

BANTA-CARBONA IRRIGATION DISTRICT

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

December 31, 2011 & December 31, 2010

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ANDERSON
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

February 14, 2012

I have audited the balance sheets of the Banta-Carbona Irrigation District as of December 31, 2011 and December 31, 2010 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, 2011 and December 31, 2010 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 4 through 6 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)

My 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, 2011

Please read it in conjunction with the District's "Financial Statements and Independent Auditor's report, December 31, 2011 & December 31, 2010."

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, I 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 \$22,985,988 to \$23,100,304 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, 2011 & December 31, 2010".

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 2011 were \$6,606,292 and the Current Liabilities were \$586,568 resulting in a Current Ratio of 11.26 for the year ending December 31, 2011, as compared to a current ratio of 9.12 for the previous year of 2010. The District still has an excellent ability to pay off its current liabilities with current assets being 11.26 dollars for every 1 dollar of current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

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 2010 also.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

There weren't any major additions to District assets during 2011. The district did begin installation of a new flow measurement device in the Main Lift Canal at Kasson Road in December 2011. In addition the lease was renewed for three more years on the farm property that the district owns, known as the "Homestead" property, adjacent to the district's Intake Canal off of the San Joaquin River.

The district continued to be aggressive at attempting to improve energy efficiency during 2011. 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 high again in 2011.

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 through 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. This conserved water generates supplemental income that enables the district to keep water rates stable during wet and dry years as well as fund capital improvements to the district's water distribution facilities.

As for the District's business-type activities, we expect that in 2011 electric power costs will be comparable to 2010's. Even though hydro-power energy should be more readily available in 2011 the district was required by the CAISO to buy power one year in advance thus the district's power costs in 2011 reflect the attitude and anticipation of the market place one year ago.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As for the District's business-type activities, we expect that 2012 results will remain relatively constant to slightly increase as the District raised water rates by five dollars per acre foot for 2012 to thirty-three dollars per acre foot.

ASSETS	<u>2011</u>	<u>2010</u>
Total Current Assets	\$ 6,606,292	\$ 6,216,585
Non Current Assets	2,000,000	3,000,000
Capital Assets	<u>17,545,704</u>	<u>16,419,000</u>
Total Assets	<u>\$ 26,151,996</u>	<u>\$ 25,635,585</u>

LIABILITIES AND EQUITY

Current Liabilities	\$ 586,568	\$ 681,371
Long-Term Debt	<u>2,465,124</u>	<u>1,968,226</u>
Total Liabilities	3,051,692	2,649,597

Net Assets:

Invested in Capital Assets, Net of Related Debt	17,545,704	16,419,000
Unrestricted	<u>5,554,600</u>	<u>6,566,988</u>
Total Liabilities and Net Assets	<u>\$ 26,151,996</u>	<u>\$ 25,635,585</u>

CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating Revenue	\$ 4,128,924	\$ 4,183,272
Non Operating Revenue	<u>485,839</u>	<u>730,891</u>
Total Revenues	4,614,763	4,914,163
Expenses:		
Operating Expenses	<u>4,500,447</u>	<u>4,546,563</u>
Increase in Net Assets	<u>\$ 114,316</u>	<u>\$ 367,600</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
For the Years Ended December 31, 2011 & December 31, 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and Equivalents	\$ 5,007,154	\$ 1,944,263
Accounts Receivable	71,220	1,748,429
Stand By Charges Receivable	53,564	62,962
Note Receivable City of Tracy	1,000,000	2,000,000
Investments	67,331	106,765
Prepaid Expenses	<u>407,023</u>	<u>354,166</u>
TOTAL CURRENT ASSETS	<u>6,606,292</u>	<u>6,216,585</u>
NONCURRENT ASSETS:		
Long Term Receivable	2,000,000	3,000,000
CAPITAL ASSETS:		
Net Capital Assets	17,545,704	16,419,000
TOTAL NONCURRENT ASSETS	<u>19,545,704</u>	<u>19,419,000</u>
TOTAL ASSETS	<u>\$ 26,151,996</u>	<u>\$ 25,635,585</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 129,333	\$ 218,057
Accrued Expenses	134,926	134,408
Accrued Health Care Benefits	99,965	106,558
Deferred Revenue	<u>222,344</u>	<u>222,348</u>
TOTAL CURRENT LIABILITIES	586,568	681,371
NON CURRENT LIABILITIES		
Accrued Health Benefits	<u>2,465,124</u>	<u>1,968,226</u>
TOTAL LIABILITIES	3,051,692	2,649,597
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	17,545,704	16,419,000
Unrestricted	<u>5,554,600</u>	<u>6,566,988</u>
TOTAL NET ASSETS	<u>23,100,304</u>	<u>22,985,988</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 26,151,996</u>	<u>\$ 25,635,585</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, 2011 and December 31, 2010

