IRONHOUSE SANITARY DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
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IRONHOUSE SANITARY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ironhouse Sanitary District
Oakley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Ironhouse Sanitary District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Ironhouse Sanitary District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ironhouse Sanitary District as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Ironhouse Sanitary District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3–7 and 26 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the Ironhouse Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ironhouse Sanitary District's internal control over financial reporting and compliance.

Macias Gini O'Connell CPAs

Sacramento, California
October 7, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The financial statements for the fiscal year 2015 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 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 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 $11,045,813 in fiscal 2015, compared to $10,219,386 in fiscal 2014.

The assets of the District exceeded its liabilities at June 30, 2015 by $67,720,207 (net position) compared to $68,906,756 at June 30, 2014.

As of the close of the current fiscal year, the District's Proprietary Fund reported Unrestricted Undesignated Net Position of $3,397,492 compared to $6,141,966 for the prior fiscal year, and Unrestricted Dedicated Reserves of $6,198,281 compared to $3,560,591 for the prior fiscal year. Restricted Net Position at June 30, 2015 is $6,845,388 compared to $7,340,706 at June 30, 2014.

The District's cash and cash equivalents at June 30, 2015 were $18,139,432 representing an increase of $1,852,966 from the June 30, 2014 balance of $16,286,465.

The District had Operating Revenues of $12,134,397 for fiscal 2015 versus $10,887,647 for fiscal 2014 and Operating Expenses of $11,657,597 for fiscal year 2015 versus $11,566,480 for fiscal year 2014.

There was $851,302 in capital outlays for land improvements, water recycling plant, collection system, buildings, vehicles, and furniture and equipment for the fiscal year ending June 30, 2015 compared to $1,152,840 in 2014.

B. Using the Annual Report

Management Discussion and Analysis

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

Government-Wide Financial Statements

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

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

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

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 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. Budgetary Highlights

For the fiscal year ended June 30, 2015, an agency-wide budget was prepared for the District. The budget was primarily used as a management tool. The budget was prepared in accordance with the accounting procedures prescribed by GAAP.

D. Capital Assets and Debt Administration

Capital Assets:

As of June 30, 2015, the District's investment in Capital Assets for its Proprietary Fund was $95,360,713 (net of accumulated depreciation). This investment in Capital Assets includes land, plant, collection system, buildings, vehicles, furniture and equipment. There was $851,302 of major capital assets purchased during the fiscal year.

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

Debt Administration:

The District began construction in April 2009 on a new 4.3 MGD water recycling facility. The facility went into service in July 2011. The District entered into a project funding agreement with the California State Water Resources Control Board under their Clean Water State Revolving Fund Program. The District borrowed $58,754,010 for construction of the water recycling facility. Repayment of the loan is paid in twenty annual installments of $2,937,701 that commenced October 2012. As of June 30, 2015, the outstanding balance of the loan is $49,940,909. The loan incurred no interest; however, in order 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 6 to the Financial Statements included in this report.

E. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for Fiscal Year Ending June 30, 2015:

The state of the economy.

The continued growth within the District's area of operations.

The operational needs of the District.

IRONHOUSE SANITARY DISTRICT
COMPARATIVE STATEMENT OF NET POSITION
June 30, 2015

	ENTERPRISE FUND		
	2015	2014	Percent Change
Assets:			
Current Assets	$ 19,385,786	$ 17,208,867	12.6 %
Receivables Long-Term	18,982	28,473	(33.3)
Net OPEB Asset	195,556	195,556	-
Prepaid Interest	5,859,242	6,548,565	(10.5)
Investment in Cattle Operations (Net)	856,912	814,765	5.2
Capital Assets (Net)	95,360,713	98,193,537	(2.9)
Total Assets	121,677,191	122,989,763	(1.1)
Deferred Outflow of Resources:	752,813	-	100
Liabilities:			
Current Liabilities	4,114,223	4,035,423	2.0
Long-Term Liabilities	49,778,837	50,047,584	(0.5)
Total Liabilities	53,893,060	54,083,007	(0.4)
Deferred Inflow of Resources	816,737	-	100
Net Position:			
Investment in Capital Assets, net of related debt	51,279,046	51,863,493	(1.1)
Unrestricted Net Position			
Undesignated	3,397,492	6,141,966	(44.7)
Designated Reserves	6,198,281	3,560,591	74.1
Total Unrestricted	9,595,773	9,702,557	(1.1)
Restricted Net Position	6,845,388	7,340,706	(6.7)
Total Net Position*	$ 67,720,207	$ 68,906,756	(1.7)%

