

BANTA-CARBONA IRRIGATION DISTRICT
FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON
December 31, 2018 and 2017

BANTA-CARBONA IRRIGATION DISTRICT

Financial Report

December 31, 2018 and 2017

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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, 2018 and 2017, 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.

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, 2018 and December 31, 2017, 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.

Board of Directors
Banta-Carbona Irrigation District

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.

Implementation of New Accounting Standards

As disclosed in the Note 9 of the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2018. Our opinion is not modified with respect to this matter.

Fechter & Company
Certified Public Accountants



Sacramento, California
March 29, 2019

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2018 and 2017

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, 2018.

Please read it in conjunction with the District's Financial Statements and Independent Auditor's report, December 31, 2018 and December 31, 2017.

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>2018</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 16,497,984	\$ 11,644,858	\$ 9,694,375
Capital assets	<u>22,986,242</u>	<u>22,862,839</u>	<u>23,029,122</u>
Total Assets	<u>\$ 39,484,226</u>	<u>\$ 34,507,697</u>	<u>\$ 32,723,497</u>
Current liabilities	\$ 1,726,242	\$ 826,641	\$ 725,836
Non-current liabilities	<u>4,937,664</u>	<u>4,274,109</u>	<u>3,810,436</u>
Total Liabilities	<u>6,663,906</u>	<u>5,100,750</u>	<u>4,536,272</u>
Net investment in capital assets	22,986,242	22,862,839	23,029,122
Unrestricted	<u>9,834,078</u>	<u>6,544,108</u>	<u>5,158,103</u>
Total Net Position	<u>\$ 32,820,320</u>	<u>\$ 29,406,947</u>	<u>\$ 28,187,225</u>

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2018 and 2017

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>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 10,085,836	\$ 5,377,364	\$ 7,100,734
Operating expenses	<u>8,000,155</u>	<u>4,917,060</u>	<u>5,665,530</u>
Operating income	<u>2,085,681</u>	<u>460,304</u>	<u>1,435,204</u>
Non-operating revenues	<u>2,960,490</u>	<u>759,418</u>	<u>542,407</u>
Change in net position	<u>5,046,171</u>	<u>1,219,722</u>	<u>1,977,611</u>
Beginning net position, restated	<u>27,774,149</u>	<u>28,187,225</u>	<u>26,209,614</u>
Ending net position	<u>\$ 32,820,320</u>	<u>\$ 29,406,947</u>	<u>\$ 28,187,225</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 \$29,406,947 to \$32,820,320, 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, 2018 and December 31, 2017."

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 2018 are \$16,497,984 and the current liabilities are \$1,726,242 resulting in a current ratio of 9.6 for the year ending December 31, 2018, as compared to a current ratio of 14.1 for the previous year of 2017. The District still has an excellent ability to pay off its current liabilities with current assets being 9.6 dollars for every 1 dollar of current liabilities.

BANTA-CARBONA IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2018 and 2017

Business Type Activities

Operating revenues of the District's water sales increased by \$4,708,472 from 2017 to 2018. The increase in 2018 is due to an increase in the volume of water transferred in 2018 versus 2017.

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 2019 electric power costs will be comparable as compared to 2018's. There weren't any supplemental water expenses in 2018 as the hydrologic year of July 1, 2017 through June 30, 2018 was not a dry year. The reserve cash on hand increased in 2018. In 2019, operations and business activities should resemble the activities of 2018.

