

BANTA-CARBONA IRRIGATION DISTRICT
FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON
December 31, 2017 and 2016

BANTA-CARBONA IRRIGATION DISTRICT

Financial Report

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

We have audited the accompanying financial statements of the Banta-Carbona Irrigation District (the District), which comprise the statements of net position as of December 31, 2017, and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Banta-Carbona Irrigation District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banta-Carbona Irrigation District, as of December 31, 2017 and December 31, 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Banta-Carbona Irrigation District's basic financial statements. The Supplemental Operating Statements and Cost of Service Rate Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Operating Statements and Cost of Service Rate Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fechter & Company
Certified Public Accountants



Sacramento, California
March 9, 2018

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis of the Banta-Carbona Irrigation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017.

Please read it in conjunction with the District's Financial Statements and Independent Auditor's report, December 31, 2017, and December 31, 2016.

REPORTING ON THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position reports information about the District as a whole and about its activities in a way that helps answer this question. This statement includes all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Recognition of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Below is the District's condensed Statement of Net Position:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 11,644,858	\$ 9,694,375	\$ 10,508,763
Capital assets	22,862,839	23,029,122	20,140,352
Total Assets	<u>\$ 34,507,697</u>	<u>\$ 32,723,497</u>	<u>\$ 30,649,115</u>
Current liabilities	\$ 826,641	\$ 725,836	\$ 1,081,338
Non-current liabilities	4,274,109	3,810,436	3,358,163
Total Liabilities	<u>5,100,750</u>	<u>4,536,272</u>	<u>4,439,501</u>
Net investment in capital assets	22,862,839	23,029,122	20,140,352
Unrestricted	6,544,108	5,158,103	6,069,262
Total Net Position	<u>\$ 29,406,947</u>	<u>\$ 28,187,225</u>	<u>\$ 26,209,614</u>

BANTA-CARBONA IRRIGATION DISTRICT
 Management's Discussion and Analysis
 December 31, 2017 and 2016

Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the District's net position and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's county property tax allocation and the condition of the District's capital assets (roads, buildings, canals, pipelines, and pump stations) to assess the overall health of the District.

Below is the District's condensed Statement of Revenues, Expenses, and Changes in Net Position:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 5,377,364	\$ 7,100,734	\$ 5,343,549
Operating expenses	<u>4,917,060</u>	<u>5,665,530</u>	<u>6,331,645</u>
Operating income	<u>460,304</u>	<u>1,435,204</u>	<u>(988,096)</u>
Non-operating revenues	<u>759,418</u>	<u>542,407</u>	<u>406,910</u>
Change in net position	<u>1,219,722</u>	<u>1,977,611</u>	<u>(581,186)</u>
Beginning net position	<u>28,187,225</u>	<u>26,209,614</u>	<u>26,790,800</u>
Ending net position	<u>\$ 29,406,947</u>	<u>\$ 28,187,225</u>	<u>\$ 26,209,614</u>

Cash and Equivalents

Cash consists of general checking accounts and funds deposited in the Local Agency Investment Fund (LAIF). The total of these funds is listed on the Statement of Net Position under Current Assets, Cash and Equivalents. These funds are derived from water sales to customers within or outside of the District, interest and finance charges, and sale of assets no longer necessary for District business, standby charges levied, and any county tax allocation.

The District as a Whole

The District's total net position changed from a year ago, increasing from \$28,187,225 to \$29,406,947, as can be seen on the Statement of Revenues, Expenses, and Changes in Net Fund Position, page 7 of the District's "Financial Statements with Independent Auditor's Report, December 31, 2017, and December 31, 2016."

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 2017 are \$11,644,858 and the Current Liabilities are \$826,641 resulting in a Current Ratio of 14.1 for the year ending December 31, 2017, as compared to a current ratio of 13.4 for the previous year of 2016. The District still has an excellent ability to pay off its current liabilities with current assets being 14.1 dollars for every 1 dollar of current liabilities.

