

BANTA-CARBONA IRRIGATION DISTRICT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2009 & December 31, 2008

BANTA-CARBONA IRRIGATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Banta-Carbona Irrigation District
Tracy, CA

February 14, 2010

I have audited the balance sheets of the Banta-Carbona Irrigation District as of December 31, 2009 and December 31, 2008 and the related statements of revenues, and, expenses, and changes in fund equity, and their cash flows for the years then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards generally accepted in the United States of America, and the State Controller's minimum audit requirement for California's Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Banta-Carbona Irrigation District, as of December 31, 2009 and December 31, 2008 and the respective changes in financial position and cash flows thereof for the years ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the Sate Controller's office and State Regulations Governing Special Districts.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental operating statements and cost of service report are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


David K. McCoy, C.P.A.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our 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, 2009

Please read it in conjunction with the District's "Financial Statements and Independent Auditor's report, December 31, 2009 & December 31, 2008."

REPORTING THE DISTRICT AS A WHOLE Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the District's finance is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Revenues, Expenses, and Changes in Net Assets reports information about the District's 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. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

This statement reports the District's net assets and changes in them. You can think of the District's net assets, the difference between assets, what the landowners own, and liabilities, what the landowners owe, as one way to measure the District's financial health, or financial position. Over time, *increases or decreases* in the District's net assets 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.

In the statement of Revenues, Expenses, and changes in Net Assets, we have business type activities: the District charges a fee to help it cover all or most of all the cost of certain services it provides. The District's water distribution and pumping facilities are reported here.

District Funds

Cash and Equivalents

Cash consists of general checking accounts and funds deposited in the Local Agency Investment Fund. The total of these funds is listed on the Balance Sheet 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 assets changed from a year ago, increasing from \$21,235,707 to \$22,618,388 as can be seen on the Statement of Revenues, Expenses, and Changes in Net Assets, page 6 of the District's "Financial Statements and Independent Auditor's Report, December 31, 2009 & December 31, 2008".

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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 2009 were \$6,629,036 and the Current Liabilities were \$705,101 resulting in a Current Ratio of 9.40 for the year ending December 31, 2009, as compared to a current ratio of 14.80 for the previous year of 2008. The District still has an excellent ability to pay off its current liabilities with current assets being 9.40 dollars for every 1 dollar of current liabilities.

Business Type Activities

Operating revenues of the District’s typical water sales to customers in and around the District were similar to those of the previous year. Non-operating revenues were similar to 2008 also.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Major additions to District assets during 2009 included:

Going into what looked like a third drought year in a row, the District was even more aggressive at attempting to improve energy efficiency during 2009. Two things happen in the District during droughts, the District has access to less hydro-electric power to purchase and the District needs to rely more on pumping water from the river. Thus improving the pumping efficiency of the pumps in the lift stations provides more water for less energy. As a result pump repair expenses were much higher in 2009 totaling about \$200,000 versus about \$80,000 - \$100,000 dollars per year in previous years. In addition a penstock ruptured during the season in Pumping Plant #3, the #5-40. This was an unusual expense of about \$240,000. But this incident brought up the question do we need to consider re-building the lift or replace the lift system with a new system. The system is 85 years old.

The District also added a pumping station at the uppermost water pool, Sump Six, during 2008. There were some capital costs, about \$100,000 incurred in 2009 to get electricity to the new pump station. This pump station facilitates three water management objectives both locally and regionally. The first is that during some years on the San Joaquin River the District is able to generate conserved water and make it available for water transfer. The District has identified about 14,000 acre feet of conserved pre-1914 water rights water that has been generated by converting open dirt lined ditches into concrete pipelines and water reuse. Of this 14,000 acre feet it has been determined that in-district uses take advantage of 4,000 acre feet of the conserved water and that there is 10,000 acre feet available for transfer. The second water management objective that the new pump station facilitates is being able to put pre-1914 water into the Delta-Mendota Canal for District uses on days that there is surplus water to the district’s own demands and then returning that water to the District on days when in district demands exceed water supplies from the San Joaquin River. The third water management objective that this new pump station could facilitate is to wheel water for small water transfers from east side water supplies to west side water needs. The new pump station facilitated about \$3.7 million in revenue during 2009.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

As a result of the looming drought in early 2009 the District obtained access to groundwater wells to pump supplemental water to augment San Joaquin River and Central Valley Project (CVP) supplies. The CVP allocation was zero until about May of 2009. The San Joaquin River was running very low with the possible chance that it would have minimal water flow during the summer months, less than 500 cfs. Thus the District spent approximately \$1,000,000 on supplemental water supplies during 2009 in order to minimize the chance of water rationing to occur in the District. As a result of this expenditure and planning no water rationing occurred in the District during 2009, the third year of drought in California.

