BANTA-CARBONA IRRIGATION DISTRICT

FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON

DECEMBER 31, 2022 AND 2021

BANTA-CARBONA IRRIGATION DISTRICT
Financial Report
December 31, 2022 and 2021

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FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

Opinion

We have audited the accompanying financial statements of the business-type activities of the Banta-Carbona Irrigation District as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Banta-Carbona Irrigation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Banta-Carbona Irrigation District, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Banta-Carbona Irrigation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Banta-Carbona Irrigation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Board of Directors
Banta-Carbona Irrigation District
Tracy, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Banta-Carbona Irrigation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Banta-Carbona Irrigation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Banta-Carbona Irrigation District
Tracy, California

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Changes in Net OPEB Liability and Related Ratios information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 information has 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of the Banta-Carbona Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Banta-Carbona Irrigation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Banta-Carbona Irrigation District's internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
November 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis, by the Management 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, 2022.

Please read it in conjunction with the District's Financial Statements and Independent Auditor's report, December 31, 2022.

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 Statements of Net Position:

	2022	2021	2020
Current and other assets	$ 13,827,666	$ 14,099,236	$ 12,910,312
Capital assets	30,336,724	29,880,644	29,778,967
Total Assets	$ 44,164,390	$ 43,979,880	$ 42,689,279
Current liabilities	$ 1,181,134	$ 1,338,569	$ 981,867
Non-current liabilities	4,882,473	6,370,412	5,177,285
Total Liabilities	6,063,607	7,708,981	6,159,152
Net investment in capital assets	30,336,724	29,880,644	29,778,967
Unrestricted	7,764,058	6,390,255	6,751,160
Total Net Position	$ 38,100,782	$ 36,270,899	$ 36,530,127

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 Statements of Revenues, Expenses, and Changes in Net Position:

	2022	2021	2020
Operating revenues	$ 6,481,495	$ 7,252,244	$ 7,783,113
Operating expenses	6,027,929	9,071,429	6,490,473
Operating (loss) income	453,566	(1,819,185)	1,292,640
Non-operating revenues	1,376,317	1,245,668	1,800,639
Change in net position	1,829,883	(573,517)	3,093,279
Beginning net position	36,270,899	36,844,416	33,436,848
Ending net position	$ 38,100,782	$ 36,270,899	$ 36,530,127

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 $36,270,899 to $38,121,478, as can be seen on the Statement of Revenues, Expenses, and Changes in Net Fund Position as listed under the Table of Contents.

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 2022 are $13,797,433 and the current liabilities are $1,130,205 resulting in a current ratio of 12.2 for the year ending December 31, 2022, as compared to a current ratio of 10.5 for the previous year, 2021. The District retains an excellent ability to pay off its current liabilities with current assets being 12.2 dollars for every 1 dollar of current liabilities.

Business-type Activities

Operating revenues of the District's water sales decreased by $770,749 from 2021 to 2022. The decrease in 2022 is due primarily to a decrease in supplemental water sales and wheeling water services during the drought.

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. But authorizing new construction of replacement capital projects was suspended due to the drought during 2021 and 2022.

Economic Factors and Next Year's Budget and Rates

As for the District's business-type activities, it is expected that in 2023 electric power costs could be higher. In 2023, operations and business activities might not resemble the activities of 2022 due to the uncertainty of hydrology in 2023 and coming off a completely dry year in 2022. This could result in higher supplemental water expenses and potentially less water sale revenue. It is anticipated in 2023 that expenditures for capital projects will be small due to uncertainty related to potential water supplies and water sales.

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, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and investments	$ 12,366,508	$ 11,231,896
Accounts receivable	37,157	1,026,210
Stand by charges receivable	66,975	122,494
Taxes receivable	215,247	185,014
Note receivable	-	51,236
Other receivable	559,936	911,423
Prepaid expenses	581,843	570,963
Total current assets	13,827,666	14,099,236
Capital Assets, Net		
Capital assets	30,336,724	29,880,644
TOTAL ASSETS	44,164,390	43,979,880
LIABILITIES		
Current Liabilities:		
Accounts payable	403,649	612,414
Unearned revenue	508,946	490,694
Payroll liabilities	268,539	235,461
Total current liabilities	1,181,134	1,338,569
Long-Term Liabilities:		
Other post-employment benefits	4,882,473	6,370,412
TOTAL LIABILITIES	6,063,607	7,708,981
NET POSITION		
Net investment in capital assets	30,336,724	29,880,644
Unrestricted	7,764,058	6,390,255
TOTAL NET POSITION	$ 38,100,782	$ 36,270,899

