

ANNUAL COMPREHENSIVE FINANCIAL REPORT

| FOR THE FISCAL YEAR ENDED JUNE 30, 2024





Annual Comprehensive Financial Report

Fiscal year ended June 30, 2024



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Government Finance Officers Association

Certificate of
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Presented to

**Ironhouse Sanitary District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



January 17, 2025

Members of the Board of Directors
Ironhouse Sanitary District
450 Walnut Meadows Drive
Oakley, CA 94561

Staff is pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Ironhouse Sanitary District (District) for the fiscal year ended June 30, 2024. The purpose of the report is to provide citizens, potential investors, and other interested parties with reliable financial information about the District.

This ACFR was prepared by District staff in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy and completeness of the data as well as the transparency of the presentation, including all disclosures, rests with District management. We are confident the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the District's financial position. All disclosures necessary to enable readers to gain the maximum understanding of the District's financial activities have been included.

The District's financial statements have been audited by MUN CPAs, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to assure that the financial statements of the District for the fiscal year ended June 30, 2024, are free of material misstatements. The independent audit involved examining evidence supporting the amounts and disclosures provided within the financial statements, ensuring proper accounting principles were used and evaluating overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2024, were fairly presented in conformity with GAAP. The independent auditors' report is presented as a component of the Financial Section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The District, incorporated in 1945, is a governmental agency providing wastewater collection and treatment services to the communities of Oakley and Bethel Island. Ironhouse is governed by a publicly elected five-member Board of Directors. The ACFR includes a detailed discussion of the District's services to provide interested parties with a clear understanding of the District's business activities and services. The District's activities and services include Wastewater Collections and Maintenance, Jersey Island Operations, Water Recycling Facility Operations, Recycled Water Distribution, Administration and Capital Expenditures/Debt Service.

As of June 30, 2024, the District had outstanding debt in the amount of \$23,501,604 in the form of a low-interest State Revolving Fund Loan. Specific discussion of the terms and structure of this debt is described herein.

Jean-Marc Petit is the new General Manager at Ironhouse Sanitary District, joining as the GM in July 2024. The previous General Manager, Chad Davisson, retired in May 2024.

Local Economic Condition and Outlook

Located east of San Francisco, at the junction of the Sacramento-San Joaquin Delta, Ironhouse Sanitary District boundaries include the City of Oakley and the unincorporated area of Bethel Island.

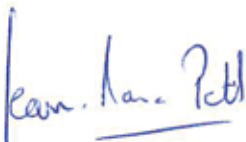
The City of Oakley was incorporated in 1999 and is known as a place for families on the Delta. With a population just over 44,000 the City of Oakley has one of the highest rates of young families in Contra Costa County. The median income in the city is just over \$132,000, providing residents the ability to support local retail and service businesses. Oakley offers new homes at affordable rates by Bay Area standards with over 5,000 approved residential lots still to be built.

The unincorporated area of Bethel Island is known for its proximity to the Sacramento-San Joaquin Delta, with several local marinas and yacht clubs. The Island's population of just over 2,100 residents include a high percentage of waterfront homes. In 2018, the Delta Coves development began building new waterfront homes with a future buildout of 500 homes ranging in price from \$700,000 to \$1.6 million.

Acknowledgements

The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor firm. We would also like to thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully submitted,



Jean-Marc Petit
General Manager



Michael Welty, CPA
Financial Consultant

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SECTION I: INTRODUCTION



IRONHOUSE SANITARY DISTRICT ANNUAL COMPREHENSIVE FINANCIAL REPORT

Profile of the District

Ironhouse provides wastewater collection, treatment, and recycled water services for the communities of Oakley, Bethel Island, and some unincorporated areas of Contra Costa County.

A Brief History

Originally incorporated as the Oakley Sanitary District back in 1945, the District established a Joint Powers Agreement (JPA) in the mid-1960s with County Sanitation District No.15 to address septic system issues on Hotchkiss Tract.

Later on, in 1977, another JPA was formed with the community of Bethel Island to create the Oakley-Bethel Island Wastewater Management Authority. In January 1992, the Oakley Sanitary District annexed Bethel Island, and the JPA established in 1977 was dissolved. The district then merged with Oakley-Bethel Island Wastewater Management Authority and County Sanitation District No.15, and the new collaboration was named the Ironhouse Sanitary District after a historic one-room schoolhouse in Oakley.



Today

Ironhouse is responsible for providing sanitary sewer services to about 48,000 residents who live in a 37- square-mile area. The district's sphere of influence also covers an additional 2.4 square miles, including areas adjacent to its southern boundary.

The biggest area included in its sphere of influence is the Veale Tract, which is located to the southeast of the district. The City of Oakley's General Plan allows a maximum build-out capacity of over 65,000 people, but the current population of the city is just over 45,700. Bethel Island has a population of a little over 2,200.

District at a Glance

WATER RECYCLING FACILITY (WRF)

Function: Wastewater treatment and recycling services

Service area: City of Oakley and unincorporated Contra Costa County including Bethel Island

Population: Approximately 48,000

Facility Design Capacity: 4.3 million gallons per day (MGD) average daily flow; 8.6 MGD maximum wet weather flow

Current Average Daily Flow: 2.52 MGD

Plant Type: Advanced treatment Membrane Bioreactor process

Process: Preliminary treatment through mechanical screens and vortex grit removal; secondary process through biological treatment; tertiary treatment through ultraviolet (UV) disinfection

Regulatory Permits: The District operates the WRF in compliance with the Waste Discharge Requirements (WDR R5-2018-0050) issued by the Regional Water Quality Control Board, Central Valley Region. In addition, the District has obtained a National Pollutant Discharge Elimination System permit (Order R5-2024-0038, NPDES CA0085260) to regulate discharges of tertiary disinfected effluent to the San Joaquin River.

Energy Efficiency: A significant amount of electricity is required to operate the Water Recycling Facility. The District leases a 1.1 megawatt (MW) solar power system to offset the load purchased from the electrical grid.

COLLECTIONS SYSTEM

Areas of Responsibility: Sanitary sewer collections system and associated lift stations

Size of Collection System: 125 miles gravity sewers; 15.9 miles force mains

Number of Lift Stations: 32

Equivalent Service Units: 18,444

Age of collection system:

- 0-10 years: 15% • 10-50 years: 65%
- 50-100 years: 20%. • Over 100 years: 0%

District Service Area

ISD is bounded by the San Joaquin River to the north, the Delta Diablo Sanitation District to the west, the City of Brentwood to the south and unincorporated area in the Holland Tract to the east.



Reprinted from Contra Costa LAFCO

Board of Directors

The Ironhouse governing team consists of a five-member Board of Directors. The Board is elected on a non-partisan basis at large within the service area. Each Board member serves a four-year term that is staggered between members for general consistency of governance. The next election takes place in November 2026.



Susan Morgan, President
Term Ending: 2026



Angela Lowrey, Vice-President
Term Ending: 2028



Chris Lauritzen, Director
Term Ending: 2026



Dawn Morrow, Director
Term Ending: 2028



Peter Zirkle, Director
Term Ending: 2028

Executive Management

The Board appoints a General Manager to oversee day-to-day operations, including the Water Recycling Facility, Collections and Maintenance, Jersey Island, and Administration. The District currently employs 28 full-time and one part-time employee, divided into four divisions: collections, water recycling, Jersey Island, and administration.



Chad Davisson
General Manager for FY 23-24
to April 2024

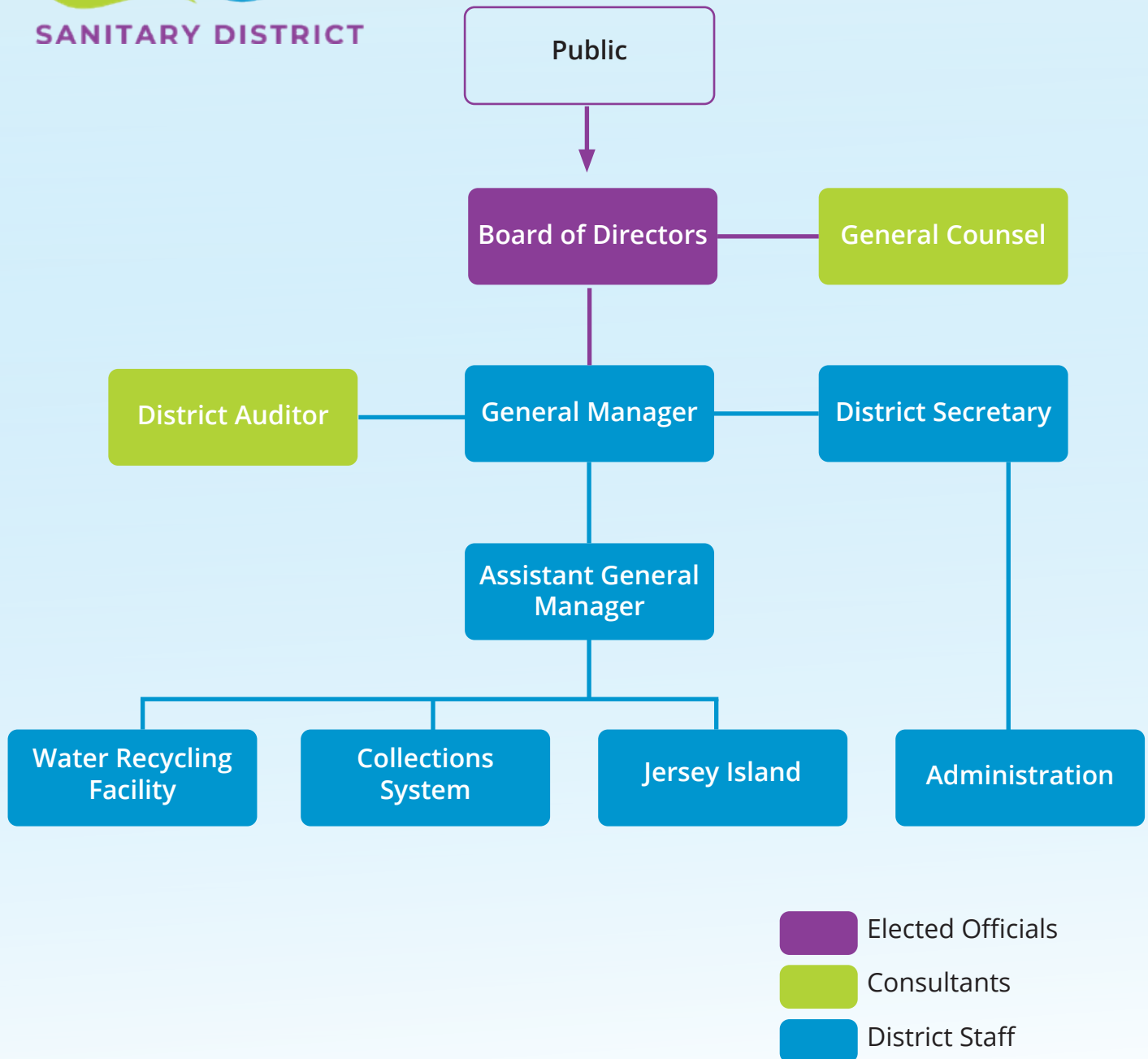


Jean-Marc Petit
General Manager from
July 2024 to present



Tyson Zimmerman
Assistant General Manager

District Organizational Chart





District Water Recycling Facility

Ironhouse's award-winning Water Recycling Facility was commissioned in 2011 to meet state standards for advanced wastewater treatment and disposal capacity. The facility incorporates advanced membrane bioreactor technology and ultraviolet light disinfection, the first of its kind in Contra Costa County, and among the highest quality recycled water in Northern California. In recognition of its use of advanced membrane filtration technology and ultraviolet light for disinfection, the Water Recycling Facility won the California Association of Sanitation Agencies Technological Innovation and Achievement Award (2011). The Facility has also received the California Water Environment Association-San Francisco Bay Area Plant of the Year (2021, 2019, 2017, and 2016), as well as the California Water Environment Association-State Overall Plant of the Year (2017). The District's Water Recycling Facility produces effluent that meets the highest California Department of Public Health Title 22 standards, making it a reliable, unrestricted, and non-potable reclaimed water source.