The District continued to invest during 2009 in security cameras, alarms and SCADA system to protect District facilities from copper wire thefts. Copper wire thefts have been a huge problem in the past few years in San Joaquin County and in neighboring counties.

As for the District's business-type activities, we expect that in 2010 electric power costs will again be larger than in the past due to the lack of hydro power. The power costs in 2010 shouldn't be any larger than the costs during 2009. This temporary increase will be covered by cash reserves in order to keep water rates stable as it is anticipated to be a short term problem.

During the fall of 2009 the District embarked on a study to identify a plan to repair or replace the existing lift canal system and its associated pump stations. The stations and canal are about 85 years old and may be coming to the end of their anticipated useful life. The study will look at the advantages and disadvantages of repairing the existing system or replacing the system. As a part of this study the district is exploring the possibility of obtaining Federal Economic Stimulus money to pay for any improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As for the District's business-type activities, we expect that 2010 results will remain relatively constant, as the District has not raised water rates for 2010.

	Net Assets 2009	Net Assets 2008
Total Current Assets	\$6,629,036	\$6,730,371
Non Current Assets	\$4,000,000	\$2,500,000
Capital Assets	<u>\$14,644,665</u>	<u>\$14,498,374</u>
Total Assets	<u>\$25,273,701</u>	<u>\$23,728,745</u>
 LIABILITIES AND EQUITY		
Current Liabilities	\$705,101	\$561,297
Long-Term Debt	<u>\$1,950,212</u>	<u>\$1,931,741</u>
Total Liabilities	<u>\$2,655,313</u>	<u>\$2,493,038</u>
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$14,644,665	\$14,498,374
Unrestricted	<u>\$ 7,973,723</u>	<u>\$ 6,737,333</u>
Total Liabilities and Net Assets	<u>\$25,273,701</u>	<u>\$23,728,745</u>
 CHANGES IN NET ASSETS		
	Business-type Activities 2009	Business-type Activities 2008
 Revenues:		
Operating Revenue	\$6,153,463	\$4,251,743
Non Operating Revenue	<u>\$ 606,410</u>	<u>\$ 670,443</u>
Total Revenues	\$6,759,873	\$4,922,186
 Expenses:		
Operating Expenses	<u>\$5,377,192</u>	<u>\$4,387,929</u>
Increase in Net Assets	<u>\$ 1,382,681</u>	<u>\$ 534,257</u>

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
BALANCE SHEET
December 31, 2009 & December 31, 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and Equivalents	\$3,213,780	\$3,440,189
Accounts Receivable	1,874,616	164,076
Stand By Charges Receivable	76,298	78,726
Note Receivable City of Tracy	1,000,000	2,500,000
Investments	122,552	131,872
Prepaid Expenses	<u>341,790</u>	<u>415,499</u>
TOTAL CURRENT ASSETS	<u>6,629,036</u>	<u>6,730,371</u>
NONCURRENT ASSETS:		
Long Term Receivable	4,000,000	2,500,000
CAPITAL ASSETS:		
Net Capital Assets	14,644,665	14,498,374
TOTAL NONCURRENT ASSETS	<u>18,644,665</u>	<u>16,998,374</u>
TOTAL ASSETS	<u>\$25,273,701</u>	<u>\$23,728,745</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$248,593	\$131,196
Accrued Expenses	127,690	101,212
Accrued Health Care Benefits	106,558	106,558
Deferred Revenue	<u>222,260</u>	<u>222,331</u>
TOTAL CURRENT LIABILITIES	705,101	561,297
NON CURRENT LIABILITIES		
Accrued Health Benefits	<u>1,950,212</u>	<u>1,931,741</u>
TOTAL LIABILITIES	2,655,313	2,493,038
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	14,644,665	14,498,374
Unrestricted	<u>7,973,723</u>	<u>6,737,333</u>
TOTAL NET ASSETS	<u>22,618,388</u>	<u>21,235,707</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 25,273,701</u>	<u>\$ 23,728,745</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Years Ended December 31, 2009 & December 31, 2008

