



**IRONHOUSE SANITARY DISTRICT  
ANNUAL FINANCIAL REPORT  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2022**

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**IRONHOUSE SANITARY DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ironhouse Sanitary District  
Oakley, California

### Opinion

We have audited the accompanying financial statements of the business-type activities of Ironhouse Sanitary District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, schedules related to the District's net pension liability on pages 37 - 38, and the schedules related to the District's net OPEB liability on pages 39 - 40 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.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Mamm. Umfria, Nelson CPA's

Sacramento, California  
November 30, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements for the fiscal year ending June 30, 2022 are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34), which requires the District to provide this overview of its financial statements for the fiscal year. Please read it in conjunction with the Basic Financial Statements.

The Ironhouse Sanitary District (the District) provides wastewater collection, treatment and disposal services and recycled water to individuals and businesses within the City of Oakley, Bethel Island, and from other unincorporated areas within the District's service boundary. The District's primary source of funding is from service charges, service connection fees and capacity fees from users of the services provided by the District.

The following management discussion and analysis (MD&A) will discuss the results of the District's operations. Key financial information for the current fiscal year will be compared with those of the prior year.

### A. District Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$99,053,308 (net position) compared to \$88,415,129 at June 30, 2021. For the fiscal year 2022, net position increased by \$10,638,179 as compared to fiscal year 2021 increase in net position of \$7,016,197.

The District's cash, cash equivalents, and investments at June 30, 2022 were \$40,222,403 representing an increase of \$7,971,520 from the June 30, 2021 balance of \$32,250,883. The increase reflects cash inflow from operations of \$13,182,126, cash outflow for debt service of \$2,937,700, and cash outflow for the purchase of capital assets of \$2,272,906 which includes \$848,160 paid to a developer under the terms of a reimbursement agreement.

Total District liabilities decreased by \$4,897,474 during fiscal year 2022 from \$40,021,630 at June 30, 2021 to \$35,124,156 at June 30, 2022. The primary reason for the decrease represents the annual principal debt service reduction of long-term debt in the amount of \$2,937,700 and the reduction in net pension liability of \$2,365,514.

As of the close of the current fiscal year, the District's Proprietary Fund reported Unrestricted Undesignated Net Position of \$5,934,519 compared to \$5,580,949 for the prior fiscal year, and Unrestricted Designated Reserves of \$11,718,473 compared to \$10,086,828 for the prior fiscal year. Restricted Net Position at June 30, 2022 is \$17,531,779 compared to \$12,387,969 at June 30, 2021.

The increase in Unrestricted Designated Net Position primarily reflects a transfer of \$5,016,949 from Unrestricted Undesignated Net Position to the Capital Expenditure Reserve and an allocation of \$367,005 of Ad Valorem taxes received in accordance with reserve policies. These increases were offset by purchases of capital assets of \$1,424,746 and the payment of a capital asset deposit of \$2,327,563 to be used for the future replacement of wastewater membranes.

The increase in Restricted Net Position reflects capacity fees received from developers in the amount of \$7,280,334 offset by the developers' annual share of debt service in the amount of \$1,366,031 and developer reimbursement payments of \$848,160. Additionally, \$77,667 of interest income was allocated to Restricted Net Position. Restricted capacity related fees are held for the purpose of developers' annual share of debt service and plant capacity expansion.

Deferred Outflow of Resources related to pension and other post-retirement benefits increased by \$640,034 during the fiscal year, whereas Deferred Inflow of Resources for pension and post-retirement benefits increased by \$2,582,168.

## **A. District Financial Highlights (continued)**

The primary revenue resources of the District are service charges, service connection fees and capacity fees from users of the services provided by the District which totaled \$20,852,065 in the fiscal year 2022, compared to \$18,241,563 in fiscal year 2021. The 14.3% increase was primarily the result of a 159 increase in new connections into the system in fiscal year 2022 as compared to fiscal year 2021. The increase in new connections resulted in a significant increase in service connection and capacity related fees. In addition, there was an overall 3% increase in the service fee per equivalent service units (ESUs) during the year.

The District had Operating Revenues of \$21,168,469 for the fiscal year 2022 versus \$18,514,287 for fiscal 2021 (14.3% increase). Operating Expenses of \$13,031,259 for fiscal year 2022 versus \$13,340,625 for fiscal year 2021 (2.3% decrease).

The District had Non-Operating Revenues of \$2,922,222 for fiscal year 2022 versus \$2,302,083 for fiscal 2021 (26.9% increase). The primary reason for the increase is the dissolution of the District's cattle operation which resulted in an increase in net cattle income of \$623,053 as compared to the prior year.

## **B. Using the Annual Report**

### Management Discussion and Analysis

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The financial statements and notes to the financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

### Government-Wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. They consist of Comparative Statements of Net Position and Comparative Statement of Revenues, Expenses and Changes in Net Position.

The Comparative Statements of Net Position present information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources; with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Comparative Statements of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave). In other cases, cash received in the current year will not be reflected as revenues until the event for which the revenues are earned has occurred (e.g., unearned revenue).

The government wide financial statements report on the District's activities. As previously stated, the activities are primarily supported by service charges, service connection fees and capacity fees. The District's function is to provide wastewater collection, treatment and disposal services, and recycled water to users within the District's area of operations. The financial statements can be found after this Management Discussion and Analysis.

### Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the general purpose financial statements. The Notes to Financial Statements can be found in this report after the basic financial statements.

## **C. Capital Assets and Debt Administration**

### Capital Assets:

As of June 30, 2022, the District's investment in Capital Assets for its Proprietary Fund was \$88,811,716 (net of accumulated depreciation). This investment in Capital Assets includes land, water recycling facility, collection system, buildings, vehicles, furniture and equipment. There was \$2,272,906 of major capital assets purchased during the fiscal year.

Additional information on the District's Capital Assets can be found in Note 4 to the Financial Statements included in this report.

