

BANTA-CARBONA IRRIGATION DISTRICT

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

December 31, 2013 & December 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUE, EXPENSES & CHANGES IN FUND NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-16
SUPPLEMENTAL INFORMATION	17
SUPPLEMENTAL OPERATING STATEMENTS	18-20
COST OF SERVICE RATE REPORT	21

INDEPENDENT AUDITOR'S REPORT

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

April 30, 2014

I have audited the balance sheets of the Banta-Carbona Irrigation District as of December 31, 2013 and December 31, 2012 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, 2013 and December 31, 2012 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 State 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, 2013.

Please read it in conjunction with the District's "Financial Statements and Independent Auditor's report, December 31, 2013 & December 31, 2012."

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 \$26,043,013 to \$26,796,623 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, 2013 & December 31, 2012".

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 2013 were \$9,652,578 and the Current Liabilities were \$556,046 resulting in a Current Ratio of 17.3 for the year ending December 31, 2013, as compared to a current ratio of 4.01 for the previous year of 2012. The District still has an excellent ability to pay off its current liabilities with current assets being 17.3 dollars for every 1 dollar of current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Business Type Activities

Operating revenues of the District's water sales decreased by \$2,079,145 from 2012 to 2013. Supplemental Central Valley Project water sales were non-existent in 2013 as compared to 2012. The District held on to all surplus water during 2013 to carry-over into 2014. This plan of storing surplus water was implemented in April of 2013 in the event that if the winter of 2013-2014 was dry the district would have some stored water available in 2014. Non-operating revenues were similar to 2012 also.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

There were over \$2,500,000 in additions to District assets during 2013. The 1920's era 48 inch steel pipeline from Pumping Plant #6 to 6 East and 6 West Laterals was replaced with a new 72 inch pipeline. This pipeline project was a part of the Pumping Plant 5, 6 and 7 replacement project. The pipeline construction started in the fall of 2012 and was completed in March 2013.

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 2013. 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 2013.

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 2014 electric power costs will be comparable but slightly up as compared to 2013's as power supply contracts were acquired in 2013 but hydropower generation projections will not be met. Thus additional power supplies will have to be purchased in 2014 to make up for the lower hydro power generation in 2014 due to the drought.

MANAGEMENT'S DISCUSSION AND ANANLYSIS (UNAUDITED)

As for the District's business-type activities, we expect that 2014 results may be down by as much as \$2,000,000 as pre-1914 water under supplemental water sales may not be available for transfer.

ASSETS	<u>2013</u>	<u>2012</u>
Total Current Assets	\$ 9,652,578	\$ 9,267,499
Non Current Assets	0	2,000,000
Capital Assets	<u>20,488,233</u>	<u>19,549,695</u>
Total Assets	<u>\$ 30,140,811</u>	<u>\$ 30,817,194</u>

LIABILITIES AND EQUITY

Current Liabilities	\$ 556,046	2,309,057
Long-Term Debt	<u>2,788,142</u>	<u>2,465,124</u>
Total Liabilities	3,344,188	4,774,181

Net Assets:

Invested in Capital Assets, Net of Related Debt	20,488,142	19,549,695
Unrestricted	<u>6,308,390</u>	<u>6,493,318</u>
Total Liabilities and Net Assets	<u>\$ 30,140,811</u>	<u>\$ 30,817,194</u>

CHANGES IN NET ASSETS

	<u>2013</u>	<u>2012</u>
Revenues:		
Operating Revenue	\$ 5,014,950	\$ 6,638,802
Non Operating Revenue	<u>612,172</u>	<u>504,709</u>
Total Revenues	5,627,122	7,143,511
Expenses:		
Operating Expenses	<u>4,873,512</u>	<u>4,200,802</u>
Increase in Net Assets	<u>\$ 753,610</u>	<u>\$ 2,942,709</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, 2013 & December 31, 2012