OPERATING REVENUES	<u>2011</u>	<u>2010</u>
Water Sales - Irrigation	\$ <u>4,128,924</u>	\$ <u>4,183,272</u>
OPERATING EXPENSES		
Sources of Water	256,475	827,668
Pumping	1,097,539	1,252,903
Transmission and Distribution	917,178	852,667
Administrative and General	1,702,794	1,120,343
Fish Screen	20,202	29,188
Depreciation	<u>506,259</u>	<u>463,794</u>
	<u>4,500,447</u>	<u>4,546,563</u>
OPERATING INCOME (LOSS)	(371,523)	(363,291)
NON-OPERATING REVENUES <EXPENSES>		
Standby Charges	222,348	222,260
Interest/Finance Charges	139,685	172,278
County Tax Allocation	83,709	83,636
Gain <loss>on Sale of Assets	8,541	4,000
Other	70,991	26,408
DMC Intertie Project	0	238,096
Net decrease in the value of Investment	<u>(39,435)</u>	<u>(15,787)</u>
TOTAL NON-OPERATING INCOME AND EXPENSES	<u>485,839</u>	<u>730,891</u>
INCOME BEFORE CONTRIBUTIONS		
CHANGE IN NET ASSETS	\$ <u>114,316</u>	\$ <u>367,600</u>
TOTAL NET ASSETS AT BEGINNING OF THE YEAR	22,985,988	22,618,388
CHANGE IN NET ASSETS	<u>114,316</u>	<u>367,600</u>
TOTAL NET ASSETS AT END OF THE YEAR	\$ <u>23,100,304</u>	\$ <u>22,985,988</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BANTA-CARBONA IRRIGATION DISTRICT
Statement of Cash Flows
For the Years Ended December 31, 2011 and December 31, 2010

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

Cash Flows from Operating Activities:	<u>2011</u>	<u>2010</u>
Cash Received from Customers	\$ 5,815,331	\$ 4,322,795
Cash Received from Other Operations	454,946	742,678
Cash Paid to Suppliers	(2,682,482)	(3,207,469)
Cash Paid to Employees	<u>(900,482)</u>	<u>(839,390)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$2,687,313	\$964,614
 Cash Flows from Investing Activities:		
Proceeds from Disposal of Equipment	8,541	4,000
Long-Term Note Receivable	2,000,000	0
Purchase of Equipment	<u>(1,632,963)</u>	<u>(2,238,131)</u>
NET CASH <USED> PROVIDED BY INVESTING ACTIVITIES	\$ 375,578	(2,234,131)
 <Decrease>Increase in Cash and Cash Equivalents	 3,062,891	 (1,269,517)
Cash and Cash Equivalents at Beginning of Year	<u>1,944,263</u>	<u>3,213,780</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,007,154</u>	<u>\$ 1,944,263</u>

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

Income before Contributions	\$ 114,316	\$ 367,600
 Adjustments to reconcile net operating income to net cash provided by operating activities:		
Loss (Gain) on Disposal of Equipment	\$ (8,541)	\$ (4,000)
(Increase) Decrease in Investments	39,434	15,787
Depreciation	506,259	463,794
(Increase) Decrease in Accounts Receivable	1,686,607	139,523
(Increase) Decrease in Prepaid Expense	(52,857)	(12,375)
Increase (Decrease) in Accounts Payable	(88,724)	(30,535)
Increase (Decrease) in Accrued Expenses	518	6,806
Increase (Decrease) in Deferred Revenue	(4)	0
Increase (Decrease) in Accrued Health Benefits	<u>490,305</u>	<u>18,014</u>
 Total Adjustments	 <u>\$ 2,572,997</u>	 <u>\$ 597,014</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>2,687,313</u>	\$ <u>964,614</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
FINANCIAL STATEMENTS

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

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
For the Years Ended December 31, 2011 and December 31, 2010

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 \$71,220. 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 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.