### Debt Administration:

The District began construction in April 2009 on a new 4.3 MGD water recycling facility. The facility went into service in July 2011. The District entered into a project funding agreement with the California State Water Resources Control Board under their Clean Water State Revolving Fund Program. The District borrowed \$58,754,010 for construction of the water recycling facility. Repayment of the loan is paid in twenty annual installments of \$2,937,701 that commenced October 2012. As of June 30, 2022, the outstanding balance of the loan is \$29,377,005. The loan incurred no interest; however, to borrow funds, the District was required to provide 16.67% of the total loan amount. This portion of the loan is reported as prepaid interest and is amortized at an effective interest rate of 1.8%.

Additional information on the District's Debt can be found in Note 5 to the Financial Statements included in this report.

**IRONHOUSE SANITARY DISTRICT  
COMPARATIVE STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>ENTERPRISE FUND</u>		Percent Change
	<u>2022</u>	<u>2021</u>	
Assets:			
Current Assets	\$ 41,851,861	\$ 33,577,431	24.6 %
Related party receivables - long-term	-	29,185	(100.0)
Prepaid Interest	1,723,306	2,106,263	(18.2)
Investment in Cattle Operations, Net	-	1,172,156	(100.0)
Deposit for sales agreement	2,327,563	-	100.0
Capital Assets, Net	<u>88,811,716</u>	<u>90,146,572</u>	<u>(1.5)</u>
Total Assets	<u>134,714,446</u>	<u>127,031,607</u>	<u>6.0</u>
Deferred Outflows of Resources	2,293,632	1,653,598	38.7
Liabilities:			
Current Liabilities	4,853,709	4,433,151	9.5
Long-Term Liabilities	<u>30,270,447</u>	<u>35,588,479</u>	<u>(14.9)</u>
Total Liabilities	<u>35,124,156</u>	<u>40,021,630</u>	<u>(12.2)</u>
Deferred Inflows of Resources	2,830,614	248,446	1,039.3
Net Position:			
Net Investment in Capital Assets	63,868,537	60,359,383	5.8
Unrestricted Net Position			
Undesignated	5,934,519	5,580,949	6.3
Designated Reserves	<u>11,718,473</u>	<u>10,086,828</u>	<u>16.2</u>
Total Unrestricted	17,652,992	15,667,777	12.7
Restricted Net Position	<u>17,531,779</u>	<u>12,387,969</u>	<u>41.5</u>
Total Net Position	<u>\$ 99,053,308</u>	<u>\$ 88,415,129</u>	<u>12.0 %</u>

**IRONHOUSE SANITARY DISTRICT  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>ENTERPRISE FUND</u>		Percent Change
	<u>2022</u>	<u>2021</u>	
<b>Revenues:</b>			
Service charges	\$ 13,459,266	\$ 12,258,321	9.8 %
Service connection and related fees	112,465	95,366	17.9
Capacity fees	7,280,334	5,887,876	23.6
Fees other	138,928	41,494	234.8
Miscellaneous	<u>177,476</u>	<u>231,230</u>	<u>(23.2)</u>
Total operating revenues	<u>21,168,469</u>	<u>18,514,287</u>	<u>14.3</u>
<b>Expenses:</b>			
Salaries, benefits and payroll taxes	5,008,154	5,251,955	(4.6)
Administrative expenses	344,612	309,944	11.2
Utilities	804,805	822,758	(2.2)
Operations and maintenance	1,493,498	1,577,144	(5.3)
Professional services	801,149	926,255	(13.5)
Insurance	268,869	194,443	38.3
Depreciation	<u>4,310,172</u>	<u>4,258,126</u>	<u>1.2</u>
Total operating expenses	<u>13,031,259</u>	<u>13,340,625</u>	<u>(2.3)</u>
Operating income	<u>8,137,210</u>	<u>5,173,662</u>	<u>57.3</u>
<b>Non-operating revenues:</b>			
Taxes	378,974	355,816	6.5
Cattle income, net of expenses	1,341,971	718,918	86.7
Hay sales	315,755	293,316	7.7
Mineral rights	8,530	8,530	-
Investment income	(213,749)	76,612	(379.0)
Grazing lease	133,667	-	100.0
Gain on sale/disposal of assets	328,074	-	100.0
Capital contributions	<u>629,000</u>	<u>848,891</u>	<u>(25.9)</u>
Total non-operating revenues	<u>2,922,222</u>	<u>2,302,083</u>	<u>26.9</u>
Interest expense	<u>421,253</u>	<u>459,548</u>	<u>(8.3)</u>
Total non-operating expenses	<u>421,253</u>	<u>459,548</u>	<u>(8.3)</u>
Non-operating income	<u>2,500,969</u>	<u>1,842,535</u>	<u>35.7</u>
Change in net position	10,638,179	7,016,197	51.6
Net Position, Beginning of Year	<u>88,415,129</u>	<u>81,398,932</u>	<u>8.6</u>
Net Position, End of Year	<u>\$ 99,053,308</u>	<u>\$ 88,415,129</u>	<u>12.0 %</u>

#### **D. The Economic Outlook**

The District is dependent upon user service, connection and capacity fees for the funding of operations and capital improvements. Increases in service fees can only be implemented upon completing the State of California Proposition 218 process. During fiscal year 19-20, the District completed the Proposition 218 process which provides for a service fee increase of 9%, 5%, 5%, 0% and 0% over five years beginning fiscal year 2021. The five-year rate increase plan outlined in the Proposition 218 notice was developed and based on a third-party service fee rate study. For the current fiscal year, the District's Board of Directors voted to increase service fees by 3% rather than 5% as provided for in the proposition 218 service fee rate plan.

