BANTA-CARBONA IRRIGATION DISTRICT

FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON

DECEMBER 31, 2023 AND 2022

BANTA-CARBONA IRRIGATION DISTRICT
Financial Report
December 31, 2023 and 2022

Table of Contents

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4-6

Financial Statements

Statements of Net Position 7

Statements of Revenues, Expenses, and Changes in Net Position 8

Statements of Cash Flows 9-10

Notes to Financial Statements 11-19

Required Supplementary Information

Schedule of Changes in Net OPEB Liability and Related Ratios 20

Supplementary Information

Supplemental Operating Statements 21-22

Cost of Service Rate Report 23

Other Reporting Required by Government Auditing Standards

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* 24-25

Schedule of Findings and Responses 26-27

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, 2023 and 2022, 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, 2023 and 2022, 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 June 5, 2024, 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
July 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This discussion and analysis provided by Management of the Banta-Carbona Irrigation District's (the District) provides an overview of the District's financial activities for the year ended December 31, 2023.

Please read it in conjunction with the District's Financial Statements and Independent Auditor's report for the year ended December 31, 2023.

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:

	2023	2022	2021
Current and other assets	$ 14,866,166	$ 13,827,666	$ 14,099,236
Capital assets	30,513,434	30,336,724	29,880,644
Total Assets	45,379,600	44,164,390	43,979,880
Current liabilities	1,712,162	1,181,134	1,338,569
Non-current liabilities	2,922,591	4,882,473	6,370,412
Total Liabilities	4,634,753	6,063,607	7,708,981
Net investment in capital assets	30,513,434	30,336,724	29,880,644
Unrestricted	10,231,413	7,764,058	6,390,255
Total Net Position	$ 40,744,847	$ 38,100,782	$ 36,270,899

Statement of Revenues, Expenses, and Changes in Net Position

This statement reports the changes in Net Position as a result of operating and non-operating activities. 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:

	2023	2022	2021
Operating revenues	$ 5,512,800	$ 6,481,495	$ 7,252,244
Operating expenses	5,453,096	6,027,929	9,071,429
Operating (loss) income	59,704	453,566	(1,819,185)
Non-operating revenues	2,584,361	1,376,317	1,245,668
Change in net position	2,644,065	1,829,883	(573,517)
Beginning net position	38,100,782	36,270,899	36,844,416
Ending net position	$ 40,744,847	$ 38,100,782	$ 36,270,899

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 Statements 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, sale of assets no longer necessary for District business, standby charges levied, and any county tax allocation.

The District as a Whole

The Statements of Revenues, Expenses, and Changes in Net Position, as referenced under the Table of Contents, reflects the results of operations and non-operating activities. The District's total net position increased by $2,644,065, resulting in an ending balance of $40,744,847 for the year ended December 31, 2023. The District's total net position increased by $1,829,883, resulting in an ending balance of $38,100,782 for the year ended December 31, 2022. As reflected under 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 2023 are $14,866,166 and the current liabilities are $1,712,162 resulting in a current ratio of 8.7 for the year ending December 31, 2023, as compared to a current ratio of 11.7 for the previous year, 2022. The District retains an excellent ability to pay off its current liabilities with current assets being 8.7 dollars for every 1 dollar of current liabilities.

Business-type Activities

Operating revenues of the District's water sales decreased by $968,695 from 2022 to 2023. The decrease in 2022 is due primarily to a decrease in water sales as a result of very late rainfall into the irrigation season in 2023.

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. However, authorizing new construction of replacement pump station capital projects was suspended due to the drought during 2022 and 2023. One project has been authorized for upgrading the two electric substations from 2.4 kV to 12.47 kV.

Economic Factors and Next Year's Budget and Rates

As for the District's business-type activities, it is expected that in 2024 electric power costs could be higher. In 2024, operations and business activities could resemble the activities of 2023 due to the hydrology being similar in 2023 and 2024. Rates will remain stable in 2024. The District is investing a large capital project to upgrade its electric distribution system from 2.4 kV to 12.47 kV. This requires new substation transformers as well as local pad mount pump station transformers.

