

BANTA-CARBONA IRRIGATION DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
THEREON**

December 31, 2016 and 2015

BANTA-CARBONA IRRIGATION DISTRICT
Financial Statements
December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

We have audited the accompanying financial statements of the Banta-Carbona Irrigation District (the District), which comprise the statements of net position as of December 31, 2016, and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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. 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.

Board of Directors
Banta-Carbona Irrigation District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banta-Carbona Irrigation District, as of December 31, 2016 and December 31, 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Banta-Carbona Irrigation District's basic financial statements. The Supplemental Operating Statements and Cost of Service Rate Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Operating Statements and Cost of Service Rate Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fechter & Company
Certified Public Accountants


Sacramento, California
April 14, 2017

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2016 and 2015

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis of the Banta-Carbona Irrigation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016.

Please read it in conjunction with the District's "Financial Statements and Independent Auditor's report, December 31, 2016, and December 31, 2015."

REPORTING ON THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position reports information about the District as a whole and about its activities in a way that helps answer this question. This statement includes all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Recognition of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Below is the District's condensed Statement of Net Position:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 9,694,375	\$ 10,508,763	\$ 10,002,631
Capital assets	23,029,122	20,140,352	20,120,031
Total Assets	<u>\$ 32,723,497</u>	<u>\$ 30,649,115</u>	<u>\$ 30,122,662</u>
Current liabilities	\$ 725,836	\$ 1,081,338	\$ 424,637
Non-current liabilities	3,810,436	3,358,163	2,907,225
Total Liabilities	<u>4,536,272</u>	<u>4,439,501</u>	<u>3,331,862</u>
Net investment in capital assets	23,029,122	20,140,352	20,120,031
Unrestricted	5,158,103	6,069,262	6,670,769
Total Net Position	<u>\$ 28,187,225</u>	<u>\$ 26,209,614</u>	<u>\$ 26,790,800</u>

BANTA-CARBONA IRRIGATION DISTRICT
 Management's Discussion and Analysis
 December 31, 2016 and 2015

Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the District's net position and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, *increases or decreases* in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's county property tax allocation and the condition of the District's capital assets (roads, buildings, canals, pipelines, and pump stations) to assess the overall health of the District.

Below is the District's condensed Statement of Revenues, Expenses, and Changes in Net Position:

	2016	2015	2014
Operating revenues	\$ 7,100,734	\$ 5,343,549	\$ 4,463,279
Operating expenses	5,665,530	6,331,645	4,952,732
Operating income	1,435,204	(988,096)	(489,453)
Non-operating revenues	542,407	406,910	483,630
Change in net position	1,977,611	(581,186)	(5,823)
Beginning net position	26,209,614	26,790,800	26,796,623
Ending net position	\$ 28,187,225	\$ 26,209,614	\$ 26,790,800

Cash and Equivalents

Cash consists of general checking accounts and funds deposited in the Local Agency Investment Fund (LAIF). The total of these funds is listed on the Statement of Net Position under Current Assets, Cash and Equivalents. These funds are derived from water sales to customers within or outside of the District, interest and finance charges, and sale of assets no longer necessary for District business, standby charges levied, and any county tax allocation.

The District as a Whole

The District's total net position changed from a year ago, increasing from \$26,209,614 to \$28,187,225 as can be seen on the Statement of Revenues, Expenses, and Changes in Net Fund Position, page 7 of the District's "Financial Statements and Independent Auditor's Report, December 31, 2016, and December 31, 2015".

Financial Ratios

"Working Capital" is the amount by which current assets exceed current liabilities. The current ratio, which compares current assets to current liabilities, is an indicator of the ability to pay current obligations. The current assets for 2016 are \$9,694,375 and the Current Liabilities are \$725,836 resulting in a Current Ratio of 13.4 for the year ending December 31, 2016, as compared to a current ratio of 9.7 for the previous year of 2015. The District still has an excellent ability to pay off its current liabilities with current assets being 13.4 dollars for every 1 dollar of current liabilities.

