

Ironhouse Sanitary District
Financial Reporting Narrative
Executive Summary
December 31, 2019

Financial Position

As of December 31, 2019, Ironhouse Sanitary District (ISD) cash and investment balance was \$26.8 million of which \$10.3 million consist of dedicated unrestricted reserves and \$7.2 million consist of restricted reserves. \$9.3 million of the cash balance is used for day-to-day operations.

Cash and investment reserve balances as of December 31, 2019 consist of the following:

Operating Cash: \$ 9,301,753

Unrestricted Dedicated Reserves:

Capital Expenditure Reserve	\$ 9,515,872
Rate Stabilization Reserve	\$ 732,000
Jersey Island Use Reserve	<u>\$ 35,378</u>
	<u>\$ 10,283,250</u>

Restricted Reserves:

Debt Service Reserve	\$ 2,937,701
Trunk Line Capacity Reserve	<u>\$ 4,281,978</u>
	<u>\$ 7,219,679</u>

At December 31, 2019, total ISD assets were \$118.8 million of which \$84.7 million is the net book value of fixed assets. Total ISD liabilities are \$42.6 million.

Actual to Budget Operating Results – Representing 50% of Budget

Net Income

For the six months ended December 31, 2019, ISD generated net income of \$1,670,100 as compared to annual budgeted net income of \$883,403 (189.1% of budget). Included in net income is \$1,950,000 of depreciation expense. Included in the annual budgeted net income is \$3,900,000 of depreciation expense. Excluding depreciation, ISD generated net income of \$3,620,100 for the six-month period compared to annual budgeted net income of \$4,783,403 (75.7% of budget).

Revenue and Other Income

For the six months ended December 31, 2019, there were 175.8 new connections as compared to ISD's annual estimate of 150 connections (117.2% of estimate). For the six-month period, total operating revenue was \$7,045,037 as compared to annual budgeted operating revenue of \$12,467,901 (56.5% of budget).

For the six months ended December 31, 2019, cattle revenue was \$526,609 as compared to an annual budget of \$1,050,000 (50.2% of budget).

Interest income for the six-month period was \$183,989 as compared to an annual budget of \$275,000 (66.9% of budget).

Expenses

For the six months ended December 31, 2019, total operating expenses were \$5,941,263 as compared to an annual operating expense budget of \$12,475,698 (47.6% of budget). Excluding depreciation expense, operating expenses for the six-month period were \$3,991,263 as compared to an annual operating expense budget of \$8,575,698 (46.5% of budget).

Budget Variance Explanations (Representing 50% of Annual Budget)

Significant Revenue Variances

Connection Related Fees – Favorable Variance – 117% of Annual Budget

175.8 YTD new connections resulted in connection related revenue exceeding YTD budget by \$764,256.

Significant Expense Variances

Salaries and Related Expenses – Favorable Variance – 46% 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 \$228,346.

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of December 31, 2019

	Dec 31, 19	Dec 31, 18	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Petty Cash	225	334	(109)
Wells Fargo Checking	1,603,389	1,543,401	59,988
CalTRUST Investment Fund	5,953,364	7,721,447	(1,768,083)
LAIF Investment Fund	11,461,666	9,915,837	1,545,829
BAC Commerce Savings	62,297	62,275	22
Total Checking/Savings	19,080,941	19,243,294	(162,353)
Accounts Receivable	0	37,268	(37,268)
Other Current Assets			
Due from RD830	72,500	102,500	(30,000)
Receivables - Other	1,000	0	1,000
Inventory	480,770	458,848	21,922
Prepaid Insurance CSRMA	140,653	127,797	12,857
Prepaid Expense - Other	181,256	146,131	35,126
Wells Investment Securities	7,723,741	6,045,921	1,677,820
Total Other Current Assets	8,599,920	6,881,196	1,718,724
Total Current Assets	27,680,862	26,161,757	1,519,104
Fixed Assets			
Land and Improvements	9,945,529	9,862,367	83,163
Construction in Progress	1,837,576	461,881	1,375,695
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			
Collection System Equipment	769,740	643,446	126,294
Farm and Field Equipment	3,159,648	3,153,554	6,094
Maintenance and Other Equipment	483,263	478,166	5,097
Office Equipment and Furniture	188,465	188,465	0
WRF Equipment	18,422,371	17,750,097	672,274
Total Equipment, Furniture & Fixtures	23,023,487	22,213,728	809,759
Vehicles and Vessels	2,588,868	2,281,133	307,735
WRF Operating System	44,023	44,023	0
Accumulated Depreciation	(60,865,802)	(57,065,748)	(3,800,055)
Total Fixed Assets	84,651,017	85,660,469	(1,009,451)
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	72,961	72,961	0
Total Other Assets	6,486,609	7,117,499	(630,890)
TOTAL ASSETS	118,818,488	118,939,725	(121,237)
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	343,664	331,657	12,006

