

Ironhouse Sanitary District
Financial Reporting Narrative
Executive Summary
January 31, 2020

Financial Position

As of January 31, 2020, Ironhouse Sanitary District (ISD) cash and investment balance was \$26.0 million of which \$10.2 million consist of dedicated unrestricted reserves and \$7.2 million consist of restricted reserves. \$8.6 million of the cash balance is used for day-to-day operations.

Cash and investment reserve balances as of January 31, 2020 consist of the following:

Operating Cash: \$ 8,502,173

Unrestricted Dedicated Reserves:

Capital Expenditure Reserve	\$ 9,468,644
Rate Stabilization Reserve	\$ 732,000
Jersey Island Use Reserve	<u>\$ 35,453</u>
	<u>\$ 10,236,097</u>

Restricted Reserves:

Debt Service Reserve	\$ 2,937,701
Trunk Line Capacity Reserve	<u>\$ 4,288,035</u>
	<u>\$ 7,225,736</u>

At January 31, 2020, total ISD assets were \$118.0 million of which \$84.4 million is the net book value of fixed assets. Total ISD liabilities are \$41.8 million.

Actual to Budget Operating Results – Representing 58.3% of Budget

Net Income

For the seven months ended January 31, 2020, ISD generated net income of \$1,696,987 as compared to annual budgeted net income of \$883,403 (192.1% of budget). Included in net income is \$2,275,000 of depreciation expense. Included in the annual budgeted net income is \$3,900,000 of depreciation expense. Excluding depreciation, ISD generated net income of \$3,971,987 for the seven-month period compared to annual budgeted net income of \$4,783,403 (83.0% of budget).

Revenue and Other Income

For the seven months ended January 31, 2020, there were 181.1 new connections as compared to ISD's annual estimate of 150 connections (121.2% of estimate). For the seven-month period, total operating revenue was \$7,989,293 as compared to annual budgeted operating revenue of \$12,467,901 (64.1% of budget).

For the seven months ended January 31, 2020, cattle revenue was \$526,609 as compared to an annual budget of \$1,050,000 (50.2% of budget).

Interest income for the seven-month period was \$245,445 as compared to an annual budget of \$275,000 (89.3% of budget).

Expenses

For the seven months ended January 31, 2020, total operating expenses were \$6,879,280 as compared to an annual operating expense budget of \$12,475,698 (55.1% of budget). Excluding depreciation expense, operating expenses for the seven-month period were \$4,604,280 as compared to an annual operating expense budget of \$8,575,698 (53.7% of budget).

Budget Variance Explanations (Representing 58.3% of Annual Budget)

Significant Revenue Variances

Connection Related Fees – Favorable Variance – 121% of Annual Budget

181.1 YTD new connections resulted in connection related revenue exceeding YTD budget by \$714,501.

Significant Expense Variances

Salaries and Related Expenses – Favorable Variance – 54% of Annual Budget

Mostly due to a delay in hiring a supervisor at the WRF and an employee on temporary disability, salaries and benefits have a YTD favorable variance of \$241,440.

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of January 31, 2020

	Jan 31, 20	Jan 31, 19	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Petty Cash	225	334	(109)
Wells Fargo Checking	681,812	1,312,947	(631,135)
CalTRUST Investment Fund	5,980,102	7,748,916	(1,768,815)
LAIF Investment Fund	11,508,164	9,452,799	2,055,365
BAC Commerce Savings	62,297	62,277	20
Total Checking/Savings	18,232,600	18,577,273	(344,673)
Accounts Receivable	7,832	37,268	(29,435)
Other Current Assets			
Due from RD830	72,500	102,500	(30,000)
Assessments Due from County	362,579	340,517	22,062
Receivables - Other	1,000	0	1,000
Inventory	480,770	458,848	21,922
Prepaid Insurance CSRMA	132,560	117,009	15,552
Prepaid Expense - Other	153,255	122,177	31,077
Wells Investment Securities	7,731,406	6,086,804	1,644,602
Total Other Current Assets	8,934,069	7,227,855	1,706,214
Total Current Assets	27,174,501	25,842,396	1,332,105
Fixed Assets			
Land and Improvements	9,945,529	9,862,367	83,163
Construction in Progress	1,884,804	461,881	1,422,923
Plant and Improvements	51,654,665	51,654,665	0
Collection System and Pipelines	56,422,671	56,208,419	214,252
Equipment, Furniture & Fixtures	23,023,487	22,231,225	792,262
Vehicles and Vessels	2,588,868	2,323,709	265,159
WRF Operating System	44,023	44,023	0
Accumulated Depreciation	(61,190,802)	(57,382,415)	(3,808,388)
Total Fixed Assets	84,373,245	85,403,874	(1,030,629)
Other Assets			
Investment in Cattle	1,205,762	1,085,599	120,163
Deferred Outflows - Pension	1,386,435	1,937,891	(551,456)
Deferred Outflows - OPEB	336,543	0	336,543
Prepaid Interest - SWRCB	3,484,908	4,021,048	(536,140)
Other Receivable Long-Term	58,369	72,961	(14,592)
Total Other Assets	6,472,017	7,117,499	(645,482)
TOTAL ASSETS	118,019,763	118,363,770	(344,006)
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	15,082	89,027	(73,945)
Other Current Liabilities			
Accrued Payroll Related Costs	142,056	118,489	23,567
Compensated Absences	279,637	270,198	9,439
Construction Deposits	91,483	91,483	0
Unearned Revenue	22,209	34,886	(12,677)