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2016 and 2015

Business Type Activities

Operating revenues of the District's water sales increased by \$1,757,185 from 2015 to 2016. The increase in 2016 is due to a larger volume of water transfers than what occurred in 2015. In regards to operating expenses, the District invested heavily into supplemental water supplies again in 2016. These supplemental water expenses included costs for pumping groundwater and expenses for use of the Central Valley Project (CVP) conveyance and storage facilities.

CAPITAL ASSETS

The District did invest in District assets during 2016. A project to replace Pumping Plant #6 was started late in the fall of 2015. The District completed that replacement project in the fall of 2016 for about 3.5 million dollars.

The District continued long term planning efforts to identify ways to improve conveyance in the lift canal, to automate the water delivery system, and to replace old pumping plants with new ones.

As for the District's business-type activities, it is expected that in 2017 electric power costs will be comparable as compared to 2016's as power supply contracts were acquired in 2016 for delivery in 2017 through the District's participation in the Power and Water Resources Pooling Authority (PWRPA). There shouldn't be any supplemental water expenses in 2017 as the hydrologic year of July 1, 2016 through June 30, 2017 has been a wet one of historical proportions in California. Without having to invest in supplemental water supplies this year, the size of the reserve cash on hand should be stable or possibly increase in 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary/Treasurer at Banta-Carbona Irrigation District, 3514 W. Lehman Road, Tracy, California 95304.

**BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016**

	2016	2015
ASSETS		
Current Assets:		
Cash and investments	\$ 7,393,900	\$ 8,320,653
Accounts receivable	197,581	560,174
Stand by charges receivable	54,332	53,090
Taxes receivable	117,490	109,952
Prepaid expenses	1,931,072	1,464,894
Total current assets	9,694,375	10,508,763
Capital Assets, Net		
Capital assets	23,029,122	20,140,352
TOTAL ASSETS	32,723,497	30,649,115
LIABILITIES		
Current Liabilities:		
Accounts payable	314,672	437,198
Accrued expenses	1,392	-
Unearned revenue	222,353	465,853
Compensated absences liability	187,419	178,287
Total current liabilities	725,836	1,081,338
Long-Term Liabilities:		
Other post employment benefits	3,810,436	3,358,163
TOTAL LIABILITIES	4,536,272	4,439,501
NET POSITION		
Net investment in capital assets	23,029,122	20,140,352
	5,158,103	6,069,262
TOTAL NET POSITION	\$ 28,187,225	\$ 26,209,614

The accompanying notes are an integral part of these financial statements

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING REVENUES:		
Water sales - irrigation	\$ 3,850,734	\$ 4,295,275
Supplemental water sales	3,250,000	1,048,274
Total operating revenues	7,100,734	5,343,549
OPERATING EXPENSES:		
Sources of water	942,628	1,405,832
Pumping	1,198,453	1,423,825
Transmission and distribution	890,627	952,347
Administration and general	1,932,482	1,894,148
Fish screen	27,403	26,347
Depreciation	673,937	629,146
Total operating expenses	5,665,530	6,331,645
Operating income (loss)	1,435,204	(988,096)
Non-operating revenues and (expenses):		
Stand by charges	222,353	222,352
Interest income	43,576	33,758
County tax allocation	116,086	107,761
Contract/lease revenue	43,500	-
Gain on sale of assets	11,050	8,750
Other	87,656	60,526
Net increase (decrease) in the value of investment	18,186	(26,237)
Total non-operating revenues and (expenses)	542,407	406,910
Change in net position	1,977,611	(581,186)
Beginning net position	26,209,614	26,790,800
Ending net position	\$ 28,187,225	\$ 26,209,614

The accompanying notes are an integral part of these financial statements

**BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 7,219,827	\$ 5,597,664
Cash paid to suppliers	(3,999,220)	(3,513,223)
Cash paid to employees	(1,118,280)	(1,107,170)
	2,102,327	977,271
Cash flows from non-capital financing activities:		
Stand by charges	221,111	(257,762)
County tax allocation	108,548	107,761
Contract/lease revenue	43,500	-
Other	87,656	60,526
	460,815	(89,475)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,564,657)	(649,467)
Proceeds from sale of capital assets	13,000	8,750
	(3,551,657)	(640,717)
Cash flows from investing activities:		
Investment income received	61,762	7,521
	61,762	7,521
Net (decrease) increase in cash and cash equivalents	(926,753)	254,600
Cash and cash equivalents, beginning of year	8,320,653	8,066,053
Cash and cash equivalents, end of year	\$ 7,393,900	\$ 8,320,653