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of December 31, 2019

	Dec 31, 19	Dec 31, 18	\$ Change
Other Current Liabilities			
Accrued Payroll Related Costs	125,701	124,354	1,347
Compensated Absences	279,637	270,198	9,439
Construction Deposits	91,483	91,483	0
Unearned Revenue			
Undercrossing Fees	22,209	34,886	(12,677)
Unearned Service Sewer Charges	513,384	523,108	(9,724)
Total Unearned Revenue	535,593	557,994	(22,401)
Current Portion of SWRQCB Loan	2,937,701	2,937,701	0
Total Other Current Liabilities	3,970,116	3,981,730	(11,614)
Total Current Liabilities	4,313,780	4,313,387	392
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	42,607,973	45,843,356	(3,235,383)
Equity			
Unrestricted Net Assets			
Investment in Capital Assets	52,883,519	51,479,091	1,404,428
Operating Reserves			
Operating Reserve - Cash	5,824,068	5,695,395	128,672
Total Operating Reserves	5,824,068	5,695,395	128,672
Total Unrestricted Net Assets	58,707,587	57,174,486	1,533,100
Dedicated URNA			
Rate Stabilization Reserve	732,000	732,000	0
Jersey Island Use/Trail Reserve	35,378	34,528	850
Capital Expenditure Reserve	9,515,872	8,354,664	1,161,208
Total Dedicated URNA	10,283,250	9,121,192	1,162,058
Restricted Reserves			
Debt Service Reserve - SWRQCB	2,937,701	2,937,701	0
Trunk Line Capacity Reserve	4,281,978	3,919,919	362,060
Total Restricted Reserves	7,219,679	6,857,619	362,060
CY Net Asset Change Offset	(1,670,100)	(1,283,951)	(386,149)
Net Income	1,670,100	1,227,022	443,078
Total Equity	76,210,515	73,096,369	3,114,146
TOTAL LIABILITIES & EQUITY	118,818,488	118,939,725	(121,237)

**Ironhouse Sanitary District
Actual to Budget Summary
Six Months Ended December 31, 2019**

	Actual Dec. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	\$ 5,255,775	\$ 5,255,775	100%	\$ 10,511,550	50%
Inspection Fees	18,970	0	100%	0	
Plan Check Fees	8,460	0	100%	0	
Connection Fees	243,280	104,400	233%	208,800	117%
Sewer Use Charge (New Permits)	90,318	24,675	366%	49,350	183%
Capacity Fees	1,095,077	469,701	233%	939,401	117%
Lease and Permits	940	600	157%	1,100	85%
Hay Sales	79,224	87,500	91%	175,000	45%
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	2,843	4,250	67%	8,500	33%
Jersey Island Use Fees	585	100	585%	200	293%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	0	17,500	0%	35,000	0%
Ad Valorem and Other Taxes	175,766	162,250	108%	295,000	60%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	1,274	17,500	7%	35,000	4%
Total Income	<u>7,045,037</u>	<u>6,246,751</u>	<u>113%</u>	<u>12,467,901</u>	<u>57%</u>
Gross Profit	7,045,037	6,246,751	113%	12,467,901	57%
Expense					
Salaries and Related Expenses	2,323,862	2,552,208	91%	5,104,413	46%
Administration Expenses	202,517	208,560	97%	395,120	51%
Insurance	115,510	71,300	162%	141,300	82%
Operations and Maintenance	795,868	927,915	86%	1,555,265	51%
Professional Services	266,015	379,732	70%	747,800	36%
Utilities	287,491	315,900	91%	631,800	46%
Depreciation Expense	1,950,000	1,950,000	100%	3,900,000	50%
Total Expense	<u>5,941,263</u>	<u>6,405,615</u>	<u>93%</u>	<u>12,475,698</u>	<u>48%</u>
Net Ordinary Income	1,103,774	(158,864)	(695%)	(7,797)	-14156%
Other Income/Expense					
Other Income					
Cattle Sales	526,609	525,000	100%	1,050,000	50%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	54,286	0	100%	0	
Interest Income	183,989	137,500	134%	275,000	67%
Total Other Income	<u>764,884</u>	<u>662,500</u>	<u>115%</u>	<u>1,325,000</u>	<u>58%</u>
Other Expense					
Cattle Operation Expenses	198,558	216,900	92%	433,800	46%
Total Other Expense	<u>198,558</u>	<u>216,900</u>	<u>92%</u>	<u>433,800</u>	<u>46%</u>
Net Other Income	<u>566,326</u>	<u>445,600</u>	<u>127%</u>	<u>891,200</u>	<u>64%</u>
Net Income	<u>\$ 1,670,100</u>	<u>\$ 286,736</u>	<u>582%</u>	<u>\$ 883,403</u>	<u>189%</u>