3. DEPRECIATION

The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. Total depreciation expense for 2011 and 2010 was \$506,259 and \$463,794 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
For the Years Ended December 31, 2011 and December 31, 2010

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 three 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	2,000,000
More than one five years	<u>0</u>
	<u>\$ 3,000,000</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>2011</u>	<u>2010</u>
LAIF	\$ 24,033	\$ 23,924
Manulife Financial Corp. Stock	67,331	106,765

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>2011</u>	<u>2010</u>
Interest and dividend income	\$ 139,685	\$ 172,278
Net realized and unrealized gains (losses) on investments carried at fair value	<u>(39,435)</u>	<u>(15,787)</u>
Total	\$ 100,250	\$ 156,491

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 \$24,033 in Local Agency Investment Fund (LAIF).

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

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 2011 was 0.56% and withdrawals require a day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$67,331 at December 31, 2011. The securities are held by Mellon Investors Services in the District's name.

The Districts Investments as of December 31, 2011 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	2011	\$ 4,983,020	0	AAA
LAIF Investment Fund	2011	\$ 24,033	0	N/A
Manulife Financial	2011	\$ 67,331	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, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>
General Properties & Equipment	\$ 9,170,162	\$ 1,632,963	\$ (16,691)	\$ 1,0786,434
Fish Screen Project	8,567,621	0	0	8,567,621
Land	1,783,416	0	0	1,783,416
PL 984 Project	1,025,403	0	0	1,025,403
Buildings	<u>844,854</u>	<u>0</u>	<u>0</u>	<u>844,854</u>
Totals	21,391,456	1,632,963	(16,691)	23,007,728
Less Accumulated Depreciation	<u>(4,972,456)</u>	<u>(506,259)</u>	<u>16,691</u>	<u>(5,462,024)</u>
Net Totals	<u>\$ 16,419,000</u>	<u>1,126,704</u>	<u>\$ 0</u>	<u>\$ 17,545,704</u>

	<u>Balance Jan. 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/10</u>
General Properties & Equipment	\$ 8,707,087	\$ 504,164	\$ (41,089)	\$ 9,170,162
Fish Screen Project	8,567,621	0	0	8,567,621
Land	49,451	1,733,965	0	1,783,416
PL 984 Project	1,025,403	0	0	1,025,403
Buildings	<u>844,854</u>	<u>0</u>	<u>0</u>	<u>844,854</u>
Totals	19,194,416	2,238,129	(41,089)	21,391,456
Less Accumulated Depreciation	<u>(4,549,751)</u>	<u>(463,794)</u>	<u>41,089</u>	<u>(4,972,456)</u>
Net Totals	<u>\$ 14,644,665</u>	<u>\$ 1,774,335</u>	<u>\$ 0</u>	<u>\$ 16,419,000</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

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 \$872,792 of which \$855,202 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, 2011 and December 31, 2010 were \$23,441 and \$20,640 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 \$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, 2011 and 2010, \$4,722,307 and \$1,644,731 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
For the Years Ended December 31, 2011 and December 31, 2010

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.

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 increase in the accrued liability for 2011 and 2010 was \$490,305 and \$18,014 respectively.

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 and as the calculation of the (AAL) changes. During the years 2011 and 2010, expenditures of \$588,269 and \$106,558 respectively were recognized for post-retirement health care insurance for thirty 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

Acquisition of property and equipment:

	2011	2010
Current year additions	\$ 1,632,963	\$ 2,238,131
Additions financed by Notes payable	0	0
Cash Paid For Property & Equipment	\$ 1,632,963	\$ 2,238,131

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 \$926,191 in fees the PWRPA. The District may withdraw from the PWRPA at any time.

NOTE N - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through April 4, 2012, 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 Years Ended December 31, 2011 and December 31, 2010

