

**BANTA-CARBONA IRRIGATION DISTRICT**

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

**December 31, 2012 & December 31, 2011**

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David K. McCoy  
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

February 21, 2013

I have audited the statement of net position of the Banta-Carbona Irrigation District as of December 31, 2012 and December 31, 2011 and the related statements of revenues, and, expenses, and changes in fund net position, 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, 2012 and December 31, 2011 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 are not a required part of the financial statements. The supplemental operating statements and cost of service report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information 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, 2012.

Please read it in conjunction with the District's "Financial Statements and Independent Auditor's report, December 31, 2012 & December 31, 2011."

### 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 Fund Position, 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 Statement of Net Fund 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 fund position changed from a year ago, increasing from \$23,100,304 to \$26,043,013 as can be seen on the Statement of Revenues, Expenses, and Changes in Net Fund Position, page 8 of the District's "Financial Statements and Independent Auditor's Report, December 31, 2012 & December 31, 2011".

#### 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 2012 were \$9,267,499 and the Current Liabilities were \$2,309,057 resulting in a Current Ratio of 4.01 for the year ending December 31, 2012, as compared to a current ratio of 11.26 for the previous year of 2011. The District still has an excellent ability to pay off its current liabilities with current assets being 4.01 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. Except supplemental water sales increased \$1,625,000 from 2011 to 2012. Non-operating revenues were similar to 2011 also.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

There were over \$2,000,000 in additions to District assets during 2012. The district began installation of a new flow measurement device in the Main Lift Canal at Kasson Road in December 2011 and it was completed in January 2012. 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 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.

The district continued to be aggressive at attempting to improve energy efficiency during 2012. 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 2012.

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 about 4,000 acre feet of the conserved water and that there is a little more than 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 2013 electric power costs will be comparable to 2012's as power supply contracts were acquired in 2012 to serve the district's load in 2013.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As for the District's business-type activities, we expect that 2013 results will remain relatively constant as the District did not raise water rates for 2013.

ASSETS	<u>2012</u>	<u>2011</u>
Total Current Assets	\$ 9,267,499	\$ 6,606,292
Non Current Assets	2,000,000	2,000,000
Capital Assets	<u>19,549,695</u>	<u>17,545,704</u>
Total Assets	<u>\$30,817,194</u>	<u>\$26,151,996</u>

## LIABILITIES AND EQUITY

Current Liabilities	\$ 2,309,057	586,568
Long-Term Debt	<u>2,465,124</u>	<u>2,465,124</u>
Total Liabilities	4,774,181	3,051,692

### Net Assets:

Invested in Capital Assets, Net of Related Debt	19,549,695	17,545,704
Unrestricted	<u>6,493,318</u>	<u>5,554,600</u>
Total Liabilities and Net Assets	<u>\$ 30,817,194</u>	<u>\$ 26,151,996</u>

## CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Revenues:		
Operating Revenue	\$ 6,638,802	\$ 4,128,924
Non Operating Revenue	<u>504,709</u>	<u>485,839</u>
Total Revenues	7,143,511	4,614,763
Expenses:		
Operating Expenses	<u>4,200,802</u>	<u>4,500,447</u>
Increase in Net Assets	<u>\$ 2,942,709</u>	<u>\$ 114,316</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**  
Statement Of Net Position  
For the Years Ended December 31, 2012 & December 31, 2011