Membrane bioreactor technology is used for cleaning wastewater instead of chemical based treatment processes. This technology employs an aeration system that uses biological bacteria and membrane filtration methods. The final step of the process involves disinfection using ultraviolet light. The District has two permits for disposing of effluent. The first permit, NPDES, allows the District to dispose of effluent into the San Joaquin river throughout the year. The second permit allows the District to apply effluent on farm fields located on the mainland and Jersey Island. The Water Recycling Facility is operated by six licensed plant operators 24/7. The facility is controlled by programmable logic controllers, and staff monitor operational processes and test samples to ensure regulatory compliance. The Water Recycling Facility's operations budget for the fiscal year 2023-24, excluding depreciation expense and an allocation of administrative overhead, was \$4.2 million.



District Collections and Maintenance

Ironhouse's award-winning collections system spans 125 miles of gravity lines, 16 miles of force mains, and 32 lift stations. This network is responsible for conveying wastewater from the communities of Oakley and Bethel Island to the Water Recycling Facility.

Our dedicated team of ten skilled professionals takes great pride in managing the maintenance of our collection system, ensuring swift emergency responses, and upholding regulatory compliance. They expertly rebuild pumps, rehabilitate lift stations, and thoroughly inspect sewer lines. Additionally, they collaborate closely with developers to guarantee that new collection facilities and lines not only meet but exceed our District's high standards. Together, we're committed to a cleaner, safer community!

All staff members have received certification in Collections System Maintenance from the California Water Environment Association. The Collections staff carries out a formal plan of preventative maintenance to stop problems before they occur, providing an environmentally safe and reliable service to the customers within the District. Pipelines throughout the collection system are cleaned on a routine schedule and then televised through closed-circuit inspection so staff can determine where additional maintenance is needed.

The District's vacuum combination truck cleans wastewater collection pipelines with powerful water jets and debris vacuum systems, which eliminate obstructions and prevent sewage spills. The operations budget for Collections and Maintenance for the fiscal year 2023-24, excluding depreciation expense and administrative overhead allocation, was \$2.4 million.

Jersey Island

Ironhouse acquired Jersey Island in 1993 to provide additional space for discharging treated effluent onto agricultural fields, accommodating growth in its service area. Jersey Island is zoned for heavy agriculture and for many years operated as a cattle ranch with farming operations. When Ironhouse took ownership of the island, farming operations were continued by District staff to take advantage of the agronomic up-take of nitrogen from the treated effluent that was discharged. Cattle operations were continued by Ironhouse for vegetation management on the island. When the District commissioned the Water Recycling Facility in 2011, the design allowed the District to receive state permits to discharge effluent outfall directly to the San Joaquin River.

After several years of continued operation of the cattle and farming operations, the Ironhouse Board directed staff to change the operations of Jersey Island. In December of 2021, the ISD Board awarded a grazing lease to Auburn Ravine Ranch, LLC (ARR).

In October of 2022, the ISD Board awarded a farming lease to ARR that includes approximately 532 acres for farming operations within Jersey Island and on the mainland Ironhouse property. Per the lease agreement, the lessee is required to use biosolids produced by Ironhouse in the farming operations on the Jersey Island farm fields. ARR mobilized and began their grazing lease on Jersey Island in June of 2022. The operations budget for fiscal year 2023-2024, excluding depreciation expense and overhead allocation, was \$1.2 million.



It's All About Serving Our Community

Ironhouse is one of the 330 Special Districts in the state of California. These districts are separate local governments that provide specific public services such as parks, fire protection, garbage collection, electricity, water supply, and of course sewer service within their boundaries. Ironhouse is an industry-leading community partner treating wastewater to promote a clean and healthy environment. It is crucial to have a well-trained staff in addition to quality pipes, pumps, equipment, and processes for the safe treatment and cleaning of wastewater. Our Collections team works hard to ensure that the city's sewer infrastructure functions efficiently.

Regular inspections and timely repairs are conducted by our licenced skilled professionals to keep the system in optimal condition. We use advanced technology to identify issues and take proactive measures to prevent disruptions. Preventative maintenance is one of our top priorities to minimize the risk of clogs, backups, and overflows.



Our licensed Water Recycling Facility operators monitor various instruments and equipment daily to ensure operation within proper parameters. Team members perform numerous analyses and evaluations to ensure that our technology is functioning correctly, and our microbiological and ultraviolet light treatment systems effectively remove pollutants, before our recycled water is returned to our environment. All the while, Ironhouse's management staff continues with the District's mission to protect public health, resources, and the environment through dependable, efficient, and innovative collection, treatment, and multibenefit reuse of our community's wastewater for a resilient future.

We will also continue to ensure our vision as a leader committed to industry excellence in serving our diverse community with trust, transparency, and fiscal responsibility to maximize the beneficial use of our shared resources.

Awards, Accreditations and Certifications

Awards (2022)

California Association of Sanitation Agencies (CASA)

Organizational Excellence: Strategic Plan 2022-27+

California Special Districts Association (CSDA)

Staff Member of the Year Award: Cecilia Goff

Awards (2021)

California Water Environment Association (CWEA)

Plant of the Year (SFBS)

Community Engagement Project of the Year (SFBS)

Awards (2020)

California Water Environment Association (CWEA)

Collection Person of the Year (State and SFBS): Leon Laucirica

Mechanical Technician of the Year (State and SFBS) – John Abdilla

Awards (2019)

California Water Environment Association (CWEA)

Plant of the Year Award (SFBS) - Small Agency

Collection System of the Year Award (SFBS) - Small Agency

Supervisor of the Year Award (SFBS and State): Collections System Supervisor Louis Solana

Collection Person of the Year (SFBS): Ian Robertson

Operator of the Year Award (SFBS): Adrian Vazquez

Community Engagement and Outreach: Project of the Year Award (SFBS and State):

East County Regional Coalition's "No Wipes In The Pipes" campaign

Accreditations and Certifications

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting (2017 through 2023)

Special District Leadership Foundation

District of Distinction Accreditation (2016 to 2025)

Special District Leadership Foundation

District Transparency Certificate of Excellence (2014 to 2024)

SECTION II: FINANCIAL



IRONHOUSE SANITARY DISTRICT ANNUAL COMPREHENSIVE FINANCIAL REPORT



IRONHOUSE SANITARY DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2024

**IRONHOUSE SANITARY DISTRICT
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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, 2024, 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, 2024, 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 opinion.

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 4 - 9, schedules related to the District's net pension liability on pages 37 - 40, and the schedules related to the District's net OPEB liability on pages 41 - 43 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 December 4, 2024, 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.

 M. J. N. CPAs, LLP

Sacramento, California
December 4, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements for the fiscal year ending June 30, 2024 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, 2024 by \$111,738,626 (net position) compared to \$106,704,712 at June 30, 2023. For the fiscal year 2024, net position increased by \$5,033,914 as compared to fiscal year 2023 increase in net position of \$7,651,404.

The District's cash, cash equivalents, and investments at June 30, 2024 were \$52,226,661 representing an increase of \$6,487,770 from the June 30, 2023 balance of \$45,738,891. The increase reflects cash inflow from operations of \$10,169,447, cash outflow for debt service of \$2,937,701, and cash outflow for the purchase of capital assets of \$743,976.

Total District liabilities decreased by \$1,791,975 during fiscal year 2024 from \$35,428,375 at June 30, 2023 to \$33,636,400 at June 30, 2024. Net OPEB and pension liabilities increased by \$759,989 based on actuarial analysis which was offset by the annual principal debt service reduction of long-term debt in the amount of \$2,937,700 and an increase in accounts payable and other accrued liabilities of \$385,736.

As of the close of the current fiscal year, the District's Proprietary Fund reported Unrestricted Undesignated Net Position of \$7,031,405 compared to \$6,896,957 for the prior fiscal year, and Unrestricted Designated Reserves of \$24,988,616 compared to \$20,557,232 for the prior fiscal year. Restricted Net Position at June 30, 2024 is \$18,849,117 compared to \$18,647,406 at June 30, 2023.

The \$4,431,384 increase in Unrestricted Designated Net Position primarily reflects a transfer of \$4,772,237 from Unrestricted Undesignated Net Position to the Capital Expenditure Reserve and an allocation of \$403,123 of Ad Valorem taxes received in accordance with reserve policies. These increases were offset by purchases of capital assets of \$743,976.

The \$201,711 increase in Restricted Net Position reflects capacity fees received from developers in the amount of \$913,757 offset by the developers' annual share of debt service in the amount of \$1,366,031. Additionally, \$653,985 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 \$93,287 during the fiscal year, whereas Deferred Inflow of Resources for pension and post-retirement benefits decreased by \$127,049.

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 \$15,837,218 in the fiscal year 2024, compared to \$16,780,768 in fiscal year 2023. The 5.6% decrease was primarily the result of a \$1,235,735 reduction in capacity fees as development slowed in Oakley. The reduction in capacity fees was offset by a 1.0% increase in sewer service charges principally resulting from prior year and current year new connections.

The District had Total Operating Revenues of \$16,085,022 for the fiscal year 2024 versus \$17,545,441 for fiscal 2023 (8.3% decrease) and Total Operating Expenses of \$15,365,379 for fiscal year 2024 versus \$14,354,718 for fiscal year 2023 (7.0% increase).

The District had Non-Operating Revenues of \$3,617,920 for fiscal year 2024 versus \$2,843,118 for fiscal 2023 (27.3% increase). The increase was primarily the result of a \$959,508 decrease in developer capital contributions, a \$1,494,400 increase in investment income due to higher interest rates.

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 the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Net Position presents 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.

The Statement of Revenues, Expenses and Changes in Net Position presents 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, 2024, the District's investment in Capital Assets for its Proprietary Fund was \$84,532,361. This investment in Capital Assets includes land, water recycling facility, collection system, buildings, vehicles, furniture and equipment. There was \$743,976 of major capital assets purchased during the fiscal year.

Additional information on the District's Capital Assets can be found in Note 3 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, 2024, the outstanding balance of the loan is \$23,501,604. 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 4 to the Financial Statements included in this report.

**IRONHOUSE SANITARY DISTRICT
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2024**

	ENTERPRISE FUND		
	2024	2023	Percent Change
Assets:			
Current Assets	\$ 53,423,567	\$ 47,530,564	12.4 %
Prepaid Interest	1,072,279	1,378,645	(22.2)
Deposit for sales agreement	2,327,563	2,327,563	-
Capital Assets, Net	<u>84,532,361</u>	<u>87,097,395</u>	<u>(2.9)</u>
Total Assets	<u>141,355,770</u>	<u>138,334,167</u>	<u>2.2</u>
Deferred Outflows of Resources	4,205,330	4,112,043	2.3
Liabilities:			
Current Liabilities	4,570,103	4,155,405	10.0
Long-Term Liabilities	<u>29,066,297</u>	<u>31,272,970</u>	<u>(7.1)</u>
Total Liabilities	<u>33,636,400</u>	<u>35,428,375</u>	<u>(5.1)</u>
Deferred Inflows of Resources	186,074	313,123	(40.6)
Net Position:			
Net Investment in Capital Assets	60,869,488	60,603,117	0.4
Unrestricted Net Position			
Undesignated	7,031,405	6,896,957	1.9
Designated Reserves	<u>24,988,616</u>	<u>20,557,232</u>	<u>21.6</u>
Total Unrestricted	<u>32,020,021</u>	<u>27,454,189</u>	<u>16.6</u>
Restricted Net Position	<u>18,849,117</u>	<u>18,647,406</u>	<u>1.1</u>
Total Net Position	<u>\$ 111,738,626</u>	<u>\$ 106,704,712</u>	<u>4.7 %</u>