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, 2018 and 2017**

	2018	2017
ASSETS		
Current Assets:		
Cash and investments	\$ 15,104,659	\$ 8,549,349
Accounts receivable	613,027	1,275,006
Stand by charges receivable	57,893	55,342
Taxes receivable	157,434	82,667
Prepaid expenses	564,971	1,682,494
Total current assets	16,497,984	11,644,858
Capital Assets, Net		
Capital assets	22,986,242	22,862,839
TOTAL ASSETS	39,484,226	34,507,697
LIABILITIES		
Current Liabilities:		
Accounts payable	1,122,949	205,185
Unearned revenue	395,232	425,692
Compensated absences liability	208,061	195,764
Total current liabilities	1,726,242	826,641
Long-Term Liabilities:		
Other post employment benefits	4,937,664	4,274,109
TOTAL LIABILITIES	6,663,906	5,100,750
NET POSITION		
Net investment in capital assets	22,986,242	22,862,839
Unrestricted	9,834,078	6,544,108
TOTAL NET POSITION	\$ 32,820,320	\$ 29,406,947

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, 2018

	2018	2017
OPERATING REVENUES:		
Water sales - irrigation	\$ 6,351,586	\$ 2,611,614
Supplemental water sales	3,734,250	2,765,750
Total operating revenues	10,085,836	5,377,364
OPERATING EXPENSES:		
Sources of water	2,299,650	145,077
Pumping	1,686,705	1,288,300
Transmission and distribution	1,069,587	884,668
Administration and general	2,237,272	1,963,398
Fish screen	31,572	9,863
Depreciation	675,369	625,754
Total operating expenses	8,000,155	4,917,060
Operating income	2,085,681	460,304
Non-operating revenues:		
Stand by charges	222,252	222,353
Interest income	68,274	51,585
County tax allocation	156,228	151,667
Contract/lease revenue	2,411,400	226,900
Gain on sale of assets	15,444	15,225
Other	129,180	72,414
Net (decrease) increase in the value of investment	(42,288)	19,274
Total non-operating revenues	2,960,490	759,418
Change in net position	5,046,171	1,219,722
Beginning net position	29,406,947	28,187,225
Prior period adjustment	(1,632,798)	-
Beginning net position - restated	27,774,149	28,187,225
Ending net position	\$ 32,820,320	\$ 29,406,947

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, 2018**

	2018	2017
Cash flows from operating activities:		
Cash received from customers	\$ 10,681,645	\$ 4,503,278
Cash paid to suppliers	(4,988,917)	(2,560,148)
Cash paid to employees	(1,221,818)	(1,121,441)
	4,470,910	821,689
Cash flows from non-capital financing activities:		
Stand by charges	219,701	221,343
County tax allocation	81,461	186,490
Contract/lease revenue	2,411,400	226,900
Other	129,180	72,414
	2,841,742	707,147
Cash flows from capital and related financing activities:		
Purchase of capital assets	(800,831)	(460,746)
Proceeds from sale of capital assets	17,503	16,500
	(783,328)	(444,246)
Cash flows from investing activities:		
Investment income received	25,986	70,859
	25,986	70,859
Net increase in cash and cash equivalents	6,555,310	1,155,449
Cash and cash equivalents, beginning of year	8,549,349	7,393,900
Cash and cash equivalents, end of year	\$ 15,104,659	\$ 8,549,349

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, 2018**

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,085,681	\$ 460,304
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	675,369	625,754
Changes in assets and liabilities:		
Accounts receivable	626,269	(1,077,425)
Prepaid expenses	(167,679)	248,578
Accounts payable	605,878	(109,487)
Accrued expenses	-	(1,392)
Unearned revenue	(30,460)	203,339
Compensated absences	12,297	8,345
Other post employment benefits asset/liability	663,555	463,673
Net cash provided by operating activities	\$ 4,470,910	\$ 821,689

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

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

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, an amount of \$56,837 was estimated to be uncollectible.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, Continued

B. METHOD OF ACCOUNTING, 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, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31, consist of the following:

	2018	2017
Petty cash	\$ 100	\$ 100
Deposits with financial institutions	5,484,801	8,392,351
Investments	9,619,758	156,898
Total	<u>\$ 15,104,659</u>	<u>\$ 8,549,349</u>