As outlined in the Proposition 218 notice, the primary purpose of the five-year rate plan is to provide additional service fees for an estimated \$25.4 million of capital improvements of the District's sewer system and water recycling facility infrastructure beginning fiscal year 20-21 through fiscal year 25-26. The estimated capital improvements are partially based on a third-party comprehensive reliability study of its water recycling facility which includes recommendations for various operating improvements of the facility. The study was conducted by an engineering firm specializing in facility reliability studies.

#### **E. Requests for information**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the District's Financial Officer at Ironhouse Sanitary District, 450 Walnut Meadows Drive, Oakley, CA, 94561.

**IRONHOUSE SANITARY DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2022**

**CURRENT ASSETS**

Cash and investments (Note 2)	\$ 22,690,624
Cash and investments - restricted (Note 2)	17,531,779
Accounts receivable	343,496
Related party receivables (Note 11)	45,520
Interest receivable	71,604
Supply inventory	525,809
Prepaid expenses	260,072
Prepaid interest (current portion) (Note 5)	<u>382,957</u>

Total Current Assets 41,851,861

**NON-CURRENT ASSETS**

Prepaid interest (less current portion) (Note 5)	1,723,306
Deposit for sales agreement	2,327,563
Capital assets (net of accumulated depreciation) (Note 4)	<u>88,811,716</u>

Total Non-Current Assets 92,862,585

**TOTAL ASSETS**

134,714,446

**DEFERRED OUTFLOWS OF RESOURCES**

Changes in the net pension liability (Note 7)	1,231,827
Changes in the net OPEB liability (Note 9)	<u>1,061,805</u>

Total Deferred Outflows of Resources 2,293,632

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

\$ 137,008,078

The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT  
STATEMENT OF NET POSITION (CONTINUED)  
AS OF JUNE 30, 2022**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 1,075,965
Payroll related liabilities	135,230
Customer deposits payable	110,341
Compensated absences (current portion) (Note 5)	248,777
State revolving fund loan (current portion) (Note 5)	2,937,701
Unearned revenues (Note 6)	<u>345,695</u>
Total Current Liabilities	<u>4,853,709</u>
<b>LONG TERM LIABILITIES</b>	
Net pension liability (Note 7)	2,475,795
Net OPEB liability (Note 9)	1,248,729
Compensated absences (less current portion) (Note 5)	106,619
State revolving fund loan (less current portion) (Note 5)	<u>26,439,304</u>
Total Long-Term Liabilities	<u>30,270,447</u>
<b>TOTAL LIABILITIES</b>	<u>35,124,156</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Changes in the net pension liability (Note 7)	2,295,567
Changes in the net OPEB liability (Note 9)	<u>535,047</u>
Total Deferred Inflows of Resources	<u>2,830,614</u>
<b>NET POSITION</b>	
Net investment in capital assets (Note 12)	63,868,537
Unrestricted (Note 12)	17,652,992
Restricted for:	
Debt Service	2,937,701
Trunkline Capacity	3,702,377
Capacity Fee Reserve	<u>10,891,701</u>
Total Restricted (Note 12)	<u>17,531,779</u>
<b>TOTAL NET POSITION</b>	<u>99,053,308</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 137,008,078</u>

The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**OPERATING REVENUES**

Service charges	\$ 13,459,266
Service connection and related fees	112,465
Capacity fees (Note 6)	7,280,334
Fees - other	138,928
Miscellaneous	<u>177,476</u>
 Total Operating Revenues	 <u>21,168,469</u>

**OPERATING EXPENSES**

Salaries, benefits and payroll taxes	5,008,154
Administration expenses	344,612
Utilities	804,805
Operations and maintenance	1,493,498
Professional services	801,149
Insurance	268,869
Depreciation	<u>4,310,172</u>
 Total Operating Expenses	 <u>13,031,259</u>
 Net Operating Income	 <u>8,137,210</u>

**NON-OPERATING REVENUES (EXPENSES)**

Taxes	378,974
Cattle income, net of expenses	1,341,971
Hay sales	315,755
Mineral rights	8,530
Investment income	(213,749)
Interest expense	(421,253)
Gain on sale of assets	328,074
Lease revenue	<u>133,667</u>
 Total Nonoperating Revenues, net	 <u>1,871,969</u>

**INCOME BEFORE CONTRIBUTIONS** 10,009,179

Capital contributions 629,000

**INCREASE IN NET POSITION** 10,638,179

**NET POSITION, BEGINNING OF YEAR** 88,415,129

**NET POSITION, END OF YEAR** \$ 99,053,308

The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 21,846,060
Cash paid to employees and for benefits and payroll taxes	(5,503,860)
Cash paid to suppliers and vendors	<u>(3,726,948)</u>
Net Cash Provided by Operating Activities	<u>12,615,252</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Taxes received	<u>378,974</u>
Net Cash Provided by Noncapital Financing Activities	<u>378,974</u>

**CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(2,272,906)
Sale of cattle	3,090,164
Acquisition of cattle	(33,000)
Cattle operations expenses	(657,433)
Principal payments on state revolving fund loan	(2,937,700)
Proceeds of the disposition of assets	<u>40,985</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,769,890)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	106,096
Purchase of investments	(8,590,766)
Purchase of sales agreement	(2,327,563)
Gain on sale of assets	<u>328,074</u>
Net Cash Used for Investing Activities	<u>(10,484,159)</u>

**NET DECREASE IN CASH** (259,823)

**CASH AND CASH EQUIVALENTS - JULY 1, 2021** 1,888,977

**CASH AND CASH EQUIVALENTS - JUNE 30, 2022** \$ 1,629,154

**RECONCILIATION TO CASH AND INVESTMENTS ON THE STATEMENT OF NET POSITION**

Cash and investments	\$ 22,690,624
Cash and investments - restricted	17,531,779
Less: Investments (Note 2)	<u>(38,593,249)</u>