ASSETS	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>		
Cash and Equivalents	\$ 7,320,990	\$ 5,007,154
Accounts Receivable	49,853	71,220
Stand By Charges Receivable	59,503	53,564
Note Receivable City of Tracy	1,000,000	1,000,000
Investments	90,028	67,331
Prepaid Expenses	<u>747,125</u>	<u>407,023</u>
TOTAL CURRENT ASSETS	<u>9,267,499</u>	<u>6,606,292</u>
<b>NONCURRENT ASSETS:</b>		
Long Term Receivable	2,000,000	2,000,000
<b>CAPITAL ASSETS:</b>		
Net Capital Assets	19,549,695	17,545,704
TOTAL NONCURRENT ASSETS	<u>21,549,695</u>	<u>19,545,704</u>
TOTAL ASSETS	<u>\$ 30,817,194</u>	<u>\$ 26,151,996</u>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,837,991	\$ 129,333
Accrued Expenses	148,761	134,926
Accrued Health Care Benefits	99,965	99,965
Deferred Revenue	<u>222,340</u>	<u>222,344</u>
TOTAL CURRENT LIABILITIES	2,309,057	586,568
<b>NON CURRENT LIABILITIES</b>		
Accrued Health Benefits	<u>2,465,124</u>	<u>2,465,124</u>
TOTAL LIABILITIES	4,774,181	3,051,692
<b>NET POSITION</b>		
Net Investment in Capital Assets	19,549,695	17,545,704
Unrestricted	<u>6,493,318</u>	<u>5,554,600</u>
TOTAL NET POSITION	<u>\$ 26,043,013</u>	<u>\$ 23,100,304</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 Position  
For the Years Ended December 31, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Water Sales – Irrigation	\$ 3,913,802	\$ 3,028,924
Supplemental Water Sales	<u>2,725,000</u>	<u>1,100,000</u>
	6,638,802	4,128,924
<b>OPERATING EXPENSES</b>		
Sources of Water	533,230	256,475
Pumping	899,518	1,097,539
Transmission and Distribution	873,707	917,178
Administrative and General	1,306,022	1,702,794
Fish Screen	17,260	20,202
Depreciation	<u>571,065</u>	<u>506,259</u>
	<u>4,200,802</u>	<u>4,500,447</u>
<b>OPERATING INCOME (LOSS)</b>	2,438,000	(371,523)
<b>NON-OPERATING REVENUES &lt;EXPENSES&gt;</b>		
Standby Charges	222,344	222,348
Interest/Finance Charges	115,961	139,685
County Tax Allocation	66,189	83,709
Gain <loss> on Sale of Assets	5,781	8,541
Other	71,737	70,991
Net decrease in the value of Investment	<u>22,697</u>	<u>(39,435)</u>
<b>TOTAL NON-OPERATING INCOME AND EXPENSES</b>	<u>504,709</u>	<u>485,839</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>		
<b>CHANGE IN NET POSITION</b>	\$ <u>2,942,709</u>	\$ <u>114,316</u>
<b>TOTAL NET POSITION AT BEGINNING OF THE YEAR</b>	23,100,304	22,985,988
<b>CHANGE IN NET POSITION</b>	<u>2,942,709</u>	<u>114,316</u>
<b>TOTAL NET POSITION AT END OF THE YEAR</b>	\$ <u>26,043,013</u>	\$ <u>23,100,304</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, 2012 and December 31, 2011

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 6,654,384	\$ 5,815,331
Cash Received from Other Operations	476,073	454,946
Cash Paid to Suppliers	(1,296,683)	(2,682,482)
Cash Paid to Employees	<u>(950,663)</u>	<u>(900,482)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$4,883,111</b>	<b>\$2,687,313</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Disposal of Equipment	16,198	8,541
Long-Term Note Receivable	0	2,000,000
Purchase of Equipment	<u>(2,585,473)</u>	<u>(1,632,963)</u>
<b>NET CASH &lt;USED&gt; PROVIDED BY INVESTING ACTIVITIES</b>	<b>(2,569,275)</b>	<b>\$ 375,578</b>
<b>&lt;Decrease&gt;Increase in Cash and Cash Equivalents</b>	<b>2,313,836</b>	<b>3,062,891</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>5,007,154</u></b>	<b><u>1,944,263</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u>7,320,990</u></b>	<b>\$ <u>5,007,154</u></b>

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

<b>Income before Contributions</b>	<b>\$ 2,942,709</b>	<b>\$ 114,316</b>
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>		
Loss (Gain) on Disposal of Equipment	\$ (5,781)	\$ (8,541)
(Increase) Decrease in Investments	(22,697)	39,434
Depreciation	571,065	506,259
(Increase) Decrease in Accounts Receivable	15,428	1,686,607
(Increase) Decrease in Prepaid Expense	(340,102)	(52,857)
Increase (Decrease) in Accounts Payable	1,708,658	(88,724)
Increase (Decrease) in Accrued Expenses	13,835	518
Increase (Decrease) in Deferred Revenue	(4)	(4)
Increase (Decrease) in Accrued Health Benefits	<u>0</u>	<u>490,305</u>
<b>Total Adjustments</b>	<b>\$ <u>1,940,402</u></b>	<b>\$ <u>2,572,997</u></b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>4,883,111</u></b>	<b>\$ <u>2,687,313</u></b>

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, 2012 and December 31, 2011

**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 FUND POSITION:**

Net fund 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.

**BANTA-CARBONA IRRIGATION DISTRICT**  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and December 31, 2011

**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 \$49,853. 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 2012 and 2011 was \$571,065 and \$506,259 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, 2012 and December 31, 2011

**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>2012</u>	<u>2011</u>
LAIF	\$ 24,121	\$ 24,033
Manulife Financial Corp. Stock	90,028	67,331

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>2012</u>	<u>2011</u>
Interest and dividend income	\$ 118,162	\$ 139,685
Net realized and unrealized gains (losses) on investments carried at fair value	<u>22,697</u>	<u>(39,435)</u>
Total	\$ 140,859	\$ 100,250

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 \$24,121 in Local Agency Investment Fund (LAIF).