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of January 31, 2020

	Jan 31, 20	Jan 31, 19	\$ Change
Current Portion of SWRQCB Loan	2,937,701	2,937,701	0
Total Other Current Liabilities	3,473,086	3,452,757	20,329
Total Current Liabilities	3,488,168	3,541,784	(53,615)
Long Term Liabilities			
SWRCB Loan Long-Term	32,314,705	35,252,406	(2,937,701)
Net Pension Liability	4,157,300	4,378,364	(221,064)
Net OPEB Liability	1,587,624	1,688,666	(101,042)
Deferred Inflows - Pension	234,564	210,533	24,031
Total Long Term Liabilities	38,294,193	41,529,969	(3,235,776)
Total Liabilities	41,782,361	45,071,752	(3,289,391)
Equity			
Unrestricted Net Assets			
Investment in Capital Assets	52,605,747	51,238,762	1,366,985
Operating Reserves			
Operating Reserve - Cash	6,169,822	6,225,603	(55,781)
Total Operating Reserves	6,169,822	6,225,603	(55,781)
Total Unrestricted Net Assets	58,775,569	57,464,365	1,311,204
Dedicated URNA			
Rate Stabilization Reserve	732,000	732,000	0
Jersey Island Use/Trail Reserve	35,453	34,673	780
Capital Expenditure Reserve	9,468,644	8,278,326	1,190,318
Total Dedicated URNA	10,236,097	9,044,999	1,191,098
Restricted Reserves			
Debt Service Reserve - SWRQCB	2,937,701	2,937,701	0
Trunk Line Capacity Reserve	4,288,035	3,934,293	353,742
Total Restricted Reserves	7,225,736	6,871,994	353,742
CY Net Asset Change Offset	(1,696,987)	(1,512,011)	(184,976)
Net Income	1,696,987	1,422,671	274,316
Total Equity	76,237,402	73,292,018	2,945,385
TOTAL LIABILITIES & EQUITY	118,019,763	118,363,770	(344,006)

Ironhouse Sanitary District
Actual to Budget Summary
Seven Months Ended January 31, 2020

	Actual Jan. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	\$ 6,131,738	\$ 6,131,738	100%	\$ 10,511,550	58%
Inspection Fees	19,120	0	100%	0	
Plan Check Fees	8,460	0	100%	0	
Connection Fees	251,632	121,800	207%	208,800	121%
Sewer Use Charge (New Permits)	92,292	28,788	321%	49,350	187%
Capacity Fees	1,132,653	547,984	207%	939,401	121%
Lease and Permits	1,000	683	146%	1,100	91%
Hay Sales	89,070	102,083	87%	175,000	51%
RD830 Levee Maintenance	72,500	72,500	100%	145,000	50%
RD830 Management Reimbursement	0	30,000	0%	60,000	0%
Undercrossing Maintenance	0	0	0%	4,000	0%
Mineral Rights	4,976	4,958	100%	8,500	59%
Jersey Island Use Fees	660	117	564%	200	330%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	7,832	17,500	45%	35,000	22%
Ad Valorem and Other Taxes	176,061	162,250	109%	295,000	60%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	1,274	20,417	6%	35,000	4%
Total Income	7,989,293	7,240,818	110%	12,467,901	64%
Gross Profit	7,989,293	7,240,818	110%	12,467,901	64%
Expense					
Salaries and Related Expenses	2,750,725	2,992,165	92%	5,119,005	54%
Administration Expenses	227,350	230,060	99%	380,528	60%
Insurance	115,510	71,300	162%	141,300	82%
Operations and Maintenance	861,884	1,024,140	84%	1,555,265	55%
Professional Services	304,376	443,022	69%	747,800	41%
Utilities	344,435	368,550	93%	631,800	55%
Depreciation Expense	2,275,000	2,275,000	100%	3,900,000	58%
Total Expense	6,879,280	7,404,237	93%	12,475,698	55%
Net Ordinary Income	1,110,013	(163,419)	(679%)	(7,797)	-14236%
Other Income/Expense					
Other Income					
Cattle Sales	526,609	612,500	86%	1,050,000	50%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	73,730	0	100%	0	
Interest Income	245,445	160,417	153%	275,000	89%
Total Other Income	845,784	772,917	109%	1,325,000	64%
Other Expense					
Cattle Operation Expenses	258,810	253,050	102%	433,800	60%
Total Other Expense	258,810	253,050	102%	433,800	60%
Net Other Income	586,974	519,867	113%	891,200	66%
Net Income	\$ 1,696,987	\$ 356,448	476%	\$ 883,403	192%

