended from time to time. The District agreed to annually fund payment of the District's proportionate share of OCSD's joint capital outlay revolving fund (CORF) budget requirements and certain capital improvements, calculated on an annual flow basis using the four highest months of actual flows, during the term of the agreement. The capital assets associated with this agreement are co-owned by the two agencies and provide an operational benefit to both agencies. The District's CORF payments to OCSD for the year ended June 30, 2015 totaled $2.8 million. The District's share of the jointly funded CORF and capital improvements 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 OCSD. Periodically this information is subjected to further review by the performance of agreed upon procedures when the records for such review have been made available to the District. Adjustments pertaining to the accounting estimates associated with this agreement are recognized as the information for such adjustments becomes available.

(8) Orange County Sanitation District (OCSD) (Continued)

The District, with OCSD, negotiated an agreement as of April 2010, providing for treatment and disposal by OCSD of District solids and the temporary lease of capacity in OCSD's solids treatment and disposal facilities through December 31, 2016 with a retroactive component for the lease of capacity back to July 1, 2008. The capacity lease for the fiscal year ended June 30, 2015, estimated at $1.7 million, is included in Sewer Services as an operating expense. As of June 30, 2015, $2.1 million is being held by OCSD and is reflected as deposits in the District's basic financial statements.

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 is as follows (in thousands):

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than one Year
General Obligation Bonds:						
1993 C Consolidated	$ 36,100	$ -	$ (1,500)	$ 34,600	$ 1,500	$ 33,100
1995 Consolidated	16,200	-	(2,000)	14,200	2,100	12,100
2008A Refunding	55,200	-	(1,200)	54,000	1,500	52,500
2009A Consolidated	70,000	-	(2,500)	67,500	2,500	65,000
2009B Consolidated	70,000	-	(2,500)	67,500	2,500	65,000
2010B BABS	175,000	-	-	175,000	-	175,000
2011A-1 Refunding	56,040	-	(1,440)	54,600	1,500	53,100
2011A-2 Refunding	37,360	-	(960)	36,400	1,000	35,400
Sub-total	**515,900**	-	**(12,100)**	**503,800**	**12,600**	**491,200**
Certificates of Participation:						
2010 Refunding Certificates	67,190	-	(5,910)	61,280	6,545	54,735
Unamortized Premium	6,375	-	(362)	6,013	361	5,652
Sub-total	**73,565**	-	**(6,272)**	**67,293**	**6,906**	**60,387**
Notes Payable	1,984	-	(256)	1,728	259	1,469
Other Long-Term Liabilities:						
Compensated Absences	3,608	3,359	(3,295)	3,672	1,423	2,249
Other Long-Term Liabilities	831	2,484	(2,339)	976	215	761
Sub-total	4,439	5,843	(5,634)	4,648	1,638	3,010
Total Long-Term Liabilities	**$ 595,888**	**$ 5,843**	**$ (24,262)**	**$ 577,469**	**$ 21,403**	**$ 556,066**

(9) Long-Term Liabilities (Continued)

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

	Date of Issue	Original Issue	Revenue Sources	Final Maturity Date	Interest Rates
General Obligation Bonds:					
1993 Consolidated	May 1, 1993	$ 38,300	(1)(3)	April 1, 2033	Variable
1995 Consolidated	December 1, 1995	40,000	(1)(3)	January 1, 2021	Variable
2008A Refunding	April 1, 2008	60,215	(1)(3)	July 1, 2035	Variable
2009A Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2009B Consolidated	June 4, 2009	75,000	(1)(3)	October 1, 2041	Variable
2010B BABS	December 16, 2010	175,000	(1)(2)(3)	May 1, 2040	6.6%
2011A-1 Refunding	April 15, 2011	60,545	(1)(3)	October 1, 2037	Variable
2011A-2 Refunding	April 15, 2011	40,370	(1)(3)	October 1, 2037	Variable
Certificates of Participation:					
2010 Certificates	February 23, 2010	85,145	(2)	March 1, 2032	3.80%

(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 General Obligation Bonds were issued to fund property, water, sewer and recycled water facilities.

The annual debt service requirements for the General Obligation Bonds, including principal and interest payments (based on variable interest rates at June 30, 2015 ranging from 0.02% to 0.11% and the fixed rate for the 2010B BABs issue) are as follows (in thousands):

Fiscal Year	Principal	Interest	Hedging Investments, Net	BAB Federal Subsidy	Total
2016	$ 12,600	$ 11,786	$ 7,519	$ (3,760)	$ 28,145
2017	12,900	11,778	7,519	(3,760)	28,437
2018	13,100	11,770	7,519	(3,760)	28,629
2019	13,400	11,763	7,519	(3,760)	28,922
2020	13,700	11,755	3,313	(3,760)	25,007
2021-2025	65,820	58,100	16,564	18,799)	121,686
2026-2030	85,330	54,960	13,251	(17,793)	135,748
2031-2035	117,000	47,535	-	(15,397)	149,138
2036-2040	159,950	26,880	-	(8,100)	178,730
2041-2042	10,000	6	-	-	10,006
Total	$ 503,800	$ 246,333	$ 63,204	$ (78,889)	$ 734,448

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

(9) Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

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 7.3% 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 February 2010, the Irvine Ranch Water District Service Corporation issued $85.1 million of Certificates of Participation Refunding Series 2010 (the Series 2010 Certificates) to refinance the cost of certain capital improvements by refunding the outstanding principal amount of the Certificates of Participation Series 1986 and Series 2008. The annual debt service requirements for the Certificates of Participation, including principal and interest payments, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 6,545	$ 2,941	$ 9,486
2017	7,135	2,677	9,812
2018	1,615	2,380	3,995
2019	1,795	2,299	4,094
2020	1,980	2,210	4,190
2021-2025	12,915	9,369	22,284
2026-2030	19,300	5,537	24,837
2031-2032	9,995	758	10,753
Subtotal	61,280	28,171	89,451
Plus: Unamortized premium	6,013	-	6,013
Total	$ 67,293	$ 28,171	$ 95,464

Notes Payable

The District has one outstanding loan from the State of California to fund reclaimed water projects. The balance on the 2000 loan was $1.0 million at June 30, 2015. The annual interest rate is 0.00%, however, the loan agreement required the District to prepay interest of $0.6 million, which is amortized over the life of the loan. The loan is payable annually in fixed installments of $0.2 million through 2020.

The District also has one outstanding loan which was assumed as a result of its consolidation with the Santiago County Water District. The original loan amount was $1.3 million. The loan is payable semi-annually with interest at 2.32%. The loan matures in July 2025. The balance of the loan at June 30, 2015 was $0.7 million.

(9) Long-Term Liabilities (Continued)

Notes Payable (Continued)

Amounts required to amortize notes payable at June 30, 2015 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 259	$ 50	$ 308
2017	260	48	308
2018	262	46	308
2019	263	45	308
2020	265	43	308
2021-2025	380	29	409
2026	39	1	40
Total	$ 1,728	$ 262	$ 1,990

(10) Unearned Revenue

Unearned revenue at June 30, 2015 consisted of the following (in thousands):

South County Water Agencies	$8,374
Unearned revenue, current portion	525
Unearned revenue, net of current portion	$7,849

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 buy capacity in the District system and reimburse the District for various new intertie facilities which ensure that up to 30 cfs of water supply is available in an emergency. 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, 2015 was $0.5 million.

(11) Letters of Credit

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

The terms of the letters of credit, as of June 30, 2015 are summarized as follows (in thousands):

Letter of Credit	Trustee	Amount	Expiration Date
Bank of America:			
2009 Series B Consolidated	U.S. Bank	$ 68,255	July 15, 2016
Sumitomo Mitsui:			
1995 Consolidated	Bank of New York Mellon	14,410	July 4, 2017
2008 Series A Refunding	Bank of New York Mellon	54,799	July 4, 2017
U.S. Bank:			
1993 Consolidated	Bank of New York Mellon	35,066	November 7, 2018
2009 Series A Consolidated	U.S. Bank	68,255	July 15, 2016

(12) Net Position

Net position at June 30, 2015 consisted of the following (in thousands):

Net investment in capital assets:	
Property, plant and equipment, net	$ 1,647,422
Less:	
Outstanding debt issued to construct capital assets:	
General obligation bonds	(503,800)
Certificates of participation	(67,293)
Notes payable	(1,727)
Total net investment in capital assets	1,074,602
Restricted net position:	
Restricted for water services	162,043
Restricted for sewer services	118,018
Total restricted net position	280,061
Total net position	$ 1,354,663

(13) Defined Benefit Pension Plan (PERS)

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, 2015, are summarized as follows:

Hire Date	Prior to October 1, 2012	On or after October 1, 2012 to December 31, 2013	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
Retirement Age	50-67	50-67	52-67
Monthly Benefits, as a % of eligible compensation	2.000% to 2.500%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution Rate	8.00%	7.00%	6.25%
Required employer contribution Rate	17.737%	17.737%	17.737%

Employees Covered

As of June 30, 2013, the following employees were covered by the benefit terms for the Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	222
Inactive Employees Entitled to But not Yet Receiving Benefits	147
Active Employees	315
Total	**684**

(13) Defined Benefit Pension Plan (PERS) (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. For the fiscal year ended June 30, 2015, the average active employee contribution rate is 7.875 percent of annual pay, and the average employer's contribution rate is 16.795 percent of annual payroll.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
As of June 30, 2015, the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases Investment Rate of Return	Varies by Entry Age and Service 7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS' website under Forms and Publications.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ending June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%
Total	100%		

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

In addition to the CalPERS' pension plan investments, the following table reflects long-term expected real rate of return by asset class of the Benefits Trust investments. The same method and assumptions used by CalPERS were also applied to the following table.

Asset Class	Strategic Allocation	Real Return Years 1 – 10 (1)	Real Return Years 11+ (2)
Global Equity	67.9%	5.25%	5.71%
Global Fixed Income	23.1%	0.99%	2.43%
Liquidity	9.0%	(0.55)%	(1.05)%
Total	100%		

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in the GASB report may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, CalPERS must keep reserves for deficiencies and fiduciary self-insurance. These amounts are excluded for rate setting purposes in the funding actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

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)
Balance at June 30, 2014	$ 207,663	$ 187,209	$ 20,454
Changes	11,747	33,768	(22,021)
Balance at June 30, 2015	$ 219,410	$ 220,977	$ (1,567)

(13) Defined Benefit Pension Plan (PERS) (Continue)

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

The following presents the net pension liability of the Plan (in thousands), calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	$ 28,269	$ (1,567)	$ (26,375)

Subsequent Events

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

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions 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 inflows and deferred outflows to be recognized in future pension expense.

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

Difference between Projected and Actual Earnings	5 year straight-line amortization
All Other Amounts	Straight-line amortization over the average expected remaining service lives 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 (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the fiscal year ended June 30, 2015 was 4.4 years, which was obtained by dividing the total service years of 3,026 (the sum of remaining service lifetimes of the active employees) by 684 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
For the fiscal year ended June 30, 2015, the District recognized pension income of $867,201. At June 30, 2015, 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	$ 6,638	$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(14,587)
Total	$ 6,638	$ (14,587)

The amount above is net of deferred inflows of resources recognized as pension expense / (income) in the fiscal year ended June 30, 2015.