*The Beginning Net Position for fiscal year 2015 has been adjusted as a result of implementation of GASB 68. For further information see Note 7 in the notes to the financial statement.

IRONHOUSE SANITARY DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2015

	ENTERPRISE FUND		
	2015	2014	Percent Change
Revenues:			
Service charges	$ 9,384,874	$ 9,037,779	3.8 %
Service connection and related fees	476,258	242,471	96.4
Capacity fees	1,184,681	939,136	26.1
Fees other	54,036	113,131	(52.2)
Miscellaneous	1,034,548	555,130	86.4
Total operating revenues	12,134,396	10,887,647	11.5
Expenses:			
Salaries, benefits and payroll taxes	4,357,511	4,432,062	(1.7)
Administrative expenses	337,145	308,559	9.3
Utilities	665,074	628,502	5.8
Operations and maintenance	1,309,133	1,647,102	(20.5)
Professional services	697,688	591,035	18.0
Insurance	134,696	135,048	(0.3)
Expansion related expenses	374,909	22,602	1,558.7
Depreciation	3,781,441	3,801,570	(0.5)
Total operating expenses	11,657,591	11,566,480	0.8
Operating income	476,805	(678,833)	(29.8)
Non-operating revenues:			
Taxes	239,552	190,568	25.7
Cattle revenues	1,618,551	1,071,984	51.0
Hay sales	76,642	100,087	(23.4)
Mineral rights	6,911	12,892	(46.4)
Interest income	36,582	32,963	11.0
Gain (Loss) on sale/disposal of assets	8,267	5,900	40.1
Capital contributions	-	293,000	(100.0)
Total non-operating revenues	1,986,505	1,707,394	16.3
Cattle operations expense	176,468	161,921	9.0
Interest expense	689,323	840,372	(18.0)
Total non-operating expenses	865,791	1,002,293	(13.6)
Non-operating income (loss)	1,120,714	705,101	58.9
Change in net position	$ 1,597,514	$ 26,268	5,981.6 %

F. The Economic Outlook

The District is dependent upon user service charges and connection charges for the funding of operations. Future rate increases for capacity fees can only be implemented upon holding a public hearing on the plan and approval by the Board. Future rate increases for service charges in excess of $680 can only be implemented upon completing the State of California Proposition 218 process. This Proposition 218 process was completed by the District in 2007 for the year ending and included a 5 year rate increase to a maximum of $680.00 per equivalent service unit. Due to the treatment plant construction costs being lower than anticipated, the District has increased its various connection and user fees at a lower rate than the estimated schedule of rate increases included in the Proposition 218 notice. These rate increases are expected to increase revenues, capital assets and capital asset expenditure projects, fund other post-employment benefits, increases in salaries, benefits, utility and operating expenses.

In addition, although the local economy is experiencing low to moderate growth, new development has not recovered to the rate prior to the 2008 severe downturn in the economy. As a result, new connections have not materialized at the rate expected when the Proposition 218 process was completed in 2007. As a result, there are fewer connections than estimated and, therefore, annual service charge revenue is less than previously anticipated. Home foreclosures in the District's service area have also been significant and the burden of paying the annual sewer use fee often transfers to the loan institution for payment. The District collects the annual sewer use fee through the Contra Costa County tax roll which provides payment of all annual sewer use fees regardless of status of property ownership.