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

**BANTA-CARBONA IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,435,204	\$ (988,096)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	673,937	629,146
Changes in assets and liabilities:		
Accounts receivable	362,593	10,619
Prepaid expenses	(466,178)	217,963
Accounts payable	(122,526)	404,428
Accrued expenses	1,392	(216)
Unearned revenue	(243,500)	243,496
Compensated absences	9,132	8,993
Other post employment benefits asset/liability	452,273	450,938
Net cash provided by operating activities	\$ 2,102,327	\$ 977,271

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

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. ORGANIZATION

Banta-Carbona Irrigation District was organized March 14, 1921, under California Irrigation District Law. The District now acts and operates under, and is governed by, the Statutory Authority known as the Water Code, State of California, Division 11, Irrigation Districts.

The District is located south of Tracy, California, in San Joaquin County, of which about 15,919 acres are assessable.

B. METHOD OF ACCOUNTING

The District's financial activities are accounted for using the principles of enterprise fund accounting. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water to the water users in the District are financed through user charges. The District's financial statements have been prepared using the accrual basis of accounting.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating. Restricted resources are used to fund appropriations only after unrestricted resources are depleted.

Cash and Investments - Cash consists of a general checking account and certificates of deposit. Investments consist of LAIF and securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - In some cases, the District provides water to its customers, without receiving full payment in advance from the user. The users owe the District for water used, but have not provided collateral nor provided full payment as of the balance sheet date. The District records Accounts Receivable at face value and recognizes interest on past due amounts when collected. Receivables are past due after 30 days of request for payment. The District has the authority to place liens on property that has past due water bills due to the District.

The District uses the direct write-off method of recognizing bad debt losses. No allowance for uncollectible accounts has been provided. For the year under audit, no accounts are deemed uncollectible.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, Continued

Net Position - Net position is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net fund position is reported as restricted when there are legal limitations imposed on their use by legislation or external restriction by other governments, creditors, or grantors.

Financial Reporting - As permitted under GASB statement No. 20, paragraph 7, the District has selected consistently not to follow FASB pronouncements issued after November 30, 1989.

Capital Assets - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over fair value of the asset and long lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

C. DEPRECIATION

The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. The estimated useful lives by category are as follows:

General Properties	20-100 years
General Equipment	3-30 years
PL 984 Project	59-100 years
Fish Screen	100 years
Building	50 years

D. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. ASSESSMENTS

The District received property taxes from taxpayers in the portion of San Joaquin County within the District's boundaries. The due dates of these taxes are November 1st and February 1st. These taxes become delinquent December 10th and April 10th. The lien date for these taxes is January 1st. The collection dates are December 10th, June 30th, and September 30th.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31 consist of the following:

	2016	2015
Petty cash	\$ 100	\$ 100
Deposits with financial institutions	7,256,387	8,201,447
Investments	137,413	119,106
Total	\$ 7,393,900	\$ 8,320,653

Investments are stated at fair value and consist of the following:

	2016	2015
LAIF	\$ 24,434	\$ 24,313
Manulife Financial Corp. Stock	112,979	94,793
Total	\$ 137,413	\$ 119,106

The carrying amount of stock is determined by an independent pricing service contracted by the trustee holding the securities.

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of cash and marketable securities. The District maintains, with a bank, cash deposits in excess of the \$250,000 FDIC insured amounts. Deposits in excess of \$250,000 in separate named accounts within one institution represent a credit risk to the company. As of December 31, 2016 and 2015, \$6,954,685 and \$8,177,666, respectively, are in excess of the insurance coverage.