$6.6 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, 2016. $14.6 million deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year	Amount
2016	$ (3,647)
2017	(3,647)
2018	(3,647)
2019	(3,646)

(14) Other Post Employment Benefits

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

- PEMHCA: The District provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health. Employees are eligible for this lifetime benefit if they retire from the District and are eligible to begin drawing a PERS pension.
- Retiree Health Cost Benefits: The District also administers a single-employer defined benefit health cost reimbursement plan which provides medical benefits to covered employees and their eligible dependents. Employees are eligible for this benefit if they retire from the District on or after age 55 with at least 10 years of service. The District reimburses retirees for eligible healthcare costs of up to $300 per month (for retirees with at least 10 years of service at the District), to a maximum of $600 per month after 25 years of service.
- Retiree Death Benefit Only Plan: The District administers a single-employer defined benefit plan. Employees hired on or before December 31. 2008 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.

Membership of the plan consisted of the following at July 1, 2014, the date of latest actuarial valuation:

	PEMHCA	Retiree Health Costs Reimbursement	Retiree Death Benefit Only
Retirees and beneficiaries receiving benefits	144	51	132
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	301	303	210
Total	445	354	342

(14) Other Post Employment Benefits (Continued)

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

Annual OPEB Cost and Net OPEB Obligation

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

The District's annual OPEB expense is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level dollar open period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed for each OPEB benefit, and the changes in the District's net OPEB obligation:

	PEMHCA	Retiree Health Costs Reimbursement	Retiree Death Benefit Only	Total
Annual OPEB cost (expense):				
Annual required contribution	$ 383,818	$ 315,283	$ 26,930	$ 726,031
Interest on net OPEB obligation	56,166	19,486	29,359	105,011
Adjustment to annual required contribution	(81,202)	(28,172)	(42,446)	(151,820)
Annual OPEB cost (expense)	358,782	306,597	13,843	679,222
Contribution made	(105,761)	(328,167)	(14,241)	(448,169)
Increase (Decrease) in net OPEB obligation	253,021	(21,570)	(398)	231,053
Net OPEB obligation beginning of year	1,404,151	487,159	733,984	2,625,294
Net OPEB obligation end of year	**$ 1,657,172**	**$ 465,589**	**$ 733,586**	**$ 2,856,347**

(14) Other Post Employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the fiscal year ended June 30, 2015 and the two preceding years were as follows:

Schedule of Employer Contributions

Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
PEMHCA	6/30/2013	$ 309,171	29.22%	$ 1,198,039
	6/30/2014	305,269	32.48%	1,404,151
	6/30/2015	358,782	29.48%	1,657,172
Retiree Health	6/30/2013	305,348	95.41%	512,681
Costs Reimbursement	6/30/2014	305,098	108.37%	487,159
	6/30/2015	306,597	107.04%	465,589
Retiree Death Benefit Only	6/30/2013	12,917	89.68%	733,161
	6/30/2014	12,893	93.62%	733,984
	6/30/2015	13,843	102.87%	733,586
Total - All Plans	6/30/2013	627,436	62.67%	2,443,881
	6/30/2014	623,260	70.89%	2,625,294
	6/30/2015	679,222	65.98%	2,856,347

Funded Status and Progress

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

(14) Other Post Employment Benefits (Continued)

Funded Status and Progress (Continued)

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

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabiity (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
PEMHCA	1/1/2011	$ -	$ 2,484	$ 2,484	0.00%	$ 24,695	10.1%
	7/1/2012	-	3,202	3,202	0.00%	24,836	12.9%
	7/1/2014	-	3,773	3,773	0.00%	27,290	13.8%
Retiree	1/1/2011	-	2,541	2,541	0.00%	24,695	10.3%
Health Costs	7/1/2012	-	3,009	3,009	0.00%	24,836	12.1%
Reimbursement	7/1/2014	-	3,044	3,044	0.00%	27,290	11.2%
Retiree Death	1/1/2011	-	365	365	0.00%	24,695	1.5%
Benefit Only	7/1/2012	-	439	439	0.00%	24,836	1.8%
	7/1/2014	-	456	456	0.00%	27,290	1.7%

Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 4.0% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements of 1% per year to an ultimate rate of 5% after the third year. Both rates included a 2.5% inflation assumption. The UAAL is being amortized as a level dollar open period over 30 years. It is assumed the District's payroll will increase 3% per year.

(15) Deferred Compensation Plans

Retirement for Part-Time Employees

The District provides pension benefits for all of its part-time employees through a defined contribution plan, in lieu of providing social security benefits. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

(15) Deferred Compensation Plans (Continued)

Retirement for Part-Time Employees (Continued)

The plan is administered as part of the District's Section 457 plan. All part-time and seasonal employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. For the year ended June 30, 2015, the District's payroll covered by the plan was $139,220. The District made no employee contributions. Employees contributed $10,442 (7.5% of current covered payroll) for the year ended June 30, 2015.

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 2015 is $18,000. After 2008, the limit is being indexed to inflation in $500 increments.

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. During the year ended June 30, 2015, the District contributed $659,093 to employee accounts under the 401(a) plan.

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

(16) Commitments and Contingencies

Legal Actions

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

(17) Risk Management

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

Property, Boiler and Machinery insurance is provided by the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Property insurance includes flood insurance for all properties, and earthquake insurance for the District's real estate investment properties. General and excess liability coverage and workers compensation insurance is provided through participation in the CSAC-EIA. Pollution and legal liability coverage for the Irvine Desalter Project is provided by a policy with Illinois Union Insurance Company.

(17) Risk Management (Continued)

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

Changes in the reported liability resulted from the following:

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
2013	$ -	$ 1,088	$ -	$ 1,088	$ 562	$ 526
2014	1,088	301	(213)	1,176	564	612
2014	1,176	236	(216)	1,196	428	768

(18) Restatement of Net Position

During the fiscal year ended June 30, 2015, the District recorded the following prior period adjustments (in thousands):

Net position at beginning of year	$ 1,389,615
Prior period adjustments:	
Implementation of GASB 68	(65,825)
Net position at beginning of year, as restated	$ 1,323,790

The District implemented GASB 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* resulting in recording a net pension liability and deferred outflow of resources as a prior period adjustment. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Statement was implemented effective July 1, 2014.

(1) Schedule of Changes in the Net Pension Liability and Related Ratio (in thousands) [1]

	2015
Total Pension Liability	
Service Cost	$ 3,942
Interest	15,436
Benefit Payments, Including Refunds of Employee Contributions	(7,631)
Net Change in Total Pension Liability	11,747
Total Pension Liability – Beginning	207,663
Total Pension Liability – Ending (a)	$ 219,410
Plan Fiduciary Net Position	
Contributions – Employer	$ 6,566
Contributions – Employee	2,712
Investment Income	32,452
Administrative Expense	(331)
Benefit Payments, Including Refunds of Employee Contributions	(7,631)
Net Change in Fiduciary Net Position	33,768
Plan Fiduciary Net Position – Beginning	187,209
Plan Fiduciary Net Position – Ending (b)	$ 220,977
Plan Net Pension Liability – Ending (a) - (b)	$ (1,567)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.71%
Covered-Employee Payroll	$ 26,264
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	-5.97%

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

Notes to Schedule of Changes in the Net Pension Liability and Related Ratio
Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: There were no changes in assumptions.

Irvine Ranch Water District

Required Supplementary Information
For the Fiscal Year Ended June 30, 2015
(Continued)

(2) Schedule of Contributions (in thousands) [1]

	2015
Actuarially Determined Contribution	$ 4,329
Contributions in Relation to the Actuarially Determined Contribution	(6,566)
Contribution Deficiency (Excess)	$ (2,237)
Covered-Employee Payroll	$ 26,264
Contributions as a Percentage of Covered-Employee Payroll	25.00%

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

Notes to Schedule of Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions were from the June 30, 2012 pubic agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Actuarial value of Assets
Inflation	2.75%
Salary Increases Payroll Growth	Varies by Entry Age and Service 3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

STATISTICAL SECTION

Statistical Section

Irvine Ranch Water District
Fiscal Year Ended June 30, 2015

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

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

Net Position
Changes in Net Position

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

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

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

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

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

Principal Employers
Demographic and Economic Statistics

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

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

Irvine Ranch Water District

Net Position
For the Fiscal Years
(in millions)

	Fiscal Year				
	2006	2007	2008	2009	2010
Assets					
Current & other assets	$ 1,162.1	$ 1,088.9	$ 1,103.8	$ 1,224.1	$ 1,172.3
Capital assets	1,111.1	1,224.3	1,346.1	1,423.1	1,396.6
Total assets	2,273.2	2,313.2	2,449.9	2,647.2	2,568.9
Deferred Outflow of Resources					
Deferred refunding charges	-	-	-	-	-
Accumulated decrease in fair value of swaps agreements	-	-	-	-	37.4
Pension contributions	-	-	-	-	-
Total deferred outflow of resources	-	-	-	-	37.4
Liabilities					
Current and other liabilities	91.5	95.3	96.5	99.4	67.3
Long-term liabilities	1,068.9	1,022.2	1,074.7	1,190.8	1,204.3
Total liabilities	1,160.4	1,117.5	1,171.2	1,290.2	1,271.6
Deferred Inflows of Resources					
Pension actuarial	-	-	-	-	-
Net Position					
Net investment in capital assets	791.0	927.6	977.7	994.3	929.5
Restricted for water services	231.2	229.2	253.8	294.4	271.3
Restricted for sewer services	90.6	38.9	47.2	68.3	133.9
Total net position	$ 1,112.8	$ 1,195.7	$ 1,278.7	$ 1,357.0	$ 1,334.7

Irvine Ranch Water District

Net Position
For the Fiscal Years
(in millions)
(Continued)

	Fiscal Year				
	2011	2012	2013[1]	2014[1]	2015[2]
Assets					
Current & other assets	$ 1,300.0	$ 1,167.0	$ 1,128.2	$ 462.7	$ 332.9
Capital assets	1,430.3	1,508.8	1,506.1	1,567.5	1,647.4
Total assets	2,730.3	2,675.8	2,634.3	2,030.2	1,980.3
Deferred Outflow of Resources					
Deferred refunding charges	-	-	9.8	1.6	1.4
Accumulated decrease in fair value of swaps agreements	32.7	53.0	37.5	36.1	35.3
Pension contributions	-	-	-	-	6.6
Total deferred outflow of resources	32.7	53.0	47.3	37.7	43.3
Liabilities					
Current and other liabilities	97.7	99.0	672.7	54.9	51.5
Long-term liabilities	1,323.7	1,281.8	647.7	623.4	602.8
Total liabilities	1,421.4	1,380.8	1,320.4	678.3	654.3
Deferred Inflows of Resources					
Pension actuarial	-	-	-	-	14.6
Net Position					
Net investment in capital assets	900.6	943.1	918.1	981.3	1,074.6
Restricted for water services	234.3	203.4	208.8	187.9	162.1
Restricted for sewer services	206.7	201.5	234.3	220.4	118.0
Total net position	$ 1,341.6	$ 1,348.0	$ 1,361.2	$ 1,389.6	$ 1,354.7

Source: Irvine Ranch Water District Basic Financial Statements

(1) The District implemented GASB Statement No. 65 for the fiscal year ended June 30, 2014 and restated the financial statements for the fiscal year ended June 30, 2013.

