

**BANTA-CARBONA IRRIGATION DISTRICT**  
**FINANCIAL REPORT**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT THEREON**  
**December 31, 2019 and 2018**

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Financial Report**  
**December 31, 2019 and 2018**

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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, 2019 and 2018, 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.

### **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, 2019 and December 31, 2018, 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.

Board of Directors  
Banta-Carbona Irrigation District  
Tracy, California

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in net OPEB Liability and related ratios, 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

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in dark ink and is positioned above the printed name and address of the firm.

Sacramento, California  
June 11, 2020

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2019 and 2018**

**MANAGEMENT'S 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 years ended December 31, 2019 and 2018.

Please read it in conjunction with the District's Financial Statements and Independent Auditor's report, December 31, 2019 and December 31, 2018.

**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>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 16,105,605	\$ 16,497,984	\$ 11,644,858
Capital assets	25,211,923	22,986,242	22,862,839
Total Assets	<u>\$ 41,317,528</u>	<u>\$ 39,484,226</u>	<u>\$ 34,507,697</u>
Current liabilities	1,730,803	1,726,242	826,641
Non-current liabilities	<u>6,133,311</u>	<u>4,937,664</u>	<u>4,274,109</u>
Total Liabilities	<u>7,864,114</u>	<u>6,663,906</u>	<u>5,100,750</u>
Net investment in capital assets	25,211,923	22,986,242	22,862,839
Unrestricted	<u>8,241,491</u>	<u>9,834,078</u>	<u>6,544,108</u>
Total Net Position	<u>\$ 33,453,414</u>	<u>\$ 32,820,320</u>	<u>\$ 29,406,947</u>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2019 and 2018**

**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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 6,659,182	\$ 10,085,836	\$ 5,377,364
Operating expenses	<u>7,565,104</u>	<u>8,000,155</u>	<u>4,917,060</u>
Operating (loss) income	<u>(905,922)</u>	<u>2,085,681</u>	<u>460,304</u>
Non-operating revenues	<u>1,602,820</u>	<u>2,960,490</u>	<u>759,418</u>
Change in net position	<u>696,898</u>	<u>5,046,171</u>	<u>1,219,722</u>
Beginning net position, restated	<u>32,756,516</u>	<u>27,774,149</u>	<u>28,187,225</u>
Ending net position	<u><u>\$ 33,453,414</u></u>	<u><u>\$ 32,820,320</u></u>	<u><u>\$ 29,406,947</u></u>

**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 \$32,820,320 to \$33,453,414, as can be seen on the Statement of Revenues, Expenses, and Changes in Net Fund Position, page 7 of the District's "Financial Statements with Independent Auditor's Report, December 31, 2019 and December 31, 2018."

**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 2019 are \$16,105,605 and the current liabilities are \$1,730,803 resulting in a current ratio of 9.3 for the year ending December 31, 2019, as compared to a current ratio of 9.6 for the previous year of 2018. The District still has an excellent ability to pay off its current liabilities with current assets being 9.3 dollars for every 1 dollar of current liabilities.

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2019 and 2018**

**Business Type Activities**

Operating revenues of the District's water sales decreased by \$3,426,654 from 2018 to 2019. The decrease in 2019 is due primarily to less water being transferred in 2019 than in 2018. The winter of 2018-2019 was a very wet hydrologic year, filling all reservoirs in California to the brim and with large snow melt runoff for the summer. With the superfluous water supply, other water agencies either did not have a demand for supplemental water transfers or had no place to store any supplemental water as a result of any transfers. Hence, there was not a market for supplemental water in 2019.

Non-operating revenues of the District also decreased by \$1,357,670 from 2018 to 2019. The decrease in 2019 is due primarily to less water being wheeled to other districts in 2019 than in 2018. This lack of wheeling was also attributable to the same factors as the water transfers. There wasn't any place to store water thus there wasn't any place to wheel the water.

**CAPITAL ASSETS**

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. In April of 2019, the District elected to move forward with construction of a new pumping plant to replace old Pumping Plant (PP) #4 in 2019-2020. Because of the adequate supplemental water supply and the lack of using the lift canal for wheeling water for others, it provided an opportunity for the District to dewater the lift canal and begin construction of a pumping plant, PP #4.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