OPERATING REVENUES	<u>2009</u>	<u>2008</u>
Water Sales - Irrigation	\$ <u>6,153,463</u>	\$ <u>4,251,743</u>
OPERATING EXPENSES		
Sources of Water	1,742,112	889,848
Pumping	1,176,950	1,181,223
Transmission and Distribution	815,197	791,742
Administrative and General	1,208,356	1,150,148
Fish Screen	16,894	21,965
Depreciation	<u>417,683</u>	<u>353,003</u>
	<u>5,377,192</u>	<u>4,387,929</u>
OPERATING INCOME (LOSS)	776,271	<136,186>
NON-OPERATING REVENUES <EXPENSES>		
Standby Charges	222,331	222,347
Interest/Finance Charges	225,296	397,950
County Tax Allocation	102,494	150,835
Gain <loss> on Sale of Assets	<1,582>	4,460
Other	67,188	20,202
Net decrease in the value of Investment	<9,317>	<125,351>
CVP Water Reimbursement	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING INCOME AND EXPENSES	<u>606,410</u>	<u>670,443</u>
INCOME BEFORE CONTRIBUTIONS		
CHANGE IN NET ASSETS	<u>\$1,382,681</u>	<u>\$534,257</u>
TOTAL NET ASSETS, 01/01/09, AS PREVIOUSLY REPORTED	21,235,707	22,633,191
CORRECTION OF ACCRUED HEALTH BENEFITS PAYABLE	0	<1,931,741>
ADJUSTED BALANCE OF NET ASSETS	21,235,707	20,701,450
CHANGE IN NET ASSETS	<u>1,382,681</u>	<u>534,257</u>
TOTAL NET ASSETS AT END OF THE YEAR	<u>\$22,618,388</u>	<u>\$21,235,707</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENT

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2009 & 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

Cash Flows from Operating Activities:	<u>2009</u>	<u>2008</u>
Cash Received from Customers	\$4,519,063	\$4,183,686
Cash Received from Other Operations	617,309	791,334
Cash Paid to Suppliers	<3,897,964>	<3,230,662>
Cash Paid to Employees	<u><899,270></u>	<u><818,009></u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$339,138	\$926,349
Cash Flows from Capital & Related Financing Activities:		
Proceeds from Disposal of Equipment	4,500	7,100
Purchase of Equipment	<u><570,056></u>	<u><1,484,458></u>
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	\$<565,556>	<1,477,358>
<Decrease>Increase in Cash and Cash Equivalents	<u><226,418></u>	<u><551,009></u>
Cash and Cash Equivalents at Beginning of Year	<u>3,440,198</u>	<u>3,991,207</u>
Cash and Cash Equivalents at End of Year	<u>\$3,213,780</u>	<u>\$3,440,198</u>

RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Income before Contributions	\$1,382,681	\$534,257
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Loss <Gain> on Disposal of Equipment	\$ 1,582	\$ <4,460>
<Increase>Decrease in Investments	9,320	125,351
Depreciation	417,683	353,003
Prior Period Adjustment	0	<1,931,741>
<Increase>Decrease in Accounts Receivable	<1,708,112>	<68,057>
<Increase>Decrease in Prepaid Expense	73,709	<159,034>
Increase<Decrease> in Accounts Payable	117,397	23,945
Increase<Decrease> in Accrued Expenses	26,478	14,802
Increase<Decrease> in Deferred Revenue	<71>	<16>
Increase<Decrease> in Accrued Health Benefits	<u>18,471</u>	<u>2,038,299</u>
Total Adjustments	<u>\$<1,043,543></u>	<u>\$ 392,092</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$339,138	\$926,349

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and DECEMBER 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. 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.