(2) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District

Changes in Net Position
For the Past Ten Fiscal Years
(in thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
Operating Revenues					
Water sales and service charges	$ 39,256	$ 45,138	$ 48,516	$ 50,940	$ 51,268
Sewer sales and service charges	29,248	37,649	39,811	41,157	45,344
Total operating revenues	68,504	82,787	88,327	92,097	96,612
Operating Expenses					
Water					
Water services	31,385	34,979	39,029	42,273	43,591
General and administrative	8,625	10,267	11,257	12,536	13,349
Sewer					
Sewer services	19,528	24,570	27,211	28,696	30,992
General and administrative	5,556	6,328	7,259	7,712	6,651
Depreciation	27,135	28,449	31,595	34,699	39,444
Total operating expenses	92,229	104,593	116,351	125,916	134,027
Operating income (loss)	(23,725)	(21,806)	(28,024)	(33,819)	(37,415)
Nonoperating Revenues (Expenses)					
Property taxes	15,237	30,667	34,245	36,240	38,392
Investment income	9,115	10,768	10,674	4,365	2,191
Increase (decrease) in fair value of investments	(53,542)	(3,996)	26,976	9,837	(7,782)
JPA investment income	63,427	61,793	59,854	57,676	55,726
Real estate income	9,118	9,483	10,478	10,792	9,701
Other income	8,494	10,457	11,130	9,918	10,706
Interest expense	(9,286)	(12,762)	(8,515)	(6,061)	(9,962)
JPA interest expense	(60,060)	(58,404)	(56,616)	(54,686)	(51,530)
Real estate expense	(4,493)	(4,562)	(5,149)	(5,698)	(6,186)
Other expenses	(666)	(883)	(2,288)	(1,535)	(1,286)
Total nonoperating revenue (expenses)	(22,656)	42,561	80,789	60,848	39,970
Income (loss) before capital contributions	(46,381)	20,755	52,765	27,029	2,555
Contributed capital assets	32,525	52,672	29,319	32,517	17,963
Increase (decrease) in net position	(13,856)	73,427	82,084	59,546	20,518
Net position at beginning of year	1,126,655	1,112,799	1,195,761	1,278,703	1,357,046
SCWD Retained Earnings at 6/30/06	-	9,535	-	-	-
OPA Net Assets at 6/1/08	-	-	858	-	-
Prior period adjustments	-	-	-	18,797	(42,898)
Net position at end of year	$1,112,799	$1,195,761	$1,278,703	$1,357,046	$1,334,666

Irvine Ranch Water District

Changes in Net Position
For the Past Ten Fiscal Years
(in thousands)
(Continued)

	Fiscal Year				
	2011	2012	2013	2014	2015[1]
Operating Revenues					
Water sales and service charges	$ 54,796	$ 57,558	$ 62,565	$ 66,321	$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Total operating revenues	100,171	106,792	115,650	124,430	132,918
Operating Expenses					
Water					
Water services	45,961	44,883	51,163	57,624	57,978
General and administrative	12,327	12,305	14,619	13,660	9,319
Sewer					
Sewer services	33,382	33,086	38,189	37,715	54,575
General and administrative	6,569	7,792	8,048	8,612	5,826
Depreciation	43,592	41,378	47,539	46,809	51,015
Total operating expenses	141,831	139,444	159,558	164,420	178,713
Operating income (loss)	(41,660)	(32,652)	(43,908)	(39,990)	(45,795)
Nonoperating Revenues (Expenses)					
Property taxes	38,679	38,062	41,068	42,751	40,227
Investment income	2,599	3,132	224	1,079	1,214
Increase (decrease) in fair value of investments	(20,172)	(23,586)	(29,180)	(16,177)	(28)
JPA investment income	53,708	51,530	49,178	29,522	-
Real estate income	9,719	11,039	10,789	11,899	12,518
Other income	7,987	6,141	8,323	10,974	10,103
Interest expense	(14,174)	(16,924)	(16,770)	(15,836)	(13,903)
JPA interest expense	(41,264)	(39,603)	(28,884)	(17,166)	-
Real estate expense	(6,004)	(6,016)	(6,047)	(6,139)	(6,251)
Other expenses	(989)	(10,713)	(6,110)	(7,163)	(9,752)
Total nonoperating revenue (expenses)	30,089	13,062	22,591	33,744	34,128
Income (loss) before capital contributions	(11,571)	(19,590)	(21,317)	(6,246)	(11,667)
Contributed capital assets	18,506	25,948	34,535	34,684	42,540
Increase (decrease) in net position	6,935	6,358	13,218	28,438	30,873
Net position at beginning of year	1,334,666	1,341,601	$1,347,959	1,361,177	1,389,615
SCWD Retained Earnings at 6/30/06	-	-	-	-	-
OPA Net Assets at 6/1/08	-	-	-	-	-
Prior period adjustments	-	-	-	-	(65,825)
Net position at end of year	$1,341,601	$1,347,959	$1,361,177	$1,389,615	$1,354,663

Source: Irvine Ranch Water District Basic Financial Statements

(1) The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. The District did not restate the prior years' financial statements because the data for the prior years was not readily available.

Irvine Ranch Water District

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

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Residential	31,514	34,097	33,771	34,189	31,721
Commercial	8,037	8,710	8,710	8,382	7,586
Industrial	5,714	5,438	5,353	5,009	4,711
Public Authority	2,795	2,474	2,588	2,571	2,293
Construction & Temporary	790	696	513	133	127
Treated - Landscape Irrigation	5,322	6,249	6,039	5,789	4,712
Treated - Agricultural	1,018	1,009	820	563	210
Untreated - Agricultural	7,621	7,583	6,211	6,452	5,024
Recycled - Landscape/Agricultural	19,504	24,624	24,564	24,415	20,951
Total	**82,315**	**90,880**	**88,569**	**87,503**	**77,335**

Irvine Ranch Water District

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Residential	31,127	32,262	33,166	34,068	32,375
Commercial	7,632	8,021	8,353	8,803	8,391
Industrial	4,733	4,713	4,783	4,891	6,233
Public Authority	2,305	2,373	2,458	2,458	2,583
Construction & Temporary	174	275	378	739	863
Treated - Landscape Irrigation	4,252	4,741	5,316	5,671	5,327
Treated - Agricultural	183	229	206	202	241
Untreated - Agricultural	3,025	2,204	2,543	3,075	2,306
Recycled - Landscape/Agricultural	20,147	25,011	28,259	30,021	32,139
Total	**73,578**	**79,829**	**85,462**	**89,928**	**90,458**

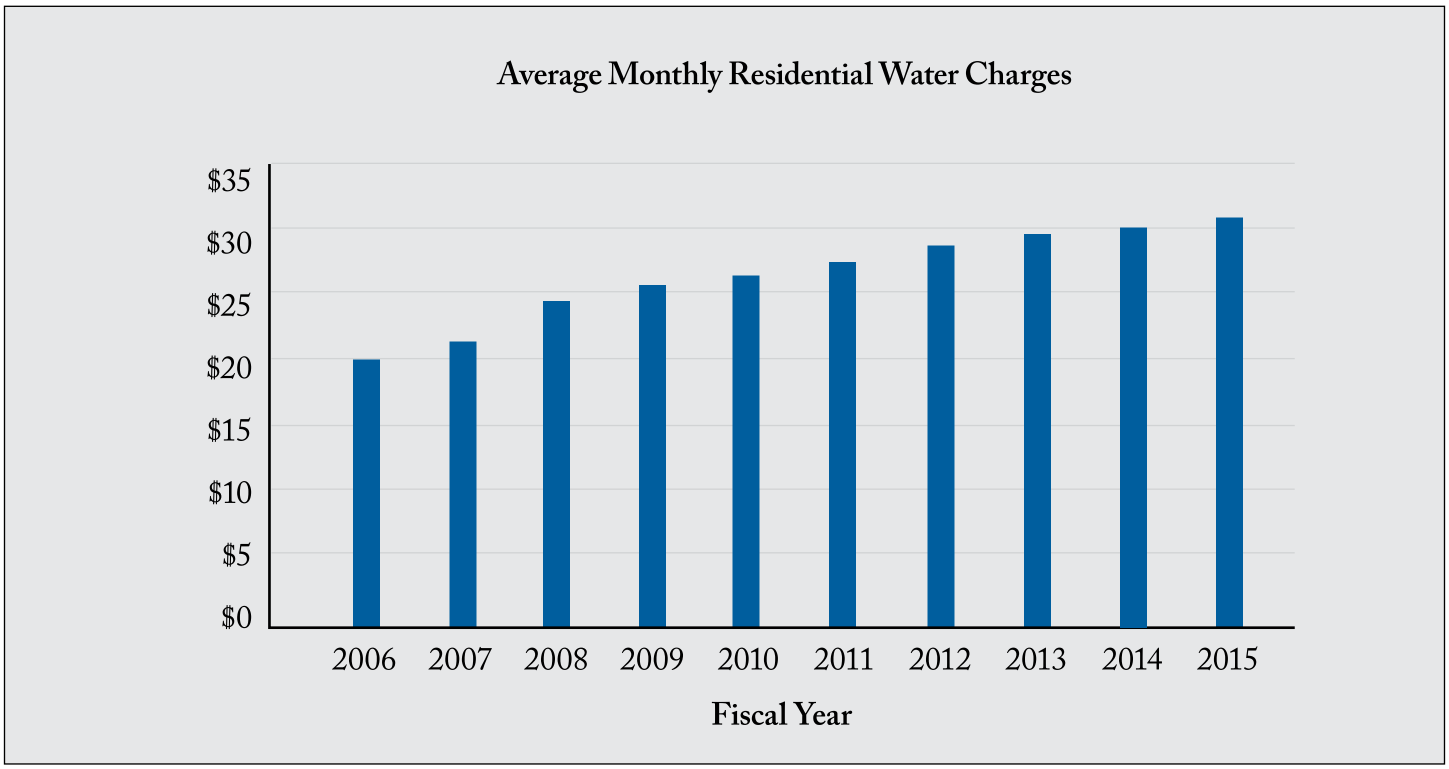
Source: Irvine Ranch Water District

Irvine Ranch Water District

Water Rates[1]

For the Past Ten Fiscal Years

Fiscal Year	Fixed Service Charge	Commodity Rate (per ccf)	Average monthly residential charge
2006	$ 5.45	$ 0.88	$ 20.01
2007	6.75	0.91	21.85
2008	7.50	0.98	23.86
2009	7.50	1.07	25.48
2010	7.75	1.15	26.53
2011	8.00	1.21	27.38
2012	8.75	1.22	28.23
2013	9.30	1.24	28.98
2014	9.85	1.27	29.83
2015	10.50	1.34	30.94



Source: Irvine Ranch Water District

Note:

[1] Water rates are for the Irvine Ranch rate area which comprises approximately 85 percent of the total District. The water charge to the average residential customer is based upon an average of 18 ccf per month. The first 8 ccf are at the District's low volume rate, which is $0.36 less than the commodity base rate. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District