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and Equivalents	\$ 5,096,523	\$ 7,320,990
Accounts Receivable	133,294	49,853
Stand By Charges Receivable	54,359	59,503
Note Receivable City of Tracy	3,000,000	1,000,000
Investments	125,088	90,028
Prepaid Expenses	<u>1,243,314</u>	<u>747,125</u>
TOTAL CURRENT ASSETS	<u>9,652,578</u>	<u>9,267,499</u>
NONCURRENT ASSETS:		
Long Term Receivable	0	2,000,000
CAPITAL ASSETS:		
Net Capital Assets	20,488,233	19,549,695
TOTAL NONCURRENT ASSETS	<u>20,488,233</u>	<u>21,549,695</u>
TOTAL ASSETS	<u>\$ 30,140,811</u>	<u>\$ 30,817,194</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 72,999	\$ 1,837,991
Accrued Expenses	160,725	148,761
Accrued Health Care Benefits	99,965	99,965
Deferred Revenue	<u>222,357</u>	<u>222,340</u>
TOTAL CURRENT LIABILITIES	556,046	2,309,057
NON CURRENT LIABILITIES		
Accrued Health Benefits	<u>2,788,142</u>	<u>2,465,124</u>
TOTAL LIABILITIES	3,344,188	4,774,181
NET POSITION		
Net Investment in Capital Assets	20,488,233	19,549,695
Unrestricted	<u>6,308,390</u>	<u>6,493,318</u>
TOTAL NET POSITION	<u>\$ 26,796,623</u>	<u>\$ 26,043,013</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, 2013 and December 31, 2012

OPERATING REVENUES	<u>2013</u>	<u>2012</u>
Water Sales – Irrigation	\$ 1,834,657	\$ 3,913,802
Supplemental Water Sales	<u>3,180,293</u>	<u>2,725,000</u>
	5,014,950	6,638,802
 OPERATING EXPENSES		
Sources of Water	197,541	533,230
Pumping	1,528,251	899,518
Transmission and Distribution	914,440	873,707
Administrative and General	1,619,237	1,306,022
Fish Screen	16,630	17,260
Depreciation	<u>597,413</u>	<u>571,065</u>
	<u>4,873,512</u>	<u>4,200,802</u>
 OPERATING INCOME (LOSS)	141,438	2,438,000
 NON-OPERATING REVENUES <EXPENSES>		
Standby Charges	222,340	222,344
Interest/Finance Charges	109,777	115,961
County Tax Allocation	129,621	66,189
Gain <loss>on Sale of Assets	8,427	5,781
Other	106,947	71,737
Net increase in the value of Investment	<u>35,060</u>	<u>22,697</u>
TOTAL NON-OPERATING INCOME AND EXPENSES	<u>612,172</u>	<u>504,709</u>
INCOME BEFORE CONTRIBUTIONS		
 CHANGE IN NET POSITION	\$ <u>753,610</u>	\$ <u>2,942,709</u>
 TOTAL NET POSITION AT BEGINNING OF THE YEAR	26,043,013	23,100,304
 CHANGE IN NET POSITION	<u>753,610</u>	<u>2,942,709</u>
 TOTAL NET POSITION AT END OF THE YEAR	\$ <u>26,796,623</u>	\$ <u>26,043,013</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, 2013 and December 31, 2012

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

Cash Flows from Operating Activities:	<u>2013</u>	<u>2012</u>
Cash Received from Customers	\$ 4,936,653	\$ 6,654,384
Cash Received from Other Operations	612,172	476,073
Cash Paid to Suppliers	(5,250,545)	(1,296,683)
Cash Paid to Employees	<u>(995,222)</u>	<u>(950,663)</u>
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	(696,942)	4,883,111
Cash Flows from Investing Activities:		
Proceeds from Disposal of Equipment	12,800	16,198
Long-Term Note Receivable	0	0
Purchase of Equipment	<u>(1,540,325)</u>	<u>(2,585,473)</u>
NET CASH <USED> PROVIDED BY INVESTING ACTIVITIES	\$ (1,527,525)	\$ (2,569,275)
<Decrease>Increase in Cash and Cash Equivalents	(2,224,467)	2,313,836
Cash and Cash Equivalents at Beginning of Year	<u>7,320,990</u>	<u>5,007,154</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,096,523</u>	<u>\$ 7,320,990</u>

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

Income before Contributions	\$ 753,610	\$ 2,942,709
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Loss (Gain) on Disposal of Equipment	\$ (8,426)	\$ (5,781)
(Increase) Decrease in Investments	(35,060)	(22,697)
Depreciation	597,413	571,065
(Increase) Decrease in Accounts Receivable	(78,297)	15,428
(Increase) Decrease in Prepaid Expense	(496,189)	(340,102)
Increase (Decrease) in Accounts Payable	(1,764,992)	1,708,658
Increase (Decrease) in Accrued Expenses	11,964	13,835
Increase (Decrease) in Deferred Revenue	17	(4)
Increase (Decrease) in Accrued Health Benefits	<u>323,018</u>	<u>0</u>
Total Adjustments	<u>\$ (1,450,552)</u>	<u>\$ 1,940,402</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>(696,942)</u>	\$ <u>4,883,111</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, 2013 and December 31, 2012

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, 2013 and December 31, 2012

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 \$133,294. 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 2013 and 2012 was \$597,413 and \$571,065 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, 2013 and December 31, 2012

NOTE B - INVESTMENTS

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

	2013	2012
LAIF	\$ 24,188	\$ 24,121
Manulife Financial Corp. Stock	125,088	90,028

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:

	2013	2012
Interest and dividend income	\$ 109,777	\$ 115,961
Net realized and unrealized gains (losses) on investments carried at fair value	35,060	22,697
Total	\$ 144,837	\$ 138,658

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 \$24,188 in Local Agency Investment Fund (LAIF).