2. 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 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 were deemed uncollectible.

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 nonoperating. 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 nonoperating. 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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NET ASSETS:

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

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009 and DECEMBER 31, 2008

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. In the unlikely event that all customers failed to pay the District for the amounts owing, the total reorganized loss would be \$1,874,616. 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.

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.

LONG-LIVED 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 and 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.

3. DEPRECIATION

The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. Total depreciation expense for 2009 and 2008 was \$417,683 and \$353,003 respectively. 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
Buildings	50 Years

4. 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.

5. INCOME TAXES

The District is a California Special District exempt from income taxes. Therefore, no provision for income taxes has been made in these financial statements.

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009 and DECEMBER 31, 2008

NOTE B - LONG TERM RECEIVABLE

The irrigation district sold the permanent right to five thousand-acre feet of the BCID contract entitlement. This amount is to be paid over the next five years with an interest rate of 3% being accrued on the outstanding balance.

Estimated annual collections on long term receivable are as follows:

Less than one year	\$1,000,000
One to five years	4,000,000
More than one five years	<u>0</u>
	<u>\$5,000,000</u>

No provision has been made for uncollectible long-term receivable because the uncollected amount is expected to be insignificant.

NOTE C - INVESTMENTS

Long-term investments are stated at fair value and consist of the following:

	<u>2009</u>	<u>2008</u>
LAIF	\$23,791	\$23,389
Manulife Financial Corp. Stock	122,552	131,782

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

The following schedule summarizes the investment return in the statements of activities:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$225,296	\$397,950
Net realized and unrealized gains (losses) on investments carried at fair value	<u><9,317></u>	<u><125,351></u>
Total	<u>\$215,979</u>	<u>\$272,599</u>

The following information classifies deposits and investments by categories of risk as defined by GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Purchase Agreements."

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.

The District has investments of \$23,791 in Local Agency Investment Fund (LAIF).

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2009 and DECEMBER 31, 2008

NOTE C- INVESTMENTS (CONTINUED)

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 2009 was 3.33% and withdrawals require a day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$122,552 at December 31, 2009. The securities are held by Mellon Investors Services in the District's name.

The Districts Investments as of December 31, 2009 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>
Central Valley Community Bank	2010	\$3,189,889	-0-	AAA
LAIF Investment Fund	2010	\$ 23,791	-0-	N/A
Manulife Financial	2010	\$ 122,552	-0-	AAA

NOTE D-UTILITY PLANT

The Utility plant in service at December 31 is recorded at cost and consists of:

	<u>Balance Jan. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
General Properties and Equipment	\$8,227,187	\$570,055	\$<40,704>	\$8,756,538
Fish Screen Project	8,567,621	0	0	8,567,621
PL 984 Project	1,025,403	0	0	1,025,403
Buildings	844,854	0	0	844,854
Totals	18,665,065	570,055	<40,704>	19,194,416
Less Accumulated Depreciation	<4,166,691>	<417,683>	34,623	<4,549,751>
Net Totals	<u>\$14,498,374</u>	<u>\$ 152,372</u>	<u>\$ <6,081></u>	<u>\$14,644,665</u>

	<u>Balance Jan. 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/08</u>
General Properties and Equipment	\$6,814,004	\$1,473,084	\$<59,901>	\$8,227,187
Fish Screen Project	8,556,247	11,374	0	8,567,621
PL 984 project	1,025,403	0	0	1,025,403
Buildings	844,854	0	0	844,854
Totals	17,240,508	1,484,458	<59,901>	18,665,065
Less Accumulated Depreciation	<3,415,182>	<275,192>	50,063	<3,640,311>
Net Totals	<u>\$13,369,559</u>	<u>\$1,131,455</u>	<u>\$ <2,640></u>	<u>\$14,498,374</u>

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009 and DECEMBER 31, 2008

NOTE E - ASSESSMENTS

The District received property taxes from taxpayers in San Joaquin County. 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. The collection dates are December 10th, June 30th, and September 30th.

NOTE F - 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 of the year was \$899,270 of which \$825,549 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 each month up to \$100 of employee contributions. The District match is 130%. The District's policy is to fund pension cost accrued. Retirement plan expenses for the year ended December 31, 2009 and December 31, 2008 were \$21,390 and \$21,920 respectively.