As for the District's business-type activities, it is expected that in 2020 electric power costs will be comparable as compared to 2019's. There were supplemental water expenses in 2019, as a result of the construction of a new pumping plant in the main lift canal and the dewatering of the lift canal. The reserve cash on hand increased in 2019. In 2020, operations and business activities should resemble the activities of 2019.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 14,426,116	\$ 15,104,659
Accounts receivable	640,493	613,027
Stand by charges receivable	55,449	57,893
Taxes receivable	167,720	157,434
Note receivable	56,261	-
Prepaid expenses	759,566	564,971
Total current assets	16,105,605	16,497,984
Capital Assets, Net		
Capital assets	25,211,923	22,986,242
<b>TOTAL ASSETS</b>	<b>41,317,528</b>	<b>39,484,226</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,054,882	1,122,949
Unearned revenue	469,592	395,232
Compensated absences liability	206,329	208,061
Total current liabilities	1,730,803	1,726,242
Long-Term Liabilities:		
Other post employment benefits	6,133,311	4,937,664
<b>TOTAL LIABILITIES</b>	<b>7,864,114</b>	<b>6,663,906</b>
<b>NET POSITION</b>		
Net investment in capital assets	25,211,923	22,986,242
Unrestricted	8,241,491	9,834,078
<b>TOTAL NET POSITION</b>	<b>\$ 33,453,414</b>	<b>\$ 32,820,320</b>

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, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES:</b>		
Water sales - irrigation	\$ 3,409,182	\$ 6,351,586
Supplemental water sales	3,250,000	3,734,250
Total operating revenues	6,659,182	10,085,836
<b>OPERATING EXPENSES:</b>		
Sources of water	1,581,889	2,299,650
Pumping	1,589,598	1,686,705
Transmission and distribution	1,040,145	1,069,587
Administration and general	2,740,368	2,237,272
Fish screen	7,856	31,572
Depreciation	605,248	675,369
Total operating expenses	7,565,104	8,000,155
Operating income	(905,922)	2,085,681
<b>NON-OPERATING REVENUES:</b>		
Stand by charges	222,353	222,252
Interest income	317,950	68,274
County tax allocation	247,103	156,228
Contract/lease revenue	670,950	2,411,400
Gain on sale of assets	10,761	15,444
Other	95,029	129,180
Net increase (decrease) in the value of investment	38,674	(42,288)
Total non-operating revenues	1,602,820	2,960,490
Change in net position	696,898	5,046,171
Beginning net position	32,820,320	29,406,947
Prior period adjustment	(63,804)	(1,632,798)
Beginning net position - restated	32,756,516	27,774,149
Ending net position	\$ 33,453,414	\$ 32,820,320

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, 2019 AND 2018**

	2019	2018
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 6,706,076	\$ 10,681,645
Cash paid to suppliers	(4,794,743)	(4,988,917)
Cash paid to employees	(1,233,860)	(1,221,818)
	677,473	4,470,910
<b>Cash flows from non-capital financing activities:</b>		
Stand by charges	224,797	219,701
County tax allocation	190,842	81,461
Contract/lease revenue	670,950	2,411,400
Other	95,029	129,180
	1,181,618	2,841,742
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(2,837,223)	(800,831)
Proceeds from sale of capital assets	17,055	17,503
	(2,820,168)	(783,328)
<b>Cash flows from investing activities:</b>		
Investment income received	356,624	25,986
	356,624	25,986
Net increase in cash and cash equivalents	(604,453)	6,555,310
Cash and cash equivalents, beginning of year	15,104,659	8,549,349
Cash and cash equivalents, end of year	\$ 14,500,206	\$ 15,104,659

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

**BANTA-CARBONA IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ (905,922)	\$ 2,085,681
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	605,248	675,369
Changes in assets and liabilities:		
Accounts receivable	(27,466)	626,269
Prepaid expenses	(194,595)	(167,679)
Accounts payable	(68,067)	605,878
Unearned revenue	74,360	(30,460)
Compensated absences	(1,732)	12,297
Other post employment benefits asset/liability	1,195,647	663,555
	\$ 677,473	\$ 4,470,910

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

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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, 2019 and 2018**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, Continued**

**B. METHOD OF ACCOUNTING, Continued**

*Unearned Revenue* – Unearned revenue represents the amount that customers have paid in advance of receiving services.