**CASH AND CASH EQUIVALENTS - JUNE 30, 2022** \$ 1,629,154

The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED  
JUNE 30, 2022**

<b><u>OPERATING INCOME</u></b>	<b>\$ 8,137,210</b>
Adjustments to reconcile operating Income to net cash provided by operating activities:	
Depreciation expense	4,310,172
Hay sales	315,755
Mineral rights	8,530
Lease revenue	133,667
Decrease in net pension liability	(2,364,514)
Decrease in OPEB liability	(63,662)
Increase in deferred inflows	2,582,168
Increase in deferred outflows	(640,034)
Increase in accounts receivable	(123,913)
Decrease in prepaid expenses	17,785
Increase in supply inventory	(166,315)
Increase in accounts payable	134,515
Increase in customer deposits	25,000
Increase in payroll related liabilities	2,279
Decrease in compensated absences	(11,943)
Increase in unearned revenue	<u>318,552</u>
Total adjustments	<u>4,478,042</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>12,615,252</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Developer contributions	<u>\$ 629,000</u>

The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Ironhouse Sanitary District (the "District") provides sewage collection, treatment and disposal services, and recycled water to the City of Oakley and the unincorporated area of Bethel Island, California. There are five members on the District's Board of Directors. These members are elected to four year terms.

Ironhouse Sanitary District, formally known as the Oakley Sanitary District, was formed on August 27, 1945 under the provisions of sections 6400-6907.5 of the California Health and Safety Code. On February 1, 1992 the District annexed the territory of the former Contra Costa County Sanitation District Number 15 and received title to all of the assets of the Contra Costa County Sanitation District Number 15 and the Oakley-Bethel Island Wastewater Management District. The District also assumed all liabilities of the two entities.

Basis of Presentation

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

The District follows the enterprise method of accounting practices and reporting methods approved for waste disposal districts. An Enterprise type fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses excluding depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Reporting

The District prepares an operations and maintenance budget at the beginning of each year for the following fiscal year. Capital budgets are adopted on a project basis. Formal budgetary integration is employed as a management control device.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Inputs, Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the assets. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

*Level 1* - Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that are accessible to the District.

*Level 2* - Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs.)

*Level 3* - Unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the District's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Supply Inventory

Inventory is valued at average cost which approximates market. Inventory consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed.

Prepaid Expenses

Certain payments for health insurance, maintenance, and liability insurance reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. The District established a threshold of \$5,000 for capitalization of depreciable assets. Depreciation has been provided using the straight-line method of accounting over the following estimated useful lives of the assets:

Plant and conveyance system - 40 years  
Vehicles, furniture and equipment - 5 to 20 years

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cattle Operations

During the fiscal year ended June 30, 1997, the District acquired several herds of cattle. These cattle were purchased primarily to maintain the grass levels of the Jersey Island land owned by the District. In accordance with Accounting Standards Codification 905-10 *Accounting by Agricultural Producers and Agricultural Cooperatives*, the cost of purchasing and raising these cattle is capitalized. Mature cattle are depreciated over their useful lives which is considered to be 8 years. Immature cattle are capitalized and are charged to cattle operations expense when sold. During 2022, the District dissolved their cattle operations and sold all their cattle. See Note 3. The grass levels of Jersey Island are now being maintained by an agreement with a third party.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation leave. The liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees.

Pensions

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and assets information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Outflows and 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the residual interest in the District's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is presented in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, and outstanding principal balances of debt and related deferred outflows and inflows attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Operating losses outside of depreciation are funded by operating and capital reserves.

Use of Estimates

The preparation of financial statements in accordance 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 these estimates.

Subsequent Events

Subsequent events have been evaluated through November 30, 2022, which is the date the financial statements were issued.

Implementation of Government Accounting Standards Board Statements

Effective July 1, 2021, the District implemented the following accounting and financial reporting standards:

*Government Accounting Standards Board Statement No. 87*

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement has had no material impact on the District's financial statements for the fiscal year ending June 30, 2022.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Government Accounting Standards Board Statement No. 89*

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement has had no material impact on the District's financial statements for the fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 92*

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement has had no material impact on the District's financial statements for the fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 93*

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Application of this statement has had no material impact on the District's financial statements for the fiscal year ending June 30, 2022.

*Government Accounting Standards Board Statement No. 97*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement has had no material impact on the District's financial statements for the fiscal year ending June 30, 2022.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2022 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

*Government Accounting Standards Board Statement No. 91*

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

*Government Accounting Standards Board Statement No. 94*

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

*Government Accounting Standards Board Statement No. 96*

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires not disclosures regarding a SBITA. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to leases, PPPs and SBITAs are effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments are reported in the accompanying financial statements as follows:

Cash and investments	\$ 22,690,624
Restricted cash and investments	<u>17,531,779</u>
<b>Total</b>	<b><u>\$ 40,222,403</u></b>

The restricted cash balance is restricted for the current portion of the state revolving fund loan, and capacity fees. The restricted cash is also presented as restricted net position in the statement of net position.

The components of the District's cash and cash equivalents at June 30, 2022 are as follows:

Cash on hand	\$ 288
Deposits with financial institutions	<u>1,628,866</u>
Total cash	<u>1,629,154</u>
Local Agency Investment Fund	17,965,981
CalTRUST Investment Fund	3,508,124
Certificates of Deposit	6,221,048
Corporate Bonds	5,875,242
Government Securities	4,942,734
Money Market Mutual Funds	<u>80,120</u>
Total investments	<u>38,593,249</u>
<b>Total cash and investments</b>	<b><u>\$ 40,222,403</u></b>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**Authorized Investments of the District**

