

Ironhouse Sanitary District
Financial Reporting Narrative
Executive Summary
November 30, 2019

Financial Position

As of November 30, 2019, Ironhouse Sanitary District (ISD) cash and investment balance was \$21.4 million of which \$10.6 million consist of dedicated unrestricted reserves and \$7.2 million consist of restricted reserves. \$3.6 million of the cash balance is used for day-to-day operations.

Cash and investment reserve balances as of November 30, 2019 consist of the following:

Operating Cash: \$ 3,558,177

Unrestricted Dedicated Reserves:

Capital Expenditure Reserve	\$ 9,865,632
Rate Stabilization Reserve	\$ 732,000
Jersey Island Use Reserve	<u>\$ 35,378</u>
	<u>\$ 10,633,010</u>

Restricted Reserves:

Debt Service Reserve	\$ 2,937,701
Trunk Line Capacity Reserve	<u>\$ 4,244,564</u>
	<u>\$ 7,182,265</u>

At November 30, 2019, total ISD assets were \$117.5 million of which \$84.5 million is the net book value of fixed assets. Total ISD liabilities are \$41.8 million.

Actual to Budget Operating Results – Representing 41.7% of Budget

Net Income

For the five months ended November 30, 2019, ISD generated net income of \$1,213,308 as compared to annual budgeted net income of \$883,403 (137.3% of budget). Included in net income is \$1,625,000 of depreciation expense. Included in the annual budgeted net income is \$3,900,000 of depreciation expense. Excluding depreciation, ISD generated net income of \$2,838,308 for the five-month period compared to annual budgeted net income of \$4,783,403 (59.3% of budget).

Revenue and Other Income

For the five months ended November 30, 2019, there were 143.3 new connections as compared to ISD's annual estimate of 150 connections (95.5% of estimate). For the five-month period, total operating revenue was \$5,624,185 as compared to annual budgeted operating revenue of \$12,467,901 (45.1% of budget).

For the five months ended November 30, 2019, cattle revenue was \$473,739 as compared to an annual budget of \$1,050,000 (45.1% of budget).

Interest income for the five-month period was \$164,343 as compared to an annual budget of \$275,000 (59.8% of budget).

Expenses

For the five months ended November 30, 2019, total operating expenses were \$4,936,674 as compared to an annual operating expense budget of \$12,475,698 (39.6% of budget). Excluding depreciation expense, operating expenses for the five-month period were \$3,311,674 as compared to an annual operating expense budget of \$8,575,698 (38.6% of budget).

Budget Variance Explanations (Representing 41.7% of Annual Budget)

Significant Revenue Variances

Connection Related Fees – Favorable Variance – 92% of Annual Budget

143.3 YTD new connections resulted in connection related revenue exceeding YTD budget by \$576,327.

Significant Expense Variances

Salaries and Related Expenses – Favorable Variance – 38% 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 \$181,185.

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of November 30, 2019

	Nov 30, 19	Nov 30, 18	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Petty Cash	225	334	(109)
Wells Fargo Checking	1,190,015	827,895	362,120
CalTRUST Investment Fund	5,943,002	7,685,889	(1,742,886)
LAIF Investment Fund	6,461,666	5,215,837	1,245,829
BAC Commerce Savings	62,297	62,274	23
Total Checking/Savings	13,657,205	13,792,228	(135,023)
Other Current Assets			
Due from RD830	36,250	51,250	(15,000)
Assessments Due from County	4,379,812	4,318,125	61,687
Receivables - Other	1,000	0	1,000
Inventory	480,770	458,848	21,922
Prepaid Insurance CSRMA	98,053	97,180	873
Prepaid Expense - Other	193,897	161,729	32,168
Wells Investment Securities	7,716,247	6,018,085	1,698,162
Total Other Current Assets	12,906,029	11,105,217	1,800,812
Total Current Assets	26,563,234	24,897,445	1,665,789
Fixed Assets			
Land and Improvements	9,945,529	9,862,367	83,163
Construction in Progress	1,340,654	407,284	933,370
Plant and Improvements	51,654,665	51,654,665	0
Collection System and Pipelines	56,422,671	56,196,887	225,784
Equipment, Furniture & Fixtures	23,023,487	22,193,288	830,199
Vehicles and Vessels	2,571,607	2,281,133	290,474
WRF Operating System	44,023	44,023	0
Accumulated Depreciation	(60,540,802)	(56,749,081)	(3,791,722)
Total Fixed Assets	84,461,834	85,890,566	(1,428,732)
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	117,511,677	117,905,510	(393,833)
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	9,889	121,710	(111,821)
Other Current Liabilities			
Accrued Payroll Related Costs	122,841	117,624	5,217
Compensated Absences	279,637	270,198	9,439
Construction Deposits	91,483	91,483	0
Unearned Revenue	22,209	34,886	(12,677)
Current Portion of SWRQCB Loan	2,937,701	2,937,701	0