*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, 2019 and 2018**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at December 31, consist of the following:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 100	\$ 100
Deposits with financial institutions	4,531,270	5,484,801
Investments	<u>9,894,746</u>	<u>9,619,758</u>
Total	<u>\$ 14,426,116</u>	<u>\$ 15,104,659</u>

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

	<u>2019</u>	<u>2018</u>
LAIF	\$ 9,766,107	\$ 9,529,793
Manulife Financial Corp. stock	<u>128,639</u>	<u>89,965</u>
Total	<u>\$ 9,894,746</u>	<u>\$ 9,619,758</u>

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, 2019 and 2018, \$4,460,157 and \$4,460,375, 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 \$9,766,107 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 2019 was 2.43% and withdrawals require a one day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$128,639 and \$89,965 at December 31, 2019 and 2018. The securities are held by Mellon Investors Services in the District's name. The District's investments as of December 31, 2019, are summarized below:

<u>Investment</u>	<u>Maturity Year</u>	<u>0-1 Years Before Maturity</u>	<u>1-5 Years Before Maturity</u>	<u>Credit Rating</u>
Oak Valley Community Bank	2019	\$ 4,531,270	\$ -	N/A
LAIF Investment Fund	2019	9,766,107	-	N/A
Manulife Financial	2019	128,639	-	A

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 3 – PREPAID EXPENSES**

Prepaid expenses at December 31, consist of the following:

	2019	2018
Water conveyance and storage	\$ 319,420	\$ 175,792
Power	379,278	331,154
Insurance	35,507	31,478
Dues	25,361	26,547
Total	\$ 759,566	\$ 564,971

**NOTE 4 – CAPITAL ASSETS**

Capital assets at December 31, 2019, are recorded at cost and consist of:

	Balance 1/1/2019	Additions	Retirements	Transfers	Balance 12/31/2019
Capital assets, non-depreciable:					
Land	\$ 1,783,416	\$ -	\$ -	\$ -	\$ 1,783,416
Right of way	560,212	-	-	-	560,212
Construction in progress	557,941	2,206,480	-	(468,670)	2,295,751
Total capital assets, non-depreciable	2,901,569	2,206,480	-	(468,670)	4,639,379
Capital assets, depreciable:					
Fish screen project	8,567,621	-	-	-	8,567,621
General property & equipment	19,247,164	630,743	(117,731)	468,670	20,228,846
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	844,854	-	-	-	844,854
Total capital assets, depreciable	29,685,042	630,743	(117,731)	468,670	30,666,724
Less accumulated depreciation	(9,600,369)	(605,248)	111,437	-	(10,094,180)
Total capital assets, depreciable, net	20,084,673	25,495	(6,294)	468,670	20,572,544
Total capital assets, net	\$ 22,986,242	\$ 2,231,975	\$ (6,294)	\$ -	\$ 25,211,923

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 4 – CAPITAL ASSETS - Continued**

Capital assets at December 31, 2018, are recorded at cost and consist of:

	Balance 1/1/2018	Additions	Retirements	Transfers	Balance 12/31/2018
Capital assets, non-depreciable:					
Land	\$ 1,783,416	\$ -	\$ -	\$ -	\$ 1,783,416
Right of way	560,212	-	-	-	560,212
Construction in progress	-	557,941	-	-	557,941
Total capital assets, non-depreciable	<u>2,343,628</u>	<u>557,941</u>	<u>-</u>	<u>-</u>	<u>2,901,569</u>
Capital assets, depreciable:					
Fish screen project	8,567,621	-	-	-	8,567,621
General property & equipment	19,045,422	242,890	(41,148)	-	19,247,164
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	844,854	-	-	-	844,854
Total capital assets, depreciable	<u>29,483,300</u>	<u>242,890</u>	<u>(41,148)</u>	<u>-</u>	<u>29,685,042</u>
Less accumulated depreciation	<u>(8,964,089)</u>	<u>(675,369)</u>	<u>39,089</u>	<u>-</u>	<u>(9,600,369)</u>
Total capital assets, depreciable, net	<u>20,519,211</u>	<u>(432,479)</u>	<u>(2,059)</u>	<u>-</u>	<u>20,084,673</u>
Total capital assets, net	<u>\$ 22,862,839</u>	<u>\$ 125,462</u>	<u>\$ (2,059)</u>	<u>\$ -</u>	<u>\$ 22,986,242</u>

Total depreciation expense for 2019 and 2018 was \$605,248 and \$675,369, 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 Internal Revenue Code. The total District payroll for the year was \$1,232,128, of which \$1,232,128 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 of \$195 per month. Retirement plan expenses for the year ended December 31, 2019 and December 31, 2018, are \$37,958 and \$37,598, 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.

**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.

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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 \$1,473,435 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 5, 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, six employees and four directors meet these eligibility requirements.

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.

As of December 31, 2018, the District has adopted the provisions of GASB 75 for financial reporting of Other Post-Employment Benefits (OPEB). This provision requires the District to perform periodic valuations to determine annual accounting costs related to OPEB. The District uses the alternative measurement method to calculate the post-retirement health insurance benefits liability. 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 plan expenses are paid as they come due and not prefunded. The OPEB liability at December 31, 2019 was \$6,133,311.