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2017 and 2016

Business Type Activities

Operating revenues of the District's water sales decreased by \$1,723,370 from 2016 to 2017. The decrease in 2017 is due to a shift in the delivery time of water transfers into late 2017 and early 2018. Hence, payment for the transfers lagged into 2018. In addition, 2017 was a very wet hydrologic year and water deliveries were down slightly while CVP water transfer opportunities were unavailable.

CAPITAL ASSETS

The District continued long term planning efforts to identify ways to improve conveyance in the lift canal, to automate the water delivery system, and to replace old pumping plants with new ones.

As for the District's business-type activities, it is expected that in 2018 electric power costs will be comparable as compared to 2017's as power supply contracts were acquired in 2017 for delivery in 2018 through the District's participation in the Power and Water Resources Pooling Authority (PWRPA). There weren't any supplemental water expenses in 2017 as the hydrologic year of July 1, 2016 through December 31, 2017 was a wet one of historical proportions in California. Without having to invest in supplemental water supplies in 2017 year, the size of the reserve cash on hand was stable and increased in 2017. In 2018, operations and business activities should resemble the activities of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary/Treasurer at Banta-Carbona Irrigation District, 3514 W. Lehman Road, Tracy, California 95304.

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017

	2017	2016
ASSETS		
Current Assets:		
Cash and investments	\$ 8,549,349	\$ 7,393,900
Accounts receivable	1,275,006	197,581
Stand by charges receivable	55,342	54,332
Taxes receivable	82,667	117,490
Prepaid expenses	1,682,494	1,931,072
Total current assets	11,644,858	9,694,375
Capital Assets, Net		
Capital assets	22,862,839	23,029,122
TOTAL ASSETS	34,507,697	32,723,497
LIABILITIES		
Current Liabilities:		
Accounts payable	205,185	314,672
Accrued expenses	-	1,392
Unearned revenue	425,692	222,353
Compensated absences liability	195,764	187,419
Total current liabilities	826,641	725,836
Long-Term Liabilities:		
Other post employment benefits	4,274,109	3,810,436
TOTAL LIABILITIES	5,100,750	4,536,272
NET POSITION		
Net investment in capital assets	22,862,839	23,029,122
Unrestricted	6,544,108	5,158,103
TOTAL NET POSITION	\$ 29,406,947	\$ 28,187,225

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

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING REVENUES:		
Water sales - irrigation	\$ 2,611,614	\$ 3,850,734
Supplemental water sales	2,765,750	3,250,000
Total operating revenues	5,377,364	7,100,734
OPERATING EXPENSES:		
Sources of water	145,077	942,628
Pumping	1,288,300	1,198,453
Transmission and distribution	884,668	890,627
Administration and general	1,963,398	1,932,482
Fish screen	9,863	27,403
Depreciation	625,754	673,937
Total operating expenses	4,917,060	5,665,530
Operating income	460,304	1,435,204
Non-operating revenues:		
Stand by charges	222,353	222,353
Interest income	51,585	43,576
County tax allocation	151,667	116,086
Contract/lease revenue	226,900	43,500
Gain on sale of assets	15,225	11,050
Other	72,414	87,656
Net increase in the value of investment	19,274	18,186
Total non-operating revenues	759,418	542,407
Change in net position	1,219,722	1,977,611
Beginning net position	28,187,225	26,209,614
Ending net position	\$ 29,406,947	\$ 28,187,225

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

**BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 4,503,278	\$ 7,219,827
Cash paid to suppliers	(2,560,148)	(3,999,220)
Cash paid to employees	(1,121,441)	(1,118,280)
	821,689	2,102,327
Cash flows from non-capital financing activities:		
Stand by charges	221,343	221,111
County tax allocation	186,490	108,548
Contract/lease revenue	226,900	43,500
Other	72,414	87,656
	707,147	460,815
Cash flows from capital and related financing activities:		
Purchase of capital assets	(460,746)	(3,564,657)
Proceeds from sale of capital assets	16,500	13,000
	(444,246)	(3,551,657)
Cash flows from investing activities:		
Investment income received	70,859	61,762
	70,859	61,762
Net increase (decrease) in cash and cash equivalents	1,155,449	(926,753)
Cash and cash equivalents, beginning of year	7,393,900	8,320,653
Cash and cash equivalents, end of year	\$ 8,549,349	\$ 7,393,900