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that addresses interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
Banker's Acceptances	180 days	10%	5%
Commercial Paper	270 days	25%	5%
Certificates of Deposit	5 years	30%	None
Bank Deposits	5 years	None	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
CD Placement Services	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Funds (CalTRUST)	N/A	None	None
U.S. Agency Obligations	5 years	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk in the market rate changes that could adversely affect the fair values 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 and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2022:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Certificates of Deposit	\$ 3,084,829	\$ 3,136,219	\$ 6,221,048
Corporate Bonds	499,550	5,375,692	5,875,242
Government Securities	1,995,274	2,947,460	4,942,734
Money Market Mutual Funds	80,120	-	80,120
Local Agency Investment Fund	17,965,981	-	17,965,981
CalTRUST Investment Fund	3,508,124	-	3,508,124
	<u>\$ 27,133,878</u>	<u>\$ 11,459,371</u>	<u>\$ 38,593,249</u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 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 an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ 17,965,981			Not rated
CalTRUST Short-term Investment Fund	1,713,185	AAf		
CalTRUST Medium Term Investment Fund	1,794,939	A+f		
Certificates of Deposit	6,221,048			Not rated
Corporate Bonds	5,875,242	AAA-AA		
Government Securities	4,942,734			Not rated
Money Market Mutual Funds	80,120			Not rated
	<u>\$ 38,593,249</u>			

**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. As of June 30, 2022 there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total District investments.

**Investment Valuation**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2022.

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 6,221,048	\$ -	\$ 6,221,048
Corporate Bonds	-	5,875,242	-	5,875,242
Government Securities	4,942,734	-	-	4,942,734
Money Market Mutual Funds	80,120	-	-	80,120
Total assets at fair value	<u>\$ 5,022,854</u>	<u>\$ 12,096,290</u>	<u>\$ -</u>	<u>\$ 17,119,144</u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio).

**NOTE 3: INVESTMENT IN CATTLE**

The following is a summary of the changes in investment in cattle for the year ended June 30, 2022:

Investment in cattle at July 1, 2021	\$ 1,428,044
Activities of cattle operations, for the fiscal year ended June 30, 2022:	
Purchases of cattle	33,000
Additional capital expenditures	657,433
Cost basis for cattle sold	<u>(2,118,477)</u>
Investment in cattle at June 30, 2022	<u>-</u>
Accumulated depreciation on investment in cattle at June 30, 2022	<u>-</u>
Net investment in cattle at June 30, 2022	<u><u>\$ -</u></u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
<b>Capital assets not being depreciated</b>					
Land and improvements	\$ 8,467,524	\$ -	\$ (8,580)	\$ -	\$ 8,458,944
Work in progress	<u>312,938</u>	<u>42,247</u>	<u>-</u>	<u>-</u>	<u>355,185</u>
<b>Total capital assets not depreciated</b>	<u>8,780,462</u>	<u>42,247</u>	<u>(8,580)</u>	<u>-</u>	<u>8,814,129</u>
<b>Capital assets being depreciated</b>					
Plant and improvements	53,166,351	210,367	(76,496)	-	53,300,222
Collection system and pipelines	64,670,096	1,838,559	-	-	66,508,655
Vehicles	2,607,948	154,568	(356,242)	-	2,406,274
Equipment	<u>25,810,216</u>	<u>656,165</u>	<u>(113,811)</u>	<u>-</u>	<u>26,352,570</u>
<b>Total capital assets being depreciated</b>	<u>146,254,611</u>	<u>2,859,659</u>	<u>(546,549)</u>	<u>-</u>	<u>148,567,721</u>
<b>Less: accumulated depreciation</b>					
Plant and improvements	(15,122,381)	(1,359,861)	76,496	-	(16,405,746)
Collection system and pipelines	(34,234,539)	(1,498,134)	-	-	(35,732,673)
Vehicles	(1,759,179)	(135,384)	334,952	-	(1,559,611)
Equipment	<u>(13,772,401)</u>	<u>(1,202,399)</u>	<u>102,696</u>	<u>-</u>	<u>(14,872,104)</u>
<b>Total accumulated depreciation</b>	<u>(64,888,500)</u>	<u>(4,195,778)</u>	<u>514,144</u>	<u>-</u>	<u>(68,570,134)</u>
<b>Capital Assets, net</b>	<u>\$ 90,146,573</u>	<u>\$ (1,293,872)</u>	<u>\$ (40,985)</u>	<u>\$ -</u>	<u>\$ 88,811,716</u>

Depreciation expense for the year ended June 30, 2022 totaled \$4,310,172, and includes \$114,394 in depreciation expense on investment in cattle.

**NOTE 5: LONG-TERM LIABILITIES**

A summary of long-term liability activity for the year ended June 30, 2022 is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Due within One Year</u>
State Revolving Fund Loan	\$ 32,314,705	\$ -	\$ (2,937,700)	\$ 29,377,005	\$ 2,937,701
Compensated Absences	<u>367,339</u>	<u>269,344</u>	<u>(281,287)</u>	<u>355,396</u>	<u>248,777</u>
<b>Total</b>	<u>\$ 32,682,044</u>	<u>\$ 269,344</u>	<u>\$ (3,218,987)</u>	<u>\$ 29,732,401</u>	<u>\$ 3,186,478</u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 5: LONG-TERM LIABILITIES (CONTINUED)**

**State Revolving Fund Loan**

The District entered into a project financing agreement with the California State Water Resources Control Board ("Board") under their Clean Water State Revolving Fund Program. The Program provides low-interest loan funding for construction of publicly-owned wastewater treatment facilities. Ironhouse was approved for funding for its Wastewater Treatment Plant Upgrade and Expansion Project. The cost for the Project was \$58,754,020. The loan was disbursed as costs were incurred. Repayment of the loan is paid in annual installments which began October 2012. Full repayment of the loan will be made by October of 2031. The loan bears no interest. However, in order to participate in the zero interest loan program, the District was required to provide 16.667% of the total loan amount. This portion (16.667%) of the loan represents interest costs and is reported on the Statement of Net Position as prepaid interest. Interest expense is amortized over the life of the loan at an effective interest rate of 1.8%. \$421,253 of the prepaid balance was amortized in the current year, resulting in a remaining balance of \$2,106,263 as of June 30, 2022, of which \$382,957 is current. In the event of termination upon written notice at the option of the State Water Board or upon violation of any material provisions of the project financing agreement, the District has agreed to, upon demand, repay the Board all unpaid installment payments in full. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date of notice to date of full repayment.