Ironhouse Sanitary District
Comparative Statements of Financial Position
As of November 30, 2019

	Nov 30, 19	Nov 30, 18	\$ Change
Total Other Current Liabilities	3,453,872	3,451,893	1,979
Total Current Liabilities	3,463,761	3,573,603	(109,842)
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	41,757,954	45,103,571	(3,345,617)
Equity			
Unrestricted Net Assets			
Investment in Capital Assets	52,694,336	51,731,548	962,788
Operating Reserves			
Operating Reserve - Cash	3,558,177	3,785,386	(227,209)
Operating Reserve - Non Cash	1,685,935	1,274,115	411,820
Total Operating Reserves	5,244,113	5,059,501	184,611
Total Unrestricted Net Assets	57,938,449	56,791,049	1,147,399
Dedicated URNA			
Rate Stabilization Reserve	732,000	732,000	0
Jersey Island Use/Trail Reserve	35,378	34,528	850
Capital Expenditure Reserve	9,865,632	8,418,874	1,446,758
Total Dedicated URNA	10,633,010	9,185,402	1,447,608
Restricted Reserves			
Debt Service Reserve - SWRQCB	2,937,701	2,937,701	0
Trunk Line Capacity Reserve	4,244,564	3,901,824	342,740
Total Restricted Reserves	7,182,265	6,839,525	342,740
CY Net Asset Change Offset	(1,213,308)	(946,629)	(266,678)
Net Income	1,213,308	932,592	280,715
Total Equity	75,753,723	72,801,939	2,951,784
TOTAL LIABILITIES & EQUITY	117,511,677	117,905,510	(393,833)

**Ironhouse Sanitary District
Actual to Budget Summary
Five Months Ended November 30, 2019**

	Actual Nov. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	\$ 4,379,812	\$ 4,379,812	100%	\$ 10,511,550	42%
Inspection Fees	1,750	0	100%	0	
Plan Check Fees	0	0	0%	0	
Connection Fees	191,776	87,000	220%	208,800	92%
Sewer Use Charge (New Permits)	75,074	20,563	365%	49,350	152%
Capacity Fees	862,968	391,417	220%	939,401	92%
Lease and Permits	800	517	155%	1,100	73%
Hay Sales	60,340	72,917	83%	175,000	34%
RD830 Levee Maintenance	36,250	36,250	100%	145,000	25%
RD830 Management Reimbursement	0	15,000	0%	60,000	0%
Undercrossing Maintenance	0	0	0%	4,000	0%
Mineral Rights	2,843	3,542	80%	8,500	33%
Jersey Island Use Fees	585	83	705%	200	293%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	0	0	0%	35,000	0%
Ad Valorem and Other Taxes	11,343	0	100%	295,000	4%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	619	14,583	4%	35,000	2%
Total Income	5,624,185	5,021,684	112%	12,467,901	45%
Gross Profit	5,624,185	5,021,684	112%	12,467,901	45%
Expense					
Salaries and Related Expenses	1,945,654	2,126,839	91%	5,104,413	38%
Administration Expenses	135,775	163,548	83%	395,120	34%
Insurance	66,282	71,300	93%	141,300	47%
Operations and Maintenance	706,950	831,690	85%	1,555,265	45%
Professional Services	217,063	316,444	69%	747,800	29%
Utilities	239,950	263,250	91%	631,800	38%
Depreciation Expense	1,625,000	1,625,000	100%	3,900,000	42%
Total Expense	4,936,674	5,398,071	91%	12,475,698	40%
Net Ordinary Income	687,511	(376,387)	(183%)	(7,797)	-8818%
Other Income/Expense					
Other Income					
Cattle Sales	473,739	437,500	108%	1,050,000	45%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	56,077	0	100%	0	
Interest Income	164,343	114,583	143%	275,000	60%
Total Other Income	694,159	552,083	126%	1,325,000	52%
Other Expense					
Cattle Operation Expenses	168,362	180,751	93%	433,800	39%
Total Other Expense	168,362	180,751	93%	433,800	39%
Net Other Income	525,797	371,332	142%	891,200	59%
Net Income	\$ 1,213,308	\$ (5,055)	(24,002%)	\$ 883,403	137%