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

**BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 460,304	\$ 1,435,204
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	625,754	673,937
Changes in assets and liabilities:		
Accounts receivable	(1,077,425)	362,593
Prepaid expenses	248,578	(466,178)
Accounts payable	(109,487)	(122,526)
Accrued expenses	(1,392)	1,392
Unearned revenue	203,339	(243,500)
Compensated absences	8,345	9,132
Other post employment benefits asset/liability	463,673	452,273
Net cash provided by operating activities	\$ 821,689	\$ 2,102,327

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

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

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

A. ORGANIZATION

Banta-Carbona Irrigation District was organized March 14, 1921, under California Irrigation District Law. The District now acts and operates under, and is governed by, the Statutory Authority known as the Water Code, State of California, Division 11, Irrigation Districts.

The District is located south of Tracy, California, in San Joaquin County, of which about 15,919 acres are assessable.

B. METHOD OF ACCOUNTING

The District's financial activities are accounted for using the principles of enterprise fund accounting. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water to the water users in the District are financed through user charges. The District's financial statements have been prepared using the accrual basis of accounting.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating. Restricted resources are used to fund appropriations only after unrestricted resources are depleted.

Cash and Investments - Cash consists of a general checking account and certificates of deposit. Investments consist of LAIF and securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - In some cases, the District provides water to its customers, without receiving full payment in advance from the user. The users owe the District for water used, but have not provided collateral nor provided full payment as of the balance sheet date. The District records Accounts Receivable at face value and recognizes interest on past due amounts when collected. Receivables are past due after 30 days of request for payment. The District has the authority to place liens on property that has past due water bills due to the District.

The District uses the direct write-off method of recognizing bad debt losses. No allowance for uncollectible accounts has been provided. For the year under audit, no accounts are deemed uncollectible.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, Continued

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

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

Financial Reporting - As permitted under GASB statement No. 20, paragraph 7, the District has selected consistently not to follow FASB pronouncements issued after November 30, 1989.

Capital Assets - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over fair value of the asset and long lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

C. DEPRECIATION

The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. The estimated useful lives by category are as follows:

General Properties	20-100 years
General Equipment	3-30 years
PL 984 Project	59-100 years
Fish Screen	100 years
Building	50 years

D. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. ASSESSMENTS

The District received property taxes from taxpayers in the portion of San Joaquin County within the District's boundaries. The due dates of these taxes are November 1st and February 1st. These taxes become delinquent December 10th and April 10th. The lien date for these taxes is January 1st. The collection dates are December 10th, June 30th, and September 30th.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Petty cash	\$ 100	\$ 100
Deposits with financial institutions	8,392,351	7,256,387
Investments	156,898	137,413
Total	<u>\$ 8,549,349</u>	<u>\$ 7,393,900</u>

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

	<u>2017</u>	<u>2016</u>
LAIF	\$ 24,646	\$ 24,434
Manulife Financial Corp. Stock	<u>132,252</u>	<u>112,979</u>
Total	<u>\$ 156,898</u>	<u>\$ 137,413</u>

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

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of cash and marketable securities. The District maintains, with a bank, cash deposits in excess of the \$250,000 FDIC insured amounts. Deposits in excess of \$250,000 in separate named accounts within one institution represent a credit risk to the company. As of December 31, 2017 and 2016, \$8,078,790 and \$6,954,685, respectively, are in excess of the insurance coverage.