**BANTA-CARBONA IRRIGATION DISTRICT**  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and December 31, 2011

**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 2012 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 \$90,028 at December 31, 2012. The securities are held by Mellon Investors Services in the District's name.

The District's Investments as of December 31, 2012 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	\$ 7,296,769	0	AAA
LAIF Investment Fund	2011	\$ 24,121	0	N/A
Manulife Financial	2011	\$ 90,028	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)	\$ 10,786,434
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	844,854	0	0	844,854

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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/12</u>
General Properties & Equipment	\$ 10,786,434	\$ 2,585,473	\$ (51,271)	\$ 13,320,636
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	844,854	0	0	844,854

Totals	23,007,728	2,585,473	(51,271)	25,541,930
Less Accumulated Depreciation	<u>(5,462,024)</u>	<u>(571,065)</u>	<u>40,854</u>	<u>(5,992,235)</u>
Net Totals	<u>\$ 17,545,704</u>	<u>\$ 2,014,408</u>	<u>\$ (10,417)</u>	<u>\$ 19,549,695</u>

**BANTA-CARBONA IRRIGATION DISTRICT**  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and December 31, 2011

**NOTE E - ASSESSMENTS**

The District received property taxes from taxpayers in San Joaquin County. The due dates of these taxes are November 1<sup>st</sup> and February 1<sup>st</sup>. These taxes become delinquent December 10<sup>th</sup> and April 10<sup>th</sup>. The Lien date for these taxes is January. The collection dates are December 10<sup>th</sup>, June 30<sup>th</sup>, and September 30<sup>th</sup>.

**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, 2012 and December 31, 2011 were \$20,640 and \$23,441 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, 2012 and 2011, \$7,046,768 and \$4,722,307 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 - INSURANCE RECOVERIES**

The District sustained damage to a pumping station due to a fire. The damages were reimbursed by the District's insurance carrier in the amount of \$158,228. The District capitalized these reimbursements and will depreciate them over their estimated useful lives.

**BANTA-CARBONA IRRIGATION DISTRICT**  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and December 31, 2011

**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. There was no change in this accrued liability in 2012.

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 2012 and 2011, expenditures of \$100,379 and \$588,269 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:

	<u>2012</u>	<u>2011</u>
Current year additions	\$ 2,585,473	\$ 1,632,963
Additions financed by Notes payable	<u>0</u>	<u>0</u>
Cash Paid For Property & Equipment	<u>\$ 2,585,473</u>	<u>\$ 1,632,963</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 \$1,194,811 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 13, 2013, the date on which the financial statements were available to be issued.

**BANTA-CARBONA IRRIGATION DISTRICT**  
Notes to Financial Statements  
For the Years Ended December 31, 2012 and December 31, 2011

**NOTE O- GASB 63**

GASB 63 changes the title of the “Statement of Net Assets” to the “Statement of Net Position” and provides (1) that deferred outflows should be reported in a separate section following assets, and (2) deferred inflows should be reported in a separate section following liabilities. The statement then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. In addition, the title of the “Statement of Revenues, Expenses and Changes in Net Assets” changes to the “Statement of Revenues, Expenses, and Changes in Net Position.”

**BANTA-CARBONA IRRIGATION DISTRICT  
SUPPLEMENTAL INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Supplemental Operating Statements**  
For the Years Ended December 31, 2012 and December 31, 2011