G. 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
JUNE 30, 2015

CURRENT ASSETS	
Cash and cash equivalents (Note 2)	$ 11,294,043
Cash and cash equivalents - restricted (Note 2)	6,845,389
Accounts receivable	322,098
Related party receivable (Note 11)	376,353
Interest receivable	10,901
Supply inventory	400,453
Prepaid expenses	136,550
Total Current Assets	19,385,787
NON-CURRENT ASSETS	
Net OPEB Asset (Note 9)	195,556
Prepaid interest (Note 5)	5,859,242
Accounts receivable	18,982
Investment in cattle (net of accumulated depreciation) (Note 3)	856,912
Capital assets (net of accumulation depreciation) (Note 4)	95,360,713
Total Non-Current Assets	102,291,405
TOTAL ASSETS	121,677,192
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources (Note 7)	752,813
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 122,430,005
CURRENT LIABILITIES	
Accounts payable	$ 651,505
Payroll related liabilities	111,951
Customer deposits payable	137,067
Compensated absences (current portion) (Note 5)	257,316
State revolving fund loan (current portion) (Note 5)	2,937,701
Unearned revenues (Note 6)	18,684
Total Current Liabilities	4,114,224
LONG TERM LIABILITIES	
Net pension liability	2,722,495
Compensated absences (less current portion) (Note 5)	53,134
State revolving fund loan (less current portion) (Note 5)	47,003,208
Total Long-Term Liabilities	49,778,837
TOTAL LIABILITIES	53,893,061
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources (Note 7)	816,737
NET POSITION	
Net investment in capital assets (Note 12)	51,279,046
Unrestricted:	
Undesignated	3,397,491
Designated reserves	6,198,281
Total Unrestricted (Note 12)	9,595,772
Restricted (Note 12)	6,845,389
TOTAL NET POSITION	67,720,207
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION	$ 122,430,005

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, 2015

OPERATING REVENUES	
Service charges	$ 9,384,874
Service connection and related fees	476,258
Capacity fees (Note 6)	1,184,681
Fees other	54,036
Miscellaneous	1,034,547
Total Operating Revenues	12,134,396
OPERATING EXPENSES	
Salaries, benefits and payroll taxes	4,357,509
Administration expenses	337,142
Utilities	665,074
Operations and maintenance	1,309,132
Professional services	697,688
Insurance	134,696
Expansion and related costs	374,909
Depreciation	3,781,441
Total Operating Expenses	11,657,591
Operating income	476,805
NON-OPERATING REVENUES (EXPENSES)	
Taxes	239,551
Cattle revenues	1,618,551
Hay sales	76,642
Mineral rights	6,911
Interest income	36,582
Interest expense	(689,323)
Miscellaneous revenue	8,267
Cattle operation expenses	(176,472)
Nonoperating revenues	1,120,709
INCREASE IN NET POSITION	1,597,514
NET POSITION, BEGINNING OF YEAR	68,906,756
PRIOR PERIOD ADJUSTMENTS (Note 13)	(2,784,063)
NET ASSETS, BEGINNING OF YEAR - RESTATED	66,122,693
NET POSITION, END OF YEAR	$ 67,720,207

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

IRONHOUSE SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 11,811,589
Cash paid to employees and for benefits and payroll taxes	(4,425,324)
Cash paid to suppliers and vendors	(3,414,508)
Net cash flows provided by operating activities	3,971,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Hay sales	76,642
Proceeds from mineral rights	6,911
Taxes received	239,551
Net cash flows provided by noncapital financing activities	323,104
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(851,303)
Scrap metal sales	8,267
Sale of cattle	1,893,008
Acquisition of cattle	(63,750)
Cattle operations expenses	(529,711)
Principal payments on state revolving fund loan	(2,937,701)
Net cash flows used in capital and related financing activities	(2,481,190)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investment	39,296
Net cash provided by investing activities	39,296
NET INCREASE IN CASH	1,852,967
CASH AND CASH EQUIVALENTS - JULY 1, 2014	16,286,465
CASH AND CASH EQUIVALENTS - JUNE 30, 2015	$ 18,139,432