The District's investments are classified as Category 3 - uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name, as defined by GASB Statement 3, *"Deposits with Financial Institutions, Investment, and Reverse Purchase Agreements."*

The District also has investments of \$24,646 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 2017 was 0.37% and withdrawals require a one day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$132,252 and \$112,979 at December 31, 2017 and 2016. The securities are held by Mellon Investors Services in the District's name. The District's investments as of December 31, 2017, are summarized below:

<u>Investment</u>	<u>Maturity</u> <u>Year</u>	<u>0-1 Years</u> <u>Before Maturity</u>	<u>1-5 Years</u> <u>Before Maturity</u>	<u>Credit</u> <u>Rating</u>
Oak Valley Community Bank	2017	\$ 8,392,351	0	AAA
LAIF Investment Fund	2017	24,646	0	N/A
Manulife Financial	2017	132,252	0	AAA

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 3 – PREPAID EXPENSES

Prepaid expenses at December 31 consist of the following:

	2017	2016
Water conveyance and storage	\$ 1,302,274	\$ 1,310,695
Power	341,393	567,377
Insurance	29,430	26,330
Dues	9,397	26,670
Total	<u>\$ 1,682,494</u>	<u>\$ 1,931,072</u>

NOTE 4 – CAPITAL ASSETS

Capital assets at December 31, 2017, are recorded at cost and consist of:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets, non-depreciable:				
Land	\$ 1,783,416	\$ -	\$ -	\$ 1,783,416
Right of Way	560,212	-	-	560,212
Total capital assets, non-depreciable	2,343,628	-	-	2,343,628
Capital assets, depreciable:				
Fish Screen Project	8,567,621	-	-	8,567,621
General Property & Equipment	18,622,036	460,746	(37,360)	19,045,422
PL 984 Project	1,025,403	-	-	1,025,403
Buildings	844,854	-	-	844,854
Total capital assets, depreciable	29,059,914	460,746	(37,360)	29,483,300
Less accumulated depreciation	<u>(8,374,420)</u>	<u>(625,754)</u>	<u>36,085</u>	<u>(8,964,089)</u>
Total capital assets, depreciable, net	<u>20,685,494</u>	<u>(165,008)</u>	<u>(1,275)</u>	<u>20,519,211</u>
Total capital assets, net	<u>\$23,029,122</u>	<u>\$ (165,008)</u>	<u>\$ (1,275)</u>	<u>\$22,862,839</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 4 – CAPITAL ASSETS, Continued

Capital assets at December 31, 2016, are recorded at cost and consist of:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital assets, non-depreciable:				
Land	\$ 1,783,416	\$ -	\$ -	\$ 1,783,416
Right of Way	560,212	-	-	560,212
Total capital assets, non-depreciable	2,343,628	-	-	2,343,628
Capital assets, depreciable:				
Fish Screen Project	8,567,621	-	-	8,567,621
General Property & Equipment	15,094,630	3,564,657	(37,251)	18,622,036
PL 984 Project	1,025,403	-	-	1,025,403
Buildings	844,854	-	-	844,854
Total capital assets, depreciable	25,532,508	3,564,657	(37,251)	29,059,914
Less accumulated depreciation	(7,735,784)	(673,937)	35,301	(8,374,420)
Total capital assets, depreciable, net	17,796,724	2,890,720	(1,950)	20,685,494
		\$		
Total capital assets, net	<u>\$20,140,352</u>	<u>2,890,720</u>	<u>\$ (1,950)</u>	<u>\$23,029,122</u>

Total depreciation expense for 2017 and 2016 was \$625,754 and \$673,937, respectively.

NOTE 5 - RETIREMENT PLAN

Effective July 31, 1974, the District adopted the Association of California Water Agencies Master Compensation Deferral Plan pursuant to Section 457 of the International Revenue Code. The total District payroll for the year was \$1,121,441, of which \$1,121,441 was covered by the pension plan. To be eligible to participate in the Plan, an employee must have completed one year of service. An employee becomes fully vested immediately. The Plan allows the participants to direct their investments in their accounts. The District matches the employee's contribution at a rate of 130%, with a maximum contribution by the District \$195 per month. Retirement plan expenses for the year ended December 31, 2017, and December 31, 2016, are \$35,758 and \$25,298, respectively.