WATER SALES - IRRIGATION	<u>2012</u>	<u>2011</u>
Sales	\$ 1,706,533	\$ 1,143,985
Water Contract Kasson	192,437	86,443
Outside District	125,847	80,046
Water Transfer	<u>1,888,985</u>	<u>1,718,450</u>
<b>TOTAL SALES</b>	<b>\$ <u>3,913,802</u></b>	<b>\$ <u>3,028,924</u></b>
<b>SOURCE OF WATER</b>		
Operating & Maintenance	\$ 5,867	\$ 9,076
CVP Water	0	6,741
CVP Water Rights Fees	12,454	12,454
River Water Rights Fees	6,454	6,454
Water Transfer	396,150	216,292
Supplemental Water Expenses	<u>112,305</u>	<u>3,070</u>
<b>TOTAL</b>	<b>\$ <u>533,230</u></b>	<b>\$ <u>256,475</u></b>
<b>PUMPING</b>		
Pump Tending	\$ 113,585	\$ 82,443
Pump House	42,412	62,149
Pump Repairs	37,444	15,819
Panel & Switch Gear	13,502	26,912
Lift Station (Power)	658,918	888,571
Drain Pump	22,806	16,741
Drainage Wells	717	432
Power Lines	9,897	2,528
Security	237	1,944
<b>TOTAL</b>	<b>\$ <u>899,518</u></b>	<b>\$ <u>1,097,539</u></b>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Supplemental Operating Statements (Continued)**  
For the Years Ended December 31, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
<b>TRANSMISSION AND DISTRIBUTION</b>		
Supervision Labor	\$ 78,800	\$ 76,492
Ditch Tending	177,480	142,624
Kasson District Repair	1,871	2,680
Lift Canals	57,273	26,886
Canals and Ditch Repair	39,474	118,209
Structures Repair	42,427	76,738
Weed Control	161,969	181,946
Rodent Control	5,898	4,681
Road Right of Way	31,949	18,986
Dust Control	59,271	55,544
Other	0	4,575
District Maintenance Yard	9,819	7,426
Vehicle Expense	15,997	18,848
Tires & Fuel	102,033	107,146
Trucks & Tractors	2,932	6,642
Tools & Equipment	14,728	20,343
Power-Office & Shop	10,331	10,252
DMC Intertie	11,989	0
Kasson Payroll	<u>49,466</u>	<u>37,160</u>
TOTAL	<u>\$ 873,707</u>	<u>\$ 917,178</u>
<b>FISH SCREEN</b>		
Payroll	\$ 11,744	\$ 7,931
Maintenance	<u>5,516</u>	<u>12,271</u>
TOTAL	<u>\$ 17,260</u>	<u>\$ 20,202</u>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Supplemental Operating Statements (Continued)**  
**For the Years Ended December 31, 2012 and December 31, 2011**

	<u>2012</u>	<u>2011</u>
<b>ADMINISTRATIVE AND GENERAL</b>		
General Manager	\$ 125,794	\$ 125,792
District Officer	79,503	68,297
Clerical	32,887	27,528
Office Supplies	17,615	19,757
Printing	809	1,819
Telephone	7,418	7,885
Property Insurance	46,362	43,880
Safety Costs	7,781	6,201
Pension Fund	23,738	23,441
Employee Benefits	593,116	1,028,679
Workers Compensation	58,205	33,569
Personnel General	2,012	8,516
Vacation and Sick Leave	103,034	87,809
Longevity Pay	8,810	7,935
Taxes	6,650	6,727
Flood Control	1,686	4,179
Other	13,468	15,297
Directors Fees	8,900	10,900
District Officers Expense	23,438	20,897
Legal and Audit	47,183	46,858
Janitor	1,560	1,567
Water Conservation	13,889	1,154
Association Dues	73,725	85,866
Rainy Days	<u>8,439</u>	<u>18,241</u>
<b>TOTAL</b>	<b><u>\$ 1,306,022</u></b>	<b><u>\$ 1,702,794</u></b>

**BANTA-CARBONA IRRIGATION DISTRICT**  
**Supplemental Operating Statements (Continued)**  
For the Years Ended December 31, 2012 & December 31, 2011

**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:

$$\frac{\$ 4,250,426}{\text{(Prior Year Cost of Service)}} + \frac{\$ 3,674,026}{\text{(Current Year Cost of Service)}} / 2 = \$ 3,962,226$$

$$\frac{(47,134 \text{ ac ft} + 60,576 \text{ ac ft})}{\text{(Total average acre-feet of water delivered by the District over the prior and current years)}} / 2 = 53,855 \text{ ac ft}$$

$$= \text{Cost of Service Rate} \quad \$3,962,226 / 53,855 = \$ \underline{73.57}$$

Total Acre Feet of Water Delivered:	<u>2012</u>	<u>2011</u>
Inside	\$51,786	\$40,819
Outside	1,071	865
Kasson	<u>7,719</u>	<u>5,540</u>
<b>Total</b>	<u>\$ 60,572</u>	<u>\$ 47,134</u>

Costs:	<u>2012</u>	<u>2011</u>
Pumping	\$ 899,518	\$ 1,097,539
Transmission and Distribution	873,707	917,178
Administrative and General	1,306,022	1,702,794
Fish Screen	17,260	20,202
Depreciation	571,065	506,259
Water Rights Fees – River	6,454	6,454
Non-Operating Misc.	<u>0</u>	<u>0</u>
<b>Total Costs</b>	<u>\$ 3,674,026</u>	<u>\$ 4,250,426</u>