The District's investments are classified as Category 3 - uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name, as defined by GASB Statement 3, *"Deposits with Financial Institutions, Investment, and Reverse Purchase Agreements."*

The District also has investments of \$24,434 in Local Agency Investment Fund (LAIF). These investments are in structured notes and asset backed securities comprised of United States Treasury Bills, Federal Notes, CDs, Corporate Bonds, and Time Deposits. The effective yield for the year ended 2016 was 0.37% and withdrawals require a one day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$112,979 and \$94,793 at December 31, 2016 and 2015. The securities are held by Mellon Investors Services in the District's name. The District's investments as of December 31, 2016, are summarized below:

<u>Investment</u>	<u>Maturity</u> <u>Year</u>	<u>0-1 Years</u> <u>Before Maturity</u>	<u>1-5 Years</u> <u>Before Maturity</u>	<u>Credit</u> <u>Rating</u>
Oak Valley Community Bank	2016	\$ 7,256,387	0	AAA
LAIF Investment Fund	2016	24,434	0	N/A
Manulife Financial	2016	112,979	0	AAA

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3 – PREPAID EXPENSES

Prepaid expenses at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Water conveyance and storage	\$ 1,310,695	\$ 806,208
Power	567,377	611,635
Insurance	26,330	26,043
Dues	26,670	21,008
Total	<u>\$ 1,931,072</u>	<u>\$ 1,464,894</u>

NOTE 4 – CAPITAL ASSETS

Capital assets at December 31, 2016, are recorded at cost and consist of:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Capital assets, non-depreciable:				
Land	\$ 1,783,416	\$ -	\$ -	\$ 1,783,416
Right of Way	560,212	-	-	560,212
Total capital assets, non-depreciable	2,343,628	-	-	2,343,628
Capital assets, depreciable:				
Fish Screen Project	8,567,621	-	-	8,567,621
General Property & Equipment	15,094,630	3,564,657	(37,251)	18,622,036
PL 984 Project	1,025,403	-	-	1,025,403
Buildings	844,854	-	-	844,854
Total capital assets, depreciable	25,532,508	3,564,657	(37,251)	29,059,914
Less accumulated depreciation	<u>(7,735,784)</u>	<u>(673,937)</u>	<u>35,301</u>	<u>(8,374,420)</u>
Total capital assets, depreciable, net	<u>17,796,724</u>	<u>2,890,720</u>	<u>(1,950)</u>	<u>20,685,494</u>
Total capital assets, net	<u>\$20,140,352</u>	<u>\$ 2,890,720</u>	<u>\$ (1,950)</u>	<u>\$23,029,122</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 4 – CAPITAL ASSETS, Continued

Capital assets at December 31, 2015, are recorded at cost and consist of:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital assets, non-depreciable:				
Land	\$ 1,783,416	\$ -	\$ -	\$ 1,783,416
Right of Way	560,212	-	-	560,212
Total capital assets, non-depreciable	2,343,628	-	-	2,343,628
Capital assets, depreciable:				
Fish Screen Project	8,567,621	-	-	8,567,621
General Property & Equipment	14,464,588	649,467	(19,425)	15,094,630
PL 984 Project	1,025,403	-	-	1,025,403
Buildings	844,854	-	-	844,854
Total capital assets, depreciable	24,902,466	649,467	(19,425)	25,532,508
Less accumulated depreciation	(7,126,063)	(629,146)	19,425	(7,735,784)
Total capital assets, depreciable, net	17,776,403	20,321	-	17,796,724
Total capital assets, net	<u>\$20,120,031</u>	<u>\$ 20,321</u>	<u>\$ -</u>	<u>\$20,140,352</u>

Total depreciation expense for 2016 and 2015 was \$673,937 and \$629,146, respectively.

NOTE 5 - RETIREMENT PLAN

Effective July 31, 1974, the District adopted the Association of California Water Agencies Master Compensation Deferral Plan pursuant to Section 457 of the International Revenue Code. The total District payroll for the year was \$1,118,280 of which \$1,118,280 was covered by the pension plan. To be eligible to participate in the Plan, an employee must have completed one year of service. An employee becomes fully vested immediately. The Plan allows the participants to direct their investments in their accounts. The District matches the employee's contribution at a rate of 130%, with a maximum contribution by the District \$130 per month. Retirement plan expenses for the year ended December 31, 2016, and December 31, 2015, are \$25,298 and \$24,351, respectively.