Ironhouse Sanitary District
Actual to Budget Detail
Seven Months Ended January 31, 2020

	Actual Jan. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	6,131,738	6,131,738	100%	10,511,550	58%
Inspection Fees	19,120	0	100%	0	
Plan Check Fees	8,460	0	100%	0	
Connection Fees	251,632	121,800	207%	208,800	121%
Sewer Use Charge (New Permits)	92,292	28,788	321%	49,350	187%
Capacity Fees					
Plant Capacity Fees	950,079	459,653	207%	787,977	121%
TLC Fees	182,574	88,331	207%	151,424	121%
Total Capacity Fees	1,132,653	547,984	207%	939,401	121%
Lease and Permits	1,000	683	146%	1,100	91%
Hay Sales	89,070	102,083	87%	175,000	51%
RD830 Levee Maintenance	72,500	72,500	100%	145,000	50%
RD830 Management Reimbursement	0	30,000	0%	60,000	0%
Undercrossing Maintenance	0	0	0%	4,000	0%
Mineral Rights	4,976	4,958	100%	8,500	59%
Jersey Island Use Fees	660	117	564%	200	330%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	7,832	17,500	45%	35,000	22%
Ad Valorem and Other Taxes	176,061	162,250	109%	295,000	60%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	1,274	20,417	6%	35,000	4%
Total Income	7,989,293	7,240,818	110%	12,467,901	64%
Gross Profit	7,989,293	7,240,818	110%	12,467,901	64%
Expense					
Salaries and Related Expenses					
Salaries and Wages					
Base Staff Salaries	1,571,954	1,693,992	93%	2,903,987	54%
Stand By/On Call	27,258	28,000	97%	48,000	57%
Overtime Pay	51,047	23,333	219%	40,000	128%
Vehicle Allowance	8,230	8,470	97%	14,520	57%
Vacation Buy-Back	29,534	21,583	137%	37,000	80%
Accrued Time Pay-Out	5,474	11,667	47%	20,000	27%
Other Pay	14,592	14,592	100%	14,592	100%
Director Pay	19,040	22,773	84%	39,040	49%
Temporary Staff Wages	6,816	11,667	58%	20,000	34%
Total Salaries and Wages	1,733,945	1,836,077	94%	3,137,139	55%
Health, Life and Disability					
Medical Insurance - Staff	276,873	308,996	90%	529,708	52%
Medical Insurance - Directors	16,173	15,376	105%	26,359	61%
Dental Insurance - Staff	47,399	57,433	83%	98,457	48%

Ironhouse Sanitary District
Actual to Budget Detail
Seven Months Ended January 31, 2020