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

	2018	2017
LAIF	\$ 9,529,793	\$ 24,646
Manulife Financial Corp. Stock	89,965	132,252
Total	<u>\$ 9,619,758</u>	<u>\$ 156,898</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, 2018, and 2017, \$4,460,375 and \$8,078,790, 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 \$9,529,793 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 2018 was 0.63% and withdrawals require a one day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of \$89,965 and \$132,252 at December 31, 2018 and 2017. The securities are held by Mellon Investors Services in the District’s name. The District’s investments as of December 31, 2018, 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	2018	\$ 5,484,801	\$ 0	AAA
LAIF Investment Fund	2018	9,529,793	0	N/A
Manulife Financial	2018	89,965	0	AAA

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 3 – PREPAID EXPENSES

Prepaid expenses at December 31, consist of the following:

	<u>2018</u>	<u>2017</u>
Water conveyance and storage	\$ 175,792	\$ 1,302,274
Power	331,154	341,393
Insurance	31,478	29,430
Dues	26,547	9,397
Total	<u>\$ 564,971</u>	<u>\$ 1,682,494</u>

NOTE 4 – CAPITAL ASSETS

Capital assets at December 31, 2018, are recorded at cost and consist of:

	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2018</u>
Capital assets, non-depreciable:				
Land	\$ 1,783,416	\$ -	\$ -	\$ 1,783,416
Right of Way	560,212	-	-	560,212
Construction in Progress	-	557,941	-	557,941
Total capital assets, non- Depreciable	2,343,628	557,941	-	2,901,569
Capital assets, depreciable:				
Fish Screen Project	8,567,621	-	-	8,567,621
General Property & Equipment	19,045,422	242,890	(41,148)	19,247,164
PL 984 Project	1,025,403	-	-	1,025,403
Buildings	844,854	-	-	844,854
Total capital assets, depreciable	29,483,300	242,890	(41,148)	29,685,042
Less accumulated depreciation	<u>(8,964,089)</u>	<u>(675,369)</u>	<u>39,089</u>	<u>(9,600,369)</u>
Total capital assets, depreciable, net	<u>20,519,211</u>	<u>(432,479)</u>	<u>(2,059)</u>	<u>20,084,673</u>
Total capital assets, net	<u>\$ 22,862,839</u>	<u>\$ 125,462</u>	<u>\$ (2,059)</u>	<u>\$ 22,986,242</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 4 – CAPITAL ASSETS - Continued

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	(8,374,420)	(625,754)	36,085	(8,964,089)
Total capital assets, depreciable, net	20,685,494	(165,008)	(1,275)	20,519,211
Total capital assets, net	\$23,029,122	\$ (165,008)	\$ (1,275)	\$22,862,839

Total depreciation expense for 2018 and 2017 was \$675,369 and \$625,754, 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 \$1,221,818, of which \$1,221,818 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 of \$195 per month. Retirement plan expenses for the year ended December 31, 2018 and December 31, 2017, are \$37,598 and \$35,758, 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, 2018 and 2017

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 \$1,679,406 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 5, 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.

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.

As of December 31, 2018, the District has adopted the provisions of GASB 75 for financial reporting of Other Post-Employment Benefits (OPEB). This provision requires the District to perform periodic valuations to determine annual accounting costs related to OPEB. The District uses the alternative measurement method to calculate the post-retirement health insurance benefits liability. 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 OPEB liability at December 31, 2018 was \$4,937,664.

Contributions. The contribution requirements of the District are established and may be amended by the District's board. While GASB Statement 75 requires that the liability for all post-employment benefits be measured, it does not require that an agency "pre-fund" the accrued liability. The District will pay for the post-employment healthcare cost on a "pay-as-you-go" basis. The provisions of GASB Statement 75 determine the amount that must be presented as an annual expense and accrued liability on the District's financial statements. The contributions made on behalf of the plan members for the year ended December 31, 2018 were \$112,360.