NOTE 6 - ECONOMIC DEPENDENCY

The District was organized to contract fees and administers delivery of water supplies to landowners within the geographical boundaries of the District. Therefore, the District's existence relies exclusively on the continuance of the need for water supplies by the landowners within the District.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 7 - RISK OF EXPOSURE

The District is exposed to the risk of loss in various ways. The District is open to loss from injury due to the equipment and property the District owns and operates. The District is covered for loss from a general liability insurance coverage of \$20,000,000. The District is also covered by auto, workmen's compensation, and public official's insurance contracts.

NOTE 8 - JOINT VENTURE

The District joined the Power and Water Resources Pooling Authority (PWRPA) in an attempt to secure a source of power in the future. During the year, the District paid \$1,051,374 in fees to the PWRPA. The District may withdraw from the PWRPA at any time.

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE

Plan Description. In addition to the pension benefits described in Note 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, six 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, 2017, is \$4,274,109.

If a retiree, or his or her spouse, reaches 65 and becomes eligible for Medicare or otherwise becomes entitled to governmentally provided or mandated health insurance benefits, then the District may replace its then existing approved health insurance coverage with supplemental health insurance of a type and amount to be determined by the District.

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.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE, Continued

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):

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 583,653	\$ 566,653
Interest on net OPEB obligation	95,261	83,954
Adjustment to annual required contribution	<u>(117,683)</u>	<u>(105,321)</u>
Annual OPEB cost (expense)	561,231	545,286
Contributions made	<u>(97,558)</u>	<u>(93,013)</u>
Increase in net OPEB obligation	463,673	452,273
Net OPEB obligation-beginning of the year	<u>3,810,436</u>	<u>3,358,163</u>
Net OPEB obligation-end of the year	<u>\$ 4,274,109</u>	<u>\$ 3,810,436</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows (dollar amounts in thousands):

Fiscal Year <u>Ended</u>	Annual <u>OPEB Costs</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2015	\$ 548,155	18%	\$ 3,358,163
12/31/2016	545,286	17%	3,810,436
12/31/2017	561,231	17%	4,274,109

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.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 9 - POST-RETIREMENT HEALTH INSURANCE, Continued

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 10 - COMMITMENT

In 2010, the District entered into an agreement with the Power and Water Resources Pooling Authority (PWRPA) to receive an 8.8976% share of PWRPA's 4.7284% cost share of the Lodi Energy Center (LEC). The District is billed its share of capital costs associated with the building of LEC (approximately \$71,000 per year) through its monthly energy bill and is included in "pumping expense" on the District's Statement of Revenues, Expenses, and Changes in Net Position. At the end of its commitment, the District estimates its investment in the LEC to have no value and, therefore, is reporting its share of payments as operating costs in the year paid. The District also participates under a rate agreement as a participant of PWRPA in the LEC and, thereby, pays rates reflecting costs and energy associated with PWRPA's generation entitlement share in the LEC. The District's estimated future commitment is approximately \$1,666,606.

NOTE 11 - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through March 9, 2018, the date on which the financial statements were available to be issued.

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

**BANTA-CARBONA IRRIGATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT BENEFIT PLAN

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll on the actuarial valuation dates:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 5,983,430	\$ 5,983,430	0.00%	\$ 1,107,172	540.42%
12/31/2015	-	5,983,430	5,983,430	0.00%	1,130,442	529.30%