	Actual		% of	Annual	% of
	Jan. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Dental Insurance - Directors	1,519	1,996	76%	3,422	44%
Vision - Staff	4,984	5,423	92%	9,297	54%
Vision - Directors	304	301	101%	516	59%
Life and Disability	6,120	26,382	23%	45,226	14%
Total Health, Life and Disability	353,372	415,907	85%	712,985	50%
Retirement - CalPERS	410,775	452,439	91%	775,609	53%
OPEB Annual Req. Contribution	166,405	204,167	82%	350,000	48%
Workers Compensation Insurance	51,597	51,481	100%	88,253	58%
Payroll Taxes - Employer	34,631	32,094	108%	55,019	63%
Total Salaries and Related Expenses	2,750,725	2,992,165	92%	5,119,005	54%
Administration Expenses					
Bank and Credit Card Fees	358	292	123%	500	72%
Coalitions	12,013	12,950	93%	22,200	54%
County - LAFCO	8,885	8,500	105%	8,500	105%
County - Processing Fees	6,055	6,500	93%	13,000	47%
Dues and Memberships	28,360	18,037	157%	30,920	92%
Election Expense	0	0	0%	0	
Employee Events & Appreciation	15,795	19,992	79%	28,200	56%
Employee Wellness Program	6,518	6,167	106%	7,000	93%
Expensed Equip/Furn/Software	8,027	12,833	63%	22,000	36%
Licenses/Permits/Certifications	56,010	37,917	148%	65,000	86%
Office Supplies and Expenses	9,640	9,333	103%	16,000	60%
Physicals & Exams	475	2,392	20%	4,100	12%
Postage and Delivery	680	1,167	58%	2,000	34%
Printing and Reproduction	1,477	1,283	115%	2,200	67%
Public Education and Outreach	712	8,750	8%	15,000	5%
Records Management	810	1,167	69%	2,000	41%
Subscriptions and Notices	3,694	4,258	87%	7,300	51%
Telecommunications					
Cellular Reimbursement	10,225	10,500	97%	18,000	57%
Office Line and Internet	18,207	18,492	98%	31,700	57%
Total Telecommunications	28,432	28,992	98%	49,700	57%
Temporary Support Services	3,490	7,875	44%	13,500	26%
Training and Conferences	34,298	38,738	89%	66,408	52%
Miscellaneous Administration	1,621	2,917	56%	5,000	32%
Total Administration Expenses	227,350	230,060	99%	380,528	60%
Insurance					
CSRMA Business Package	114,210	70,000	163%	140,000	82%
Fidelity Bond	1,300	1,300	100%	1,300	100%
Total Insurance	115,510	71,300	162%	141,300	82%
Operations and Maintenance					
Bio-Solids Removal	60,934	81,667	75%	140,000	44%

Ironhouse Sanitary District
Actual to Budget Detail
Seven Months Ended January 31, 2020

	Actual		% of	Annual	% of
	Jan. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Encroachment Permits	0	700	0%	1,200	0%
Equipment Rental	10,363	11,958	87%	20,500	51%
Fuel					
Diesel - On Road	10,451	7,000	149%	12,000	87%
Diesel - Off Road	32,335	30,333	107%	52,000	62%
Gasoline	15,527	15,050	103%	25,800	60%
Total Fuel	58,313	52,383	111%	89,800	65%
Janitorial Service and Supplies	19,267	13,592	142%	23,300	83%
Jersey Island Use Expense	0	0	0%	0	
Landscaping Services & Supplies	9,677	11,783	82%	20,200	48%
Maintenance and Repair					
Building Maintenance	19,239	22,750	85%	39,000	49%
Collection System Repair	16,648	29,167	57%	50,000	33%
Farm and Field Maintenance	31,968	61,833	52%	106,000	30%
Ground Maintenance	28,790	21,700	133%	37,200	77%
Pond Maintenance	0	2,917	0%	5,000	0%
Road Repairs	0	0	0%	50,000	
Undercrossing Maintenance	300	2,333	13%	4,000	8%
Vehicle & Equip. Maintenance	39,238	52,792	74%	90,500	43%
WRF Maintenance & Repair	95,326	157,500	61%	270,000	35%
Total Maintenance and Repair	231,509	350,992	66%	651,700	36%
Mosquito Abatement	0	7,000	0%	12,000	0%
CMMS	37,825	12,500	303%	12,500	303%
Supplies and Materials					
Chemicals	52,035	43,750	119%	75,000	69%
Lab Supplies	742	5,833	13%	10,000	7%
Maintenance Supplies	3,257	6,417	51%	11,000	30%
Operating Supplies	1,910	9,333	20%	16,000	12%
Total Supplies and Materials	57,944	65,333	89%	112,000	52%
Qrtly Groundwatering Monitoring	3,878	5,250	74%	9,000	43%
Reclamation Assessments	338,218	338,065	100%	338,065	100%
Safety Related Expenses	9,269	15,167	61%	26,000	36%
Telemetry System & Calibration	6,990	29,167	24%	50,000	14%
Tools and Expensed Equipment	8,713	14,000	62%	24,000	36%
Uniforms and Servicing	8,984	14,583	62%	25,000	36%
Total Operations and Maintenance	861,884	1,024,140	84%	1,555,265	55%
Professional Services					
Accounting Services	66,053	72,917	91%	125,000	53%
Auditing and Tax Services	10,000	9,333	107%	16,000	63%
Caretaker Costs	9,800	9,800	100%	16,800	58%
Consulting Services					
Connection Rate Studies	25,736	27,222	95%	35,000	74%