*Contributions.* The contribution requirements of the District are established and may be amended by the District's board. While GASB Statement 75 requires that the liability for all post-employment benefits be measured, it does not require that an agency "pre-fund" the accrued liability. The District will pay for the post-employment healthcare cost on a "pay-as-you-go" basis. The provisions of GASB Statement 75 determine the amount that must be presented as an annual expense and accrued liability on the District's financial statements. The contributions made on behalf of the plan members for the year ended December 31, 2019 were \$129,362.

The District's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 9 – POST-RETIREMENT HEALTH INSURANCE, Continued**

*Actuarial assumptions.* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumed retirement age	65
Discount rate	2.54 percent
Salary increases	3.00 percent
Healthcare cost trend rate	4.60 to 4.80 percent for Medical; 4.70 to 7.60 percent for Pharmacy; 3.00 to 3.50 percent for Dental; 3.00 percent for Vision

The probability of remaining employed until retirement age from current and entry age by age comes from the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Mortality Table derived from RP2000 Mortality Table for Males and Females Projected 18 years.

*Changes in the Net OPEB Liability.* The table below shows the changes in the District’s total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on December 31, 2019.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at December 31, 2018	\$ 4,937,664	-	\$ 4,937,664
Changes recognized for the measurement period:			
Service cost	282,329	-	282,329
Interest	206,238	-	206,238
Effect of economic/demographic gains or losses	(227,705)	-	(227,705)
Changes in assumptions	1,064,147	-	1,064,147
Employer contributions	-	129,362	(129,362)
Benefit payments	(129,362)	(129,362)	-
Net changes	<u>1,195,647</u>	<u>-</u>	<u>1,195,647</u>
Balance at December 31, 2019	<u>\$ 6,133,311</u>	<u>\$ -</u>	<u>\$ 6,133,311</u>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 9 – POST-RETIREMENT HEALTH INSURANCE, Continued**

*Sensitivity of the District’s Net OPEB Liability to Changes in the Discount Rate.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.54 percent) or 1 percentage point higher (3.54 percent) than the current discount rate:

	1% Decrease 1.54%	Discount Rate 2.54%	1% Increase 3.54%
District's net OPEB liability	\$ 7,095,820	\$ 6,133,311	\$ 5,369,152

*Sensitivity of the District’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Baseline Trend	Baseline Trend	1% Increase in Baseline Trend
District's net OPEB liability	\$ 5,292,370	\$ 6,133,311	\$ 7,195,497

**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 at December 31, 2019, is approximately \$1,524,363.

**NOTE 11 – PRIOR PERIOD ADJUSTMENTS**

During the year, a prior period adjustment of \$(63,804) was recorded to reflect a receivable balance that was determined to be uncollectible in 2017.

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 12 – DATE OF MANAGEMENT EVALUATION**

Management has evaluated subsequent events through June 11, 2020, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

In January 2020, the virus SARS -CoC-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19 has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California and the County of San Joaquin as yet has not been determined and therefore any potential impact on the District is not yet known.

**BANTA-CARBONA IRRIGATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT**  
 Required Supplementary Information  
 Schedule of Changes in Net OPEB Liability and Related Ratios  
 December 31, 2019

Last 10 Fiscal years\*

	2019	2018
Net OPEB liability		
Service cost	\$ 282,329	\$ 282,329
Interest	206,238	112,515
Effect of economic/demographic gains or losses	(227,705)	1,432,666
Change in assumptions	1,064,147	(1,051,595)
Benefit payments	(129,362)	(112,360)
Net change in Net OPEB liability	1,195,647	663,555
 Net OPEB liability - beginning	 4,937,664	 4,274,109
 Net OPEB liability - ending	 \$ 6,133,311	 \$ 4,937,664
 Covered payroll	 \$ 1,232,128	 \$ 1,234,115
Net OPEB liability (asset) as a percentage of covered payroll	497.78%	400.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

\* Fiscal year ended June 30, 2018 was the first year of implementation.  
 Additional years will be presented as they become available.