NOTE 6 - ECONOMIC DEPENDENCY

The District was organized to contract fees and administers delivery of water supplies to landowners within the geographical boundaries of the District. Therefore, the District's existence relies exclusively on the continuance of the need for water supplies by the landowners within the District.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 7 - RISK OF EXPOSURE

The District is exposed to the risk of loss in various ways. The District is open to loss from injury due to the equipment and property the District owns and operates. The District is covered for loss from a general liability insurance coverage of \$20,000,000. The District is also covered by auto, workmen's compensation, and public official's insurance contracts.

NOTE 8 - JOINT VENTURE

The District joined the Power and Water Resources Pooling Authority (PWRPA) in an attempt to secure a source of power in the future. During the year, the District paid \$1,191,130 in fees to the PWRPA. The District may withdraw from the PWRPA at any time.

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE

Plan Description. In addition to the pension benefits described in Note F, the District provides post-retirement health care insurance to all employees who retire from the District on or after attaining age 65 with at least 15 years of service. The District also provides post-retirement health care insurance to all directors who retire with twelve years of service from the District who are age 50 or over. Currently, nine employees and four directors meet these eligibility requirements.

As of December 31, 2009, the District has adopted the provisions of GASB 43 and 45 for financial reporting of Post-Employment Benefit Plans. This provision requires the District to periodically calculate the estimated Actuarial Accrued Liability (AAL). The District uses the alternative measurement method to calculate the post- retirement health insurance benefits. The assumptions used to calculate future inflation of healthcare costs and salary increases are that they will match the rate of inflation. Mortality rates provided by standard industry guides have been used to determine the expected length of benefits for participants. The plans expenses are paid as they come due and not prefunded. The accrued health care benefit liability at December 31, 2016, is \$3,810,436.

If a retiree, or his or her spouse, reaches 65 and becomes eligible for Medicare or otherwise becomes entitled to governmentally provided or mandated health insurance benefits, then the District may replace its then existing approved health insurance coverage with supplemental health insurance of a type and amount to be determined by the District.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the legislature. Expenditures for post- retirement health care insurance are recognized as retirees report claims and as the calculation of the (AAL) changes.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE, Continued

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the state's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (dollar amounts in thousands):

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 566,653	\$ 566,653
Interest on net OPEB obligation	83,954	72,681
Adjustment to annual required contribution	<u>(105,321)</u>	<u>(91,179)</u>
Annual OPEB cost (expense)	545,286	548,155
Contributions made	<u>(93,013)</u>	<u>(97,217)</u>
Increase in net OPEB obligation	452,273	450,938
Net OPEB obligation-beginning of the year	<u>3,358,163</u>	<u>2,907,225</u>
Net OPEB obligation-end of the year	<u>\$ 3,810,436</u>	<u>\$ 3,358,163</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows (dollar amounts in thousands):

Fiscal Year <u>Ended</u>	Annual <u>OPEB Costs</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2014	\$ 574,250	23%	\$ 2,907,225
12/31/2015	548,155	18%	3,358,163
12/31/2016	545,286	17%	3,810,436

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE, Continued

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 10 - COMMITMENT

In 2010, the District entered into an agreement with the Power and Water Resources Pooling Authority (PWRPA) to receive an 8.8976% share of PWRPA's 4.7284% cost share of the Lodi Energy Center (LEC). The District is billed its share of capital costs associated with the building of LEC (approximately \$71,000 per year) through its monthly energy bill and is included in "pumping expense" on the District's Statement of Revenues, Expenses, and Changes in Net Position. At the end of its commitment, the District estimates its investment in the LEC to have no value and therefore is reporting its share of payments as operating costs in the year paid. The District also participates under a rate agreement as a participant of PWRPA in the LEC and thereby pays rates reflecting costs and energy associated with PWRPA's generation entitlement share in the LEC. The District's estimated future commitment is approximately \$1,737,734.

NOTE 11 - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through April 14, 2017, the date on which the financial statements were available to be issued.