These investments are in structured notes and asset backed securities comprised of United States Treasury Bills, Federal Notes, CDs, Corporate Bonds, and Time Deposits. The Effective yield for the year ended 2013 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 \$125,088 at December 31, 2013. The securities are held by Mellon Investors Services in the District's name.

The Districts Investments as of December 31, 2013 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	2013	\$ 5,072,235	0	AAA
LAIF Investment Fund	2013	\$ 24,188	0	N/A
Manulife Financial	2013	\$ 125,088	0	AAA

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2013 and December 31, 2012

NOTE C - UTILITY PLANT

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

	Balance Jan. 1, 2013	Additions	Deletions	Balance 12/31/13
General Properties & Equipment	\$ 13,320,636	\$ 1,540,324	\$ (39,786)	\$ 14,821,174
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	25,541,930	1,540,324	(39,786)	27,042,468
Less Accumulated Depreciation	<u>(5,992,235)</u>	<u>(597,413)</u>	<u>35,413</u>	<u>(6,554,235)</u>
Net Totals	<u>\$ 19,549,695</u>	<u>942,911</u>	<u>\$ (4,373)</u>	<u>\$ 20,488,233</u>

	Balance Jan. 1, 2012	Additions	Deletions	Balance 12/31/12
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	<u>844,854</u>	<u>0</u>	<u>0</u>	<u>844,854</u>
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>

NOTE D - 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 E - 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 \$995,222 of which \$995,222 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, 2013 and December 31, 2012 were \$24,445 and \$20,640 respectively.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2013 and December 31, 2012

NOTE F - 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 G - 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, 2013 and 2012, \$4,822,235 and \$7,046,768 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 H- 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 I - SUPPLEMENTAL DISCLOSURES OF CASH FLOWS

Acquisition of property and equipment:

	<u>2013</u>	<u>2012</u>
Current year additions	\$ 1,540,325	\$ 2,585,473
Additions financed by Notes payable	<u>0</u>	<u>0</u>
Cash Paid For Property & Equipment	<u>\$ 1,540,325</u>	<u>\$ 2,585,473</u>

NOTE J - JOINT VENTURE

The District joined the PWRPA in attempt to secure a source of power in the future. During the year the district paid \$1,360,289 in fees to the PWRPA. The District may withdraw from the PWRPA at any time.

NOTE K - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through June 3, 2014, 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, 2013 and December 31, 2012

NOTE L- POST-RETIREMENT HEALTH INSURANCE

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

As of December 31, 2009 the District has adopted the provisions of GASB 43 and 45 for financial reporting of Post- employment Benefit Plans. This provision requires the district to periodically calculate the estimated Actuarial Accrued Liability (AAL). The district uses the alternative measurement method to calculate the post-retirement health insurance benefits. The assumptions used to calculate future inflation of healthcare costs and salary increases are that they will match the rate of inflation. Mortality rates provided by standard industry guides have been used to determine the expected length of benefits for participants. The plans expenses are paid as they come due and not prefunded. The accrued health care benefit liability at December 31, 2013 is \$2,788,142.

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.

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

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

Annual required contribution	\$ 573,309
Interest on net OPEB obligation	61,629
Adjustment to annual required contribution	<u>(77,313)</u>
Annual OPEB cost (expense)	557,625
Contributions made	<u>(134,642)</u>
Increase in net OPEB obligation	422,983
Net OPEB obligation—beginning of the year	<u>2,465,124</u>
Net OPEB obligation—end of the year	<u>\$ 2,888,107</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
For the Years Ended December 31, 2013 and December 31, 2012

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$1,588,267	17%	\$2,465,124
12/31/2012	100,379	100%	2,465,124
12/31/2013	557,624	24%	2,888,107

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

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

NOTE M- 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, 2013 and December 31, 2012