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, 2015

OPERATING INCOME	$ 476,805
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,781,441
Increase in accounts receivable	(191,301)
Decrease in prepaid expenses	16,029
Increase in supply inventory	(136,476)
Increase in accounts payable	224,580
Decrease in accrued liabilities	(3,360)
Decrease in compensated absences	(64,455)
Increase in deposits payable	12,456
Decrease in unearned revenue	(143,962)
Total adjustments	3,494,952
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,971,757

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Ironhouse Sanitary District (The District) provides sewage collection, treatment and disposal services 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 Ironhouse Sanitary District (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 Ironhouse Sanitary 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purpose of the 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.

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.

Fixed Assets

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Interest expense incurred during the development period is capitalized. Donated capital assets are recorded at estimated fair 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

Cattle Operations

During the fiscal year ended June 30, 1997, the district acquired several herds of cattle. These cattle were purchased primarily to maintain the grass levels of the Jersey Island land owned by the District. It is the District's intent to continue raising and selling these cattle. In accordance with Accounting Standards Codification 905-10 *Accounting by Agricultural Producers and Agricultural Cooperatives*, the cost of purchasing and raising these cattle is capitalized. Mature cattle are depreciated over their useful lives which is considered to be 8 years. Immature cattle are capitalized and are charged to cattle operations expense when sold.

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.

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 October 7, 2015, which is the date the financial statements were issued.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of Government Accounting Standards Board Statements

Government Accounting Standards Board Statement No. 68 and 71

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Application of this statement was effective for the District's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. The primary objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This pronouncement did not have a significant impact on the financial statements for the fiscal year ended June 30, 2015.

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2015 or later and may be applicable to the District. However, the District has not determined the effects, if any, on the financial statements.

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2016.

NOTE 2: CASH AND CASH EQUIVALENTS

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

	June 30, 2015
Cash and cash equivalents	$ 11,294,043
Restricted cash and cash equivalents	6,845,389
Total	$ 18,139,432

The restricted cash balance is restricted for the current portion of the State Revolving Fund Loan, plant expansion and trunkline capacity. The restricted cash is also presented as restricted net position in the statement of net position.

The components of the District's cash and cash equivalents at June 30, 2015 are as follows:

	June 30, 2015
Cash on hand	$ 334
Deposits with financial institutions	2,156,994
Local Agency Investment Fund	15,982,104
Total	$ 18,139,432

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	5 years	None	40%
Commercial Paper	180 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	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.

As of June 30, 2015, the District had no investments other than its investment in the Local Agency Investment Fund. The fair value of the District's investments in this pool is classified as a cash equivalent.

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. As of June 30, 2015, the District's investments were in compliance with the rating required by the District's investment policy.

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, 2015 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.

NOTE 2: CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the District's investments policy do not contain legal or policy requirements that would limit the exposure of custodial risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must be equal to at least 100% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Government Code requires California banks and savings and loan associations to secure the District's bank balances not covered by federal deposit insurance. The banks must fully collateralize all bank balances by pledging mortgages or government securities as collateral. The market value of the mortgages must equal at least 150% and the market value of the government securities must equal at least 110% of the face value of the deposits. Such collateral must be held in the pledging bank's trust department or in a separate depository in an account for the District.

The District's investments are carried at fair value, as required by generally accepted accounting principles. Fair value equals fair market value, since all of the District's investments are readily marketable.

As of June 30, 2015, the deposits with financial institutions, in excess of the federal depository insurance limits, were collateralized as required by law. As of June 30, 2015, the carrying amount of the District's bank deposits totaled $2,156,994 and the bank balances totaled $2,232,088. The differences between the carrying amounts and the bank totals are due to the normal deposits in transit and outstanding checks.