Ironhouse Sanitary District
Actual to Budget Detail
Six Months Ended December 31, 2019

	Actual Dec. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	5,255,775	5,255,775	100%	10,511,550	50%
Inspection Fees	18,970	0	100%	0	
Plan Check Fees	8,460	0	100%	0	
Connection Fees	243,280	104,400	233%	208,800	117%
Sewer Use Charge (New Permits)	90,318	24,675	366%	49,350	183%
Capacity Fees					
Plant Capacity Fees	918,560	393,989	233%	787,977	117%
TLC Fees	176,517	75,712	233%	151,424	117%
Total Capacity Fees	1,095,077	469,701	233%	939,401	117%
Lease and Permits	940	600	157%	1,100	85%
Hay Sales	79,224	87,500	91%	175,000	45%
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	2,843	4,250	67%	8,500	33%
Jersey Island Use Fees	585	100	585%	200	293%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	0	17,500	0%	35,000	0%
Ad Valorem and Other Taxes	175,766	162,250	108%	295,000	60%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	1,274	17,500	7%	35,000	4%
Total Income	7,045,037	6,246,751	113%	12,467,901	57%
Gross Profit	7,045,037	6,246,751	113%	12,467,901	57%
Expense					
Salaries and Related Expenses					
Salaries and Wages					
Base Staff Salaries	1,341,040	1,451,993	92%	2,903,987	46%
Stand By/On Call	23,658	24,000	99%	48,000	49%
Overtime Pay	46,293	20,000	231%	40,000	116%
Vehicle Allowance	6,540	7,260	90%	14,520	45%
Vacation Buy-Back	16,806	18,500	91%	37,000	45%
Accrued Time Pay-Out	0	10,000	0%	20,000	0%
Director Pay	16,150	19,520	83%	39,040	41%
Temporary Staff Wages	6,204	10,000	62%	20,000	31%
Total Salaries and Wages	1,456,691	1,561,273	93%	3,122,547	47%
Health, Life and Disability					
Medical Insurance - Staff	236,717	264,854	89%	529,708	45%
Medical Insurance - Directors	14,292	13,180	108%	26,359	54%
Dental Insurance - Staff	40,866	49,229	83%	98,457	42%
Dental Insurance - Directors	1,410	1,711	82%	3,422	41%