WATER SALES - IRRIGATION	<u>2013</u>	<u>2012</u>
Sales	\$ 1,542,993	\$ 1,706,533
Water Contract Kasson	122,759	192,437
Outside District	168,905	125,847
Water Transfer	<u>0</u>	<u>1,888,985</u>
TOTAL SALES	\$ <u>1,834,657</u>	\$ <u>3,913,802</u>
SOURCE OF WATER		
Operating & Maintenance	\$ 0	\$ 5,867
CVP Water	6,339	0
CVP Water Rights Fees	13,200	12,454
River Water Rights Fees	6,823	6,454
Water Transfer	441	396,150
Supplemental Water Expenses	<u>170,738</u>	<u>112,305</u>
TOTAL	\$ <u>197,541</u>	\$ <u>533,230</u>
PUMPING		
Pump Tending	\$ 113,298	\$ 113,585
Pump House	40,653	42,412
Pump Repairs	55,307	37,444
Panel & Switch Gear	55,052	13,502
Lift Station (Power)	1,229,648	658,918
Drain Pump	29,746	22,806
Drainage Wells	455	717
Power Lines	3,807	9,897
Security	<u>285</u>	<u>237</u>
TOTAL	\$ <u>1,528,251</u>	\$ <u>899,518</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2013 and December 31, 2012

	<u>2013</u>	<u>2012</u>
TRANSMISSION AND DISTRIBUTION		
Supervision Labor	\$ 81,164	\$ 78,800
Ditch Tending	188,680	177,480
Kasson District Repair	3,162	1,871
Lift Canals	32,544	57,273
Canals and Ditch Repair	47,595	39,474
Structures Repair	66,038	42,427
Weed Control	164,208	161,969
Rodent Control	4,326	5,898
Road Right of Way	38,259	31,949
Dust Control	63,627	59,271
Other	0	0
District Maintenance Yard	9,189	9,819
Vehicle Expense	20,119	15,997
Tires & Fuel	106,719	102,033
Trucks & Tractors	5,957	2,932
Tools & Equipment	18,748	14,728
Power-Office & Shop	10,560	10,331
DMC Intertie	0	11,989
Kasson Payroll	<u>53,545</u>	<u>49,466</u>
TOTAL	<u>\$ 914,440</u>	<u>\$ 873,707</u>
 FISH SCREEN		
Payroll	\$ 7,184	\$ 11,744
Maintenance	<u>9,446</u>	<u>5,516</u>
TOTAL	<u>\$ 16,630</u>	<u>\$ 17,260</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2013 and December 31, 2012

	<u>2013</u>	<u>2012</u>
ADMINISTRATIVE AND GENERAL		
General Manager	\$ 129,582	\$ 125,794
District Officer	81,929	79,503
Clerical	28,079	32,887
Office Supplies	19,763	17,615
Printing	581	809
Telephone	8,684	7,418
Property Insurance	46,898	46,362
Safety Costs	9,942	7,781
Pension Fund	24,445	23,738
Employee Benefits	870,630	593,116
Workers Compensation	49,574	58,205
Personnel General	1,653	2,012
Vacation and Sick Leave	119,166	103,034
Longevity Pay	10,109	8,810
Taxes	5,842	6,650
Flood Control	654	1,686
Other	24,638	13,468
Directors Fees	8,700	8,900
District Officers Expense	23,391	23,438
Legal and Audit	61,085	47,183
Janitor	2,501	1,560
Water Conservation	8,478	13,889
Association Dues	79,513	73,725
Rainy Days	<u>3,400</u>	<u>8,439</u>
TOTAL	<u>\$ 1,619,237</u>	<u>\$ 1,306,022</u>

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements (Continued)
For the Years Ended December 31, 2013 & December 31, 2012

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:

$$\frac{\$ 3,674,026}{\text{(Prior Year Cost of Service)}} + \frac{\$ 4,682,794}{\text{(Current Year Cost of Service)}} / 2 = \$ 4,178,410$$

$$\frac{(54,625 \text{ ac ft}) + (60,576 \text{ ac ft})}{\text{(Total average acre-feet of water delivered by the District over the prior and current years)}} / 2 = 57,601 \text{ ft}$$

$$= \text{Cost of Service Rate} \quad \$4,178,410 / 57,601 = \$ 72.54$$

Total Acre Feet of Water Delivered:	2013	2012
Inside	46,750	51,786
Outside	1,252	1,071
Kasson	6,623	7,719
Total	54,625	60,576

Costs:	2013	2012
Pumping	\$1,528,251	\$ 899,518
Transmission and Distribution	914,440	873,707
Administrative and General	1,619,237	1,306,022
Fish Screen	16,630	17,260
Depreciation	597,413	571,065
Water Rights Fees – River	6,823	6,454
Non-Operating Misc.	0	0
Total Costs	\$4,682,794	\$3,674,026