WATER SALES - IRRIGATION	<u>2011</u>	<u>2010</u>
Sales	\$ 1,143,985	\$ 1,182,030
Water Contract Kasson	86,443	82,906
Outside District	80,046	157,577
Water Transfer	1,718,450	2,760,759
Supplemental Water Sales	<u>1,100,000</u>	<u>0</u>
TOTAL SALES	<u>\$ 4,128,924</u>	<u>\$ 4,183,272</u>
 SOURCE OF WATER		
Operating & Maintenance	9,076	16,417
CVP Water	6,741	20,048
CVP Water Rights Fees	12,454	7,474
River Water Rights Fees	6,454	3,892
Restoration Payments	2,388	0
Water Transfer	216,292	348,603
Supplemental Water Expenses	<u>3,070</u>	<u>431,234</u>
TOTAL	<u>\$ 256,475</u>	<u>\$ 827,668</u>
 PUMPING		
Pump Tending	82,443	93,363
Pump House	62,149	67,373
Pump Repairs	15,819	4,554
Panel & Switch Gear	26,912	15,529
Lift Station (Power)	888,571	1,049,311
Drain Pump	16,741	19,574
Drainage Wells	432	1,235
Power Lines	2,528	1,218
Security	1,944	746
Water Distribution	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 1,097,539</u>	<u>\$ 1,252,903</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2011 and December 31, 2010

	<u>2011</u>	<u>2010</u>
TRANSMISSION AND DISTRIBUTION		
Supervision Labor	\$ 76,492	\$ 75,735
Ditch Tending	142,624	152,290
Kasson District Repair	2,680	18,145
Lift Canals	26,886	96,030
Canals and Ditch Repair	118,209	91,982
Structures Repair	76,738	56,524
Weed Control	181,946	99,774
Rodent Control	4,681	5,436
Road Right of Way	18,986	29,413
Dust Control	55,544	50,935
Other	4,575	2,662
District Maintenance Yard	7,426	10,705
Vehicle Expense	18,848	22,016
Tires & Fuel	107,146	70,734
Trucks & Tractors	6,642	8,094
Tools & Equipment	20,343	26,534
Power-Office & Shop	10,252	7,897
Kasson Payroll	<u>37,160</u>	<u>27,761</u>
TOTAL	\$ <u>917,178</u>	\$ <u>852,667</u>
FISH SCREEN		
Payroll	\$ 7,931	\$ 0
Maintenance	<u>12,271</u>	<u>29,188</u>
TOTAL	\$ <u>20,202</u>	\$ <u>29,188</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2011 and December 31, 2010

	<u>2011</u>	<u>2010</u>
ADMINISTRATIVE AND GENERAL		
General Manager	\$ 125,792	\$ 124,498
District Officer	68,297	67,565
Clerical	27,528	21,915
Office Supplies	19,757	25,075
Printing	1,819	877
Telephone	7,885	6,353
Property Insurance	43,880	36,533
Safety Costs	6,201	9,457
Pension Fund	23,441	20,640
Employee Benefits	1,028,679	444,951
Workers Compensation	33,569	46,761
Personnel General	8,516	3,197
Vacation and Sick Leave	87,809	94,599
Longevity Pay	7,935	7,379
Taxes	6,727	3,372
Flood Control	4,179	2,894
Other	15,297	6,014
Directors Fees	10,900	11,200
District Officers Expense	20,897	28,903
Legal and Audit	46,858	49,627
Janitor	1,567	3,076
Water Conservation	1,154	1,748
Association Dues	85,866	81,744
Rainy Days	<u>18,241</u>	<u>21,965</u>
TOTAL	<u>\$ 1,702,794</u>	<u>\$ 1,120,343</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2011 & December 31, 2010

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:

$$\frac{\$ 3,728,747}{\text{(Prior Year Cost of Service)}} + \frac{\$ 4,250,426}{\text{(Current Year Cost of Service)}} / 2 = \$ 3,989,587$$

$$\frac{(50,021 \text{ ac ft} + 47,134 \text{ ac ft})}{\text{(Total average acre-feet of water delivered by the District over the prior and current years)}} / 2 = 48,578 \text{ ac ft}$$

$$= \text{Cost of Service Rate} \quad \$3,989,587 / 48,578 = \underline{\$ 82.13}$$

Total Acre Feet of Water Delivered:	<u>2011</u>	<u>2010</u>
Inside	40,819	42,143
Outside	865	1,516
Kasson	<u>5,450</u>	<u>6,362</u>
 Total	 <u>47,134</u>	 <u>50,021</u>

Costs:	<u>2011</u>	<u>2010</u>
Pumping	\$ 1,097,539	\$ 1,253,672
Transmission and Distribution	917,178	852,667
Administrative and General	1,702,794	1,120,343
Fish Screen	20,202	29,188
Depreciation	506,259	463,794
Water Rights Fees – River	6,454	3,892
Non-Operating Misc.	<u>0</u>	<u>5,191</u>
 Total Costs	 <u>\$ 4,250,426</u>	 <u>\$ 3,728,747</u>