**Ironhouse Sanitary District
Actual to Budget Detail
Six Months Ended December 31, 2019**

	Actual		% of	Annual	% of
	Dec. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Vision - Staff	4,282	4,649	92%	9,297	46%
Vision - Directors	264	258	102%	516	51%
Life and Disability	4,572	22,613	20%	45,226	10%
Total Health, Life and Disability	302,403	356,494	85%	712,985	42%
Retirement - CalPERS	350,894	387,805	90%	775,609	45%
OPEB Annual Req. Contribution	142,587	175,000	81%	350,000	41%
Workers Compensation Insurance	44,412	44,126	101%	88,253	50%
Payroll Taxes - Employer	26,875	27,510	98%	55,019	49%
Total Salaries and Related Expenses	2,323,862	2,552,208	91%	5,104,413	46%
Administration Expenses					
Bank and Credit Card Fees	32	250	13%	500	6%
Coalitions	3,445	11,100	31%	22,200	16%
County - LAFCO	8,885	8,500	105%	8,500	105%
County - Processing Fees	6,055	6,500	93%	13,000	47%
Dues and Memberships	28,168	15,460	182%	30,920	91%
Election Expense	0	0	0%	0	
Employee Events & Appreciation	15,795	18,350	86%	28,200	56%
Employee Wellness Program	1,518	6,000	25%	7,000	22%
Expensed Equip/Furn/Software	7,907	11,000	72%	22,000	36%
Licenses/Permits/Certifications	56,249	32,500	173%	65,000	87%
Office Supplies and Expenses	9,087	8,000	114%	16,000	57%
Physicals & Exams	115	2,050	6%	4,100	3%
Postage and Delivery	680	1,000	68%	2,000	34%
Printing and Reproduction	1,322	1,100	120%	2,200	60%
Public Education and Outreach	712	7,500	9%	15,000	5%
Records Management	810	1,000	81%	2,000	41%
Subscriptions and Notices	1,696	3,650	46%	7,300	23%
Telecommunications					
Cellular Reimbursement	8,700	9,000	97%	18,000	48%
Office Line and Internet	16,157	15,850	102%	31,700	51%
Total Telecommunications	24,857	24,850	100%	49,700	50%
Temporary Support Services	3,490	6,750	52%	13,500	26%
Training and Conferences	31,367	40,500	77%	81,000	39%
Miscellaneous Administration	327	2,500	13%	5,000	7%
Total Administration Expenses	202,517	208,560	97%	395,120	51%
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	52,700	70,000	75%	140,000	38%
Encroachment Permits	0	600	0%	1,200	0%
Equipment Rental	6,697	10,250	65%	20,500	33%

Ironhouse Sanitary District
Actual to Budget Detail
Six Months Ended December 31, 2019

	Actual Dec. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Fuel					
Diesel - On Road	8,162	6,000	136%	12,000	68%
Diesel - Off Road	31,967	26,000	123%	52,000	61%
Gasoline	13,904	12,900	108%	25,800	54%
Total Fuel	54,033	44,900	120%	89,800	60%
Janitorial Service and Supplies	16,332	11,650	140%	23,300	70%
Jersey Island Use Expense	0	0	0%	0	
Landscaping Services & Supplies	7,865	10,100	78%	20,200	39%
Maintenance and Repair					
Building Maintenance	20,674	19,500	106%	39,000	53%
Collection System Repair	16,456	25,000	66%	50,000	33%
Farm and Field Maintenance	34,027	53,000	64%	106,000	32%
Ground Maintenance	26,559	18,600	143%	37,200	71%
Pond Maintenance	0	2,500	0%	5,000	0%
Road Repairs	0	0	0%	50,000	
Undercrossing Maintenance	300	2,000	15%	4,000	8%
Vehicle & Equip. Maintenance	33,293	45,250	74%	90,500	37%
WRF Maintenance & Repair	82,153	135,000	61%	270,000	30%
Total Maintenance and Repair	213,462	300,850	71%	651,700	33%
Mosquito Abatement	0	6,000	0%	12,000	0%
CMMS	37,825	12,500	303%	12,500	303%
Supplies and Materials					
Chemicals	31,939	37,500	85%	75,000	43%
Lab Supplies	140	5,000	3%	10,000	1%
Maintenance Supplies	3,100	5,500	56%	11,000	28%
Operating Supplies	1,851	8,000	23%	16,000	12%
Total Supplies and Materials	37,030	56,000	66%	112,000	33%
Qrtly Groundwatering Monitoring	3,878	4,500	86%	9,000	43%
Reclamation Assessments	338,218	338,065	100%	338,065	100%
Safety Related Expenses	6,455	13,000	50%	26,000	25%
Telemetry System & Calibration	6,990	25,000	28%	50,000	14%
Tools and Expensed Equipment	6,646	12,000	55%	24,000	28%
Uniforms and Servicing	7,737	12,500	62%	25,000	31%
Total Operations and Maintenance	795,868	927,915	86%	1,555,265	51%
Professional Services					
Accounting Services	56,371	62,500	90%	125,000	45%
Auditing and Tax Services	10,000	8,000	125%	16,000	63%
Caretaker Costs	8,400	8,400	100%	16,800	50%
Consulting Services					
Connection Rate Studies	21,268	23,332	91%	35,000	61%
Engineering Services	52,558	75,000	70%	150,000	35%
Financial Analysis Projections	2,410	2,250	107%	4,500	54%
Geotechnical Services	0	2,500	0%	5,000	0%