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 YEARS ENDED
DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Water sales - irrigation	$ 3,231,495	$ 4,002,244
Supplemental water sales	3,250,000	3,250,000
Total operating revenues	6,481,495	7,252,244
OPERATING EXPENSES:		
Sources of water	881,513	1,649,625
Pumping	2,393,647	2,099,286
Transmission and distribution	1,534,407	1,510,485
Administration and general	269,323	2,894,039
Fish screen	19,278	36,509
Depreciation	929,761	881,485
Total operating expenses	6,027,929	9,071,429
Operating income (loss)	453,566	(1,819,185)
NON-OPERATING REVENUES (EXPENSES):		
Stand by charges	222,320	222,266
Interest income	130,198	58,310
County tax allocation	233,632	104,193
Contract/lease revenue	503,775	513,540
Grant revenue	167,603	156,725
Other	126,777	182,899
Net increase (decrease) in the value of investment	(7,988)	7,735
Total non-operating income	1,376,317	1,245,668
Change in net position	1,829,883	(573,517)
Beginning net position	36,270,899	36,530,127
Prior period adjustment	-	314,289
Beginning net position - restated	36,270,899	36,844,416
Ending net position	$ 38,100,782	$ 36,270,899

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

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers	$ 7,939,525	$ 6,759,823
Cash paid to suppliers	(5,367,192)	(5,433,300)
Cash paid to employees	(1,405,482)	(1,284,590)
Net cash provided by operating activities	1,166,852	41,933
Cash flows from non-capital financing activities:		
Stand by charges	277,839	154,790
County tax allocation	203,399	104,193
Contract/lease revenue	503,775	513,540
Grant revenue	167,603	156,725
Other	126,777	182,899
Net cash provided by non-capital financing activities	1,279,393	1,112,147
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,385,841)	(983,162)
Net cash used by capital and related financing activities	(1,385,841)	(983,162)
Cash flows from investing activities:		
Investment income received	74,208	66,045
Net cash provided by investing activities	74,208	66,045
Net increase in cash and cash equivalents	1,134,612	236,963
Cash and cash equivalents, beginning of year	11,231,896	10,994,933
Cash and cash equivalents, end of year	$ 12,366,508	$ 11,231,896

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

BANTA-CARBONA IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 453,566	$ (1,819,185)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	929,761	881,485
Changes in assets and liabilities:		
Accounts receivable	989,053	(964,001)
Note receivable	51,236	1,718
Other receivable	399,489	470,982
Prepaid expenses	(10,880)	(78,895)
Accounts payable	(208,765)	328,961
Unearned revenue	18,252	(1,120)
Payroll liabilities	33,078	28,861
Other postemployment benefits asset/liability	(1,487,939)	1,193,127
Net cash (used) provided by operating activities	$ 1,166,852	$ 41,933

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

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 (the 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, 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 years under audit, no accounts are deemed uncollectible.

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, 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.

NOTE 2 – CASH AND INVESTMENTS

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

	2022	2021
Petty cash	$ 100	$ 100
Deposits with financial institutions	3,064,603	1,982,508
Investments	9,301,805	9,249,288
Total	$ 12,366,508	$ 11,231,896

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

	2022	2021
LAIF	$ 9,188,699	$ 9,128,194
Manulife Financial Corp. stock	113,106	121,094
Total	$ 9,301,805	$ 9,249,288

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 District. As of December 31, 2022 and 2021, $2,814,603 and $1,730,911, respectively, are in excess of the insurance coverage. These excess amounts are collateralized as required by California law for public agencies.

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 $9,188,699 in Local Agency Investment Fund (LAIF) as of December 31, 2022. 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 2022 was 0.627% and withdrawals require a one-day notice.

The District also owns 6,340 shares of Manulife Financial Corporation stock with a value of $113,106 and $121,094 at December 31, 2022 and 2021, respectively. The securities are held by Mellon Investors Services in the District's name. The District's investments as of December 31, 2022, are summarized below:

Investment	Maturity Year	0-1 Years Before Maturity	1-5 Years Before Maturity	Credit Rating
Oak Valley Community Bank	2021	$ 1,982,508	$ -	N/A
LAIF Investment Fund	2021	9,128,194	-	N/A
Manulife Financial	2021	121,094	-	A

NOTE 3 – OTHER RECEIVABLES

Other receivables at December 31, 2022 and 2021 consist of the following:

	2022	2021
Friant Water Authority conveyance fees	$ 481,275	$ -
Yamasaki Farms	28,688	286,881
USBR - Mid-Pacific Region	-	624,612
Other	49,973	(70)
Total	$ 559,936	$ 911,423