Ironhouse Sanitary District
Actual to Budget Detail
Seven Months Ended January 31, 2020

	Actual		% of	Annual	% of
	Jan. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Engineering Services	52,558	87,500	60%	150,000	35%
Financial Analysis Projections	2,410	2,625	92%	4,500	54%
Geotechnical Services	0	2,917	0%	5,000	0%
GIS and Mapping	13,338	2,917	457%	5,000	267%
HR Analysis and Services	22,112	35,000	63%	60,000	37%
Information Technology	8,386	7,000	120%	12,000	70%
Inspection Services	0	0	0%	0	
Programming Services	620	36,750	2%	63,000	1%
Regulatory Services	6,625	11,667	57%	20,000	33%
Strategic and Other Planning	0	0	0%	0	
Studies and Assessments	0	14,583	0%	25,000	0%
Other Contracted Services	8,223	5,833	141%	10,000	82%
Total Consulting Services	140,008	234,014	60%	389,500	36%
Lab Testing					
General Lab Services	15,181	21,000	72%	36,000	42%
Total Lab Testing	15,181	21,000	72%	36,000	42%
Legal Services					
General Business Issues	43,689	52,500	83%	90,000	49%
Personnel Related	660	5,833	11%	10,000	7%
Total Legal Services	44,349	58,333	76%	100,000	44%
Payroll/Benefit Processing Fees	6,735	7,000	96%	12,000	56%
Public Outreach Services	12,250	30,625	40%	52,500	23%
Total Professional Services	304,376	443,022	69%	747,800	41%
Utilities					
Diablo Water District	3,774	3,383	112%	5,800	65%
Electric and Gas	340,661	365,167	93%	626,000	54%
Total Utilities	344,435	368,550	93%	631,800	55%
Depreciation Expense	2,275,000	2,275,000	100%	3,900,000	58%
Total Expense	6,879,280	7,404,237	93%	12,475,698	55%
Net Ordinary Income	1,110,013	(163,419)	(679%)	(7,797)	-14236%
Other Income/Expense					
Other Income					
Cattle Sales	526,609	612,500	86%	1,050,000	50%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	73,730	0	100%	0	
Interest and Dividend Income	245,445	160,417	153%	275,000	89%
Total Other Income	845,784	772,917	109%	1,325,000	64%

Ironhouse Sanitary District
Actual to Budget Detail
Seven Months Ended January 31, 2020

	Actual Jan. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Other Expense					
Cattle Operation Expenses					
Salaries and Related Expenses					
Salaries and Wages	105,891	87,500	121%	150,000	71%
Temporary Staff Wages	4,174	11,667	36%	20,000	21%
Health, Life & Disability	30,094	17,500	172%	30,000	100%
Retirement - CalPERS	21,686	13,417	162%	23,000	94%
Workers Compensation	5,052	7,583	67%	13,000	39%
Payroll Taxes - Employer	1,855	2,275	82%	3,900	48%
Total Salaries and Related Expenses	168,752	139,942	121%	239,900	70%
Dues & Subscriptions	1,480	817	181%	1,400	106%
Feed	12,676	7,000	181%	12,000	106%
Fencing	54	14,583	0%	25,000	0%
Fuel					
Diesel - On Road	1,561	1,517	103%	2,600	60%
Diesel - Off Road	1,279	1,838	70%	3,150	41%
Gasoline	733	2,363	31%	4,050	18%
Total Fuel	3,573	5,718	62%	9,800	36%
Operating Supplies	5,187	12,833	40%	22,000	24%
Replacement Cattle	20,225	30,331	67%	52,000	39%
State Inspection Fees	498	1,167	43%	2,000	25%
Trucking	4,700	2,917	161%	5,000	94%
Vaccination Supplies	28,624	29,750	96%	51,000	56%
Vehicle/Equipment Maintenance	8,931	2,917	306%	5,000	179%
Veterinary Services	4,110	4,375	94%	7,500	55%
Miscellaneous	0	700	0%	1,200	0%
Total Cattle Operation Expenses	258,810	253,050	102%	433,800	60%
Total Other Expense	258,810	253,050	102%	433,800	60%
Net Other Income	586,974	519,867	113%	891,200	66%
Net Income	1,696,987	356,448	476%	883,403	192%