Largest Water Customers
Current Year and Nine Years Ago

	2015			2006		
	Total Paid	Rank	Percentage of Water Sales Revenues	Total Paid	Rank	Percentage of Water Sales Revenues
TIC-Irvine Apartment Communities	$ 4,683,448	1	6.68%	$ 4,417,417	1	11.20%
City of Irvine	1,926,487	2	2.75%	1,259,928	2	3.20%
University of California - Irvine	1,644,733	3	2.35%	1,126,348	3	2.90%
Jazz Semiconductor	728,473	4	1.04%	597,068	4	1.50%
B Braun Medical Inc	596,032	5	0.85%	386,760	6	1.00%
Woodbridge Village Association	584,581	6	0.83%	361,929	7	0.90%
Irvine Unified School District	565,095	7	0.81%	323,651	9	0.80%
Crystal Cove Community Assn	299,655	8	0.43%			
Caltrans District 12	296,579	9	0.42%			
Los Olivos Apartments	296,165	10	0.42%			
Hines Nurseries				469,119	5	1.20%
County of Orange				357,863	8	0.90%
City of Tustin				217,028	10	0.60%
Total	**$ 11,621,248**		**16.58%**	**$ 9,517,111**		**24.20%**

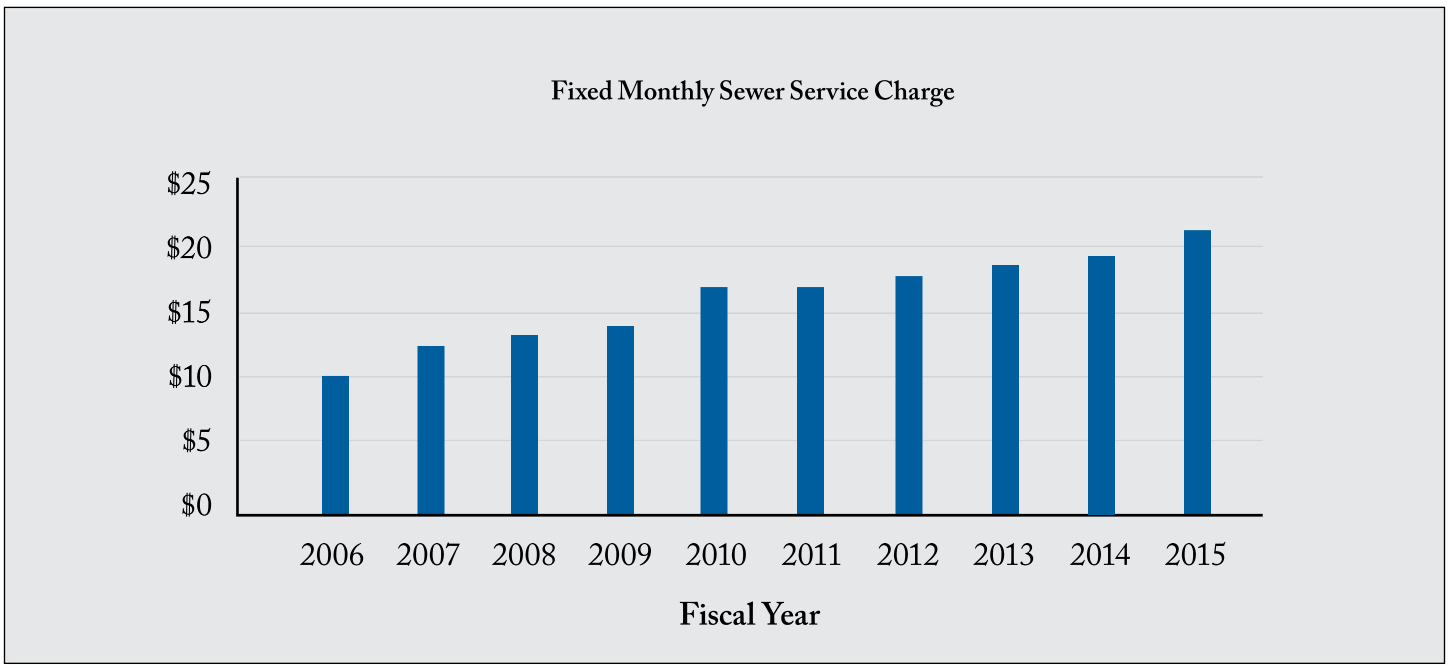
Source: Irvine Ranch Water District

Irvine Ranch Water District

Sewer Rates[1]

For the Past Ten Fiscal Years

Fiscal Year	Fixed Monthly Service Charge
2006	$ 10.00
2007	$ 13.05
2008	$ 13.65
2009	$ 13.80
2010	$ 16.60
2011	$ 16.65
2012	$ 16.90
2013	$ 17.20
2014	$ 18.40
2015	$ 20.50



Source: Irvine Ranch Water District

[1] Fixed monthly service charge for fiscal year 2006 is for the Irvine Ranch rate area only (excluding Los Alisos). For fiscal years 2007 and later, rates are uniform for all areas. The fixed monthly service charge includes components to add enhancement and replacement funds to assist with the District's aging infrastructure.

Irvine Ranch Water District

Largest Sewer Customers
Current Year and Nine Years Ago

	2015			2006		
	Total Paid	Rank	Percentage of Sewer Sales Revenues	Total Paid	Rank	Percentage of Sewer Sales Revenues
TIC-Irvine Apartment Communities	$ 3,210,461	1	5.11%	$1,542,643	1	5.30%
City of Irvine	2,352,525	2	3.75%			
University of California - Irvine	1,845,757	3	2.94%	724,844	2	2.50%
Westpark Maint District	1,150,337	4	1.83%			
Caltrans	864,338	5	1.38%			
B Braun	629,363	6	1.00%			
Irvine Unified School District	556,324	7	0.89%			
Heritage Fields	376,753	8	0.60%			
Royal Carpet Mills	356,983	9	0.57%	230,703	3	0.80%
Allergan Sales, LLC	292,679	10	0.47%	131,530	5	0.50%
ERP Operating LP				132,148	4	0.50%
Sicor Pharmaceuticals				120,203	6	0.40%
Maruchan Inc				107,690	7	0.40%
Airport Complex				**97,306**	8	0.30%
Maguire Properties				**80,732**	9	0.28%
Hillsboro Properties				**77,953**	10	0.25%
Total	**$11,635,520**		**18.54%**	**$3,245,752**		**11.23%**

Source: Irvine Ranch Water District

Irvine Ranch Water District

Ad Valorem Property Tax Rates[2]

For the Past Ten Fiscal Years

Improvement District	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
112	$ N/A	$ N/A	$ N/A	$ N/A	$0.07920	$0.07920	$0.03168	$0.03168	$0.03168	$0.03000
113 [1]	N/A	0.01920	0.01920	0.01920	0.01980	0.01980	0.05940	0.05940	0.05940	0.03000
120	0.01168	0.01168	0.01298	0.01298	0.01311	0.00001	N/A	N/A	N/A	N/A
121	0.00001	0.00001	0.00001	0.00001	0.00001	0.01311	0.01311	0.01311	0.01311	N/A
125	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.01300
130	0.00001	0.00001	0.00500	0.00500	0.00680	0.00680	0.00680	0.00680	0.00680	N/A
135[2]	0.00001	0.00842	0.00842	0.00842	0.00842	0.00842	0.00421	0.00421	0.00421	N/A
140	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.01000	0.01000	0.01000	N/A
150	0.00001	0.00001	0.00780	0.00780	0.00990	0.00990	0.01980	0.01980	0.01980	N/A
153	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00001
160	0.01168	0.01168	0.01648	0.01648	0.01758	0.00001	N/A	N/A	N/A	N/A
161	0.00001	0.00001	0.00001	0.00001	0.00001	0.01758	0.01758	0.01758	0.01758	N/A
182	0.00808	0.00808	0.01300	0.01300	0.01350	0.01350	0.02700	0.02700	0.02700	N/A
184	N/A	0.00001	0.00001	0.00001	0.00001	0.00001	0.01350	0.01350	0.01350	N/A
185	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00001
186	0.02051	0.02051	0.02700	0.02700	0.03191	0.03191	0.04787	0.04787	0.04787	N/A
188	0.02051	0.02051	0.02700	0.02700	0.03590	0.03590	0.21540	0.21540	0.21540	0.21540
190	0.00001	0.00001	0.00500	0.00500	N/A	N/A	N/A	N/A	N/A	N/A
210	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	N/A	N/A	N/A	N/A
212	N/A	N/A	N/A	N/A	0.12420	0.12420	0.07452	0.07452	0.07452	0.04500
213 [1]	N/A	0.14093	0.14093	0.14093	0.14533	0.14533	0.08720	0.08720	0.08720	0.03800
220	0.01000	0.01000	0.01400	0.01400	0.01800	0.00001	N/A	N/A	N/A	N/A
221	0.00001	0.00001	0.00001	0.00001	0.00001	0.01800	0.01700	0.01700	0.01700	N/A
225	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.01500
230	0.01995	0.01995	0.02000	0.02000	0.02200	0.02200	0.02200	0.02200	0.02200	N/A
235[2]	0.00001	0.00532	0.00532	0.00532	0.00532	0.00532	0.00266	0.00266	0.00266	N/A
240	0.02168	0.02168	0.02699	0.02699	0.03140	0.03140	0.02140	0.02140	0.02140	0.01500
250	0.02602	0.03199	0.03200	0.03200	0.03600	0.03600	0.03600	0.03600	0.03600	N/A
252	N/A	N/A	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	0.00001	N/A
253	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00001
260	N/A	0.02030	0.02330	0.02330	0.02830	0.00001	N/A	N/A	N/A	N/A
261	0.00001	0.00001	0.00001	0.00001	0.00001	0.02830	0.02830	0.02830	0.02830	N/A
282	0.01280	0.01280	0.01400	0.01400	0.01890	0.01890	0.01890	0.01890	0.01890	N/A
284	N/A	0.00001	0.02699	0.02699	0.03239	0.03239	0.03239	0.03239	0.03239	N/A
285	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.00001
286	N/A	N/A	N/A	N/A	N/A	0.00001	0.00201	0.00201	0.00201	N/A
288	N/A	N/A	N/A	N/A	N/A	0.00001	0.01000	0.01000	0.01000	0.01000
290	0.01995	0.01995	0.02000	0.02000	N/A	N/A	N/A	N/A	N/A	N/A

Source: Irvine Ranch Water District

Note:

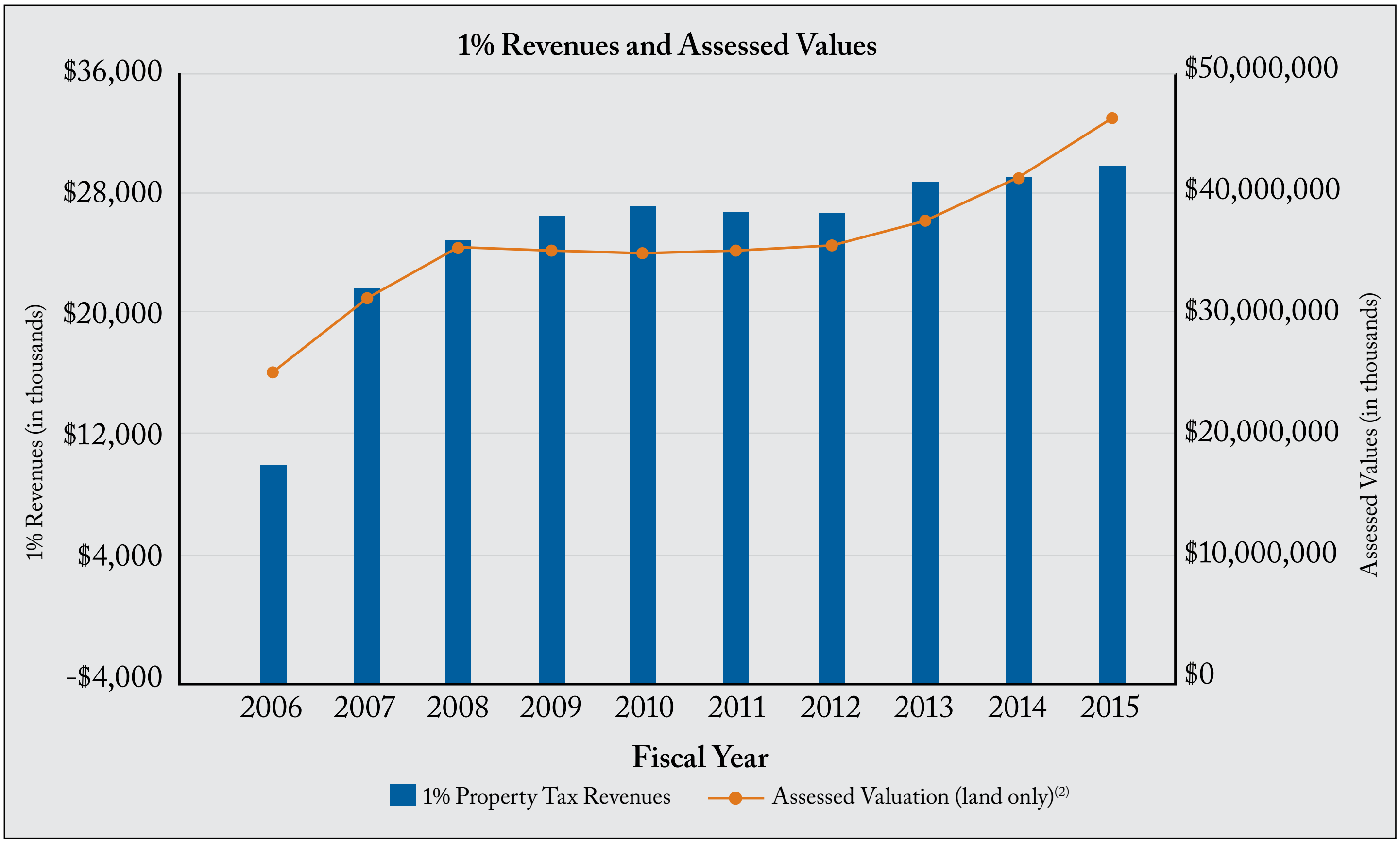
[1] Improvement Districts 113 and 213 encompass the former Tustin Marine Base.

[2] 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) [2]	1 % Property Tax Revenue
2006	$ 25,869,944	$ 10,177
2007	31,378,053	22,444
2008	35,540,296	24,730
2009	35,298,830	26,283
2010	34,818,153	27,150[3]
2011	35,008,276	26,989
2012	35,661,242	26,478
2013	37,809,660	29,265
2014	42,205,844	29,445
2015	47,059,437	30,924



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

Note:

(1) The IRWD state mandated contribution to ERAF for FY 2004-05 and FY 2005-06 was $9.7 million per year.

(2) Estimated market values for the land-only Assessed Values are not available.

(3) Of this amount, the State of California borrowed $2.0 million,which was repaid in June 2013.

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

Irvine Ranch Water District

Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2015

Direct Rate:	
Irvine Ranch Water District I.D. No. 112	$0.03000
Irvine Ranch Water District I.D. No. 113	0.03000
Irvine Ranch Water District I.D. No. 125	0.01300
Irvine Ranch Water District I.D. No. 153	0.00001
Irvine Ranch Water District I.D. No. 185	0.00001
Irvine Ranch Water District I.D. No. 188	0.21540
Irvine Ranch Water District I.D. No. 212	0.04500
Irvine Ranch Water District I.D. No. 213	0.03800
Irvine Ranch Water District I.D. No. 225	0.01500
Irvine Ranch Water District I.D. No. 240	0.01500
Irvine Ranch Water District I.D. No. 252	0.00001
Irvine Ranch Water District I.D. No. 253	0.00001
Irvine Ranch Water District I.D. No. 285	0.00001
Irvine Ranch Water District I.D. No. 288	0.01000
Overlapping Rates:	
School Districts:	
Coast Community College District	0.03015
Rancho Santiago Community College District	0.02878
Rancho Santiago Community College District SFID 1	0.02200
Laguna Beach Unified School District	0.01461
Newport Mesa Unified School District	0.01768
Saddleback Valley Unified School District	0.02806
Santa Ana Unified School District	0.06869
Tustin Unified School District SFID 2002-1	0.02512
Tustin Unified School District SFID 2008-1	0.03037
Tustin Unified School District SFID 2012-1	0.01406
Cities	
Laguna Beach	0.00000

Source: California Municipal Statistics, Inc.

Irvine Ranch Water District

Principal Property Taxpayers
Fiscal Year Ended June 30, 2015

Property Owner's Name	Type of Business	Assessed Valuation of Property, including Land & Improvements	Percentage of Total City Taxable Assessed Value
The Irvine Company	Developer/Real Estate	$ 5,115,426,671	10.03%
Irvine Apartment Communities	Real Estate	732,650,150	1.44%
Heritage Fields El Toro	Real Estate Developer	582,825,230	1.14%
Allergan	Pharmaceutical (R&D/Marketing)	458,780,422	0.90%
B Braun Medical Inc.	Bio-Medical Manufacturing	362,233,709	0.71%
Park Spectrum	Real Estate	330,192,625	0.65%
Jamboree Center LLC	Developer/Real Estate	300,515,215	0.59%
John Hancock Life	Insurance	280,438,817	0.55%
LBA IV-PPI LLC	Real Estate Investment and Management	272,157,527	0.53%
Broadcom Corporation	Technology	209,362,206	0.41%
		$ 8,644,582,572	**16.95%**

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2014)
Data was not yet available for FY2014/15 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[2]	1 Percent	General[3]
2006	$ 7,965,300	$ 3,081,122	$ 8,755,621	$ 5,038,833
2007	19,419,300	5,050,938	21,368,075	7,869,904
2008	23,963,000	7,626,979	22,859,667	10,242,088
2009	25,486,200	11,694,868	25,910,366	9,873,983
2010	24,166,600	10,503,249	23,636,793	10,802,992
2011	26,493,900	10,323,198	25,892,653	11,180,391
2012	26,749,900	10,558,510	25,953,788	11,716,056
2013	26,749,900	10,733,998	29,265,283	11,802,915
2014	26,749,900	11,374,556	27,606,048	12,463,175
2015	29,000,000	9,203,641	28,668,756	9,585,904
Total	$ 236,744,000	$ 90,151,059	$ 239,917,050	$ 100,576,241

Irvine Ranch Water District

Property Tax Collections/Delinquency
For the Past Ten Fiscal Years
(Continued)

Fiscal Year	Percentage Collected		Amount of Levy Collected in Subsequent Periods	
	1 Percent	General	1 Percent	General
2006	109.92%	163.54%	$ 1,441,127	$ 149,874
2007	110.04%	155.81%	1,093,740	541,024
2008	95.40%	134.29%	887,709	496,260
2009	101.66%	84.43%	477,134	281,774
2010	97.81%	102.85%	1,493,752	634,095
2011	97.73%	108.30%	1,153,265	753,309
2012	97.02%	110.96%	733,450	118,691
2013	109.40%	109.96%	989,396	438,947
2014	103.20%	109.57%	1,148,873	988,796
2015	98.86%	104.15%	2,275,461	4,888
Total			$ 11,693,907$0	$ 4,407,658

Source: County of Orange Tax Ledger

Note:

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

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

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

Irvine Ranch Water District

Outstanding Debt by Type[1]

For the Past Ten Fiscal Years

Fiscal Year	Total Service Connections[2]	General Obligation Bonds[3]	GO Debt per Connection	Certificates of Participation	COPS Debt per Connection
2006	177,325	$ 224,585,230	$ 1,267	$ 114,200,000	$ 644
2007	182,140	201,585,230	1,107	111,600,000	613
2008	185,359	280,947,000	1,516	106,934,000	577
2009	186,856	415,699,000	2,225	103,100,000	552
2010	188,049	399,152,800	2,123	92,005,200	489
2011	191,474	562,051,000	2,935	88,043,000	460
2012	193,381	548,549,000	2,837	83,616,000	432
2013	196,596	534,343,000	2,718	78,698,000	400
2014	200,559	515,900,000	2,572	73,565,000	367
2015	204,475	503,800,000	2,464	67,293,000	329

Irvine Ranch Water District

Outstanding Debt by Type[1]
For the Past Ten Fiscal Years
(Continued)

Fiscal Year	JPA Revenue Bonds	JPA Debt per Connection	Notes Payable	Notes Payable per Connection	Total Debt	Total Debt per Connection
2006	$ 772,359,906	$ 4,356	$ 6,650,000	$ 38	$ 1,117,795,136	$ 6,304
2007	749,513,668	4,115	5,925,000	33	1,068,623,898	5,867
2008	724,962,000	3,911	5,549,000	30	1,118,392,000	6,034
2009	698,566,000	3,739	5,007,000	27	1,222,372,000	6,542
2010	690,263,700	3,671	4,553,000	24	1,185,974,700	6,307
2011	676,415,000	3,533	2,747,000	14	1,329,256,000	6,942
2012	638,521,000	3,302	2,494,000	13	1,273,180,000	6,584
2013	610,568,000	3,106	2,240,000	11	1,225,849,000	6,235
2014	-	-	1,984,000	10	591,449,000	2,949
2015	-	-	1,727,000	8	572,820,000	2,801

Source: Irvine Ranch Water District

Note:

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

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

[3] Includes unamortized discount / deferred loss on refunding for the fiscal year 2005 through the fiscal year 2013.

Irvine Ranch Water District

Outstanding General Obligation Bonds by Improvement District
As of June 30, 2015

Improvement District	General Obligation Bonds Authorized	General Obligation Bonds Issued	Remaining Unissued General Obligation Bonds Authorized	Amount Outstanding as of June 30, 2015
112	$ 28,512,300	$ 5,740,000	$ 22,772,300	$ 5,470,000
113	25,769,500	14,800,000	10,969,500	13,900,000
125	735,246,000	413,156,360	322,089,640	187,604,000
153	237,300,000	-	237,300,000	-
154	4,839,000	-	4,839,000	-
185	13,500,000	-	13,500,000	-
188	8,174,000	4,437,010	3,736,990	1,462,000
Total	**$ 1,053,340,800**	**$ 438,133,370**	**$ 615,207,430**	**$ 208,436,000**
210	$ 2,000,000	$ 2,000,000	$ -	$ -
212	108,711,000	15,700,000	93,011,800	14,974,000
213	87,647,500	23,800,000	63,847,500	21,488,000
225	856,643,000	449,748,160	406,894,840	235,865,000
240	117,273,000	48,476,470	68,796,530	22,767,000
253	122,283,000	-	122,283,000	-
285	21,300,000	-	21,300,000	-
288	8,977,000	300,000	8,677,000	270,000
Total	**$ 1,324,835,300**	**$ 540,024,630**	**$ 784,810,670**	**$ 295,364,000**
	$ 2,378,176,100	**$ 978,158,000**	**$ 1,400,018,100**	**$ 503,800,000**

Source: Irvine Ranch Water District

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values(1)