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 investments in this pool is classified as a cash equivalent in the accompanying financial statements.

NOTE 3: INVESTMENT IN CATTLE

The following is a summary of the changes in investment in cattle for the year ended June 30, 2015:

Investment in cattle at July 1, 2014	$ 987,754
Activities of cattle operations, for the fiscal year ended June 30, 2015:	
Purchases of cattle	63,751
Additional capital expenditures	353,239
Cost basis for cattle sold	(361,283)
Investment in cattle at June 30, 2015	1,043,461
Accumulated depreciation on investment in cattle at June 30, 2015	(186,549)
Net investment in cattle at June 30, 2015	$ 856,912

IRONHOUSE SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	July 1, 2014	Reclassifications	Additions	Deletions	Transfers	June 30, 2015
Capital assets not being depreciated						
Land and improvements	$ 8,523,514	$ (55,990)	$ -	$ -	$ -	$ 8,467,524
Work in progress	342,853	-	198,985	-	(34,919)	506,919
Total capital assets not depreciated	8,866,367	(55,990)	198,985	-	(34,919)	8,974,443
Capital assets being depreciated						
Plant and improvements	52,707,774	55,990	58,287	(6,313)	34,919	52,850,657
Collection system and pipelines	54,826,907	-	43,687	-	-	54,870,594
Vehicles	1,436,625	-	262,775	(3,248)	-	1,696,152
Equipment	21,413,796	-	287,569	(68,074)	-	21,633,291
Total capital assets being depreciated	130,385,102	55,990	652,318	(77,635)	34,919	131,050,694
Less: accumulated depreciation						
Plant and improvements	(5,764,058)	-	(1,333,470)	6,313	-	(7,091,215)
Collection system and pipelines	(27,456,239)	-	(1,211,167)	-	-	(28,667,406)
Vehicles	(1,378,957)	-	(48,822)	3,248	-	(1,424,531)
Equipment	(6,458,678)	-	(1,090,668)	68,074	-	(7,481,272)
Total accumulated depreciation	(41,057,932)	-	(3,684,127)	77,635	-	(44,664,424)
Capital Assets, net	$ 98,193,537	$ -	$ (2,832,824)	$ -	$ -	$ 95,360,713

Depreciation expense for the year ended June 30, 2015 totaled $3,781,441, and includes $97,314 in depreciation expense on investment in cattle.

NOTE 5: LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
State Revolving Fund Loan	$ 52,878,609	$ -	$ (2,937,700)	$ 49,940,909	$ 2,937,701
Compensated Absences	374,905	246,285	(310,740)	310,450	257,316
Net Pension Liability (Note 7)	3,446,384	1,720,738	(2,444,627)	2,722,495	-
Total	$ 56,699,898	$ 1,967,023	$ (5,693,067)	$ 52,973,854	$ 3,195,017

State Revolving Fund Loan

The District entered into a project financing agreement with the California State Water Resources Control 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 will be repaid 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 expense 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%.

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

For the Year Ending, June 30	Principal	Total Payments	Interest Expense
2016	2,937,701	2,937,701	651,027
2017	2,937,701	2,937,701	612,731
2018	2,937,701	2,937,701	574,436
2019	2,937,701	2,937,701	536,140
2020	2,937,701	2,937,701	497,844
2021 - 2025	14,688,505	14,688,505	1,914,785
2026 - 2030	14,688,505	14,688,505	957,392
2031 - 2032	5,875,394	5,875,394	114,887
Total	$ 49,940,909	$ 49,940,909	$ 5,859,242

NOTE 6: CAPACITY FEES AND UNEARNED REVENUES

Capacity fees and trunkline 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.

The capacity fees and trunkline 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, 2015, $3,907,688 had been earned and designated for future expansion. During the year ended June 30, 2015, $1,184,681 of capacity and trunkline capacity fees were earned.