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 9 – POST-RETIREMENT HEALTH INSURANCE, Continued

The District’s net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumed retirement age	65
Discount rate	4.00 percent
Salary increases	3.00 percent
Healthcare cost trend rate	4.60 to 4.70 percent for Medical; 4.60 to 7.60 percent for Pharmacy; 3.00 to 3.50 percent for Dental; 3.00 percent for Vision

The probability of remaining employed until retirement age from current and entry age by age comes from the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Mortality Table derived from RP2000 Mortality Table for Males and Females Projected 18 years.

Changes in the Net OPEB Liability. The table below shows the changes in the District’s total OPEB liability, the Plan Fiduciary Net Position, and the net OPEB liability during the measurement period ending on December 31, 2018.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(Asset) (c) = (a) – (b)
Balance at December 31, 2017	\$ 4,274,109	-	\$ 4,274,109
Changes recognized for the measurement period:			
Service cost	282,329	-	282,329
Interest	112,515	-	112,515
Effect of economic/demographic gains or losses	1,432,666	-	1,432,666
Changes in assumptions	(1,051,595)	-	(1,051,595)
Employer contributions	-	112,360	(112,360)
Benefit payments	(112,360)	(112,360)	-
Net changes	663,555	-	663,555
Balance at December 31, 2018	<u>\$ 4,937,664</u>	<u>\$ -</u>	<u>\$ 4,937,664</u>

BANTA-CARBONA IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 9 – POST-RETIREMENT HEALTH INSURANCE, Continued

Sensitivity of the District’s Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current discount rate:

	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
District’s net OPEB liability	\$ 5,618,763	\$ 4,937,664	\$ 4,392,295

Sensitivity of the District’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.60 percent decreasing to 2.60 percent) or 1- percentage-point higher (3.60 percent increasing to 4.60 percent) than the current healthcare cost trend rates:

	1% Decrease 3.60%	Trend Rate 4.60%	1% Increase 5.60%
District’s net OPEB liability	\$ 4,368,993	\$ 4,937,664	\$ 5,630,500

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 at December 31, 2018, is approximately \$1,595,485.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

During the year, a prior period adjustment was recorded to write off a balance of \$1,597,088 for prepaid water from the San Luis Reservoir. The water was spilled and is no longer available to the District. In addition, a prior period adjustment of \$35,710 was recorded to reflect a receivable balance that was determined to be uncollectible.

NOTE 12 – DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through March 29, 2019, 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

Other Post-Employment Benefits

December 31, 2018

Last 10 Fiscal years*

	<u>2018</u>
Net OPEB liability	
Service cost	\$ 282,329
Interest	112,515
Effect of economic/demographic gains or losses	1,432,666
Change in assumptions	(1,051,595)
Benefit payments	<u>(112,360)</u>
Net change in Net OPEB liability	663,555
Net OPEB liability - beginning	<u>4,274,109</u>
Net OPEB liability - ending	<u><u>\$ 4,937,664</u></u>
Covered payroll	\$ 1,234,115
Net OPEB liability (asset) as a percentage of covered payroll	400.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

* Fiscal year ended June 30, 2018 was the first year of implementation.
Additional years will be presented as they become available.