For the Past Ten Fiscal Years

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation	Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 112				**Improvement District 212**			
2006	n/a	n/a	n/a	2006	n/a	n/a	n/a
2007	n/a	n/a	n/a	2007	n/a	n/a	n/a
2008	n/a	n/a	n/a	2008	n/a	n/a	n/a
2009	$ 500,354,220	$ 2,745,000	0.00548611	2009	$ 500,354,220	$ 7,305,000	0.01459966
2010	521,318,307	2,745,000	0.00526550	2010	521,318,307	7,305,000	0.01401255
2011	539,618,060	5,745,000	0.01064642	2011	539,618,060	15,705,000	0.02910392
2012	504,820,526	5,745,000	0.01138028	2012	504,820,526	15,705,000	0.03111007
2013	511,871,892	5,653,500	0.01104476	2013	511,871,892	15,461,500	0.03020580
2014	780,606,904	5,562,000	0.00712523	2014	780,606,904	15,218,000	0.01949509
2015	1,333,029,836	5,470,500	0.00410343	2015	1,333,029,836	14,974,500	0.01123306
Improvement District 113				**Improvement District 213**			
2006	n/a	n/a	n/a	2006	n/a	n/a	n/a
2007	n/a	n/a	n/a	2007	n/a	n/a	n/a
2008	$ 691,298,772	$ 1,505,375	0.00217760	2008	$ 691,298,772	$ 11,139,775	0.01611427
2009	609,156,504	4,505,375	0.00739609	2009	609,156,504	17,544,775	0.02880175
2010	651,917,180	4,505,375	0.00691096	2010	651,917,180	17,544,775	0.02691258
2011	553,458,157	9,770,000	0.01765264	2011	553,458,157	17,283,000	0.03122729
2012	536,369,090	15,794,500	0.02944707	2012	536,369,090	23,418,645	0.04366144
2013	562,239,093	15,541,750	0.02764260	2013	562,239,093	22,828,480	0.04060280
2014	674,596,339	14,150,000	0.02097551	2014	674,596,339	22,074,000	0.03272179
2015	827,524,085	13,900,000	0.01679709	2015	827,524,085	21,488,000	0.02596662
Improvement District 125				**Improvement District 225**			
2006	n/a	n/a	n/a	2006	n/a	n/a	n/a
2007	n/a	n/a	n/a	2007	n/a	n/a	n/a
2008	n/a	n/a	n/a	2008	n/a	n/a	n/a
2009	n/a	n/a	n/a	2009	n/a	n/a	n/a
2010	n/a	n/a	n/a	2010	n/a	n/a	n/a
2011	n/a	n/a	n/a	2011	n/a	n/a	n/a
2012	n/a	n/a	n/a	2012	n/a	n/a	n/a
2013	n/a	n/a	n/a	2013	n/a	n/a	n/a
2014	$29,578,638,615	$192,075,000	0.00649371	2014	$24,757,488,949	$240,995,000	0.00973423
2015	32,752,414,757	187,604,000	0.00572794	2015	27,557,606,802	235,865,000	0.00855898

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values[1]
For the Past Ten Fiscal Years
(continued)

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 153			
2006	n/a	n/a	n/a
2007	n/a	n/a	n/a
2008	$ 36,114,444	n/a	n/a
2009	36,903,662	n/a	n/a
2010	36,997,523	n/a	n/a
2011	7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a
2013	8,475,848	n/a	n/a
2014	8,687,744	n/a	n/a
2015	666,622,225	n/a	n/a
Improvement District 154			
2006	n/a	n/a	n/a
2007	n/a	n/a	n/a
2008	$ 7,531,850	n/a	n/a
2009	10,209,169	n/a	n/a
2010	8,831,144	n/a	n/a
2011	8,904,175	n/a	n/a
2012	9,127,678	n/a	n/a
2013	9,334,512	n/a	n/a
2014	9,111,103	n/a	n/a
2015	9,289,351	n/a	n/a

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
Improvement District 240			
2006	$3,446,887,473	$31,643,024	0.00918017
2007	4,140,693,955	30,462,056	0.00735675
2008	4,642,366,023	29,182,814	0.00628619
2009	4,936,249,533	32,326,608	0.00654882
2010	4,871,225,527	30,885,287	0.00634035
2011	4,903,741,743	29,527,697	0.00602146
2012	4,973,007,663	28,081,173	0.00564672
2013	5,343,804,951	26,441,526	0.00494807
2014	5,609,174,229	24,078,000	0.00429261
2015	6,031,968,996	22,767,000	0.00377439
Improvement District 253			
2006	n/a	n/a	n/a
2007	n/a	n/a	n/a
2008	$ 36,114,444	n/a	n/a
2009	36,903,662	n/a	n/a
2010	36,997,523	n/a	n/a
2011	7,971,152	n/a	n/a
2012	8,114,060	n/a	n/a
2013	8,475,848	n/a	n/a
2014	228,692,347	n/a	n/a
2015	666,622,225	n/a	n/a

Irvine Ranch Water District

Ratio of General Obligation Debt to Assessed Values[1]

For the Past Ten Fiscal Years

(continued)

Improvement District 188

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2006	$ 11,928,713	$ 1,545,783	0.12958508
2007	12,167,278	1,397,684	0.11487238
2008	12,410,613	1,231,073	0.09919517
2009	12,806,315	1,235,205	0.09645283
2010	14,613,156	1,050,082	0.07185864
2011	13,887,854	2,155,702	0.15522208
2012	14,165,606	1,942,809	0.13714975
2013	14,448,912	1,714,661	0.11867059
2014	14,446,476	1,468,000	0.10161648
2015	14,735,113	1,462,000	0.09921879

Improvement District 288

Fiscal Year	Assessed Valuation	General Obligation Debt Outstanding	General Obligation Debt to Assessed Valuation
2006	$ 11,928,713	n/a	n/a
2007	12,167,278	n/a	n/a
2008	12,410,613	n/a	n/a
2009	12,806,315	$ 300,000	0.02342594
2010	14,613,156	300,000	0.02052945
2011	13,887,854	300,000	0.02160161
2012	14,165,606	300,000	0.02117806
2013	14,448,912	290,000	0.02007072
2014	14,446,476	280,000	0.01938189
2015	14,735,113	270,000	0.01832358

Source: Irvine Ranch Water District

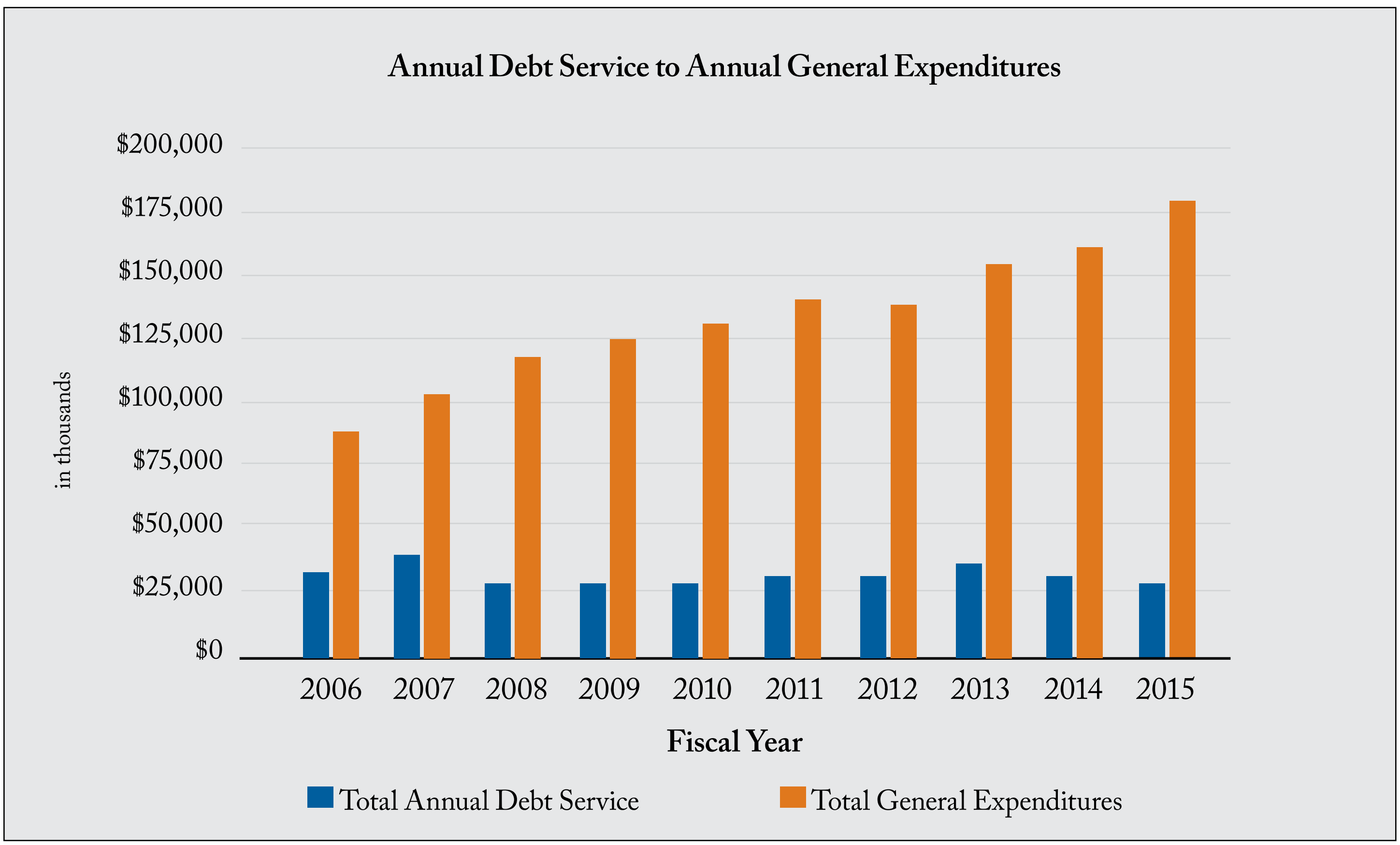
Note:

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

Irvine Ranch Water District

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

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2006	$ 34,871	$ 92,229	37.8%
2007	36,562	104,592	35.0%
2008	28,374	116,351	24.4%
2009	27,326	125,916	21.7%
2010	29,044	134,021	21.7%
2011	34,842	141,831	24.6%
2012	33,437	139,444	24.0%
2013	37,734	159,558	23.6%
2014	34,009	164,420	20.7%
2015	29,921	178,713	16.7%