**IRONHOUSE SANITARY DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	ENTERPRISE FUND		
	2024	2023	Percent Change
Revenues:			
Service charges	\$ 14,748,921	\$ 14,600,576	1.0 %
Service connection and related fees	174,540	30,700	468.5
Capacity fees	913,757	2,149,492	(57.5)
Fees other	77,957	566,098	(86.2)
Miscellaneous	169,847	198,575	(14.5)
Total operating revenues	<u>16,085,022</u>	<u>17,545,441</u>	<u>(8.3)</u>
Expenses:			
Salaries, benefits and payroll taxes	6,493,982	5,509,563	17.9
Administrative expenses	447,081	480,593	(7.0)
Utilities	1,029,241	910,944	13.0
Operations and maintenance	1,647,998	1,978,106	(16.7)
Professional services	1,050,972	903,279	16.4
Insurance	346,083	285,376	21.3
Depreciation	4,350,022	4,286,857	1.5
Total operating expenses	<u>15,365,379</u>	<u>14,354,718</u>	<u>7.0</u>
Operating income	<u>719,643</u>	<u>3,190,723</u>	<u>(77.4)</u>
Non-operating revenues:			
Taxes	456,884	403,427	13.3
Hay sales	-	538,008	(100.0)
Mineral rights	7,819	8,530	(8.3)
Investment income	2,292,473	798,073	187.3
Lease revenue	854,360	836,907	2.1
Gain on sale/disposal of assets	6,384	258,173	(97.5)
Total non-operating revenues	<u>3,617,920</u>	<u>2,843,118</u>	<u>27.3</u>
Interest expense	<u>344,661</u>	<u>382,957</u>	<u>(10.0)</u>
Total non-operating expenses	<u>344,661</u>	<u>382,957</u>	<u>(10.0)</u>
Non-operating income	<u>3,273,259</u>	<u>2,460,161</u>	<u>33.1</u>
Income before contributions	<u>3,992,902</u>	<u>5,650,884</u>	<u>(29.3)</u>
Capital contributions	<u>1,041,012</u>	<u>2,000,520</u>	<u>(48.0)</u>
Change in net position	5,033,914	7,651,404	(34.2)
Net Position, Beginning of Year	<u>106,704,712</u>	<u>99,053,308</u>	<u>7.7</u>
Net Position, End of Year	<u>\$ 111,738,626</u>	<u>\$ 106,704,712</u>	<u>4.7 %</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 which is the fourth year of the Proposition 218 rate schedule, there was not a service fee rate increase.

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 24-25. 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, 2024**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and investments (Note 2)	\$ 33,377,544
Cash and investments - restricted (Note 2)	18,849,117
Accounts receivable	63,317
Interest receivable	303,436
Supply inventory	302,863
Prepaid expenses	220,924
Prepaid interest (current portion) (Note 4)	<u>306,366</u>
Total Current Assets	<u>53,423,567</u>

Non-current Assets

Prepaid interest (less current portion) (Note 4)	1,072,279
Deposit for sales agreement	2,327,563
Capital assets (net of accumulated depreciation) (Note 3)	<u>84,532,361</u>
Total Non-Current Assets	<u>87,932,203</u>

TOTAL ASSETS	<u>141,355,770</u>
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Deferred Outflows of Resources

Changes in the net pension liability (Note 6)	2,914,914
Changes in the net OPEB liability (Note 8)	<u>1,290,416</u>
Total Deferred Outflows of Resources	<u>4,205,330</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>145,561,100</u>
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The accompanying notes are an integral part of the financial statements.

**IRONHOUSE SANITARY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
AS OF JUNE 30, 2024**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities

Accounts payable	\$ 794,069
Related party payable (Note 10)	11,568
Payroll related liabilities	155,582
Customer deposits payable	120,341
Compensated absences (current portion) (Note 4)	206,777
State revolving fund loan (current portion) (Note 4)	2,937,701
Unearned revenues	<u>344,065</u>
Total Current Liabilities	<u>4,570,103</u>

Long-Term Liabilities

Net pension liability (Note 6)	6,511,160
Net OPEB liability (Note 8)	1,902,616
Compensated absences (less current portion) (Note 4)	88,618
State revolving fund loan (less current portion) (Note 4)	<u>20,563,903</u>
Total Long-Term Liabilities	<u>29,066,297</u>

TOTAL LIABILITIES 33,636,400

Deferred Inflow of Resources

Changes in the net pension liability (Note 6)	138,359
Changes in the net OPEB liability (Note 8)	<u>47,715</u>
Total Deferred Inflows of Resources	<u>186,074</u>

NET POSITION

Net investment in capital assets (Note 11)	60,869,488
Unrestricted (Note 11)	32,020,021
Restricted for:	
Debt service	2,937,701
Trunkline capacity	3,947,474
Capacity fee reserve	<u>11,963,942</u>
Total Restricted (Note 11)	<u>18,849,117</u>

TOTAL NET POSITION 111,738,626

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION \$ 145,561,100

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, 2024

OPERATING REVENUES

Service charges	\$ 14,748,921
Service connection and related fees	174,540
Capacity fees (Note 5)	913,757
Fees - other	77,957
Miscellaneous	<u>169,847</u>
Total Operating Revenues	<u>16,085,022</u>

OPERATING EXPENSES

Salaries, benefits and payroll taxes	6,493,982
Administration expenses	447,081
Utilities	1,029,241
Operations and maintenance	1,647,998
Professional services	1,050,972
Insurance	346,083
Depreciation	<u>4,350,022</u>
Total Operating Expenses	<u>15,365,379</u>
Net Operating Income	<u>719,643</u>

NON-OPERATING REVENUES (EXPENSES)

Taxes	456,884
Mineral rights	7,819
Investment income	2,292,473
Interest expense	(344,661)
Gain on sale of assets	6,384
Lease revenue	<u>854,360</u>
Total Nonoperating Revenues, net	<u>3,273,259</u>

INCOME BEFORE CONTRIBUTIONS 3,992,902

Capital contributions	<u>1,041,012</u>
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INCREASE IN NET POSITION 5,033,914

NET POSITION, BEGINNING OF YEAR 106,704,712

NET POSITION, END OF YEAR \$ 111,738,626

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

**IRONHOUSE SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 17,397,905
Cash paid to employees and for benefits and payroll taxes	(6,017,311)
Cash paid to suppliers and vendors	<u>(3,921,814)</u>
Net Cash Provided by Operating Activities	<u>7,458,780</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	<u>456,884</u>
Net Cash Provided by Noncapital Financing Activities	<u>456,884</u>

CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(743,976)
Principal payments on state revolving fund loan	<u>(2,937,701)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,681,677)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,939,919
Purchase of investments	(6,654,036)
Gain on sale of assets	<u>6,384</u>
Net Cash Used for Investing Activities	<u>(4,707,733)</u>

NET DECREASE IN CASH (473,746)

CASH AND CASH EQUIVALENTS - JULY 1, 2023 1,834,325

CASH AND CASH EQUIVALENTS - JUNE 30, 2024 \$ 1,360,579

RECONCILIATION TO CASH AND INVESTMENTS ON THE STATEMENT OF NET POSITION

Cash and investments	\$ 33,377,544
Cash and investments - restricted	18,849,117
Less: Investments (Note 2)	<u>(50,866,082)</u>

CASH AND CASH EQUIVALENTS - JUNE 30, 2024 \$ 1,360,579

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, 2024**

<u>OPERATING INCOME</u>	\$ 719,643
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	4,350,022
Mineral rights	7,819
Lease revenue	854,360
Increase in net pension liability	646,201
Increase in OPEB liability	113,788
Decrease in deferred inflows	(127,049)
Increase in deferred outflows	(93,287)
Decrease in accounts receivable	505,707
Decrease in prepaid expenses	70,461
Decrease in supply inventory	25,378
Increase in accounts payable	503,722
Increase in payroll related liabilities	7,979
Decrease in compensated absences	(70,961)
Decrease in unearned revenue	<u>(55,003)</u>
Total adjustments	<u>6,739,137</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>7,458,780</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Developer contributions	\$ <u>1,041,012</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, 2024**

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, 2024**

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, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

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 time frames. For this report, the following timeframes are used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

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.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 December 4, 2024, which is the date the financial statements were issued.

Implementation of Government Accounting Standards Board Statements

Effective July 1, 2023, the District implemented the following accounting and financial reporting standards:

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 requirements of this statement related to leases, PPPs and SBITAs were 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. Application of this statement had no material impact on the District's financial statements for the fiscal year ending June 30, 2024.

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. Application of this statement had no material impact on the District's financial statements for the fiscal year ending June 30, 2024.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2024 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

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.

Governmental Accounting Standards Board Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 103

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 104

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objectives of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures required by Statement 34, and also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 2: CASH AND INVESTMENTS

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

Cash and investments	\$ 33,377,544
Restricted cash and investments	<u>18,849,117</u>
Total	\$ <u>52,226,661</u>

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 investments at June 30, 2024 are as follows:

Cash on hand	\$ 428
Deposits with financial institutions	<u>1,360,151</u>
Total cash	<u>1,360,579</u>
Local Agency Investment Fund	4,142,791
CalTRUST Investment Fund	3,756,040
California CLASS Investment Fund	24,595,272
Corporate Bonds	7,151,176
Certificates of Deposit	6,195,208
Government Securities	4,940,620
Money Market Mutual Funds	<u>84,975</u>
Total investments	<u>50,866,082</u>
Total cash and investments	\$ <u>52,226,661</u>

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

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
California CLASS Investment Pool	N/A	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, 2024:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Certificates of Deposit	\$ 2,687,539	\$ 3,507,669	\$ 6,195,208
Corporate Bonds	2,466,893	4,684,283	7,151,176
Government Securities	1,000,000	3,940,620	4,940,620
Money Market Mutual Funds	84,975	-	84,975
Local Agency Investment Fund	4,142,791	-	4,142,791
CalTRUST Investment Fund	3,756,040	-	3,756,040
California CLASS Investment Fund	24,595,272	-	24,595,272
	<u>\$ 38,733,510</u>	<u>\$ 12,132,572</u>	<u>\$ 50,866,082</u>

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

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	\$ 4,142,791			Not rated
CalTRUST Short-term Investment Fund	1,863,807	AAf		
CalTRUST Medium Term Investment Fund	1,892,233	A+f		
California CLASS Investment Fund	24,595,272	AAA-m		
Certificates of Deposit	6,195,208			Not rated
Corporate Bonds	7,151,176	AAA-AA		
Government Securities	4,940,620			Not rated
Money Market Mutual Funds	84,975			Not rated
	<u>\$ 50,866,082</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, 2024 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.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 6,195,208	\$ -	\$ 6,195,208
Corporate Bonds	-	7,151,176	-	7,151,176
Government Securities	4,940,620	-	-	4,940,620
Money Market Mutual Funds	<u>84,975</u>	<u>-</u>	<u>-</u>	<u>84,975</u>
Total assets at fair value	<u>\$ 5,025,595</u>	<u>\$ 13,346,384</u>	<u>\$ -</u>	<u>\$ 18,371,979</u>

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).