Ironhouse Sanitary District
Actual to Budget Detail
Five Months Ended November 30, 2019

	Actual Nov. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Ordinary Income/Expense					
Income					
Sewer Service Charge	4,379,812	4,379,812	100%	10,511,550	42%
Inspection Fees	1,750	0	100%	0	
Plan Check Fees	0	0	0%	0	
Connection Fees	191,776	87,000	220%	208,800	92%
Sewer Use Charge (New Permits)	75,074	20,563	365%	49,350	152%
Capacity Fees					
Plant Capacity Fees	723,865	328,324	220%	787,977	92%
TLC Fees	139,103	63,093	220%	151,424	92%
Total Capacity Fees	862,968	391,417	220%	939,401	92%
Lease and Permits	800	517	155%	1,100	73%
Hay Sales	60,340	72,917	83%	175,000	34%
RD830 Levee Maintenance	36,250	36,250	100%	145,000	25%
RD830 Management Reimbursement	0	15,000	0%	60,000	0%
Undercrossing Maintenance	0	0	0%	4,000	0%
Mineral Rights	2,843	3,542	80%	8,500	33%
Jersey Island Use Fees	585	83	705%	200	293%
Recycled Water Fees	25	0	100%	0	
Other Fees and Services	0	0	0%	35,000	0%
Ad Valorem and Other Taxes	11,343	0	100%	295,000	4%
Offers of Dedication	0	0	0%	0	
Miscellaneous Income	619	14,583	4%	35,000	2%
Total Income	5,624,185	5,021,684	112%	12,467,901	45%
Gross Profit	5,624,185	5,021,684	112%	12,467,901	45%
Expense					
Salaries and Related Expenses					
Salaries and Wages					
Base Staff Salaries	1,124,605	1,209,994	93%	2,903,987	39%
Stand By/On Call	19,672	20,000	98%	48,000	41%
Overtime Pay	41,101	16,667	247%	40,000	103%
Vehicle Allowance	5,090	6,050	84%	14,520	35%
Vacation Buy-Back	13,473	15,417	87%	37,000	36%
Accrued Time Pay-Out	0	8,333	0%	20,000	0%
Director Pay	13,940	16,267	86%	39,040	36%
Temporary Staff Wages	6,143	8,333	74%	20,000	31%
Total Salaries and Wages	1,224,024	1,301,061	94%	3,122,547	39%
Health, Life and Disability					
Medical Insurance - Staff	196,322	220,712	89%	529,708	37%
Medical Insurance - Directors	11,828	10,983	108%	26,359	45%
Dental Insurance - Staff	34,235	41,024	83%	98,457	35%
Dental Insurance - Directors	1,177	1,426	83%	3,422	34%

Ironhouse Sanitary District
Actual to Budget Detail
Five Months Ended November 30, 2019