NOTE 4 – PREPAID EXPENSES

Prepaid expenses at December 31, 2022 and 2021 consist of the following:

	2022	2021
Water conveyance and storage	$ 7,234	$ 7,234
Power	503,861	499,720
Insurance	42,854	36,943
Dues	27,894	27,066
Total	$ 581,843	$ 570,963

NOTE 5 – CAPITAL ASSETS

Capital assets at December 31, 2022, are recorded at cost and consist of:

	Balance 01/01/2022	Additions	Retirements	Transfers	Balance 12/31/2022
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	8,592,317	-	-	-	8,592,317
General property and equipment	28,651,815	1,382,118	-	-	30,033,933
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	844,854	3,723	-	-	848,577
Total capital assets, depreciable	39,114,389	1,385,841	-	-	40,500,230
Less accumulated depreciation	(11,577,373)	(929,761)	-	-	(12,507,134)
Total capital assets, depreciable, net	27,537,016	456,080	-	-	27,993,096
Total capital assets, net	$29,880,644	$ 456,080	$ -	$ -	$ 30,336,724

NOTE 5 – CAPITAL ASSETS, Continued

Capital assets at December 31, 2021, are recorded at cost and consist of:

	Balance 01/01/2021	Additions	Retirements	Transfers	Balance 12/31/2021
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	24,696	-	-	8,592,317
General property and equipment	27,693,349	958,466	-	-	28,651,815
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	844,854	-	-	-	844,854
Total capital assets, depreciable	38,131,227	983,162	-	-	39,114,389
Less accumulated depreciation	(10,695,888)	(881,485)	-	-	(11,577,373)
Total capital assets, depreciable, net	27,435,339	101,677	-	-	27,537,016
Total capital assets, net	$29,778,967	$ 101,677	$ -	$ -	$29,880,644

Total depreciation expense for 2022 and 2021 was $929,761 and $881,485, respectively.

NOTE 6 – 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 Internal Revenue Code. The total District payroll for the 2022 year was $1,438,560, of which $1,307,213 was covered by the pension plan. The total District payroll for the 2021 year was $1,313,235, of which $1,216,615 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 years ended December 31, 2022 and December 31, 2021, were $31,231 and $32,731, respectively.

NOTE 7– 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 8 – 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 – RISK OF EXPOSURE, Continued

The District is a named defendant or plaintiff in connection with several ongoing litigation matters. There are no current loss contingencies that can be estimated as of the date the financial statements became available to be issued. Accordingly, no related contingencies have been accrued in the financial statements.

NOTE 9 – 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 years ended December 31, 2022 and 2021, the District paid $1,307,213 and $2,065,693 in fees to the PWRPA, respectively. The District may withdraw from the PWRPA at any time.

NOTE 10 – POST-RETIREMENT HEALTH INSURANCE

Plan Description. In addition to the pension benefits described in Note 6, 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. Currently, three employees 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 District's use of the alternate method requires that deferred inflows and outflows run through current expense. Investment earnings will not reflect deferred inflows because there is no OPEB trust established. The plan expenses are paid as they come due and not prefunded. The OPEB liability at December 31, 2022 and 2021 was $4,882,473 and $6,370,412, respectively.

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 years ended December 31, 2022 and 2021 were $127,895 and $127,895, respectively.

The District's net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NOTE 10 – POST-RETIREMENT HEALTH INSURANCE, Continued

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	4.31 percent
Salary increases	3.00 percent
Healthcare cost trend rate	4.20 to 4.90 percent for Medical; 4.20 to 5.20 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, 2022.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at January 1, 2022	$ 6,370,412	$ -	$ 6,370,412
Changes recognized for the measurement period:			
Service cost	136,666	-	136,666
Interest	217,151	-	217,151
Effect of economic/demographic gains or losses	(1,157,302)	-	(1,157,302)
Changes in assumptions	(556,559)	-	(556,559)
Employer contributions	-	127,895	(127,895)
Benefit payments	(127,895)	(127,895)	-
Net changes	(1,487,939)	-	(1,487,939)
Balance at December 31, 2022	$ 4,882,473	$ -	$ 4,882,473

NOTE 10 – 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 (3.31 percent) or 1 percentage point higher (5.31 percent) than the current discount rate:

	1% Decrease 3.31%	Discount Rate 4.31%	1% Increase 5.31%
District's net OPEB liability	$ 5,478,343	$ 4,882,473	$ 4,392,309

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 or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Baseline Trend	Baseline Trend	1% Increase in Baseline Trend
District's net OPEB liability	$ 4,567,505	$ 4,882,473	$ 5,276,143

NOTE 11 – 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, 2022, is approximately $1,310,992.