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL INFORMATION**

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
Water Sales - Irrigation:		
Sales	\$ 2,551,773	\$ 2,392,056
Water contract Kasson	294,712	191,500
Outside District	156,068	28,058
Transfer water	3,349,033	-
Total sales	\$ 6,351,586	\$ 2,611,614
Source of Water:		
Operating & maintenance	\$ (42,957)	\$ 16,157
CVP water	22,190	16,305
CVP water rights fees	18,155	17,180
River water rights fees	9,435	8,791
Environmental reviews/studies	89,743	-
Supplemental water expenses	2,037	84,276
Transfer water CVP	2,201,047	2,368
Total	\$ 2,299,650	\$ 145,077
Pumping:		
Pump tending	\$ 157,829	\$ 118,980
Pump house	50,085	34,784
Pump repairs	12,290	9,745
Panel & switch gear	43,326	35,101
Lift station (power)	1,380,316	1,045,880
Drain pump	29,889	38,858
Power lines	10,486	1,781
Security	2,011	2,450
Pump tending materials	130	-
Drainage wells & pumps, PR	343	721
Total	\$ 1,686,705	\$ 1,288,300
Transmission and Distribution:		
Supervision labor	\$ 93,178	\$ 85,345
Ditch tending	198,902	205,925
Kasson District repair	11,798	5,664
Lift canals	64,957	4,896
Canals and ditch repair	54,535	48,381
Structures repair	123,809	96,697
Weed control	144,443	131,813
Rodent control	3,812	4,494
Road right of way	45,207	38,063
Dust control	75,646	69,821
District maintenance yard	24,640	8,455
Vehicle expense	21,732	25,914
Tires & fuel	95,202	59,748
Trucks & tractors	3,998	10,325
Tools & equipment	24,451	15,295
Power - office & shop	11,294	11,631
Kasson payroll	71,983	62,201
Total	\$ 1,069,587	\$ 884,668

**BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
Administration and General:		
General manager	\$ 144,601	\$ 140,375
District officer	84,921	82,420
Clerical	33,106	36,692
Office supplies	28,857	25,679
Printing	-	491
Telephone	9,715	11,896
Property insurance	27,185	46,157
Safety costs	12,991	16,131
Pension fund	37,598	35,758
Employee benefits	1,379,126	1,130,798
Workers' compensation	54,636	73,733
Personnel general	1,878	3,123
Vacation and sick leave	141,273	126,632
Longevity pay	13,288	12,157
Taxes and license	13,496	12,102
Flood control	3,600	20,313
Other	14,557	11,170
Director's fees	10,500	9,000
District officer expense	36,532	28,380
Legal and audit	71,242	58,187
Janitorial	780	1,560
Election expense	-	601
Water conservation	11,973	2,501
Association dues	36,132	52,559
Bad debt expense	56,837	-
Rainy days	12,448	24,983
	\$ 2,237,272	\$ 1,963,398
Fish Screen:		
Payroll	\$ 4,907	\$ 4,274
Operations	3,752	-
Maintenance	22,913	5,589
	\$ 31,572	\$ 9,863

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2018 and 2017

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:

$$\begin{array}{rclclcl} \$4,780,774 & + & \$5,709,940 & /2 & = & \$ 5,245,357 \\ \text{(Prior Year Cost of Services)} & & \text{(Current Year Cost of Services)} & & & \end{array}$$

$$\begin{array}{rclclcl} (37,263 \text{ acre-feet}) + (42,064 \text{ acre-feet}) & & & /2 & = & 39,664 \text{ acre-feet} \\ \text{(Total average acre-feet of water delivered by the District over the prior} & & & & & \\ \text{and current years)} & & & & & \end{array}$$

$$\text{Cost of Service Rate} = \$5,245,357/39,664 \text{ acre-feet} = \$132.25/\text{acre-feet}$$

Summary of Amounts Used in Calculations

Total Acre Feet of Water Delivered:	2018	2017
Inside	34,027	31,890
Outside	796	153
Kasson	7,241	5,220
Total	<u>42,064</u>	<u>37,263</u>
Costs	2018	2017
Pumping	\$ 1,686,705	\$ 1,288,300
Transmission and Distribution	1,069,587	884,668
Administrative and General	2,237,272	1,963,398
Fish Screen	31,572	9,863
Depreciation	675,369	625,754
Water Rights Fees – River	9,435	8,791
Total Costs	<u>\$ 5,709,940</u>	<u>\$ 4,780,774</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 standards 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, 2018, 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 29, 2019.

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". The signature is written in black ink and is positioned above the printed name and address of the firm.

Sacramento, California
March 29, 2019