Investment in California CLASS

California CLASS is a Joint Powers Authority created by public agencies to provide a convenient method for agencies to pool their assets for investment purposes. California CLASS is governed by a Board of Trustees made up of experienced local agency executives. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. Following the investment policy direction established by the Board of Trustees, the primary objective of the investment manager is to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the participants, and the final objective shall be to maximize the yield in a manner consistent with the first two objectives. The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that participants are willing to assume in obtaining such return. The District invests in the California CLASS Prime Fund. The 30 day yield at June 30, 2024 was 5.4025% and the weighted average maturity was 32 days.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 is as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2024</u>
Capital assets not being depreciated					
Land and improvements	\$ 8,458,944	\$ -	\$ -	\$ -	\$ 8,458,944
Work in progress	<u>406,807</u>	<u>72,427</u>	<u>-</u>	<u>(54,185)</u>	<u>425,049</u>
Total capital assets not depreciated	<u>8,865,751</u>	<u>72,427</u>	<u>-</u>	<u>(54,185)</u>	<u>8,883,993</u>
Capital assets being depreciated					
Plant and improvements	53,315,153	51,836	-	-	53,366,989
Collection system and pipelines	68,688,462	1,092,061	-	45,721	69,826,244
Vehicles	2,309,918	100,959	-	-	2,410,877
Equipment	<u>25,116,296</u>	<u>467,705</u>	<u>(45,302)</u>	<u>8,464</u>	<u>25,547,163</u>
Total capital assets being depreciated	<u>149,429,829</u>	<u>1,712,561</u>	<u>(45,302)</u>	<u>54,185</u>	<u>151,151,273</u>
Less: accumulated depreciation					
Plant and improvements	(17,798,277)	(1,393,117)	-	-	(19,191,394)
Collection system and pipelines	(37,253,972)	(1,584,482)	-	-	(38,838,454)
Vehicles	(1,591,023)	(127,346)	-	-	(1,718,369)
Equipment	<u>(14,554,913)</u>	<u>(1,245,077)</u>	<u>45,302</u>	<u>-</u>	<u>(15,754,688)</u>
Total accumulated depreciation	<u>(71,198,185)</u>	<u>(4,350,022)</u>	<u>45,302</u>	<u>-</u>	<u>(75,502,905)</u>
Capital Assets, net	<u>\$ 87,097,395</u>	<u>\$ (2,565,034)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,532,361</u>

Depreciation expense for the year ended June 30, 2024 totaled \$4,350,022.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 4: LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2024 is as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due within One Year</u>
State Revolving Fund Loan	\$ 26,439,305	\$ -	\$ (2,937,701)	\$ 23,501,604	\$ 2,937,701
Compensated Absences	<u>366,356</u>	<u>242,217</u>	<u>(313,178)</u>	<u>295,395</u>	<u>206,777</u>
Total	<u>\$ 26,805,661</u>	<u>\$ 242,217</u>	<u>\$ (3,250,879)</u>	<u>\$ 23,796,999</u>	<u>\$ 3,144,478</u>

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%. \$344,661 of the prepaid balance was amortized in the current year, resulting in a remaining balance of \$1,378,645 as of June 30, 2024, of which \$306,366 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>
2025	\$ 2,937,701	\$ 2,937,701	\$ 306,366
2026	2,937,701	2,937,701	268,070
2027	2,937,701	2,937,701	229,774
2028	2,937,701	2,937,701	191,478
2029	2,937,701	2,937,701	153,183
2030 - 2032	<u>8,813,099</u>	<u>8,813,099</u>	<u>229,774</u>
Total	<u>\$ 23,501,604</u>	<u>\$ 23,501,604</u>	<u>\$ 1,378,645</u>

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 5: 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, 2024, \$15,911,416 had been earned and designated for future expansion. During the year ended June 30, 2024, \$913,757 in capacity fees were earned.

NOTE 6: 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, 2024, 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	16.63%	7.91%
Required UAL Contribution	\$409,628	\$0

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2024 were \$853,292.

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

As of June 30, 2024, the District reported a net pension liability of \$6,511,160 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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2023 and 2024 was as follows:

Proportion - June 30, 2023	0.12534 %
Proportion - June 30, 2024	<u>0.13021 %</u>
Change - Increase (Decrease)	<u><u>0.00487 %</u></u>

For the year ended June 30, 2024, the District recognized pension expense of \$1,384,545. At June 30, 2024, 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	\$ 853,292	\$ -
Differences between projected and actual experience	332,625	51,598
Changes in assumptions	393,108	-
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	9,491	86,761
Adjustment due to differences in proportions	272,183	-
Net difference between projected and actual earnings on plan investments	<u>1,054,215</u>	<u>-</u>
Total	<u>\$ 2,914,914</u>	<u>\$ 138,359</u>

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$853,292 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,	
2025	\$ 627,748
2026	430,725
2027	834,540
2028	30,250

C. Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% 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 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Change in Assumptions

Effective with the June 30, 2022 valuation date (2023 measurement date), there were no changes to the actuarial assumptions or methods in relation to financial reporting.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 6: DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Discount Rate – The discount rate used to measure the total pension liability was 6.90% 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 6.90% percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)
Global Equity - Cap-weighted	30.0 %	4.54 %
Global Equity Non-Cap-weighted	12.0 %	3.84 %
Private Equity	13.0 %	7.28 %
Treasury	5.0 %	0.27 %
Mortgage-backed Securities	5.0 %	0.50 %
Investment Grade Corporates	10.0 %	1.56 %
High Yield	5.0 %	2.27 %
Emerging Market Debt	5.0 %	2.48 %
Private Debt	5.0 %	3.57 %
Real Assets	15.0 %	3.21 %
Leverage	-5.0 %	-0.59 %

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

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 6: 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:

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	5.90% \$10,061,274
Current Discount Rate Net Pension Liability	6.90% \$6,511,160
1% Increase Net Pension Liability	7.90% \$3,589,112

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 7: 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 Empower Retirement. 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, 2024, the employees contributed \$56,995.

NOTE 8: 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 annual comprehensive 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
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Employees covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan.

Active employees	26
Inactive employees currently receiving benefits	<u>27</u>
Total	<u><u>53</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, 2024, the District contributed \$400,000.

Net OPEB Liability

The District's net OPEB liability ("NOL") was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023 based on the following actuarial methods and assumptions.

Discount Rate	6.75 %
Inflation	2.50 %
Salary increases per annum	2.75 %
Investment Rate of Return	6.75 %
Healthcare Trend Rate	4.00 %
Mortality rates	
Miscellaneous	Mortality Tables - 2021 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates:	
All Participants	Hired before 2013: 2021 CalPERS 2.7%@55 Rates for Miscellaneous Employees Hired after 2013: 2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees adjusted to reflect minimum retirement age of 52

Changes in Assumptions

For the measurement period June 30, 2023, the mortality tables were updated from the 2017 CalPERS mortality for miscellaneous and school employees to the 2021 tables.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 8: 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.

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.0 %	7.5450 %
All Fixed Income	25.0 %	4.2500 %
Real Estate Investment Trusts	8.0 %	7.2500 %
All Commodities	3.0 %	7.5450 %
Treasury Inflation Protected Securities (TIPS)	5.0 %	3.0000 %
	<u>100.0 %</u>	

Changes in the OPEB liability

To determine the June 30, 2023 (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, 2023 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, 2022	\$ 5,113,672	\$ 3,324,844	\$ 1,788,828
Service cost	127,005	-	127,005
Interest on TOL / return on FNP	339,778	214,296	125,482
Employer contributions	-	400,000	(400,000)
Benefit payments	(296,785)	(296,785)	-
Administrative expense	-	(966)	966
Experience (gains)/losses	77,022	-	77,022
Changes in assumptions	<u>183,313</u>	<u>-</u>	<u>183,313</u>
Net change during 2022-23	<u>430,333</u>	<u>316,545</u>	<u>113,788</u>
Balance at June 30, 2023	<u>\$ 5,544,005</u>	<u>\$ 3,641,389</u>	<u>\$ 1,902,616</u>

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 8: 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, 2023:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB Liability	\$ <u>2,605,199</u>	\$ <u>1,902,616</u>	\$ <u>1,320,677</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, 2023:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
Net OPEB Liability	\$ <u>1,245,450</u>	\$ <u>1,902,616</u>	\$ <u>2,712,815</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
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 8: 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, 2024, the District recognized OPEB expense of \$408,400. As of fiscal year ended June 30, 2024, the District reported deferred outflows and inflows of resources related to the net OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 400,000	\$ -
Net differences between projected and actual earnings on investments	890,416	-
Differences between expected and actual experience	<u>-</u>	<u>47,715</u>
Total	<u>\$ 1,290,416</u>	<u>\$ 47,715</u>

\$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:

<u>For the Fiscal Year Ending June 30,</u>	<u>Recognized Net Deferred Outflows (Inflows) of Resources</u>
2025	\$ 164,313
2026	145,488
2027	261,137
2028	116,081
2029	83,884
Thereafter	71,798

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 9: 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, 2024, the District made \$427,281 in insurance premium payments to CSRMA.

Condensed audited financial information for the year ended June 30, 2023 (the most recent available) was as follows:

Total assets	\$ 35,837,500
Total liabilities	<u>25,803,417</u>
Total net position	<u>\$ 10,034,083</u>
Total revenues	\$ 21,686,396
Total expenses	<u>18,692,969</u>
Increase in net position	<u>\$ 2,993,427</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 10: 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, 2024, the District paid \$332,565 in assessments to RD830. In addition, RD830 reimbursed the District in the amount of \$164,271 for levee repairs performed by Ironhouse employees and for the use of its equipment. As of June 30, 2024, \$11,568 was due to RD830 and is reported as a current payable. Management believes these transactions were consummated on terms equivalent to those that prevail in arms length transactions.

**IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2024**

NOTE 11: NET POSITION

As of June 30, 2024, net position of the District consisted of the following:

Net investment in capital assets	\$ 60,869,488
Unrestricted:	
Undesignated	7,031,405
Designated reserve for capital expenditures	24,220,823
Designated reserve for rate stabilization	732,000
Designated reserve for Jersey Island use fees	<u>35,793</u>
Total Unrestricted	<u>32,020,021</u>
Restricted:	
Debt service	2,937,701
Trunkline capacity	3,947,474
Capacity fee reserve	<u>11,963,942</u>
Total Restricted	<u>18,849,117</u>
Total Net Position	<u>\$ 111,738,626</u>

NOTE 12: 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.

**IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2024
LAST 10 YEARS**

	Measurement Period				
	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.13021 %	0.12534 %	0.04578 %	0.04449 %	0.04310 %
Proportionate share of the net pension liability	\$ 6,511,160	\$ 5,864,959	\$ 2,475,795	\$ 4,840,309	\$ 4,416,938
Covered payroll	\$ 3,221,952	\$ 3,246,376	\$ 2,985,859	\$ 2,988,492	\$ 2,700,778
Proportionate share of the net pension liability as a percentage of covered payroll	202.09 %	180.66 %	82.92 %	161.96 %	163.54 %
Plan fiduciary net position as a percentage of the total pension liability	76.70 %	76.70 %	88.30 %	75.10 %	77.23 %

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 November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.3 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22. 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.

**IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS**

	Measurement Period				
	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.04314 %	0.04415 %	0.04449 %	0.04578 %	0.04365 %
Proportionate share of the net pension liability	\$ 4,157,300	\$ 4,378,364	\$ 3,849,906	\$ 3,142,358	\$ 2,722,495
Covered payroll	\$ 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	172.03 %	190.05 %	152.10 %	122.64 %	106.08 %
Plan fiduciary net position as a percentage of the total pension liability	75.39 %	73.31 %	74.06 %	78.40 %	79.82 %

**IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2024
LAST 10 YEARS**

	Fiscal Year-End				
	2024	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	\$ 853,292	\$ 833,431	\$ 783,151	\$ 697,187	\$ 619,790
Contributions in relation to the actuarially determined contributions	<u>(853,292)</u>	<u>(833,431)</u>	<u>(783,151)</u>	<u>(697,187)</u>	<u>(619,790)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	<u>\$ 3,357,192</u>	<u>\$ 3,221,952</u>	<u>\$ 3,246,376</u>	<u>\$ 2,985,859</u>	<u>\$ 2,988,492</u>
Contributions as a percentage of covered payroll	25.42 %	25.87 %	24.12 %	23.35 %	20.74 %

**IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS**

	Fiscal Year-End				
	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 527,665	\$ 586,816	\$ 539,201	\$ 545,636	\$ 596,008
Contributions in relation to the actuarially determined contributions	<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>
Covered payroll	<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	19.54 %	24.28 %	23.41 %	21.56 %	23.26 %

**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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 127,005	\$ 123,606	\$ 83,977	\$ 81,729
Interest on TOL / return on FNP experience	339,778	328,112	293,171	277,966
Benefit payments	(296,785)	(274,336)	(264,725)	(287,212)
Experience (gains)/losses	77,022	-	398,365	-
Changes in assumptions	<u>183,313</u>	<u>-</u>	<u>279,336</u>	<u>-</u>
Net change in total OPEB liability	430,333	177,382	790,124	72,483
Total OPEB liability, beginning	<u>5,113,672</u>	<u>4,936,290</u>	<u>4,146,166</u>	<u>4,073,683</u>
Total OPEB liability, ending (a)	<u>\$ 5,544,005</u>	<u>\$ 5,113,672</u>	<u>\$ 4,936,290</u>	<u>\$ 4,146,166</u>
Plan fiduciary net position				
Interest on TOL / return on FNP	214,296	(491,798)	779,219	95,256
Employer contributions	400,000	400,000	350,000	337,495
Benefit payments	(296,785)	(269,984)	(274,360)	(270,495)
Administrative expense	(966)	(935)	(1,073)	(1,306)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	316,545	(362,717)	853,786	160,950
Plan fiduciary net position, beginning	<u>3,324,844</u>	<u>3,687,561</u>	<u>2,833,775</u>	<u>2,672,825</u>
Plan fiduciary net position, ending (b)	<u>\$ 3,641,389</u>	<u>\$ 3,324,844</u>	<u>\$ 3,687,561</u>	<u>\$ 2,833,775</u>
District's net OPEB liability, ending (a) - (b)	<u>\$ 1,902,616</u>	<u>\$ 1,788,828</u>	<u>\$ 1,248,729</u>	<u>\$ 1,312,391</u>
Plan fiduciary net position as a percentage of the total OPEB liability	66 %	65 %	75 %	68 %
Covered payroll	\$ 3,591,864	\$ 3,571,538	\$ 3,222,233	\$ 3,171,732
District's net OPEB liability as a percentage of covered payroll	1.54 %	1.43 %	1.53 %	1.31 %