Source: Irvine Ranch Water District

Irvine Ranch Water District

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

	2006	2007	2008	2009	2010
Revenues					
Water sales and service charges	$ 39,256	$ 45,138	$ 48,516	$ 50,940	$ 51,268
Sewer sales and service charges	29,248	37,649	39,811	41,157	45,344
Developer Connection fees	17,903	22,122	6,411	4,535	5,818
Net real estate income	5,793	6,081	7,171	7,010	5,624
Interest income	7,749	8,969	9,859	4,365	2,191
Net earnings on JPA	3,367	3,388	3,238	2,990	4,196
Available 1% property tax revenue	0	216	4,869	17,007	19,346
Other	8,494	10,457	11,130	9,918	10,706
Total Revenues	111,810	134,020	131,005	137,922	144,493
Expenses					
Water supply services	31,385	34,979	39,029	42,273	43,591
Sewer services	19,528	24,570	27,211	28,696	30,992
Administrative and general	14,181	16,595	18,516	20,248	20,000
Other	666	884	2,288	1,535	1,286
Total Expenses	65,760	77,028	87,044	92,752	95,869
Net Revenues	**$ 46,050**	**$ 56,992**	**$ 43,961**	**$ 45,170**	**$ 48,624**
Applicable *Ad Valorem* Assessments Available for GO Double-Barrel Bonds	$ -	$ -	$ -	$ -	$ -
Parity Obligations					
Certificates of Participation	$ 1,873	$ 2,319	$ 3,564	$ 2,798	$ 3,119
1997 State Loan #3	227	227	227	227	-
Series 2010B Bonds	-	-	-	-	-
Series 2011-A Index Tender Notes	-	-	-	-	-
Total Parity Obligations Debt Service	2,100	2,546	3,791	3,025	3,119
Remaining Revenues	$ 43,950	$ 54,446	$ 40,170	$ 42,145	$ 45,505
Parity Obligation Coverage	21.9x	22.4x	11.6x	14.9x	15.6x
Subordinate Obligations					
Fixed Payer Swap Payments	$ 42	$ 612	$ 2,115	$ 5,694	$ 7,391
State Loans and SCWD Debt	317	300	559	481	381
Total Subordinate Obligations	359	912	2,674	6,175	7,772
Remaining Revenues	$ 43,591	$ 53,534	$ 37,496	$ 35,970	$ 37,733
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	$ 10,177	$ 22,040	$ 19,861	$ 9,276	$ 7,804
Pro-rata Share *Ad valorem* Assessments for Non-Double-Barrel GO Bonds	5,060	8,411	9,515	9,959	11,244
Sub-total Pledged Revenues	58,828	83,985	66,872	55,205	56,781
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	-	216	2,395	15,454	19,346
Additional Net Revenues	43,591	53,318	35,101	20,516	18,387
Total with Additional Pledged Revenues	$ 58,828	$ 83,985	$ 66,872	$ 55,205	$ 56,781
Debt Service					
Non-Double-Barrel GO Bond Debt Service	$ 28,935	$ 30,451	$ 29,376	$ 19,235	$ 21,179
GO Bond Coverage	2.0x	2.8x	2.3x	2.9x	2.7x
Remaining Revenues	$ 29,893	$ 53,534	$ 37,496	$ 35,970	$ 35,602
Total Debt Coverage	2.0x	2.6x	2.0x	2.3x	2.1x

Irvine Ranch Water District

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

	2011	2012	2013	2014	2015
Revenues					
Water sales and service charges	$ 54,796	$ 57,558	$ 62,565	$ 66,321	$ 70,110
Sewer sales and service charges	45,375	49,234	53,085	58,109	62,808
Developer Connection fees	10,572	9,030	17,314	22,429	29,183
Net real estate income	5,649	6,736	6,566	7,760	8,172
Interest income	2,599	1,739	1,549	1,671	1,643
Net earnings on JPA	12,444	11,927	20,294	12,356	-
Available 1% property tax revenue	22,396	27,652	25,719	28,532	29,711
Other	7,987	6,141	8,323	10,974	7,899
Total Revenues	161,818	170,017	195,415	208,152	209,526
Expenses					
Water supply services	45,961	44,883	51,163	57,624	57,978
Sewer services	33,382	33,086	38,189	37,715	54,575
Administrative and general	18,896	20,097	22,667	22,272	15,145
Other	989	10,713	6,110	7,163	9,752
Total Expenses	99,228	108,779	118,129	124,774	137,450
Net Revenues	**$ 62,590**	**$ 61,238**	**$ 77,286**	**$ 83,378**	**$ 72,076**
Applicable *Ad Valorem* Assessments Available for GO Double-Barrel Bonds	$ -	$ 5,816	$ 5,877	$ 6,409	$ 4,839
Parity Obligations					
Certificates of Participation	$ 7,680	$ 7,977	$ 8,300	$ 8,665	$ 9,098
1997 State Loan #3	226	226	226	227	227
Series 2010B Bonds	4,080	7,533	7,519	7,825	7,829
Series 2011-A Index Tender Notes	35	2,284	2,306	2,360	2,455
Total Parity Obligations Debt Service	12,021	18,020	18,351	19,077	9,609
Remaining Revenues	$ 50,569	$ 49,034	$ 64,812	$ 70,710	$ 57,306
Parity Obligation Coverage	**5.2x**	**3.7x**	**4.5x**	**4.7x**	**3.9x**
Subordinate Obligations					
Fixed Payer Swap Payments	$ 7,734	$ 7,441	$ 7,452	$ 7,475	$ 7,734
State Loans and SCWD Debt	253	254	308	308	308
Total Subordinate Obligations	7,987	7,695	7,760	7,783	8,042
Remaining Revenues	$ 42,582	$ 41,339	$ 57,052	$ 62,927	$ 49,264
$					
Non-Double-Barrel GO Bonds					
Revenues Pledged to Non-Double-Barrel GO Bonds					
1% Property tax revenues (Pledged to Secured Bonds)	$ 4,593	$ 3,292	$ 3,546	$ 3,013	$ 3,352
Pro-rata Share *Ad valorem* Assessments for Non-Double-Barrel GO Bonds	11,690	6,060	5,940	4,797	4,463
Sub-total Pledged Revenues	58,865	50,691	66,538	70,737	57,079
Additional Funds Available for Non-Double-Barrel GO Bonds					
Remaining 1% Property Tax Revenues	22,396	25,858	25,719	28,532	29,711
Additional Net Revenues	20,186	15,481	25,248	34,395	19,553
Total with Additional Pledged Revenues	$ 58,865	$ 50,691	$ 66,538	$ 70,737	$ 57,079
Debt Service					
Non-Double-Barrel GO Bond Debt Service	$ 16,899	$ 16,899	$ 17,129	$ 10,968	$ 12,840
GO Bond Coverage	3.483	3	3.884	6.449	4.445
Remaining Revenues	$ 41,966	$ 33,792	$ 49,409	$ 59,769	$ 44,239
Total Debt Coverage	2.1x	1.8x	2.1x	2.6x	2.1x

Source: Irvine Ranch Water District

Irvine Ranch Water District

Principal Employers

Fiscal Year Ended June 30, 2015

Name of Company	Number of Employees	Products	Percentage of Employment
University of California, Irvine	15,750	Educational	7.80%
Irvine Unified School District	4,285	Educational	2.12%
Blizzard Entertainment Inc.	2,620	Technology	1.30%
Broadcom	2,604	Technology	1.29%
Edwards Lifesciences	2,575	Surgical Appliances and Supplies	1.28%
Parker Hannifin	2,400	Aircraft Parts	1.19%
Allergan	1,922	Pharmaceutical (R&D/Marketing)	0.95%
Verizon Wireless	1,472	Wireless Communication	0.73%
B Braun Medical Inc.	1,370	Bio-Medical Manufacturing	0.68%
Western Digital Technologies	1,300	Technology	0.64%
			17.98%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2014)
Data was not yet available for FY2014/15 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	City of Irvine Population	City of Irvine Median Family Income	Total Personal Income	County of Orange Unemployment Rate
2006	322,000	192,167	$84,270	$7,352,397	3.6%
2007	330,000	199,400	85,624	7,667,079	4.0%
2008	330,000	207,646	98,923	8,601,736	5.3%
2009	330,000	212,541	91,101	8,723,320	8.3%
2010	331,500	217,686	94,903	8,090,372	9.5%
2011	330,000	219,156	93,258	8,484,794	9.2%
2012	334,000	223,729	90,939	8,886,628	7.9%
2013	340,000	231,117	92,599	8,174,011	6.1%
2014	370,000	242,651	92,663	9,595,168	5.0%
2015	370,000	242,651	N/A [1]	N/A[1]	4.2%

Source: City of Irvine Comprehensive Annual Financial Report (Fiscal Year Ended June 30, 2014) and County of Orange website

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

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

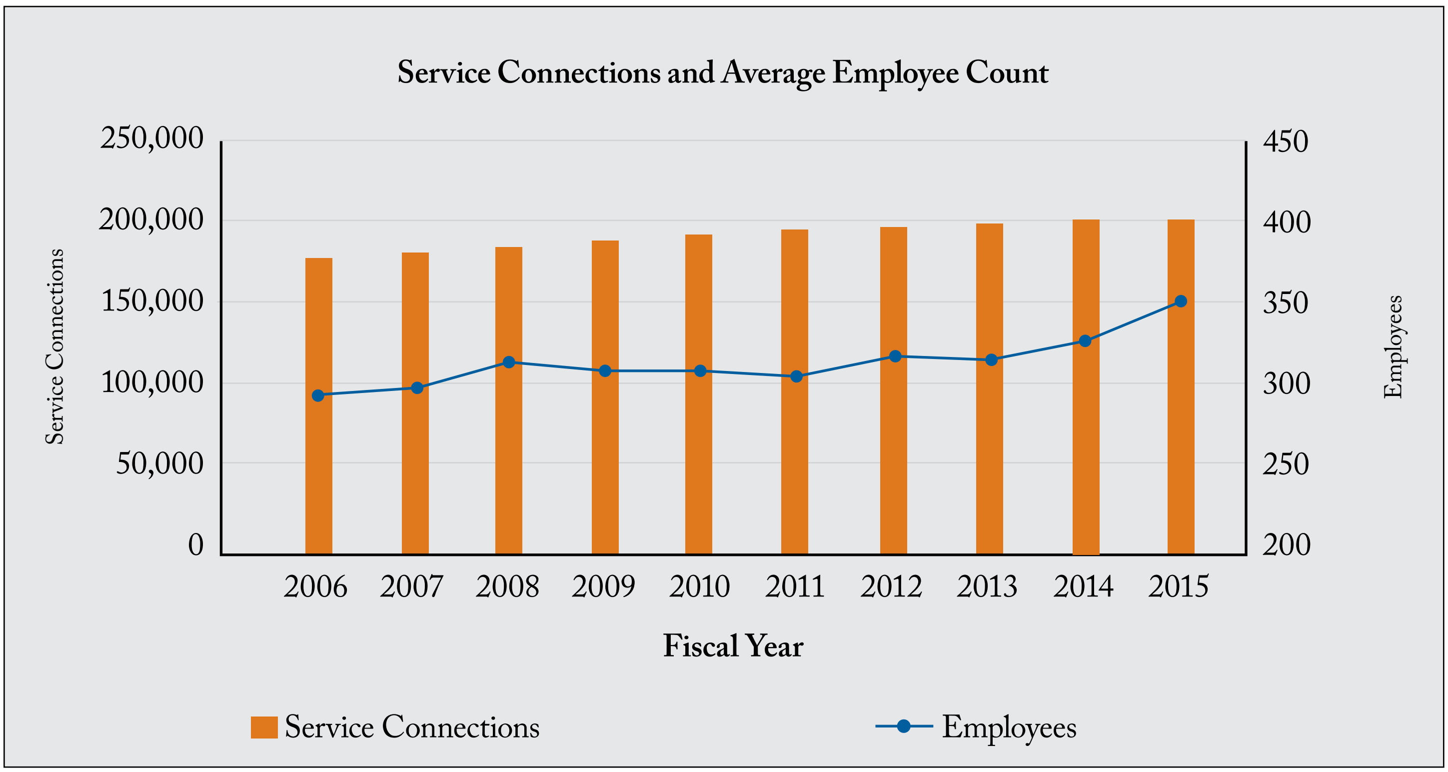
Note:

[1] Median Family Income and Total Personal Income for FY 2015 has not yet been published by the City of Irvine.