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Water Sales - Irrigation:		
Sales	\$ 2,392,056	\$ 2,431,469
Water contract Kasson	191,500	249,095
Outside District	28,058	272,122
Transfer water	-	898,048
	<u>\$ 2,611,614</u>	<u>\$ 3,850,734</u>
Source of Water:		
Operating & maintenance	\$ 16,157	\$ 62,753
CVP water	16,305	13,911
CVP water rights fees	17,180	16,434
River water rights fees	8,791	8,425
Supplemental water expenses	84,276	522,232
Transfer water CVP	2,368	318,873
	<u>\$ 145,077</u>	<u>\$ 942,628</u>
Pumping:		
Pump tending	\$ 118,980	\$ 121,532
Pump house	34,784	48,253
Pump repairs	9,745	10,757
Panel & switch gear	35,101	37,824
Lift station (power)	1,045,880	950,570
Drain pump	38,858	15,072
Power lines	1,781	4,904
Security	2,450	8,519
Drainage wells & pumps, PR	721	1,022
	<u>\$ 1,288,300</u>	<u>\$ 1,198,453</u>
Transmission and Distribution:		
Supervision labor	\$ 85,345	\$ 88,898
Ditch tending	205,925	190,209
Kasson District repair	5,664	5,764
Lift canals	4,896	9,912
Canals and ditch repair	48,381	35,892
Structures repair	96,697	90,537
Weed control	131,813	149,147
Rodent control	4,494	5,084
Road right of way	38,063	48,397
Dust control	69,821	75,097
District maintenance yard	8,455	7,216
Vehicle expense	25,914	20,803
Tires & fuel	59,748	56,895
Trucks & tractors	10,325	8,334
Tools & equipment	15,295	21,284
Power - office & shop	11,631	11,112
Kasson payroll	62,201	66,046
	<u>\$ 884,668</u>	<u>\$ 890,627</u>

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Administration and General:		
General manager	\$ 140,375	\$ 140,312
District officer	82,420	88,774
Clerical	36,692	36,991
Office supplies	25,679	42,648
Printing	491	-
Telephone	11,896	10,314
Property insurance	46,157	42,930
Safety costs	16,131	8,614
Pension fund	35,758	25,298
Employee benefits	1,130,798	1,086,458
Workers' compensation	73,733	44,780
Personnel general	3,123	2,059
Vacation and sick leave	126,632	112,595
Longevity pay	12,157	14,368
Taxes and license	12,102	2,038
Flood control	20,313	3,395
Other	11,170	8,490
Director's fees	9,000	9,100
District officer expense	28,380	23,779
Legal and audit	58,187	102,371
Janitorial	1,560	2,307
Election expense	601	-
Water conservation	2,501	30,097
Association dues	52,559	77,008
Rainy days	24,983	17,756
	\$ 1,963,398	\$ 1,932,482
Fish Screen:		
Payroll	\$ 4,274	\$ 12,435
Maintenance	5,589	14,968
	\$ 9,863	\$ 27,403

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2017 and 2016

Cost of Service Rate: "Cost of Service" refers to the total costs by the District in its operations, exclusive of the amounts paid for Central Valley Project water supply pursuant to the District's contract with the United States and Reclamation Law, as reported in the District's Annual Financial Report. The Cost of Service Rate shall be the rate calculated by the District on an annual basis as follows:

$$\begin{array}{rcccl} \$4,731,327 & + & \$4,780,774 & /2 & = & \$ 4,756,051 \\ \text{(Prior Year Cost of Services)} & & \text{(Current Year Cost of Services)} & & & \end{array}$$

$$\begin{array}{rcccl} (40,365 \text{ acre-feet}) + (37,263 \text{ acre-feet}) & & & /2 & = & 38,814 \text{ acre-feet} \\ \text{(Total average acre-feet of water delivered by the District over the prior} & & & & & \\ \text{and current years)} & & & & & \end{array}$$

$$\text{Cost of Service Rate} = \$4,756,051 / 38,814 \text{ acre-feet} = \$122.53/\text{acre-feet}$$

Summary of Amounts Used in Calculations

Total Acre Feet of Water Delivered:	2017	2016
Inside	31,890	32,411
Outside	153	1,369
Kasson	5,220	6,585
Total	<u>37,263</u>	<u>40,365</u>
Costs	2017	2017
Pumping	\$ 1,288,300	\$ 1,198,453
Transmission and Distribution	884,668	890,627
Administrative and General	1,963,398	1,932,482
Fish Screen	9,863	27,403
Depreciation	625,754	673,937
Water Rights Fees – River	8,791	8,425
Total Costs	<u>\$ 4,780,774</u>	<u>\$ 4,731,327</u>

**BANTA-CARBONA IRRIGATION DISTRICT
OTHER REPORT**

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

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Banta-Carbona Irrigation District (District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control over Financial Reporting

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

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

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

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

Compliance and Other Matters

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

Purpose of this Report

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

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
March 9, 2018