Notes to Schedule:

Changes in assumptions: In 2023, the mortality table was updated from the 2017 CalPERS to the 2021 CalPERS tables. In 2022, the inflation rate was changed from 2.63% to 2.50%. In 2021, the discount rate was changed from 7.00% to 6.75%. The inflation rate was changed from 2.75% to 2.63%. The investment rate of return was changed from 7.00% to 6.75%. The mortality table was updated from the 2014 CalPERS to 2017 CalPERS mortality study.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only seven 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 (CONTINUED)
FOR THE MEASUREMENT PERIODS ENDED JUNE 30
LAST 10 YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 91,604	\$ 89,152	\$ 86,766
Interest on TOL / return on FNP	279,830	272,570	249,231
Difference between expected and actual experience	(119,538)	-	-
Benefit payments	(259,975)	(258,486)	(248,544)
Experience (gains)/losses	-	-	-
Changes in assumptions	-	-	-
Net change in total OPEB liability	(8,079)	103,236	87,453
Total OPEB liability, beginning	<u>4,081,762</u>	<u>3,978,526</u>	<u>3,891,073</u>
Total OPEB liability, ending (a)	<u>\$ 4,073,683</u>	<u>\$ 4,081,762</u>	<u>\$ 3,978,526</u>
Plan fiduciary net position			
Interest on TOL / return on FNP	154,373	182,427	219,563
Employer contributions	319,383	282,359	250,102
Benefit payments	(294,535)	(258,486)	(248,544)
Administrative expense	(534)	(4,252)	(1,841)
Other	-	2,230	-
Net change in plan fiduciary net position	178,687	204,278	219,280
Plan fiduciary net position, beginning	<u>2,494,138</u>	<u>2,289,860</u>	<u>2,070,580</u>
Plan fiduciary net position, ending (b)	<u>\$ 2,672,825</u>	<u>\$ 2,494,138</u>	<u>\$ 2,289,860</u>
District's net OPEB liability, ending (a) - (b)	<u>\$ 1,400,858</u>	<u>\$ 1,587,624</u>	<u>\$ 1,688,666</u>
Plan fiduciary net position as a percentage of the total OPEB liability	66 %	61 %	58 %
Covered payroll	\$ 2,870,771	\$ 2,650,207	\$ 2,617,893
District's net OPEB liability as a percentage of covered payroll	1.42 %	1.54 %	1.52 %

**IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

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

	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 400,000	\$ 400,000	\$ 400,000	\$ 350,000	\$ 337,495	\$ 319,383	\$ 276,184
Contributions in relation to the ADC	<u>(400,000)</u>	<u>(400,000)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,657,611	\$ 3,591,864	\$ 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 %	11 %	11 %	10 %

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



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SECTION III: STATISTICAL



IRONHOUSE SANITARY DISTRICT ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATISTICAL SECTION

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

The District provides five years of statistical information throughout this section as the District believes five years of data best represents the statistical benchmarks and performance of the District and reflective of recent economic developments, system expansion, and management of the District.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

Debt Capacity

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

Demographic and Economic

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

Operating Information

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

FINANCIAL TRENDS AND REVENUE CAPACITY



STATEMENT OF NET POSITION FOR THE PAST FIVE FISCAL YEARS (IN THOUSANDS)

	FY 23/24	FY 22/23	FY 21/22	FY 20/21	FY 19/20
Assets					
Current assets	\$ 53,424	\$ 47,531	\$ 41,852	\$ 33,577	\$ 29,797
Capital assets, net	84,532	87,097	88,812	90,147	88,511
Other long-term assets	3,400	3,706	4,050	3,308	3,851
Total Assets	141,356	138,334	134,714	127,032	122,159
Deferred Outflow of Resources					
Changes in the net pension liability	2,915	2,915	1,232	1,224	1,227
Changes in the net OPEB liability	1,290	1,197	1,062	429	355
Total Deferred Outflow of Resources	4,205	4,112	2,294	1,653	1,582
Total Assets and Deferred Outflows of Resources	\$ 145,561	\$ 142,446	\$ 137,008	\$ 128,685	\$ 123,741
Liabilities					
Current liabilities	\$ 4,570	\$ 4,155	\$ 4,854	\$ 4,433	\$ 3,787
Long-term liabilities	29,066	31,273	30,270	35,589	38,211
Total Liabilities	33,636	35,428	35,124	40,022	41,998
Deferred Inflows of Resources					
Changes in the net pension liability	138	253	2,296	168	269
Changes in the net OPEB liability	48	60	535	80	75
Total Deferred Inflow of Resources	186	313	2,831	248	344
Net Position					
Net investment in capital assets	60,870	60,603	58,784	60,359	56,246
Unrestricted:					
Undesignated	7,031	6,897	5,935	5,581	5,548
Designated	24,989	20,557	16,803	10,087	11,789
Total Unrestricted	32,020	27,454	22,738	15,668	17,337
Restricted for debt service, expansion and capacity	18,849	18,648	17,531	12,388	7,816
Total Net Position	111,739	106,705	99,053	88,415	81,399
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 145,561	\$ 142,446	\$ 137,008	\$ 128,685	\$ 123,741

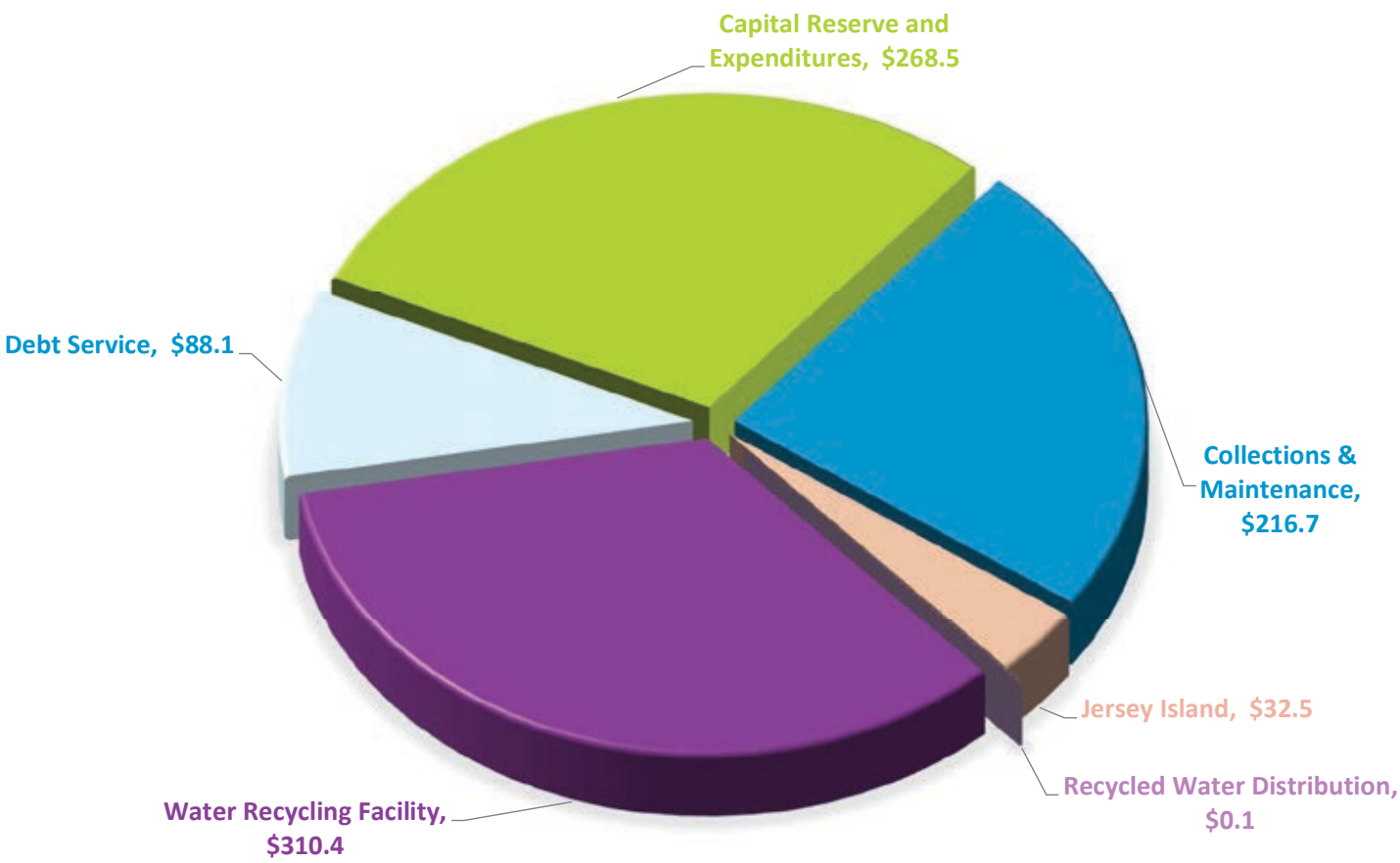
Source: Ironhouse Sanitary District as reflected in audited financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE PAST FIVE FISCAL YEARS (IN THOUSANDS)

	FY 23/24	FY 22/23	FY 21/22	FY 20/21	FY 19/20
Operating Revenues					
Services charges	\$ 14,749	\$ 14,601	\$ 13,459	\$ 12,258	\$ 10,572
Service connection and related fees	175	31	112	95	455
Capacity fees	914	2,149	7,280	5,888	1,839
Other fees and revenue	247	800	317	273	162
Total Operating Revenues	16,085	17,581	21,168	18,514	13,028
Operating Expenses					
Salaries, benefits and payroll taxes	6,494	5,510	5,008	5,252	5,178
Administration expenses	447	481	345	310	300
Operations and maintenance	1,648	1,978	1,493	1,577	1,424
Professional services	1,051	903	801	926	610
Insurance	346	285	269	194	157
Utilities	1,029	911	805	823	714
Depreciation	4,350	4,287	4,310	4,258	4,089
Total Operating Expenses	15,365	14,355	13,031	13,340	12,472
Operating income	720	3,226	8,137	5,174	556
Non-Operating Revenues (Expenses)					
Cattle income, net of expenses	-	-	1,342	719	625
Taxes	457	403	379	356	336
Investment income	2,293	798	(214)	77	667
Lease revenue	854	802	134	-	-
Other non-operating revenue	14	805	652	301	222
Interest expense	(345)	(383)	(421)	(460)	(497)
Total Net Non-Operating Revenues	3,273	2,425	1,872	993	1,353
Income before capital contributions	3,993	5,651	10,009	6,167	1,909
Capital contributions	1,041	2,001	629	849	4,950
Increase in net position	5,034	7,652	10,638	7,016	6,859
Net position, beginning of year	106,705	99,053	88,415	81,399	74,540
Net position, end of year	\$ 111,739	\$ 106,705	\$ 99,053	\$ 88,415	\$ 81,399