NOTE G - 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 H - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the district to concentrations of credit risk consist principally of cash, marketable securities, and notes and accounts receivable. The Company maintains with a bank cash deposits in excess of the \$100,000 FDIC insured amounts. Deposits in excess of \$100,000 in separate named accounts within one institution represent a credit risk to the company. As of December 31, 2009 and 2008, \$2,939,888 and \$2,916,709 respectively are in excess of the insurance coverage and are collateralized by securities are not held in the district's name. (Uncollateralized, Risk Category 3) Accounts receivable is due from landowners concentrated primarily within San Joaquin County.

NOTE I - RISK OF EXPOSURE

The entity 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 J- COMMITMENTS

During the year 2001, the District sold the permanent right to 5,000 acre feet of the contract entitlement to water to the city of Tracy for \$ 5,000,000.

BANTA-CARBONA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009 & DECEMBER 31, 2008

NOTE K- POST-RETIREMENT HEALTH INSURANCE

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.

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.

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 it's then existing approved health insurance coverage with supplemental health insurance of a type and amount to be determined by the District.

Expenditures for post-retirement health care insurance are recognized as retirees report claims. During the years 2009, 2008, and 2007, expenditures of \$88,087, \$106,558 and \$84,679 respectively were recognized for post-retirement health care insurance for eleven participants. Due to the increasing cost of healthcare it is reasonable to expect the cost for post-retirement healthcare to increase in the future.

NOTE L – SUPPLEMENTAL DISCLOSURES OF CASH FLOWS

a) Acquisition of property and equipment:

	2009	2008
Current year additions	\$570,056	\$1,484,458
Additions financed by:		
Notes payable	0	0
Cash Paid For Property and Equipment	<u>\$570,056</u>	<u>\$1,484,458</u>

NOTE M- JOINT VENTURE

The District joined the PWRPA in attempt to secure a source of power in the future. During the year the district paid \$1,099,856 in fees the PWRPA. The District may withdraw from the PWRPA at any time.

NOTE N-CORRECTION OF ACCRUED HEALTH CARE BENEFITS PLAN

The balance of net assets at the beginning of 2008 has been restated from previously reported to reflect an adjustment of \$1,931,741 for an under statement of accrued health benefits in prior years. This change in accrued health benefits was required by GASB43 and required to be implemented in 2008. This accrual was made using current health insurance rates will remain consistent with inflation. It was assumed that all employees and directors will receive this benefit after meeting certain requirements, and all were included in the calculation. Life expectancy tables were used to determine the number of years that coverage will be required. The district anticipates making an annual adjustment as participants enter and leave service to the district.

BANTA-CARBONA IRRIGATION DISTRICT

SUPPLEMENTAL INFORMATION

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
For the Years ended December 31, 2009 & December 31, 2008

WATER SALES - IRRIGATION	<u>2009</u>	<u>2008</u>
Sales	\$ 1,227,200	\$ 1,293,696
Water Contract Kasson	83,759	114,248
Outside District	261,193	231,118
Water Transfer	3,700,361	1,324,894
M&I Water Sales	0	15,940
Supplemental Water Sales	<u>880,950</u>	<u>1,271,847</u>
TOTAL SALES	<u>\$ 6,153,463</u>	<u>\$ 4,251,743</u>
SOURCE OF WATER		
Operating & Maintenance	38,484	8,430
Maintenance	7,768	19,180
CVP Water Rights Fees	5,739	7,738
River Water Rights Fees	3,031	3,892
Restoration Payments	9	6,698
Water Transfer	208,496	361,877
Supplemental Water Expenses	1,128,905	482,033
Environmental Review	<u>349,680</u>	<u>0</u>
TOTAL	<u>\$ 1,742,112</u>	<u>\$ 889,848</u>
PUMPING		
Pump Tending	100,254	82,176
Pump House	83,613	78,759
Pump Repairs	22,015	58,430
Panel & Switch Gear	17,072	16,112
Lift Station (Power)	925,874	897,369
Drain Pump	18,881	31,088
Drainage Wells	955	0
Power Lines	5,040	14,299
Water Distribution	<u>3,246</u>	<u>2,990</u>
TOTAL	<u>\$ 1,176,950</u>	<u>\$ 1,181,223</u>