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, 2023 AND 2022

	2023	2022
Assets		
Current Assets:		
Cash and investments	$ 13,810,904	$ 12,366,508
Accounts receivable	-	37,157
Standby charges receivable	77,121	66,975
Taxes receivable	229,946	215,247
Note receivable	-	-
Other receivable	158,604	559,936
Prepaid expenses	589,591	581,843
Total current assets	14,866,166	13,827,666
Capital Assets, Net	30,513,434	30,336,724
Total Assets	45,379,600	44,164,390
Liabilities		
Current Liabilities:		
Accounts payable	880,664	403,649
Unearned revenue	585,984	508,946
Payroll liabilities	245,514	268,539
Total current liabilities	1,712,162	1,181,134
Long-Term Liabilities:		
Other post-employment benefits	2,922,591	4,882,473
Total Liabilities	4,634,753	6,063,607
Net Position		
Net investment in capital assets	30,513,434	30,336,724
Unrestricted	10,231,413	7,764,058
Total Net Position	$ 40,744,847	$ 38,100,782

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, 2023 AND 2022

	2023	2022
Operating Revenues:		
Water sales - irrigation	$ 2,262,800	$ 3,231,495
Supplemental water sales	3,250,000	3,250,000
Total operating revenues	5,512,800	6,481,495
Operating Expenses:		
Sources of water	794,222	881,513
Pumping	2,200,784	2,393,647
Transmission and distribution	1,470,887	1,534,407
Administration and general	(29,883)	269,323
Fish screen	27,260	19,278
Depreciation	989,826	929,761
Total operating expenses	5,453,096	6,027,929
Operating income	59,704	453,566
Non-Operating Revenues (Expenses):		
Standby charges	222,442	222,320
Interest income	342,532	130,198
County tax allocation	352,027	233,632
Contract/lease revenue	1,045,980	503,775
Grant revenue	204,640	167,603
Loss on sale of assets	(2,539)	-
Other	335,788	126,777
Net increase (decrease) in the value of investment	83,491	(7,988)
Total non-operating revenues	2,584,361	1,376,317
Change in net position	2,644,065	1,829,883
Beginning net position	38,100,782	36,270,899
Ending net position	$ 40,744,847	$ 38,100,782

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, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers	$ 5,626,995	$ 7,939,525
Cash paid to suppliers	(4,499,892)	(5,367,192)
Cash paid to employees	(1,477,018)	(1,405,481)
Net cash (used) provided by operating activities	(349,915)	1,166,852
Cash flows from non-capital financing activities:		
Stand by charges	212,296	277,839
County tax allocation	337,328	203,399
Contract/lease revenue	1,045,980	503,775
Grant revenue	204,640	167,603
Other	335,788	126,777
Net cash provided by non-capital financing activities	2,136,032	1,279,393
Cash flows from capital and related financing activities:		
Purchase of capital assets	(752,009)	(1,385,841)
Net cash used by capital and related financing activities	(752,009)	(1,385,841)
Cash flows from investing activities:		
Investment income received	452,814	74,208
Net cash provided by investing activities	452,814	74,208
Net increase in cash and cash equivalents	1,486,922	1,134,612
Cash and cash equivalents, beginning of year	12,366,508	11,231,896
Cash and cash equivalents, end of year	$ 13,853,429	$ 12,366,508

(Continued)

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, 2023 AND 2022

	2023	2022
Reconciliation of operating income to net cash (used) provided by operating activities:		
Operating income	$ 59,704	$ 453,566
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	989,826	929,761
Changes in assets and liabilities:		
Accounts receivable	37,157	989,053
Note receivable	-	51,236
Other receivable	-	399,489
Prepaid expenses	(7,748)	(10,880)
Accounts payable	477,015	(208,765)
Unearned revenue	77,038	18,253
Payroll liabilities	(23,025)	33,078
Other postemployment benefits asset/liability	(1,959,882)	(1,487,939)
Net cash (used) provided by operating activities	$ (349,915)	$ 1,166,852

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 is 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 date of the Statement of Net Position. 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, 2023 and 2022 consisted of the following:

	2023	2022
Petty cash	$ 100	$ 100
Deposits with financial institutions	4,155,104	3,064,603
Investments	9,655,700	9,301,805
Total	$ 13,810,904	$ 12,366,508

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

	2023	2022
LAIF	$ 3,456,476	$ 9,188,699
Cetera Investment Fund	6,059,110	-
Manulife Financial Corp. stock	140,114	113,106
Total	$ 9,655,700	$ 9,301,805

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 Federal Deposit Insurance Corporation (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, 2023 and 2022, $3,905,104 and $2,814,603, 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 has investments of $3,456,476 in Local Agency Investment Fund (LAIF) as of December 31, 2023. 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 average annual yield for the State's fiscal year ended June 30, 2023 was 2.170% and withdrawals require a one-day notice.