Debt service requirements for the State Revolving Fund Loan are as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Total Payments</u>	<u>Interest Expense</u>
2023	\$ 2,937,701	\$ 2,937,701	\$ 382,957
2024	2,937,701	2,937,701	344,661
2025	2,937,701	2,937,701	306,366
2026	2,937,701	2,937,701	268,070
2027 - 2031	14,688,505	14,688,505	765,914
2032	<u>2,937,696</u>	<u>2,937,696</u>	<u>38,295</u>
Total	<u>\$ 29,377,005</u>	<u>\$ 29,377,005</u>	<u>\$ 2,106,263</u>

**NOTE 6: CAPACITY FEES**

Capacity fees are charged to each individual and business as they are hooked up to the sewer lines in either the City of Oakley or the unincorporated area of Bethel Island.

Capacity fees are to be used exclusively for future capacity expansion of the plant or infrastructure. They are not intended to be used for the normal operating expenses of the District. As of June 30, 2022, \$14,594,078 had been earned and designated for future expansion. During the year ended June 30, 2022, \$7,280,334 in capacity fees were earned.

As of June 30, 2022, the District had accrued \$345,695 in unearned revenue as a result of cash received but not earned. This balance will be recognized in future periods once the District has met its obligations.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the District’s Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan), administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety and miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety or miscellaneous pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Plan	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit Formula	2.7% @ 55	2% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rate	8.0%	6.5%
Required Employer Contribution Rate*	32.45%	8.09%

\*The required employer contribution rate is the sum of the employer normal cost rate plus the employer unfunded accrued liability contribution amount.

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s contributions to the Plan for the year ended June 30, 2022 were \$783,151.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2022, the District reported a net pension liability of \$2,475,795 for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.04449 %
Proportion - June 30, 2022	<u>0.04578 %</u>
Change - Increase (Decrease)	<u><u>0.00129 %</u></u>

For the year ended June 30, 2022, the District recognized pension expense of \$538,144. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Pension contributions subsequent to measurement date	\$ 783,151	\$ -
Differences between projected and actual experience	277,634	-
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	-	134,203
Adjustment due to differences in proportions	171,042	126
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>2,161,238</u>
Total	<u>\$ 1,231,827</u>	<u>\$ 2,295,567</u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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JUNE 30, 2022**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

\$783,151 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2023	\$ (383,494)
2024	(396,549)
2025	(469,593)
2026	(597,255)

**C. Actuarial Assumptions** – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived Using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality tables include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

***Change in Assumptions***

For the measurement periods June 30, 2021, 2020, and 2019 there were no changes of assumptions. For the measurement period June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. For the measurement period June 30, 2017, the accounting discount rate was lowered from 7.65 percent to 7.15 percent. There were no changes of assumptions during the measurement period June 30, 2016.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**D. Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.15% percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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 from the CalPERS website under the GASB 68 section.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>Miscellaneous</b>
1% Decrease Net Pension Liability	6.15% \$5,436,223
Current Discount Rate Net Pension Liability	7.15% \$2,475,795
1% Increase Net Pension Liability	8.15% \$28,452

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 8: DEFERRED COMPENSATION PLAN**

During the fiscal year ended June 30, 1997 the District approved and established the Ironhouse Sanitary District Deferred Compensation Plan ("the deferred compensation plan") for its employees created in accordance with Internal Revenue Code 457. The deferred compensation plan was administered by Mass Mutual Financial Group through November 12, 2021 and transferred to Empower Retirement thereafter. The Plan is available to all permanent employees and Directors and permits them to defer a portion of their current salary until future years. The deferred compensation, which is held in trust by Empower, is not available to participants until termination, retirement, death or unforeseeable emergency. During the year ending June 30, 2022, the employees contributed \$55,880.

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Description of Plan**

The District’s defined benefit healthcare plan, Ironhouse Sanitary District Retiree Healthcare Plan (the Healthcare Plan), provides health insurance benefits to participants and beneficiaries. The Healthcare Plan is part of the California Employers’ Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating entities within the state of California. Benefit provisions and all other requirements are established by state statute and the District. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS’ annual financial report may be obtained from the CalPERS Executive Office at 400 "P" Street, Sacramento, California 95814.

Under the plan service or disability, retirees for all employees hired before August 1, 2006 and all employees with 20 years of District service hired after August 1, 2006 are eligible to receive post-retirement health insurance benefits. Participants do not contribute to the Healthcare Plan.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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JUNE 30, 2022**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Employees covered***

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan.

Active employees	27
Inactive employees currently receiving benefits	<u>27</u>
Total	<u><u>54</u></u>

***Contributions***

The District's policy is to fully fund the actuarially determined contribution. The District makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2022, the District contributed \$400,000.

***Net OPEB Liability***

The District's net OPEB liability ("NOL") was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions.

Discount Rate	6.75 %	
Inflation	2.63 %	
Salary increases per annum	2.75 %	
Investment Rate of Return	6.75 %	
Healthcare Trend Rate	4.00 %	
Mortality rates		
Miscellaneous		Mortality Tables - 2017 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates:		
All Participants		Hired before 2013: 2017 CalPERS 2.7%@55 Rates for Miscellaneous Employees Hired after 2013: 2017 CalPERS 2%@62 Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.75% based on an assumption that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The discount rate was derived using historic 28 year real rates of return for each asset class along with an assumption of long-term inflation offset by expected investment expenses of 25 basis points.