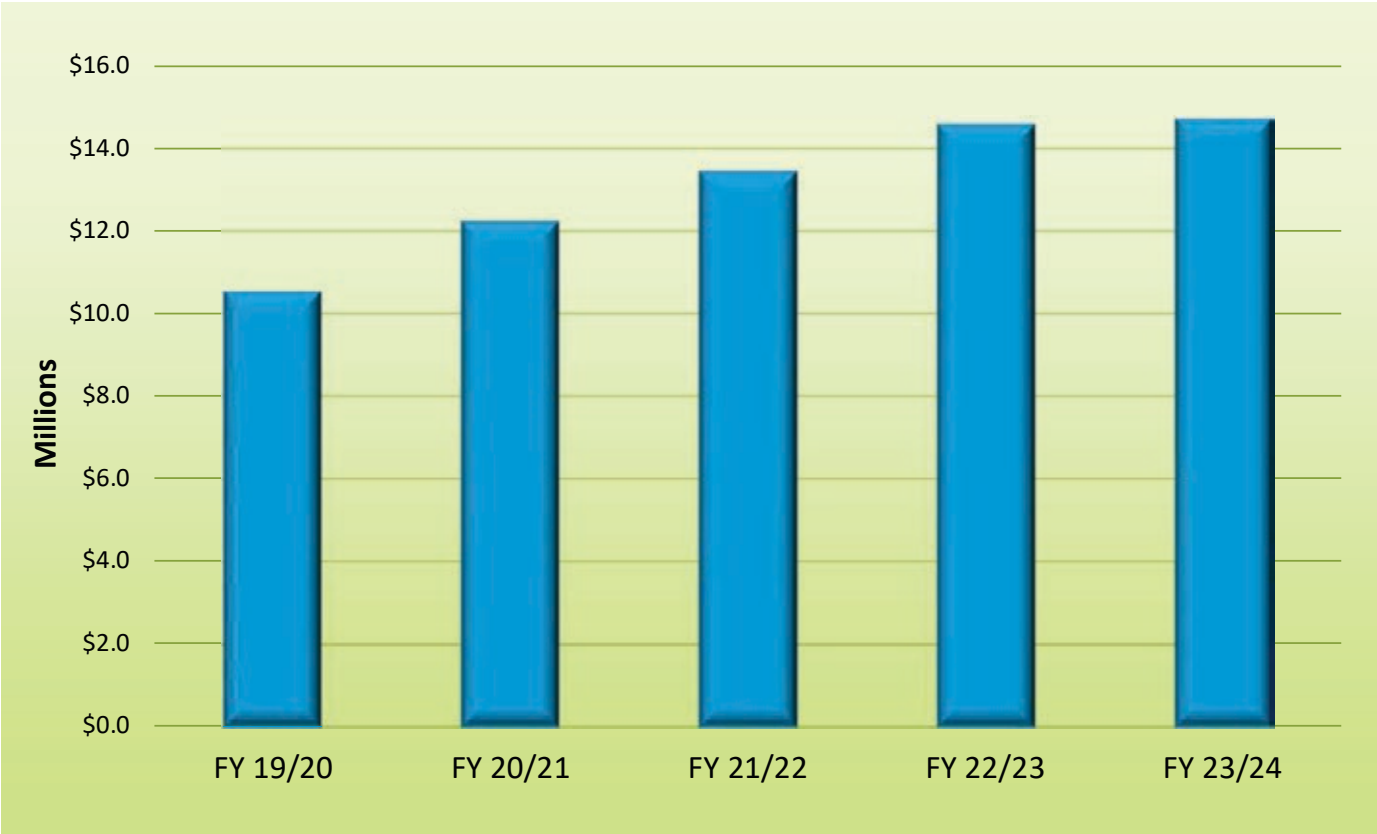
Source: Ironhouse Sanitary District as reflected in audited financial statements

SERVICE CHARGE BY ACTIVITY
SINGLE FAMILY RESIDENTIAL
FY 2023 - 2024



Source: Ironhouse Sanitary District

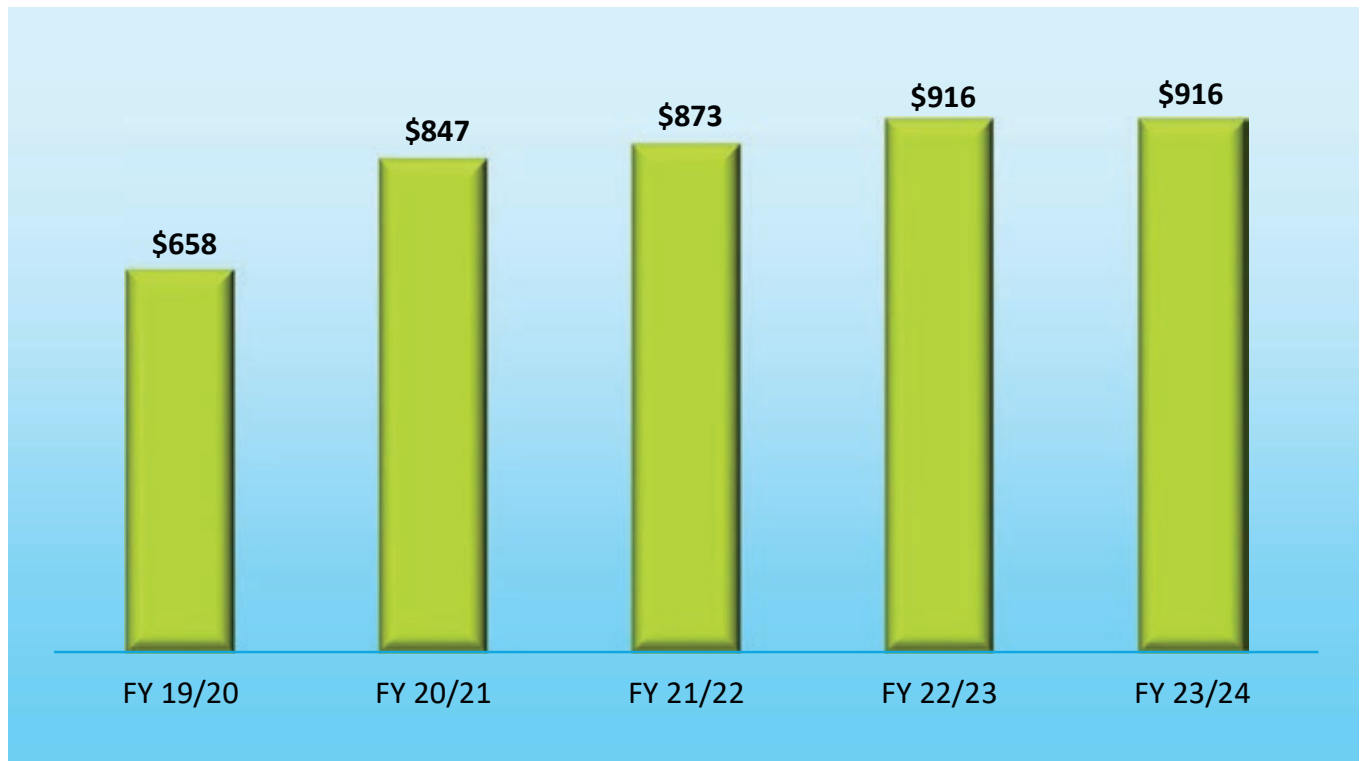
SERVICE CHARGE REVENUE PAST FIVE YEARS



Fiscal Year	Service Charges	Percent Change
FY 19/20	\$ 10,571,895	1.6%
FY 20/21	\$ 12,258,321	16.0%
FY 21/22	\$ 13,459,266	9.8%
FY 22/23	\$ 14,600,576	8.5%
FY 23/24	\$ 14,748,921	1.0%

Source: Ironhouse Sanitary District as reflected in audited Financial Statements

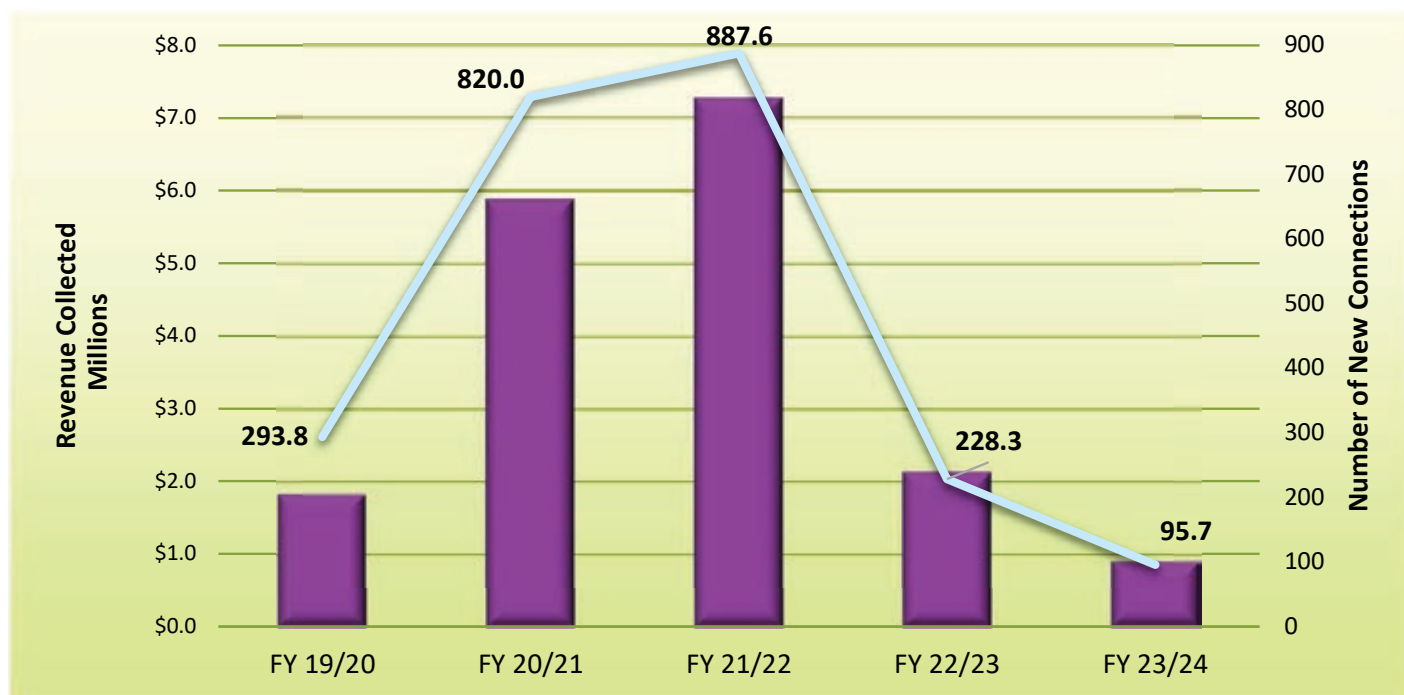
SINGLE FAMILY RESIDENTIAL SERVICE CHARGE RATES PER ESU - PAST FIVE YEARS



Fiscal Year	Single Family Resident Service Rate per ESU	Percent Change
FY 19/20	\$ 658	0.0%
FY 20/21	\$ 847	28.8%
FY 21/22	\$ 873	3.0%
FY 22/23	\$ 916	5.0%
FY 23/24	\$ 916	0.0%

Source: Ironhouse Sanitary District

CAPACITY FEES - PAST FIVE YEARS



Fiscal Year	Capacity Fee per New Connections	Total Collected	Number of New Connections
FY 19/20	6,263	\$ 1,839,709	293.8
FY 20/21	7,180	\$ 5,887,876	820.0
FY 21/22	8,202	\$ 7,280,334	887.6
FY 22/23	9,416	\$ 2,149,492	228.3
FY 23/24	9,548	\$ 913,757	95.7

Source: Ironhouse Sanitary District

PRINCIPAL REVENUE PAYERS CURRENT FISCAL YEAR

FY 23/24		
Payer	Service Charge Revenue	Percent of Total Service Charge
Santiago Island Village (Santiago Village Mobile Home Park)	\$ 109,494	0.7%
ET OAKLEY LLC (Amazon-Wilbur Ave)	95,881	0.7%
NPIF IV Oakley Building II LLC (Pac Pride Distribution-Wilbur Ave)	95,881	0.7%
NP Oakley Building III LLC	95,881	0.7%
NP Oakley LLC (Amazon-Wilbur Ave)	95,881	0.7%
NP Oakley LLC (Amazon-Wilbur Ave)	95,881	0.7%
The Willows MHP LLC (Willows Mobile Home Park)	89,775	0.6%
59 Carol LN LP (Sr./Family Apts -Carol Lane)	71,594	0.5%
Gonsalves Martin T & Denise	58,858	0.4%
Canepa Vincent J Tre (Eagle City Mobile Park)	56,044	0.4%
	\$ 865,171	5.9%