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Water Sales - Irrigation:		
Sales	\$ 2,431,469	\$ 3,002,864
Water contract Kasson	249,095	233,156
Outside District	272,122	209,705
Transfer water	898,048	849,550
Total sales	\$ 3,850,734	\$ 4,295,275
Source of Water:		
Operating & maintenance	\$ 62,753	\$ 19,432
CVP water	13,911	55,513
CVP water rights fees	16,434	15,688
River water rights fees	8,425	8,054
Supplemental water expenses	522,232	1,302,551
Transfer water CVP	318,873	4,594
Total	\$ 942,628	\$ 1,405,832
Pumping:		
Pump tending	\$ 121,532	\$ 126,273
Pump tending materials	-	2,206
Pump house	48,253	55,385
Pump repairs	10,757	18,214
Panel & switch gear	37,824	60,043
Lift station (power)	950,570	1,146,128
Drain pump	15,072	11,487
Power lines	4,904	3,051
Security	8,519	828
Drainage wells & pumps, PR	1,022	210
Total	\$ 1,198,453	\$ 1,423,825
Transmission and Distribution:		
Supervision labor	\$ 88,898	\$ 85,271
Ditch tending	190,209	207,596
Kasson District repair	5,764	13,154
Lift canals	9,912	13,371
Canals and ditch repair	35,892	75,054
Structures repair	90,537	69,679
Weed control	149,147	165,790
Rodent control	5,084	7,057
Road right of way	48,397	29,403
Dust control	75,097	67,636
District maintenance yard	7,216	10,526
Vehicle expense	20,803	24,213
Tires & fuel	56,895	88,273
Trucks & tractors	8,334	11,772
Tools & equipment	21,284	19,036
Power - office & shop	11,112	11,618
Kasson payroll	66,046	52,833
Disposal of toxic waste	-	65
Total	\$ 890,627	\$ 952,347

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Administration and General:		
General manager	\$ 140,312	\$ 136,208
District officer	88,774	86,156
Clerical	36,991	36,252
Office supplies	42,648	41,594
Printing	-	185
Telephone	10,314	9,847
Property insurance	42,930	43,024
Safety costs	8,614	7,654
Pension fund	25,298	24,351
Employee benefits	1,086,458	1,062,015
Workers' compensation	44,780	57,493
Personnel general	2,059	2,634
Vacation and sick leave	112,595	114,530
Longevity pay	14,368	12,056
Taxes and license	2,038	21,112
Flood control	3,395	4,527
Other	8,490	11,099
Director's fees	9,100	10,600
District officer expense	23,779	30,784
Legal and audit	102,371	111,017
Janitor	2,307	1,560
Water conservation	30,097	3,191
Association dues	77,008	55,403
Rainy days	17,756	10,856
	\$ 1,932,482	\$ 1,894,148
Fish Screen:		
Payroll	\$ 12,435	\$ 12,044
Maintenance	14,968	14,303
	\$ 27,403	\$ 26,347

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2016 and 2015

Cost of Service Rate: "Cost of Service" refers to the total costs by the District in its operations, exclusive of the amounts paid for Central Valley Project water supply pursuant to the District's contract with the United States and Reclamation Law, as reported in the District's Annual Financial Report. The Cost of Service Rate shall be the rate calculated by the District on an annual basis as follows:

$$\begin{array}{rcccl} \$4,477,884 & + & \$4,731,327 & /2 & = & \$ 4,604,606 \\ \text{(Prior Year Cost of Services)} & & \text{(Current Year Cost of Services)} & & & \end{array}$$

$$\begin{array}{rcccl} (38,717 \text{ acre-feet}) + (40,365 \text{ acre-feet}) & & & /2 & = & 39,541 \text{ acre-feet} \\ \text{(Total average acre-feet of water delivered by the District over the prior} & & & & & \\ \text{and current years)} & & & & & \end{array}$$

$$\text{Cost of Service Rate} = \$4,604,606 / 39,541 \text{ acre-feet} = \$116.45/\text{acre-feet}$$

Summary of Amounts Used in Calculations

Total Acre Feet of Water Delivered:	2016	2015
Inside	32,411	33,843
Outside	1,369	816
Kasson	6,585	4,058
Total	40,365	38,717
Costs	2016	2015
Pumping	\$ 1,198,453	\$ 1,423,825
Transmission and Distribution	890,627	935,652
Administrative and General	1,932,482	1,454,860
Fish Screen	27,403	26,347
Depreciation	673,937	629,146
Water Rights Fees – River	8,425	8,054
Total Costs	\$ 4,731,327	\$ 4,477,884