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS - CONTINUED
For the Years Ended December 31, 2009 & December 31, 2008

	<u>2009</u>	<u>2008</u>
TRANSMISSION AND DISTRIBUTION		
Supervision Labor	\$ 74,250	\$ 64,688
Ditch Tending	141,697	153,194
Kasson District Repair	476	5,871
Lift Canals	24,444	124,392
Canals and Ditch Repair	92,561	30,881
Structures Repair	53,057	61,106
Weed Control	97,434	75,311
Rodent Control	4,740	4,708
Road Right of Way	14,963	16,305
Dust Control	67,974	48,281
Other	6,135	1,861
District Maintenance Yard	20,149	20,232
Vehicle Expense	15,681	15,724
Tires & Fuel	128,855	95,623
Trucks & Tractors	13,418	9,384
Tools & Equipment	16,936	12,662
Power-Office & Shop	10,187	15,247
Kasson Payroll	<u>32,240</u>	<u>36,272</u>
TOTAL	<u>\$ 815,197</u>	<u>\$ 791,742</u>
 FISH SCREEN		
Operations	\$9,581	\$ 8,002
Maintenance	<u>7,313</u>	<u>13,963</u>
TOTAL	<u>\$ 16,894</u>	<u>\$ 21,965</u>

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS - CONTINUED
For the Years Ended December 31, 2009 & December 31, 2008

	<u>2009</u>	<u>2008</u>
ADMINISTRATIVE AND GENERAL		
General Manager	\$ 122,017	\$110,960
District Officer	66,196	60,166
Clerical	27,426	25,478
Office Supplies	20,119	15,860
Printing	536	1,262
Telephone	9,084	4,296
Property Insurance	37,483	33,425
Safety Costs	10,166	7,964
Pension Fund	21,390	21,920
Employee Benefits	498,962	586,841
Workers Compensation	37,464	29,806
Personnel General	2,184	1,923
Vacation and Sick Leave	98,685	65,616
Longevity Pay	6,974	6,424
Toxic Waste	0	185
Taxes	2,107	8,374
Modern Feasibility Study	15,000	528
Flood Control	1,383	3,138
Other	3,337	0
Directors Fees	9,800	10,200
District Officers Expense	18,109	23,090
Legal and Audit	86,929	45,102
Janitor	2,550	4,312
Water Conservation	2,373	1,821
Association Dues	81,618	49,846
Rainy Days	<u>26,464</u>	<u>31,611</u>
TOTAL	<u>\$1,208,356</u>	<u>\$ 1,150,148</u>

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS - CONTINUED
For the Years Ended December 31, 2009 & December 31, 2008

COST OF SERVICE RATE REPORT

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:

$$\frac{\$3,502,882}{\text{(Prior Year Cost of Service)}} + \frac{\$3,641,011}{\text{(Current Year Cost of Service)}} / 2 = \$3,571,947$$

$$\frac{(53,582 \text{ ac ft} + 56,939 \text{ ac ft})}{\text{(Total average acre-feet of water delivered by the District over the prior and current years)}} / 2 = 55,260 \text{ ac ft}$$

$$= \text{Cost of Service Rate} \quad \$3,571,947 / 55,260 = \underline{\$ 64.64}$$

Total Acre Feet of Water Delivered:	<u>2009</u>	<u>2008</u>
Inside	43,825	46,279
Outside	2,612	2,487
Kasson	<u>7,145</u>	<u>8,173</u>
Total	53,582	56,939

Costs:	<u>2009</u>	<u>2008</u>
Pumping	\$1,176,950	\$1,181,223
Transmission and Distribution	815,197	791,741
Administrative and General	1,208,356	1,150,148
Fish Screen	16,894	21,965
Depreciation	417,683	353,003
Water Rights Fees – River	3,031	3,892
Non-Operating Misc.	<u>2,900</u>	<u>910</u>
Total Costs	<u>\$3,641,011</u>	<u>\$3,502,882</u>