	Actual		% of	Annual	% of
	Nov. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Vision - Staff	3,572	3,874	92%	9,297	38%
Vision - Directors	219	215	102%	516	42%
Life and Disability	4,825	18,844	26%	45,226	11%
Total Health, Life and Disability	252,178	297,078	85%	712,985	35%
Retirement - CalPERS	294,534	323,170	91%	775,609	38%
OPEB Annual Req. Contribution	118,607	145,833	81%	350,000	34%
Workers Compensation Insurance	37,101	36,772	101%	88,253	42%
Payroll Taxes - Employer	19,210	22,925	84%	55,019	35%
Total Salaries and Related Expenses	1,945,654	2,126,839	91%	5,104,413	38%
Administration Expenses					
Bank and Credit Card Fees	32	208	15%	500	6%
Coalitions	3,445	9,250	37%	22,200	16%
County - LAFCO	8,885	8,500	105%	8,500	105%
County - Processing Fees	31	0	100%	13,000	0%
Dues and Memberships	17,834	12,883	138%	30,920	58%
Election Expense	0	0	0%	0	
Employee Events & Appreciation	5,515	8,208	67%	28,200	20%
Employee Wellness Program	1,518	5,833	26%	7,000	22%
Expensed Equip/Furn/Software	3,109	9,167	34%	22,000	14%
Licenses/Permits/Certifications	40,887	27,083	151%	65,000	63%
Office Supplies and Expenses	6,053	6,667	91%	16,000	38%
Physicals & Exams	115	1,708	7%	4,100	3%
Postage and Delivery	448	833	54%	2,000	22%
Printing and Reproduction	1,134	917	124%	2,200	52%
Public Education and Outreach	889	6,250	14%	15,000	6%
Records Management	0	833	0%	2,000	0%
Subscriptions and Notices	1,696	3,042	56%	7,300	23%
Telecommunications					
Cellular Reimbursement	7,250	7,500	97%	18,000	40%
Office Line and Internet	14,648	13,208	111%	31,700	46%
Total Telecommunications	21,898	20,708	106%	49,700	44%
Temporary Support Services	3,490	5,625	62%	13,500	26%
Training and Conferences	18,796	33,750	56%	81,000	23%
Miscellaneous Administration	0	2,083	0%	5,000	0%
Total Administration Expenses	135,775	163,548	83%	395,120	34%
Insurance					
CSRMA Business Package	64,982	70,000	93%	140,000	46%
Fidelity Bond	1,300	1,300	100%	1,300	100%
Total Insurance	66,282	71,300	93%	141,300	47%
Operations and Maintenance					
Bio-Solids Removal	42,286	58,333	72%	140,000	30%
Encroachment Permits	0	500	0%	1,200	0%

Ironhouse Sanitary District
Actual to Budget Detail
Five Months Ended November 30, 2019

	Actual Nov. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Equipment Rental	6,697	8,542	78%	20,500	33%
Fuel					
Diesel - On Road	7,280	5,000	146%	12,000	61%
Diesel - Off Road	29,439	21,667	136%	52,000	57%
Gasoline	12,414	10,750	115%	25,800	48%
Total Fuel	49,133	37,417	131%	89,800	55%
Janitorial Service and Supplies	12,928	9,708	133%	23,300	55%
Jersey Island Use Expense	0	0	0%	0	
Landscaping Services & Supplies	6,615	8,417	79%	20,200	33%
Maintenance and Repair					
Building Maintenance	19,603	16,250	121%	39,000	50%
Collection System Repair	14,777	20,833	71%	50,000	30%
Farm and Field Maintenance	6,679	44,167	15%	106,000	6%
Ground Maintenance	22,306	15,500	144%	37,200	60%
Pond Maintenance	0	2,083	0%	5,000	0%
Road Repairs	0	0	0%	50,000	
Undercrossing Maintenance	300	1,667	18%	4,000	8%
Vehicle & Equip. Maintenance	28,162	37,708	75%	90,500	31%
WRF Maintenance & Repair	63,856	112,500	57%	270,000	24%
Total Maintenance and Repair	155,683	250,708	62%	651,700	24%
Mosquito Abatement	0	5,000	0%	12,000	0%
CMMS	37,825	12,500	303%	12,500	303%
Supplies and Materials					
Chemicals	26,388	31,250	84%	75,000	35%
Lab Supplies	140	4,167	3%	10,000	1%
Maintenance Supplies	3,011	4,583	66%	11,000	27%
Operating Supplies	1,526	6,667	23%	16,000	10%
Total Supplies and Materials	31,065	46,667	67%	112,000	28%
Qrtly Groundwatering Monitoring	3,878	3,750	103%	9,000	43%
Reclamation Assessments	338,218	338,065	100%	338,065	100%
Safety Related Expenses	5,495	10,833	51%	26,000	21%
Telemetry System & Calibration	4,235	20,833	20%	50,000	8%
Tools and Expensed Equipment	6,646	10,000	66%	24,000	28%
Uniforms and Servicing	6,246	10,417	60%	25,000	25%
Total Operations and Maintenance	706,950	831,690	85%	1,555,265	45%
Professional Services					
Accounting Services	50,001	52,083	96%	125,000	40%
Auditing and Tax Services	9,500	6,667	142%	16,000	59%
Caretaker Costs	7,000	7,000	100%	16,800	42%
Consulting Services					
Connection Rate Studies	21,266	19,444	109%	35,000	
Engineering Services	24,982	62,500	40%	150,000	17%

Ironhouse Sanitary District
Actual to Budget Detail
Five Months Ended November 30, 2019