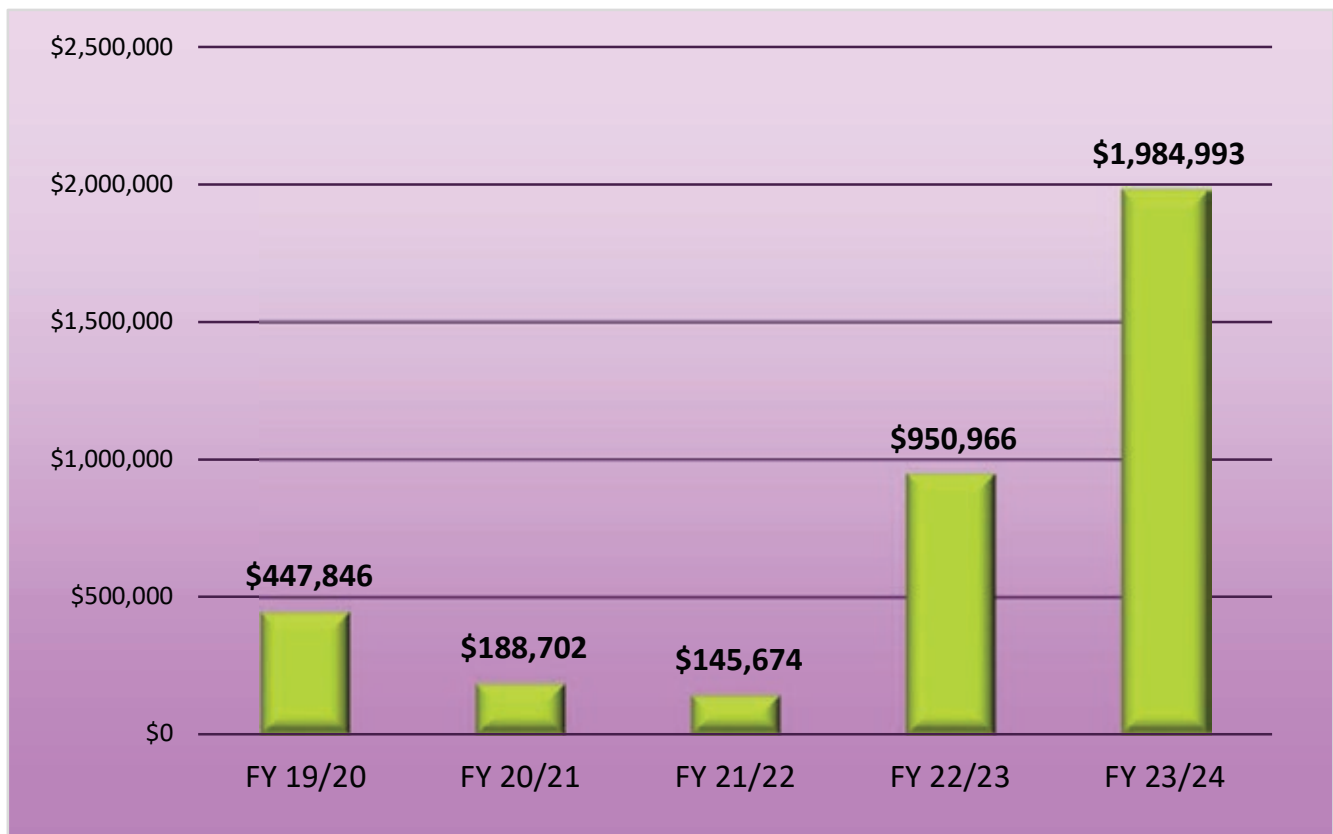
Source: Ironhouse Sanitary District

PRINCIPAL REVENUE PAYERS FIVE YEARS AGO

FY 19/20		
Payer	Service Charge Revenue	Percent of Total Service Charge
Freedom High School	\$ 170,356	1.6%
Sr./Family Apts (Carol Lane)	138,180	1.3%
Willows Mobile Home Park	114,295	1.1%
Santiago Village Mobile Home Park	104,885	1.0%
Eagle City Mobile Home Park	96,726	0.9%
Raley's Shopping Center	89,422	0.8%
Iron House Elementary	75,433	0.7%
Courtyards @ Cypress Grove Apts	63,826	0.6%
Oakley Senior Apts (Empire)	54,732	0.5%
Senior/Family Apts (Carol Lane)	50,008	0.5%
	<u>\$ 957,863</u>	<u>9.1%</u>

Source: Ironhouse Sanitary District

INVESTMENT INCOME (EXCLUDES UNREALIZED GAINS AND LOSSES) PAST FIVE YEARS



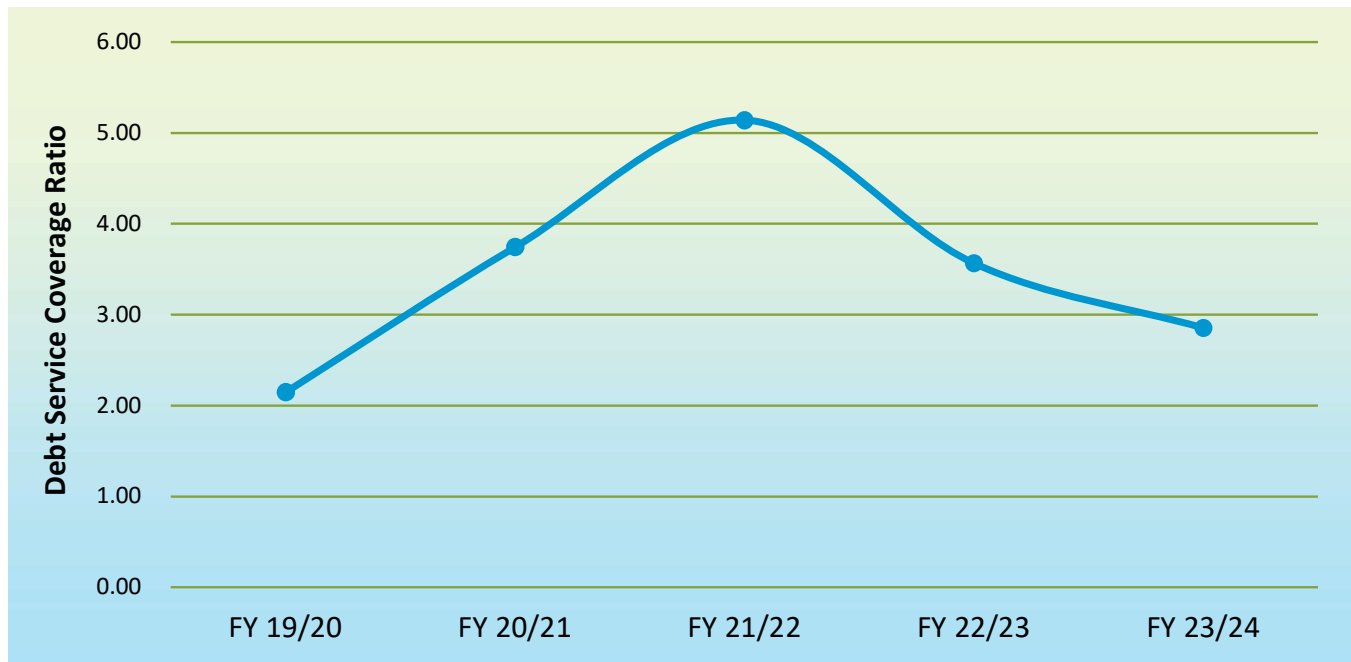
Fiscal Year	Investment Income	Percent Change
FY 19/20	\$ 447,846	-8.8%
FY 20/21	\$ 188,702	-57.9%
FY 21/22	\$ 145,674	-22.8%
FY 22/23	\$ 950,966	552.8%
FY 23/24	\$ 1,984,993	108.7%

Source: Ironhouse Sanitary District

DEBT ANALYSIS



DEBT SERVICE COVERAGE FOR THE PAST FIVE YEARS



Fiscal Year	Gross Revenues (Note 1)	Operating Expense (Note 2)	Net Revenues	Debt Service	Debt Service Coverage Ratio
FY 19/20	\$ 14,839,035	\$ 8,529,111	\$ 6,309,924	\$ 2,937,700	2.15
FY 20/21	\$ 20,358,850	\$ 9,361,788	\$ 10,997,062	\$ 2,937,700	3.74
FY 21/22	\$ 24,820,136	\$ 9,720,107	\$ 15,100,029	\$ 2,937,700	5.14
FY 22/23	\$ 20,541,454	\$10,067,863	\$ 10,473,591	\$ 2,937,700	3.57
FY 23/24	\$ 19,395,462	\$11,015,357	\$ 8,380,105	\$ 2,937,700	2.85

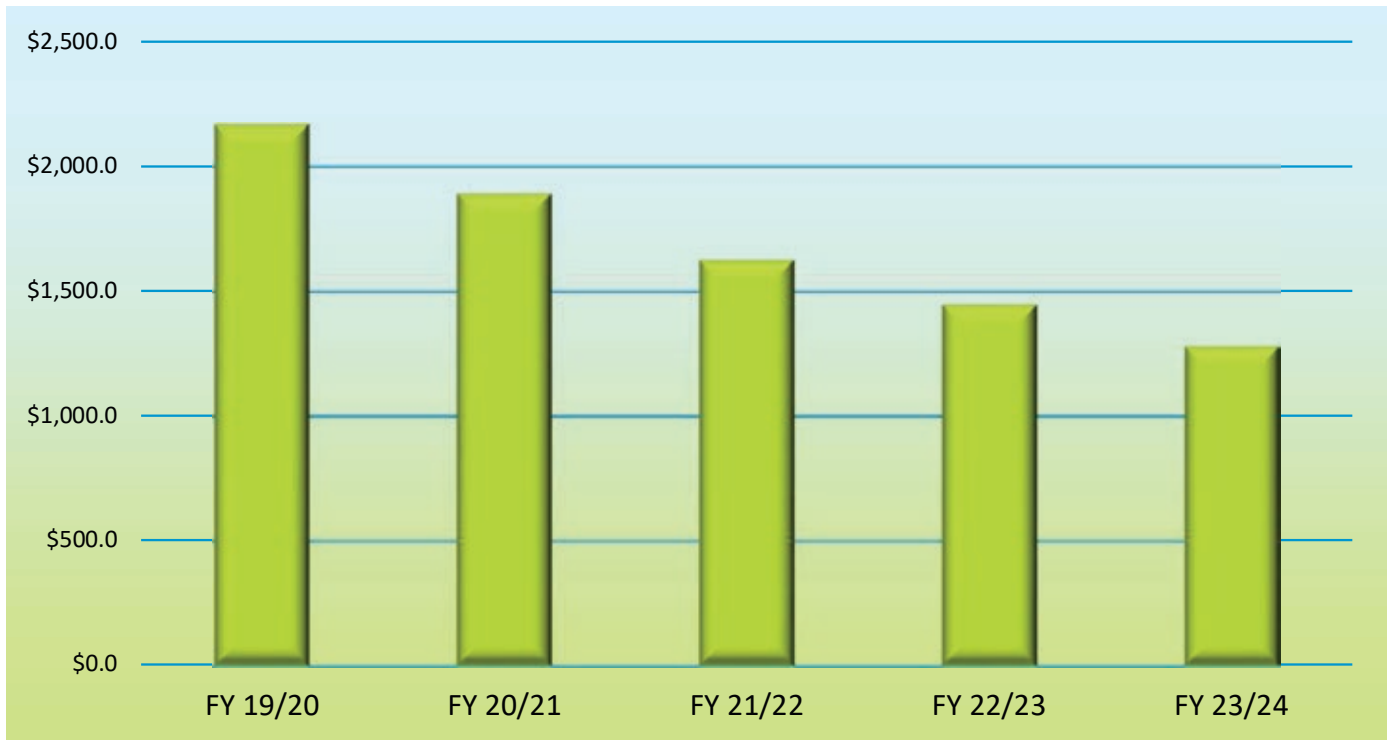
Notes:

(1.) Includes operating and non-operating revenues. Excludes Non-cash revenue for offers of dedication related to the contribution of collection system infrastructure by developers.