***Asset Allocation and Assumed Rate of Return***

The assumed gross return was determined using rolling periods of time for all asset class combinations to appropriately reflect correlation between asset classes. The assumed gross rate of return is based on a geometric mean not an arithmetic mean. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All Equities	59.0 %	7.6750 %
All Fixed Income	25.0 %	4.3800 %
Real Estate Investment Trusts	8.0 %	7.3800 %
All Commodities	3.0 %	7.6750 %
Treasury Inflation Protected Securities (TIPS)	5.0 %	3.1300 %
	<u>100.0 %</u>	

***Changes in the OPEB liability***

To determine the June 30, 2021 (measurement period) net OPEB liability, the District used a "roll-forward" technique for the total OPEB liability. The fiduciary net position is based on the actual June 30, 2021 fiduciary net position. The following table shows the results of the roll-forward.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2020	\$ 4,146,166	\$ 2,833,775	\$ 1,312,391
Service cost	83,977	-	83,977
Interest on TOL	293,171	-	293,171
Employer contributions	-	350,000	(350,000)
Expected investment income	-	200,974	(200,974)
Investment gains/losses	-	578,245	(578,245)
Administrative expense	-	(1,073)	1,073
Change in assumptions	279,336	-	279,336
Expected benefit payments	(264,725)	(274,360)	9,635
Experience gains/losses	<u>398,365</u>	<u>-</u>	<u>398,365</u>
Net change during 2020-21	<u>790,124</u>	<u>853,786</u>	<u>(63,662)</u>
Balance at June 30, 2021	<u>\$ 4,936,290</u>	<u>\$ 3,687,561</u>	<u>\$ 1,248,729</u>

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following represents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2021:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net OPEB Liability	\$ <u>1,858,915</u>	\$ <u>1,248,729</u>	\$ <u>741,464</u>

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following represents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2021:

	<u>1% Decrease 3.00%</u>	<u>Current Healthcare Cost Trend Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Net OPEB Liability	\$ <u>668,048</u>	\$ <u>1,248,729</u>	\$ <u>1,963,170</u>

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

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

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

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

Net difference between projected and actual earnings on OPEB plan investments      5 year straight-line recognition

All other amounts      Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service year.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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JUNE 30, 2022**

**NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$158,965. As of fiscal year ended June 30, 2022, the District reported deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 400,000	\$ -
Net differences between projected and actual earnings on investments	661,805	-
Differences between expected and actual experience	-	535,047
Total	\$ 1,061,805	\$ 535,047

\$400,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2023	\$ (18,282)
2024	(13,994)
2025	(18,210)
2026	(37,035)
2027	78,614
Thereafter	135,665

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 10: JOINT VENTURE - CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY (CSRMA)**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an on-going financial responsibility.

The District participates in a joint venture under a joint powers agreement (JPA) with the California Sanitation Risk Management Authority (CSRMA). CSRMA was formed to provide common risk management and loss prevention programs related to public liability, auto liability, public official's errors and omissions, property loss and workers' compensation risk for member governmental agencies. CSRMA is not a component unit of the District for financial reporting purposes but the District does retain an on-going financial responsibility in CSRMA. During the year ended June 30, 2022, the District made \$377,220 in insurance premium payments to CSRMA.

Condensed audited financial information for the year ended June 30, 2021 (the most recent available) was as follows:

Total assets	\$ 31,110,033
Total liabilities	<u>24,687,781</u>
 Total net position	 <u>\$ 6,422,252</u>
 Total revenues	 \$ 15,793,441
Total expenses	<u>16,584,260</u>
 Increase in net position	 <u>\$ (790,819)</u>

Complete financial statements for CSRMA can be obtained from the CSRMA, care of Alliant Insurance Services, Inc., 100 Pine Street, 11th floor, San Francisco, California, 94111.

**NOTE 11: RELATED PARTY TRANSACTIONS**

The General Manager and Assistant General Manager of the District are also the President and Treasurer of Reclamation District No. 830 (RD830). RD830 was established to maintain the integrity of the levee system on Jersey Island which is wholly owned by the District. During the year ended June 30, 2022, the District paid \$332,565 in assessments to RD830. In addition, RD830 reimbursed the District in the amount of \$142,262 for levee repairs performed by Ironhouse employees and for the use of its equipment. As of June 30, 2022, \$16,336 was due from RD830 and is reported as a current receivable. Management believes these transactions were consummated on terms equivalent to those that prevail in arms length transactions.

In 2018, the District agreed to loan the District's General Manager \$72,961 for the repayment of a student loan. As long as the General Manager remains an employee of the District, one-fifth of the loan will be forgiven beginning on July 17, 2019 and each subsequent year thereafter until July 17, 2023 at which time the loan will be completely forgiven. Upon the General Manager's termination prior to July 17, 2023, the unforgiven loan balance may be subject to repayment by the General Manager, without interest, depending upon the reason for termination as outlined in the General Manager's Employment Agreement dated July 17, 2018. As of June 30, 2022, \$29,184 is reported as a current receivable. The Board of Directors fully forgave the loan on July 17, 2022.

**IRONHOUSE SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

**NOTE 12: NET POSITION**

As of June 30, 2022, net position of the District consisted of the following:

Net investment in capital assets		\$ 63,868,537
Unrestricted:		
Undesignated		5,934,519
Designated reserve for capital expenditures		10,951,025
Designated reserve for rate stabilization		732,000
Designated reserve for Jersey Island use fees		<u>35,448</u>
Total Unrestricted		<u>17,652,992</u>
Restricted:		
Debt service		2,937,701
Trunkline capacity		3,702,377
Capacity fee reserve		<u>10,891,701</u>
Total Restricted		<u>17,531,779</u>
Total Net Position		<u>\$ 99,053,308</u>

**NOTE 13: VOTER LEGISLATION**

Proposition 218, which was approved by voters in November 1996, regulates the District's ability to impose, increase, and extend assessments and fees. Any new, increased, or extended assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. The District's Board of Directors approved a five-year rate plan to implement planned service fee increases beginning fiscal year 2020-2021 to fund operations and capital improvements. The District satisfied all necessary criteria required by Proposition 218 prior to obtaining Board approval.