Ironhouse Sanitary District
Actual to Budget Detail
Six Months Ended December 31, 2019

	Actual		% of	Annual	% of
	Dec. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
GIS and Mapping	13,338	2,500	534%	5,000	267%
HR Analysis and Services	18,959	30,000	63%	60,000	32%
Information Technology	3,897	6,000	65%	12,000	32%
Inspection Services	0	0	0%	0	
Programming Services	0	31,500	0%	63,000	0%
Regulatory Services	6,625	10,000	66%	20,000	33%
Strategic and Other Planning	0	0	0%	0	
Studies and Assessments	0	12,500	0%	25,000	0%
Other Contracted Services	8,223	5,000	164%	10,000	82%
Total Consulting Services	127,278	200,582	63%	389,500	33%
Lab Testing					
General Lab Services	13,655	18,000	76%	36,000	38%
Total Lab Testing	13,655	18,000	76%	36,000	38%
Legal Services					
General Business Issues	37,303	45,000	83%	90,000	41%
Personnel Related	660	5,000	13%	10,000	7%
Total Legal Services	37,963	50,000	76%	100,000	38%
Payroll/Benefit Processing Fees	4,598	6,000	77%	12,000	38%
Public Outreach Services	7,750	26,250	30%	52,500	15%
Total Professional Services	266,015	379,732	70%	747,800	36%
Utilities					
Diablo Water District	3,106	2,900	107%	5,800	54%
Electric and Gas	284,385	313,000	91%	626,000	45%
Total Utilities	287,491	315,900	91%	631,800	46%
Depreciation Expense	1,950,000	1,950,000	100%	3,900,000	50%
Total Expense	5,941,263	6,405,615	93%	12,475,698	48%
Net Ordinary Income	1,103,774	(158,864)	(695%)	(7,797)	-14156%
Other Income/Expense					
Other Income					
Cattle Sales	526,609	525,000	100%	1,050,000	50%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	54,286	0	100%	0	
Interest and Dividend Income	183,989	137,500	134%	275,000	67%
Total Other Income	764,884	662,500	115%	1,325,000	58%

Ironhouse Sanitary District
Actual to Budget Detail
Six Months Ended December 31, 2019

	Actual Dec. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Other Expense					
Cattle Operation Expenses					
Salaries and Related Expenses					
Salaries and Wages	87,052	75,000	116%	150,000	58%
Temporary Staff Wages	3,246	10,000	32%	20,000	16%
Health, Life & Disability	24,947	15,000	166%	30,000	83%
Retirement - CalPERS	17,627	11,500	153%	23,000	77%
Workers Compensation	4,145	6,500	64%	13,000	32%
Payroll Taxes - Employer	1,511	1,950	77%	3,900	39%
Total Salaries and Related Expenses	138,528	119,950	115%	239,900	58%
Dues & Subscriptions	1,480	700	211%	1,400	106%
Feed	5,156	6,000	86%	12,000	43%
Fencing	32	12,500	0%	25,000	0%
Fuel					
Diesel - On Road	1,025	1,300	79%	2,600	39%
Diesel - Off Road	1,066	1,575	68%	3,150	34%
Gasoline	360	2,025	18%	4,050	9%
Total Fuel	2,451	4,900	50%	9,800	25%
Operating Supplies	5,684	11,000	52%	22,000	26%
Replacement Cattle	20,225	26,000	78%	52,000	39%
State Inspection Fees	0	1,000	0%	2,000	0%
Trucking	4,700	2,500	188%	5,000	94%
Vaccination Supplies	13,137	25,500	52%	51,000	26%
Vehicle/Equipment Maintenance	3,224	2,500	129%	5,000	64%
Veterinary Services	3,941	3,750	105%	7,500	53%
Miscellaneous	0	600	0%	1,200	0%
Total Cattle Operation Expenses	198,558	216,900	92%	433,800	46%
Total Other Expense	198,558	216,900	92%	433,800	46%
Net Other Income	566,326	445,600	127%	891,200	64%
Net Income	1,670,100	286,736	582%	883,403	189%