(2.) Excludes depreciation and interest expense. Includes cattle operation expenses classified as non-operating in audited financial statements.

Source: Ironhouse Sanitary District

OUTSTANDING DEBT PER CONNECTION FOR THE PAST FIVE YEARS



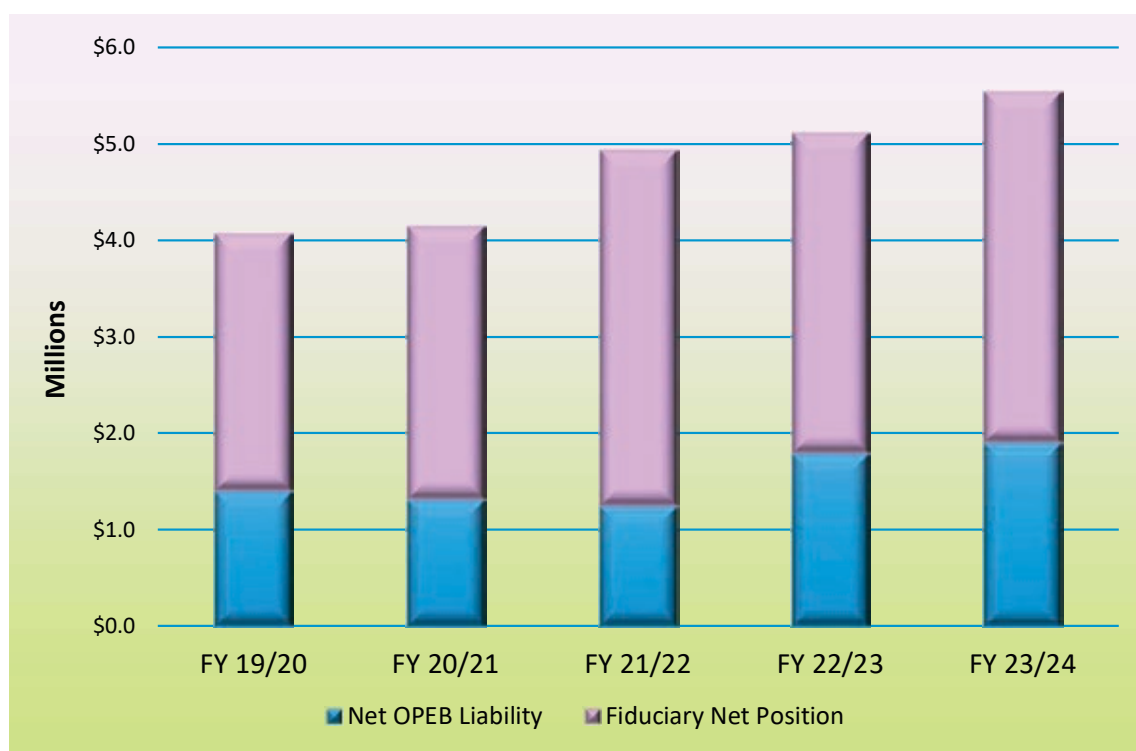
Fiscal Year	Total Outstanding Debt	Total Outstanding Debt per Connection
FY 19/20	\$ 35,252,406	\$ 2,170
FY 20/21	\$ 32,314,706	\$ 1,893
FY 21/22	\$ 29,377,005	\$ 1,627
FY 22/23	\$ 26,439,305	\$ 1,448
FY 23/24	\$ 23,501,604	\$ 1,281

Notes:

(1.) Debt listed is one obligation with the State of California - State Water Resources Control Board from the Clean Water State Revolving Fund

Source: Ironhouse Sanitary District

OPEB LIABILITY FOR THE PAST FIVE YEARS



Fiscal Year	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
FY 19/20	\$ 4,073,683	\$ 2,672,825	\$ 1,400,858
FY 20/21	\$ 4,146,166	\$ 2,833,775	\$ 1,312,391
FY 21/22	\$ 4,936,290	\$ 3,687,561	\$ 1,248,729
FY 22/23	\$ 5,113,672	\$ 3,324,844	\$ 1,788,828
FY 23/24	\$ 5,544,005	\$ 3,641,389	\$ 1,902,616

Source: Ironhouse Sanitary District as reflected in the audited Financial Statements

DEMOGRAPHICS AND ECONOMICS



DEMOGRAPHIC AND ECONOMIC STATISTICS FOR THE PAST FIVE YEARS

OAKLEY

Fiscal Year	Population*	Per Capita Personal Income	Average Unemployment Rate*
2019	41,759	\$ 28,684	3.5%
2020	42,461	\$ 29,950	3.6%
2021	42,895	\$ 31,859	9.9%
2022	44,553	\$ 32,064	7.4%
2023	44,995	\$ 34,626	4.3%

BETHEL ISLAND

Fiscal Year	Population*	Per Capita Personal Income	Average Unemployment Rate*
2019	2,161	\$ 25,411	4.6%
2020	2,131	\$ 29,731	9.9%
2021	2,015	\$ 41,784	9.9%
2022	2,119	\$ 45,190	8.2%
2023	2,144	\$ 38,749	6.8%

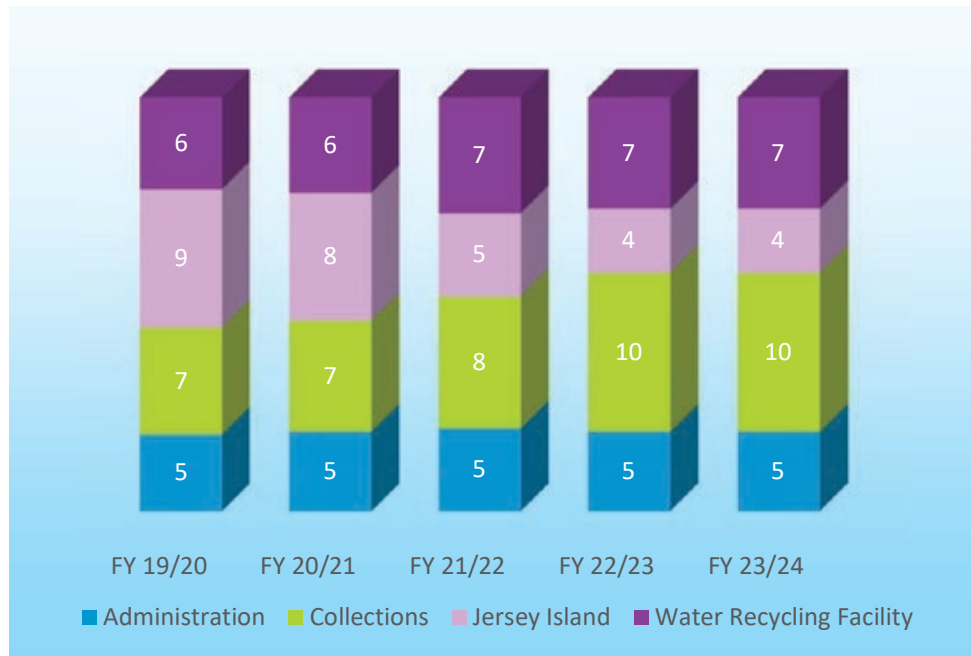
Source:

- U.S. Census Bureau, American Community Survey, 5 year Estimates
- U.S. Bureau of Economic Analysis
- State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2022 and 2023. Sacramento, California, May 2023.

OPERATING INFORMATION



AUTHORIZED FULL TIME EQUIVALENT STAFF BY DEPARTMENT PAST FIVE YEARS



Fiscal Year	Administration	Collections	Jersey Island	Water Recycling Facility	Total
FY 19/20	5	7	9	6	27
FY 20/21	5	7	8	6	26
FY 21/22	5	8	5	7	25
FY 22/23	5	10	4	7	26
FY 23/24	5	10	4	7	26

Source: Ironhouse Sanitary District

FINANCIAL POLICIES AND CAPITAL IMPROVEMENT PROGRAM



OPERATING BUDGET

Ironhouse Sanitary District Operating Budget Policy Summary

It is the policy of the District to prepare and adhere to an annual budget to adequately support the District's operating and capital expenditures, and to maintain a financially viable District that can maintain a level of services identified in the strategic plan.

See Ironhouse's website at <http://ironhousesanitarydistrict.com/184/District-Transparency> to view the full policy.

INVESTMENT POLICY

Ironhouse Sanitary District Investment Policy Summary

It is the policy of the District to invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonably anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of public funds.

The purpose of this policy is to provide guidelines for the prudent investment of funds of the District and to outline the policies for maximizing the efficiency of the District's cash management. The District's goal is to enhance the economic status of the District consistent with the prudent protection of the District's investments. This investment policy has been prepared in conformance with all pertinent existing laws of the State of California.

See Ironhouse's website at <http://ironhousesanitarydistrict.com/184/District-Transparency> to view the full policy

FINANCIAL RESERVES POLICY

Ironhouse Sanitary District Unrestricted Designated Financial Reserve Policy Summary

It is the Policy of the Board of Directors of the District to designate unrestricted financial reserves in order to protect the District's investment in its various assets, satisfy its commitments under its numerous financial, regulatory and contractual obligations and to stabilize long-term rates for its customers.

Designated unrestricted reserves are earmarked by the Board of Directors for purposes such as funding new capital facilities, construction, repair, replacement or refurbishment of existing facilities, rate stabilization, emergencies, and operating reserves. These funds can be utilized at the discretion of the District. The Board can change reserve designations at any time. Designated unrestricted reserves are different than restricted reserves, which are used strictly to meet requirements established by creditors, grant agencies, ordinances or law.

If the District is contractually obligated to hold additional reserves, the more stringent requirement takes precedence.

Operating Reserves Summary

The purpose of the Operating Reserve is to ensure adequate cash is available when needed to pay the District's normal and recurring operating costs. It also serves as the District's line-of-credit for service fees in which the first County installment of 55% is not paid until December of the fiscal year.

Capital Expenditure Reserve Summary

The purpose of Capital Expenditure Reserve is to ensure that adequate funds are available to purchase new capital assets that benefit current ratepayers, as well as replacements, improvements and major refurbishments to existing capital assets.

Rate Stabilization Reserve Summary

The purpose of Rate Stabilization Reserve is to support the Board's strategic goal to manage public funds to assure financial stability, including stability of revenues and the rates and charges related to the District.

Over the course of time, the District will have years where there is a financial surplus above the Operating Reserve target established by the District and years when unexpected events may cause reserves to decrease below the target. The Rate Stabilization Reserve allows the District to manage these different sets of circumstances.

See Ironhouse's website at <http://ironhousesanitarydistrict.com/184/District-Transparency> to view the full policy.

FINANCIAL RESERVES POLICY

Ironhouse Sanitary District Restricted Financial Reserves Policy Summary

To provide guidance for the prudent accumulation and management of restricted financial reserves. It is the Policy of the Board of Directors of the District to ensure restricted financial reserves are used to satisfy its commitments under its numerous financial, regulatory and contractual obligations.

The District has limited discretion as to the use of these funds.

Capacity Reserves Summary

The purpose of capacity reserves is to ensure adequate cash is available when needed to pay costs associated with the District's expansion of its plant and trunk-line capacity, and related developer share of debt service. The District maintains two capacity reserves, Expansion Reserve and Trunk-Line Capacity Reserve. These reserves are funded by developers.

Debt Service Reserves Summary

The purpose of the Debt Service Reserve is to maintain one year of debt service as required by the terms of the State Water Resources Control Board (SWRCB) loan.

See Ironhouse's website at <http://ironhousesanitarydistrict.com/184/District-Transparency> to view the full policy.

CAPITAL IMPROVEMENT PROGRAM POLICY

Ironhouse Sanitary District Capital Improvement Program (CIP)

The District has developed a robust Capital Improvement Program (CIP) that addresses growth, rehabilitation and replacement. Increased operational efficiencies throughout the District have allowed the District to transfer additional funds to the unrestricted Capital Expenditure Reserve. Due to the strong housing market the District has also seen increased connections, which has led to an increase in annual revenues.

See Ironhouse's website at <http://ironhousesanitarydistrict.com/184/District-Transparency> to view the full policy.



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