**BANTA-CARBONA IRRIGATION DISTRICT  
SUPPLEMENTARY INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT  
SUPPLEMENTAL OPERATING STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
<b>Water Sales - Irrigation:</b>		
Sales	\$ 2,192,129	\$ 2,551,773
Water contract Kasson	216,546	294,712
Outside District	97,193	156,068
Transfer water	903,314	3,349,033
Total sales	\$ 3,409,182	\$ 6,351,586
<b>Source of Water:</b>		
Operating & maintenance	\$ 113,204	\$ (42,957)
CVP water	255,108	22,190
CVP water rights fees	21,145	18,155
River water rights fees	12,061	9,435
Environmental reviews/studies	159,311	89,743
Supplemental water expenses	492,780	2,037
Transfer water CVP	528,280	2,201,047
Total	\$ 1,581,889	\$ 2,299,650
<b>Pumping:</b>		
Pump tending	\$ 145,537	\$ 157,829
Pump house	48,483	50,085
Pump repairs	10,009	12,290
Panel & switch gear	18,079	43,326
Lift station (power)	1,317,602	1,380,316
Drain pump	30,922	29,889
Power lines	16,971	10,486
Security	995	2,011
Pump tending materials	797	130
Drainage wells & pumps, PR	203	343
Total	\$ 1,589,598	\$ 1,686,705
<b>Transmission and Distribution:</b>		
Supervision labor	\$ 95,973	\$ 93,178
Ditch tending	215,815	198,902
Kasson District repair	2,533	11,798
Lift canals	28,815	64,957
Canals and ditch repair	26,228	54,535
Structures repair	129,173	123,809
Weed control	150,673	144,443
Rodent control	4,474	3,812
Road right of way	46,833	45,207
Dust control	77,036	75,646
District maintenance yard	25,493	24,640
Vehicle expense	22,227	21,732
Tires & fuel	86,589	95,202
Trucks & tractors	9,012	3,998
Tools & equipment	22,882	24,451
Power - office & shop	11,512	11,294
Modern feasibility study	9,810	-
Kasson payroll	72,543	71,983
Disposal of toxic waste	588	-
Trans & distr - other	1,936	-
Total	\$ 1,040,145	\$ 1,069,587

**BANTA-CARBONA IRRIGATION DISTRICT  
SUPPLEMENTAL OPERATING STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
<b>Administration and General:</b>		
General manager	\$ 148,951	\$ 144,601
District officer	87,455	84,921
Clerical	30,239	33,106
Office supplies	40,531	28,857
Telephone	13,335	9,715
Property insurance	48,400	27,185
Safety costs	9,253	12,991
Pension fund	37,958	37,598
Employee benefits	728,660	715,571
OPEB expense	1,195,647	663,555
Workers' compensation	45,236	54,636
Personnel general	3,526	1,878
Vacation and sick leave	134,830	141,273
Longevity pay	13,320	13,288
Taxes and license	13,134	13,496
Flood control	4,133	3,600
Other	14,811	14,557
Director's fees	10,200	10,500
District officer expense	32,022	36,532
Legal and audit	59,537	71,242
Janitorial	4,664	780
Water conservation	8,778	11,973
Association dues	31,618	36,132
Bad debt expense	-	56,837
Rainy days	24,130	12,448
	<u>\$ 2,740,368</u>	<u>\$ 2,237,272</u>
<b>Fish Screen:</b>		
Payroll	\$ 3,355	\$ 4,907
Operations	-	3,752
Maintenance	4,501	22,913
	<u>\$ 7,856</u>	<u>\$ 31,572</u>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Cost of Service Rate Report**  
**December 31, 2019 and 2018**

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:

$$\begin{array}{rcl} \$5,709,940 & + & \$5,995,276 \\ \text{(Prior Year Cost of Services)} & & \text{(Current Year Cost of Services)} \end{array} /2 = \$ 5,852,608$$

$$\begin{array}{rcl} (42,064 \text{ acre-feet}) & + & (38,049 \text{ acre-feet}) \\ \text{(Total average acre-feet of water delivered by the District over the prior} & & \\ \text{and current years)} & & \end{array} /2 = 40,057 \text{ acre-feet}$$

$$\text{Cost of Service Rate} = \$5,852,608 / 40,057 \text{ acre-feet} = \$146.11/\text{acre-feet}$$

**Summary of Amounts Used in Calculations**

Total Acre Feet of Water Delivered:	2019	2018
Inside	31,316	34,027
Outside	503	796
Kasson	6,230	7,241
Total	38,049	42,064
Costs	2019	2018
Pumping	\$1,589,598	\$1,686,705
Transmission and Distribution	1,040,145	1,069,587
Administrative and General	2,740,368	2,237,272
Fish Screen	7,856	31,572
Depreciation	605,248	675,369
Water Rights Fees – River	12,061	9,435
Total Costs	\$ 5,995,276	\$ 5,709,940

**BANTA-CARBONA IRRIGATION DISTRICT  
OTHER REPORT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Banta-Carbona Irrigation District  
Tracy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Banta-Carbona Irrigation District (District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 11, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Board of Directors  
Banta-Carbona Irrigation District  
Tracy, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company,  
Certified Public Accountants

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California  
June 11, 2020