NOTE 12 – COVID-19

In January 2020, SARS-CoV-2, the coronavirus responsible for COVID-19, was detected in the United States of America. As a result of this virus, State and Local Health officials established various stay at home and other measures to reduce the spread. To date, the District has not experienced any significant impacts. While the state of emergency expired on February 28, 2023, the long-term impact in the State of California continues to be uncertain.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the year 2021, a prior period adjustment of $314,289 was recorded to reflect an understatement of receivables due from the Bureau of Reclamation of $624,612 and an overstatement of prepaid expenses of $310,323.

NOTE 14 – DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through November 8, 2023, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BANTA-CARBONA IRRIGATION DISTRICT
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
December 31, 2022

Last 10 Fiscal years*

	2022	2021	2020	2019	2018
Net OPEB liability					
Service cost	$ 136,666	$ 218,495	$ 218,495	$ 282,329	$ 282,329
Interest	217,151	130,106	159,844	206,238	112,515
Effect of economic/ demographic gains or losses	(1,157,302)	1,845,062	(1,285,555)	(227,705)	1,432,666
Change in assumptions	(556,559)	(872,641)	69,431	1,064,147	(1,051,595)
Benefit payments	-	(127,895)	(118,241)	(129,362)	(112,360)
Net change in net OPEB liability	(1,360,044)	1,193,127	(956,026)	1,195,647	663,555
Net OPEB liability - beginning	6,370,412	5,177,285	6,133,311	4,937,664	4,274,109
Net OPEB liability - ending	$ 5,010,368	$ 6,370,412	$ 5,177,285	$ 6,133,311	$ 4,937,664
Covered payroll	$ 1,438,560	$ 1,313,451	$ 1,216,615	$ 1,232,128	$ 1,234,115
Net OPEB liability (asset) as a % of covered payroll	348.29%	485.01%	425.55%	497.78%	400.10%
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

* Fiscal year ended December 31, 2018 was the first year of implementation.
Additional years will be presented as they become available.

SUPPLEMENTARY INFORMATION

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

	2022	2021
Water Sales - Irrigation:		
Sales	$ 2,581,390	$ 2,477,318
Water contract Kasson	356,518	278,601
Outside District	293,587	295,871
Transfer water	-	950,454
Total Water Sales - Irrigation	$ 3,231,495	$ 4,002,244
Source of Water:		
Operating and maintenance	$ 4,033	$ 66,872
CVP water and CVP water rights fees	13,219	50,828
River water rights fees	5,873	12,785
Environmental reviews/studies	341,140	376,683
Supplemental water expenses	517,248	1,032,554
Transfer water CVP	-	109,903
Total Source of Water	$ 881,513	$ 1,649,625
Pumping:		
Pump tending	$ 710	$ 38,009
Pump house	74,580	52,005
Pump repairs	62,281	85,779
Panel & switch gear	36,152	24,697
Lift station (power)	2,181,636	1,868,654
Drain pump	27,076	27,714
Power lines	10,067	216
Security	941	750
Drainage wells and pumps, PR	204	1,462
Total Pumping	$ 2,393,647	$ 2,099,286
Transmission and Distribution:		
Supervision labor	$ 117,157	$ 102,312
Ditch tending	518,804	410,950
Kasson District repair	3,770	559
Lift canals	43,461	76,905
Canals and ditch repair	127,576	83,192
Structures repair	89,187	94,535
Weed and rodent control	195,457	357,074
Road right of way	51,748	44,014
Dust control	74,088	68,268
District maintenance yard	25,945	22,382
Vehicle expense	23,115	24,354
Tires and fuel	103,969	98,835
Trucks and tractors	11,837	1,016
Tools, equipment, and other	43,825	35,479
Power - office and shop	17,496	12,448
Kasson payroll	86,972	78,162
Total Transmission and Distribution	$ 1,534,407	$ 1,510,485

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

	2022	2021
Administration and General:		
General manager	$ 164,726	$ 159,904
District officer	96,087	93,266
Clerical	35,534	32,607
Office supplies	105,370	156,224
Printing	-	107
Telephone	13,573	19,767
Property insurance	62,356	54,014
Safety costs	4,929	6,967
Pension fund	32,041	32,731
Employee benefits	760,737	712,171
OPEB expense	(1,487,939)	1,193,127
Workers' compensation	33,856	44,752
Personnel general	9,461	3,150
Vacation and sick leave	185,763	150,790
Longevity pay	11,748	12,667
Taxes and license	20,121	14,070
Flood control	270	5,391
Other	40,446	14,340
Director's fees	10,100	5,200
District officer expense	27,229	11,795
Legal and audit	78,286	89,573
Janitorial	4,299	3,578
Water conservation	17,856	3,405
Association dues	40,485	71,931
Election expense	-	75
Rainy days	1,989	2,437
Total Administration and General	$ 269,323	$ 2,894,039
Fish Screen:		
Payroll	$ 12,269	$ 13,764
Maintenance	7,009	22,745
Total Fish Screen	$ 19,278	$ 36,509