**Required Supplementary Information**

**IRONHOUSE SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2022  
LAST 10 YEARS\***

	Measurement Period							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.04578 %	0.04449 %	0.04310 %	0.04314 %	0.04415 %	0.04449 %	0.04578 %	0.04365 %
Proportionate share of the net pension liability	\$ 2,475,795	\$ 4,840,309	\$ 4,416,938	\$ 4,157,300	\$ 4,378,364	\$ 3,849,906	\$ 3,142,358	\$ 2,722,495
Covered payroll	\$ 2,985,859	\$ 2,988,492	\$ 2,700,778	\$ 2,416,559	\$ 2,303,744	\$ 2,531,104	\$ 2,562,268	\$ 2,566,478
Proportionate share of the net pension liability as a percentage of covered payroll	82.92 %	161.96 %	163.54 %	172.03 %	190.05 %	152.10 %	122.64 %	106.08 %
Plan fiduciary net position as a percentage of the total pension liability	88.30 %	75.10 %	77.23 %	75.39 %	73.31 %	74.06 %	78.40 %	79.82 %

**Notes to Schedule:**

**Benefit changes:** In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

**Changes in assumptions:** In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

\* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

**IRONHOUSE SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
AS OF JUNE 30, 2022  
LAST 10 YEARS\***

	Fiscal Year-End							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 783,151	\$ 697,187	\$ 619,790	\$ 527,665	\$ 586,816	\$ 539,201	\$ 545,636	\$ 596,008
Contributions in relation to the actuarially determined contributions	<u>(783,151)</u>	<u>(697,187)</u>	<u>(619,790)</u>	<u>(527,665)</u>	<u>(586,816)</u>	<u>(539,201)</u>	<u>(545,636)</u>	<u>(596,008)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,246,376</u>	<u>\$ 2,985,859</u>	<u>\$ 2,988,492</u>	<u>\$ 2,700,778</u>	<u>\$ 2,416,559</u>	<u>\$ 2,303,744</u>	<u>\$ 2,531,104</u>	<u>\$ 2,562,268</u>
Contributions as a percentage of covered payroll	24.12 %	23.35 %	20.74 %	19.54 %	24.28 %	23.41 %	21.56 %	23.26 %

\* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only eight years are shown. Additional years' information will be displayed as it becomes available.

**IRONHOUSE SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
For the Measurement Periods Ended June 30  
Last 10 Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>					
Service cost	\$ 83,977	\$ 81,729	\$ 91,604	\$ 89,152	\$ 86,766
Interest	293,171	277,966	279,830	272,570	249,231
Change in assumptions	279,336	-	-	-	-
Difference between expected and actual experience	-	-	(119,538)	-	-
Expected benefit payments	(264,725)	(287,212)	(259,975)	(258,486)	-
Experience gains/losses	398,365	-	-	-	-
Benefit payments	-	-	-	-	(248,544)
Net change in total OPEB liability	790,124	72,483	(8,079)	103,236	87,453
Total OPEB liability, beginning	<u>4,146,166</u>	<u>4,073,683</u>	<u>4,081,762</u>	<u>3,978,526</u>	<u>3,891,073</u>
Total OPEB liability, ending (a)	<u>\$ 4,936,290</u>	<u>\$ 4,146,166</u>	<u>\$ 4,073,683</u>	<u>\$ 4,081,762</u>	<u>\$ 3,978,526</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 350,000	\$ 337,495	\$ 319,383	\$ 282,359	\$ 250,102
Net investment income	-	-	-	-	219,563
Expected investment income	200,974	189,397	175,441	160,977	-
Investment gains/losses	578,245	(94,141)	(21,068)	21,450	-
Expected benefit payments	(274,360)	(270,495)	(294,535)	(258,486)	(248,544)
Administrative expenses	(1,073)	(1,306)	(534)	(4,252)	(1,841)
Other	-	-	-	2,230	-
Net change in plan fiduciary net position	853,786	160,950	178,687	204,278	219,280
Plan fiduciary net position, beginning	<u>2,833,775</u>	<u>2,672,825</u>	<u>2,494,138</u>	<u>2,289,860</u>	<u>2,070,580</u>
Plan fiduciary net position, ending (b)	<u>\$ 3,687,561</u>	<u>\$ 2,833,775</u>	<u>\$ 2,672,825</u>	<u>\$ 2,494,138</u>	<u>\$ 2,289,860</u>
District's net OPEB liability, ending (a) - (b)	<u>\$ 1,248,729</u>	<u>\$ 1,312,391</u>	<u>\$ 1,400,858</u>	<u>\$ 1,587,624</u>	<u>\$ 1,688,666</u>
Plan fiduciary net position as a percentage of the total OPEB liability	75 %	68 %	66 %	61 %	58 %
Covered payroll	\$ 3,222,233	\$ 3,171,732	\$ 2,870,771	\$ 2,650,207	\$ 2,617,893
District's net OPEB liability as a percentage of covered payroll	1.53 %	1.31 %	1.42 %	1.54 %	1.52 %

\* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only five years are shown. Additional years' information will be displayed as it becomes available.

**IRONHOUSE SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN  
For the Fiscal Year Ended June 30  
Last 10 Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 400,000	\$ 350,000	\$ 337,495	\$ 319,383	\$ 276,184
Contributions in relation to the ADC	<u>(400,000)</u>	<u>(350,000)</u>	<u>(337,495)</u>	<u>(319,383)</u>	<u>(276,184)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
Covered payroll	\$ 3,571,538	\$ 3,222,233	\$ 3,171,732	\$ 2,870,771	\$ 2,650,207
Contributions as a percentage of covered payroll	11 %	11 %	11 %	11 %	10 %

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