	Actual		% of	Annual	% of
	Nov. YTD	YTD Budget	YTD Budget	Budget	Annual Budget
Financial Analysis Projections	2,410	1,875	129%	4,500	54%
Geotechnical Services	0	2,083	0%	5,000	0%
GIS and Mapping	11,163	2,083	536%	5,000	223%
HR Analysis and Services	17,649	25,000	71%	60,000	29%
Information Technology	3,587	5,000	72%	12,000	30%
Inspection Services	0	0	0%	0	
Programming Services	0	26,250	0%	63,000	0%
Regulatory Services	6,625	8,333	80%	20,000	33%
Strategic and Other Planning	0	0	0%	0	
Studies and Assessments	0	10,417	0%	25,000	0%
Other Contracted Services	8,223	4,167	197%	10,000	82%
Total Consulting Services	95,905	167,152	57%	389,500	25%
Lab Testing					
General Lab Services	10,241	15,000	68%	36,000	28%
Total Lab Testing	10,241	15,000	68%	36,000	28%
Legal Services					
General Business Issues	31,610	37,500	84%	90,000	35%
Personnel Related	660	4,167	16%	10,000	7%
Total Legal Services	32,270	41,667	77%	100,000	32%
Payroll/Benefit Processing Fees	4,396	5,000	88%	12,000	37%
Public Outreach Services	7,750	21,875	35%	52,500	15%
Total Professional Services	217,063	316,444	69%	747,800	29%
Utilities					
Diablo Water District	2,540	2,417	105%	5,800	44%
Electric and Gas	237,410	260,833	91%	626,000	38%
Total Utilities	239,950	263,250	91%	631,800	38%
Depreciation Expense	1,625,000	1,625,000	100%	3,900,000	42%
Total Expense	4,936,674	5,398,071	91%	12,475,698	40%
Net Ordinary Income	687,511	(376,387)	(183%)	(7,797)	-8818%
Other Income/Expense					
Other Income					
Cattle Sales	473,739	437,500	108%	1,050,000	45%
Gain (Loss) Sale of Assets	0	0	0%	0	
Unrealized Gains and Losses	56,077	0	100%	0	
Interest and Dividend Income	164,343	114,583	143%	275,000	60%
Total Other Income	694,159	552,083	126%	1,325,000	52%

Ironhouse Sanitary District
Actual to Budget Detail
Five Months Ended November 30, 2019

	Actual Nov. YTD	YTD Budget	% of YTD Budget	Annual Budget	% of Annual Budget
Other Expense					
Cattle Operation Expenses					
Salaries and Related Expenses					
Salaries and Wages	71,490	62,500	114%	150,000	48%
Temporary Staff Wages	1,768	8,333	21%	20,000	9%
Health, Life & Disability	20,382	12,500	163%	30,000	68%
Retirement - CalPERS	14,170	9,583	148%	23,000	62%
Workers Compensation	3,363	5,417	62%	13,000	26%
Payroll Taxes - Employer	1,172	1,625	72%	3,900	30%
Total Salaries and Related Expenses	112,345	99,958	112%	239,900	47%
Dues & Subscriptions	1,480	583	254%	1,400	106%
Feed	5,156	5,000	103%	12,000	43%
Fencing	32	10,417	0%	25,000	0%
Fuel					
Diesel - On Road	791	1,083	73%	2,600	30%
Diesel - Off Road	1,066	1,313	81%	3,150	34%
Gasoline	360	1,688	21%	4,050	9%
Total Fuel	2,217	4,084	54%	9,800	23%
Operating Supplies	5,370	9,167	59%	22,000	24%
Replacement Cattle	20,225	21,667	93%	52,000	39%
State Inspection Fees	0	833	0%	2,000	0%
Trucking	2,950	2,084	142%	5,000	59%
Vaccination Supplies	12,460	21,250	59%	51,000	24%
Vehicle/Equipment Maintenance	2,979	2,083	143%	5,000	60%
Veterinary Services	3,148	3,125	101%	7,500	42%
Miscellaneous	0	500	0%	1,200	0%
Total Cattle Operation Expenses	168,362	180,751	93%	433,800	39%
Total Other Expense	168,362	180,751	93%	433,800	39%
Net Other Income	525,797	371,332	142%	891,200	59%
Net Income	1,213,308	(5,055)	(24,002%)	883,403	137%