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the 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, 2015, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	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 rates	8%	6.5%
Required employer contribution rates	23.01%	6.70%

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.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous
Contributions- employer	547,225
Contributions- employee (paid by employer)	153,387

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

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

As of June 30, 2015, the District reported net pension liability of $2,722,495 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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	.10518%
Proportion- June 30, 2014	.10991%
Change - Increase (Decrease)	.00473%

For the year ended June 30, 2015, the District recognized pension expense of $596,008. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 547,225	$ -
Change in employer's proportion and differences between the employer's contributions and employer's proportionate share of contributions.	205,588	(114,783)
Net differences between projected and actual earnings on plan investments	-	(701,954)
Total	$ 752,813	$ (816,737)

$547,225 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	$	161,990
2017	$	161,990
2018	$	155,855
2019	$	131,314

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

C. **Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	Varies (1)
Projected Salary Increase	Varies (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived Using CalPERS Membership Data for All Funds

(1) Depending on age, service and type of employement
(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

D. Discount Rate – The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds'

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

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

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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(.55%)	(1.05%)
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liabiltity	$4,432,443
Current Discount Rate	7.50%
Net Pension Liability	$2,722,495
1% Increase	8.50%
Net Pension Liability	$1,292,164

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

E. Payable to the Pension Plan

At June 30, 2015, the District reported a payable of $29,240 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 8: DEFERRED COMPENSATION PLAN

During the fiscal year ended June 30, 1997 the District approved and established the Ironhouse Sanitary District Deferred Compensation Plan ("the deferred compensation plan") for its employees created in accordance with Internal Revenue Code 457. The deferred compensation plan, administered by Hartford Life and available to all permanent employees and Directors, permits them to defer a portion of their current salary until future years. The deferred compensation, which is held in trust by Hartford Life, is not available to participants until termination, retirement, death or unforeseeable emergency. During the past year, the employees contributed $82,707.

NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Description of Plan

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

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

Funding Policy and Annual Pension Cost

The District's policy is to fully fund the annual required contribution, which is determined by an actuary. For the year ended June 30, 2015 the District made the annual required contribution (ARC) of $197,457. The required contribution for fiscal year 2014/2015 was determined as part of the July 1, 2013 actuarial valuation. The significant actuarial assumptions used in the valuation of the plan are as follows:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Average remaining period	30 Years as of the Valuation Date
Actuarial assumptions:	
Discount rate	7.25%
Projected salary increases	2.75%
Inflation rate	2.75%
Cap increase	Healthcare 4.00% trend

Three-Year Trend Information for the Ironhouse Sanitary District Retiree Healthcare Plan

Fiscal Year Ending	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Asset
6/30/13	164,655	132,424	80%	195,556
6/30/14	197,457	197,457	100%	195,556
6/30/15	197,457	197,457	100%	195,556

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

Funded Status and Funding Progress

As of June 30, 2015, the plan was 72 percent funded. The actuarial accrued liability for benefits was $2,763,311, and the market value of assets was $1,996,635, resulting in an unfunded liability of $766,676. Estimated covered payroll (annual payroll of active employees covered by the plan) was $2,634,000, and the ratio of the unfunded liability to the covered payroll was 30 percent.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10: JOINT VENTURE - CALIFORNIA SANITATION RISK MANAGEMENT DISTRICT (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 District (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, 2015, the District made $233,639 in insurance premium payments to CSRMA.

Condensed audited financial information for the year ended June 30, 2014 (the most recent available) was as follows:

Total assets	$	27,379,073
Total liabilities		16,413,379
Total net position	$	10,965,694
Total revenues	$	10,812,970
Total expenses		11,887,608
Decrease in net position	$	(1,074,638)

Complete financial statements for CSRMA can be obtained from the CSRMA, care of Alliant Insurance Services, Inc., 600 Montgomery Street, 9th floor, San Francisco, California, 94111.