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2022 and 2021

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:

$7,434,589	+	$5,101,359	/2	=	$ 6,267,974
(Prior Year Cost of Services)		(Current Year Cost of Services)			

(47,798 acre-feet) + (49,422 acre-feet) /2 = 48,610 acre-feet
(Total average acre-feet of water delivered by the District over the prior and current years)

Cost of Service Rate = $6,267,974 / 48,610 acre-feet = $128.94/acre-feet

Summary of Amounts Used in Calculations

Acre-Feet of Water Delivered:	2022	2021
Inside	$ 39,607	$ 37,910
Outside	1,966	1,989
Kasson	7,849	7,899
Total Acre-Feet of Water Delivered	$ 49,422	$ 47,798

Costs:	2022	2021
Pumping	$ 2,393,647	$ 2,099,286
Transmission and Distribution	1,534,407	1,510,485
Administrative and General	269,323	2,894,039
Fish Screen	19,278	36,509
Depreciation	929,761	881,485
Water Rights Fees – River	5,873	12,785
Total Costs	$ 5,152,289	$ 7,434,589

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

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 the business-type activities of Banta-Carbona Irrigation District (the District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2023.

Report on 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) as a basis for designing 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 Banta-Carbona Irrigation 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-01, that we consider to be significant deficiencies.

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Board of Directors
Banta-Carbona Irrigation District
Tracy, California

Report on 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.*

Banta-Carbona Irrigation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Fechter + Company

Sacramento, California
November 8, 2023

BANTA-CARBONA IRRIGATION DISTRICT
Schedule of Findings and Responses
December 31, 2022 and 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-01

Significant Audit Adjustments and Management Turnover

Criteria

There were delays in obtaining the necessary audit evidence and 18 audit adjustments needed to produce GAAP-compliant financial statements, which prolonged the timeframe needed to complete the audit. Additional procedures were necessary to address the risk of misstatement and obtain the correct supporting documentation for specified balances.

Condition

Closing entries were needed to report the business-type activities on a full accrual basis in compliance with GAAP, requiring adjustment of most balances found on the Statements of Net Position. Additionally, a greater volume of audit requests was needed to obtain the correct documentation and align the audit evidence to support the relevant assertions over the financial statements.

Context

At the signing of the Engagement Letter, Margaret Howe had not yet retired. Upon commencement of fieldwork, we were introduced to her replacement filling the role of Treasurer, Assessor-Collector. During fieldwork, we were later informed that the new Treasurer had left her position with the District and the auditors would instead be working with the Administrative Assistant and General Manager in the absence of a full-time Treasurer, Assessor-Collector. Finding the correct supporting documents and reports, or the updated figures for financial statement disclosures took longer than usual and/or required multiple requests. Additionally, we had to take additional steps to document the changes in our designation of a contact within the District that maintains the skills, knowledge, and experience to assume responsibility for the financial statements. The District appears to have fallen victim to a deficient knowledge transfer from a lack of succession planning, and controls over year-end closing entries, monitoring and evaluation of estimates, and accounting over long-term transactions were no longer in place to mitigate the risk of misstatement over key balances.

SECTION II – FINANCIAL STATEMENT FINDINGS, CONTINUED

Cause

The loss of key personnel has temporarily hampered the District's operations and reporting. Additionally, deficient succession planning has created a gap in the knowledge transfer that is requiring additional work and efforts by management and auditors.

Effect of condition

There were significant delays in completing the audit.

Recommendation

We recommend the District develop a plan or system of plans to integrate knowledge transfer strategies and ensure financial information is readily accessible, based on the identification of key leadership positions and reporting needs. We also recommend the District fill the open Treasurer position with personnel that maintain a strong accounting background and will be able to take responsibility for the compliant reporting of a local government agency.

Views of responsible officials and planned corrective actions

Management has recently filled key roles by promoting an employee with a good background and history with the District. She has a background in accounting and was able to review and reconcile the District's books to the audited financial statements. Additionally, the District continues to involve the General Manager and Board of Directors in reviewing financial reports. Finally, the District is currently working on a more comprehensive policies and procedures handbook.

SECTION III - STATUS OF PRIOR YEAR FINDINGS

None noted.