Irvine Ranch Water District

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

Fiscal Year	Potable Water	Non-Potable Water	Sewer & Recycled Water	Total Service Connections	Average Employee Population	Service Connections per Employee
2006	90,816	219	86,290	177,325	290	611
2007	93,531	293	88,316	182,140	303	601
2008	95,386	198	89,775	185,359	313	592
2009	96,110	201	90,545	186,856	310	603
2010	96,797	226	91,252	188,275	310	607
2011	98,453	184	92,837	191,474	305	628
2012	99,377	88	93,828	193,293	319	606
2013	101,020	88	95,488	196,596	316	622
2014	102,990	87	97,482	200,559	324	619
2015	104,994	84	99,397	204,475	350	584



Source: Irvine Ranch Water District

Irvine Ranch Water District

Operating Indicators by Function
New Service Connections
For the Past Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water										
Residential	2,039	2,211	1,439	552	631	1,469	862	1,520	1,848	2,127
Commercial/Industrial/										
Public Authority	52	312	330	149	19	98	18	27	40	(126)
Fire Protection	128	162	173	86	43	40	37	55	50	29
Construction & Temporary	59	9	(101)	(60)	(6)	39	3	31	36	4
Landscape Irrigation	91	93	(80)	13	33	(21)	(89)	8	(4)	(30)
Agricultural	0	2	(1)	(13)	(8)	(11)	(3)	2	(1)	(3)
Sewer										
Residential	2,002	1,462	891	527	613	1,462	861	1,521	1,829	2,127
Commercial/Industrial/										
Public Authority	150	290	357	156	21	37	21	29	41	(319)
Landscape Irrigation	156	276	207	84	63	85	102	112	127	113
Agricultural	0	(2)	4	3	10	1	7	(2)	(3)	(6)
Total	**4,777**	**4,815**	**3,219**	**1,497**	**1,419**	**3,199**	**1,819**	**3,303**	**3,963**	**3,916**

Source: Irvine Ranch Water District

Irvine Ranch Water District

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water										
Residential	11	11	11	10	10	9	9	9	9	12
Commercial	73	75	69	63	57	56	61	63	66	57
Industrial	241	228	226	211	200	201	201	204	192	267
Public Authority	454	356	359	347	300	295	296	306	305	378
Construction & Temporary	94	94	122	39	52	79	106	181	241	398
Treated - Landscape Irrigation	110	127	122	116	95	85	94	105	182	110
Treated - Agricultural	1,760	1,653	1,294	1,116	663	925	835	733	575	646
Untreated - Agricultural	7,659	7,991	6,405	7,495	6,925	4,714	4,768	5,799	6,314	8,504
	10,401	**10,534**	**8,608**	**9,397**	**8,302**	**6,364**	**6,370**	**7,400**	**7,884**	**10,372**
Recycled water										
Landscape Irrigation	176	211	191	182	152	134	152	169	182	192
Agricultural	895	1,792	1,792	2,418	1,874	2,247	3,768	4,145	4,145	4,992
	1,071	**2,003**	**1,982**	**2,600**	**2,026**	**2,381**	**3,920**	**4,314**	**4,327**	**5,184**

Source: Irvine Ranch Water District

Irvine Ranch Water District

Source of Supply and Demand in Acre Feet
For the Past Ten Fiscal Years

Source of Supply
(in cfs)

Fiscal Year	Local	Imported	Recycled	Total Supply
2006	100.5	241.8	29.1	371.4
2007	100.5	241.8	29.1	371.4
2008	96.1 [(1)]	241.8	35.3 [(2)]	373.2
2009	96.1	241.8	35.3	373.2
2010	96.1	241.8	35.3	373.2
2011	98.5 [(3)]	241.8	41.5	381.8
2012	98.5	241.8	41.5	381.8
2013	103.4 [(4)]	241.8	41.5	386.6
2014	108.2 [(4)]	241.8	41.5	391.5
2015	105.2 [(7)]	241.8	41.5	388.5

Source Water Necessary to Meet Demands
(in Acre Feet)

Fiscal Year	Potable and Untreated	Recycled	Total Demand
2006	73,863	15,416	89,279
2007	85,547	15,175	100,722
2008	82,412	16,566 [(2)]	98,978
2009	76,237	22,961	99,198
2010	70,102	20,848	90,950 [(5)]
2011	70,112	20,284	90,396
2012	66,342	20,602	86,944
2013	70,753	22,983	93,736 [(6)]
2014	77,522	21,693	98,458 [(6)]
2015	72,685	22,866	95,551 [(6)]

Source: Irvine Ranch Water District

Notes:

(1) The OPA well went down in FY 2008 and was rebuilt, coming online in FY 2011.

(2) The MWRP capacity was expanded and production increased in FY 2008 with total capacity identified in FY 2012.

(3) IDP wells went down in FY 2011 and will come back on line in FY 2015.

(4) Wells 21 & 22 came on line during FY 2013 and was at full capacity in FY 2014.

(5) Significant rainfall in December produced a much lower overall demand.

(6) Extremely dry conditions led to a considerable increase in demands.

(7) Groundwater levels dropped, reducing the water available from Wells 21 & 22.

Irvine Ranch Water District

Capital Asset Statistics
For the Past Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Potable System										
Miles of Water Line[1]	1,040	1,090	1,132	1,134	1,169	1,460	1,490	1,516	1,597	1,622
Number of Storage Tanks[3]	29	37	37	37	37	37	37	36	36	36
Maximum Storage Capacity (Acre Feet)	440	456	456	456	456	456	456	456	456	456
Number of Pumping Plants	32	40	40	45	45	45	45	40	41	42
Number of Wells	24	24	24	24	24	24	24	26	26	27
Well Production Capacity (cfs)	109	109	117	117	117	117	117	124	124	128
Water Banking Storage (Acre Feet)	-	-	-	-	57,600	59,600	59,600	59,600	59,600	59,600
Non-Potable and Recycled Systems										
Miles of Recycled Line[1]	337	367	399	400	407	468	478	488	503	509
Number of Storage Tanks[2]	0	11	11	11	11	11	11	12	12	12
Number of Open Reservoirs[2]	4	4	4	4	4	4	4	5	5	5
Maximum Storage Capacity (Acre Feet)[4]	23,696	23,703	23,703	23,703	23,703	23,703	23,703	24,155	24,155	24,155
Number of Pumping Plants	17	18	18	18	18	18	18	19	19	20
Number of Wells[5]	5	5	5	5	5	5	5	5	5	5
Well Production Capacity (cfs)	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Sewer System										
Miles of Sewer Line	680	809	899	901	940	950	962	971	1,009	1019
Number of Lift Stations[6]	16	16	16	16	15	15	13	11	11	14
Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity	22.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	35.5	35.5

Source: Irvine Ranch Water District

Notes:

[1] Miles of Line include laterals.

[2] IRWD began reporting storage tanks and open reservoirs separately in 2006. Previously for purposes of these statistics, both have been combined under "storage tanks".

[3] Total number of tanks excludes IRWD's storage capacity with East Orange County Water District. However, this capacity is accounted for in the maximum storage capacity estimate (456 AF).

[4] Excludes Serrano Water District's capacity in Irvine Lake, which equals 25% of total capacity.

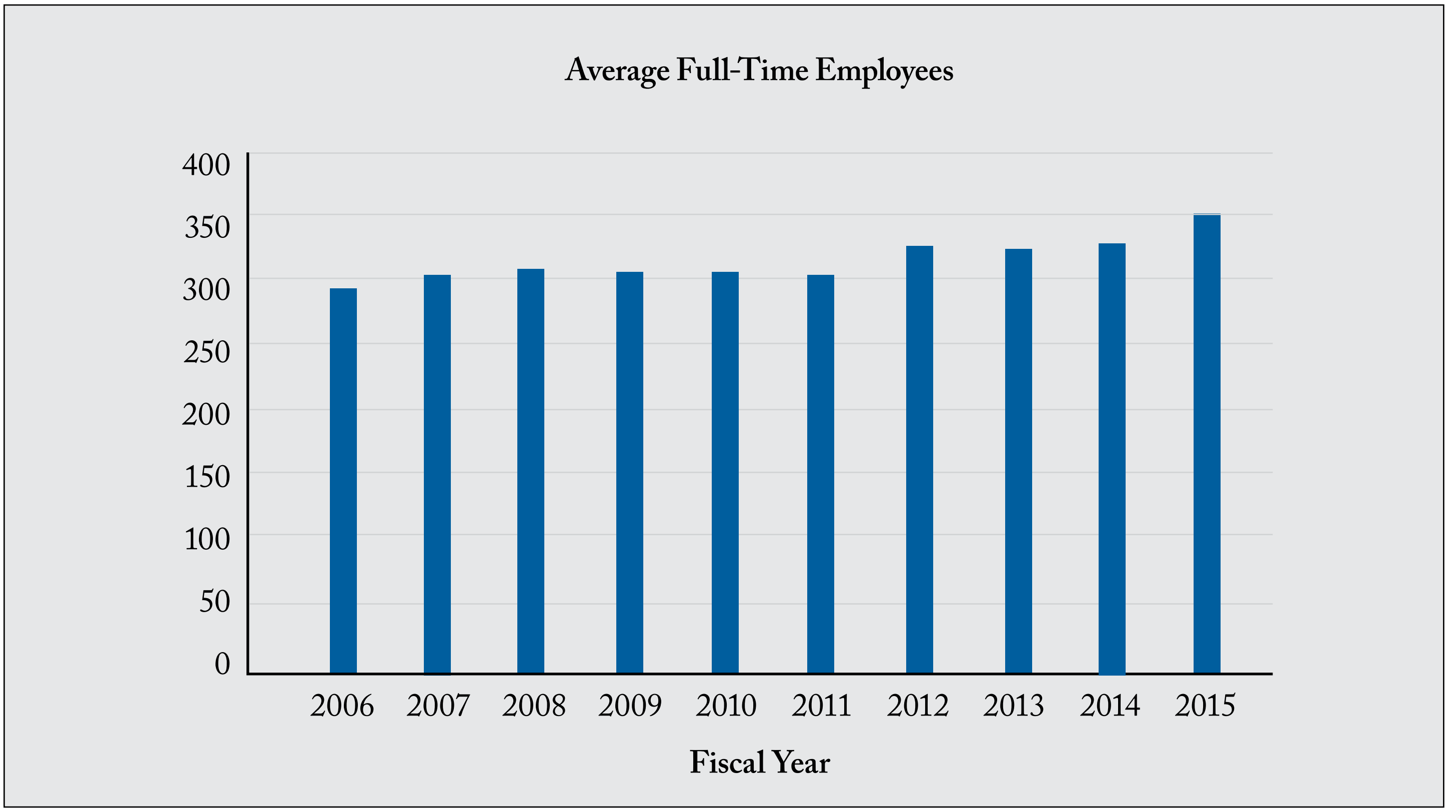
[5] Accounts for active production wells only (Excludes SGU Injection Well).

[6] Excludes private lift stations for IRWD facilities.

Irvine Ranch Water District

Full-Time Employees
For the Past Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average Full-Time Employees	290	303	313	310	310	305	319	316	324	350



Source: Irvine Ranch Water District

POST OFFICE BOX 57000
IRVINE, CA 92619-7000
949.453.5300

IRVINE RANCH
WATER DISTRICT