NOTE 11: RELATED PARTY TRANSACTIONS

The Reclamation Superintendent and the District Engineer of the District are also the President and Secretary 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, 2015 the District paid $332,565 in assessments to RD830. RD830 paid the District $53,117 for management services. In addition, RD830 reimbursed the District in the amount of $219,766 for levee repairs performed by Ironhouse employees and for the use of its equipment and $212,576 for material fill used to fortify the levee system. Management believes these transactions were consummated on terms equivalent to those that prevail in arms length transactions.

During the year-ended June 30, 2015, hay sales totaling of $25,484 were made to employees and relatives of employees. Management believes these transactions were consummated on terms equivalent to those that prevail in arms length transactions.

NOTE 12: NET POSITION

As of June 30, 2015, net position of the District consisted of the following:

Net investment in capital assets	$ 51,279,046
Unrestricted:	
Undesignated	3,397,491
Designated reserve for capital expenditures	5,431,755
Designated reserve for rate stabilization	732,000
Designated reserve for Jersey Island use fees	34,526
Total Unrestricted	9,595,772
Restricted	
Debt service	2,937,701
Expansion	623,094
Trunkline capacity	3,284,594
Total Restricted	6,845,389
Total Net Position	$ 67,720,207

NOTE 13: PRIOR PERIOD ADJUSTMENTS

On June 30, 2015, the District elected to start recording hay as inventory. Management determined that the value of the hay inventory as of June 30, 2014 was $106,960. In prior years, inventory was expensed upon creation. To correct this error, net assets have been increased by $106,960.

Summary of Prior Period Adjustments

Record hay inventory	$ 106,960
Record net pension liability pursuant to GASB 68	(2,891,023)
	$ (2,784,063)

Required Supplementary Information

IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015
LAST 10 YEARS*

	2015 MISC.
Proportion of the net pension liability	0.04365 %
Proportionate share of the net pension liability	$ 2,722,495
Covered - employee payroll	$ 2,570,428
Proportionate share of the net pension liability as a percentage of covered - employee payroll	105.92 %
Plan's fiduciary net position	10,219,369
Plan fiduciary net position as a percentage of the total pension liability	79.00 %

Notes to Schedule:

<u>Benefit changes-</u> In 2015, there were no changes in benefits terms.

<u>Changes in assumptions-</u> In 2015, there were no changes in actuarial assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

IRONHOUSE SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2015
LAST 10 YEARS*

	2015 Misc.
Contractually required contribution (actuarially determined)	$ 596,008
Contributions in relation to the actuarially determined contributions	(596,008)
Contribution deficiency (excess)	$ -
Covered - employee payroll	2,570,428
Contributions as a percentage of covered - employee payroll	23.19 %

Notes to Schedule:

Valuation Date:	June 30, 2013

Methods and assumptions used to determine contribution rates:

Single and agent's employers example	Entry age
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Mortality	CALPERS' Membership Data for all Funds

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Schedule of Funding Progress for the Ironhouse Sanitary District Retiree Healthcare Plan
(Rounded to the nearest thousand)

Valuation Date	Year-End Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
6/30/08	6/30/08	$2,909,000	$263,000	$2,646,000	9%	$2,178,000	121%
6/30/08	6/30/09	$3,285,000	$452,000	$2,833,000	14%	$2,285,000	130%
6/30/08	6/30/10	$3,285,000	$855,812	$2,429,188	26%	$2,203,000	110%
6/30/10	6/30/11	$2,079,560	$1,359,887	$719,673	65%	$2,156,000	33%
6/30/10	6/30/12	$2,079,560	$1,452,801	$626,759	70%	$2,156,000	29%
6/30/11	6/30/13	$2,246,806	$1,621,508	$625,298	72%	$2,523,000	25%
7/1/13	6/30/14	$2,763,311	$1,612,241	$1,151,070	58%	$2,634,000	44%