The District also owned 6,340 shares of Manulife Financial Corporation stock with a value of $140,114 and $113,106 at December 31, 2023 and 2022, respectively. The securities are held by Mellon Investors Services in the District's name. The District's investments as of December 31, 2023, are summarized below:

Investments	Maturity Year	0-1 Years Before Maturity	1-5 Years Before Maturity	Credit Rating
LAIF Investment Fund	2023	$ 3,456,476	-	N/A
Cetera Investment Fund	2023	6,059,110	-	N/A
Manulife Financial	2023	140,114	-	A

NOTE 3 – OTHER RECEIVABLES

Other receivables at December 31, 2023 and 2022 consist of the following:

	2023	2022
Friant Water Authority conveyance fees	$ -	$ 481,275
Flood control assistance	38,542	-
Yamasaki Farms	-	28,688
Other	77,537	49,973
Total	$ 116,079	$ 559,936

NOTE 4 – PREPAID EXPENSES

Prepaid expenses at December 31, 2023 and 2022 consist of the following:

	2023	2022
Water conveyance and storage	$ -	$ 7,234
Power	499,126	503,861
Insurance	36,622	42,854
Dues	24,646	27,894
Other	29,197	-
Total	$ 589,591	$ 581,843

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 is as follows:

	Balance 12/31/2022	Additions	Retirements	Transfers	Balance 12/31/2023
Capital assets, non-depreciable:					
Land	$ 1,783,416	$ -	$ -	$ -	$ 1,783,416
Right of way	560,212	-	-	-	560,212
Construction in progress	-	417,066	-	-	417,066
Total capital assets, non-depreciable	2,343,628	417,066	-	-	2,760,694
Capital assets, depreciable:					
Fish screen project	8,592,317	-	-	-	8,592,317
General property and equipment	30,033,933	735,719	(33,467)	-	30,736,185
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	848,577	16,290	-	-	864,867
Total capital assets, depreciable	40,500,230	752,009	(33,467)	-	41,218,772
Less accumulated depreciation	(12,507,134)	(989,826)	30,928	-	(13,466,032)
Total capital assets, depreciable, net	27,993,096	(237,817)	(2,539)	-	27,752,740
Total capital assets, net	$30,336,724	$ 179,249	$ (2,539)	$ -	$30,513,434

NOTE 5 – CAPITAL ASSETS, Continued

Capital assets activity for the year ended December 31, 2022 is as follows:

	Balance 12/31/2021	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

Total depreciation expense for the years 2023 and 2022 was $989,826 and $929,761, 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 2023 year was $1,453,993, of which $1,398,718 was covered by the pension plan. The total District payroll for the 2022 year was $1,438,560, of which $1,307,213 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, 2023 and December 31, 2022, were $27,833 and $32,041, 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.

The District is a named defendant 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, 2023 and 2022, the District paid $1,918,871 and $2,240,587 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, 2023 and 2022 was $4,882,473 and $6,370,412, respectively.

NOTE 10 – POST-RETIREMENT HEALTH INSURANCE, Continued

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, 2023 and 2022 were $143,328 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.

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%
Salary increases	3.32%
Healthcare cost trend rate	4.20 to 4.70% for Medical; 4.20 to 5.20% for Pharmacy; 3.00 to 3.50% for Dental; 3.00% 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.

NOTE 10 – POST-RETIREMENT HEALTH INSURANCE, Continued

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, 2023.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at January 1, 2023	$ 4,882,473	$ -	$ 4,882,473
Changes recognized for the measurement period:			
Service cost	104,242	-	104,242
Interest	211,871	-	211,871
Effect of economic/demographic gains or losses	(2,227,713)	-	(2,227,713)
Changes in assumptions	95,046	-	95,046
Employer contributions	-	143,328	(143,328)
Benefit payments	(143,328)	(143,328)	-
Net changes	(1,959,882)	-	(1,959,882)
Balance at December 31, 2023	$ 2,922,591	$ -	$ 2,922,591

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	$ 3,274,926	$ 2,992,591	$ 2,635,660

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	$ 2,608,253	$ 2,992,591	$ 3,309,238

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 Statements 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, 2023, is approximately $1,239,877.

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 – DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through July 8, 2024, 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, 2023

Last 10 Fiscal years*

	2023	2022	2021	2020	2019	2018
Net OPEB liability						
Service cost	$ 104,242	$ 136,666	$ 218,495	$ 218,495	$ 282,329	$ 282,329
Interest	211,871	217,151	130,106	159,844	206,238	112,515
Effect of economic/ demographic gains or losses	(2,227,713)	(1,157,302)	1,845,062	(1,285,555)	(227,705)	1,432,666
Change in assumptions	95,046	(556,559)	(872,641)	69,431	1,064,147	(1,051,595)
Benefit payments	(143,328)	(127,895)	(127,895)	(118,241)	(129,362)	(112,360)
Net change in net OPEB liability	(1,959,882)	(1,487,939)	1,193,127	(956,026)	1,195,647	663,555
Net OPEB liability - beginning	4,882,473	6,370,412	5,177,285	6,133,311	4,937,664	4,274,109
Net OPEB liability - ending	$2,922,591	$4,882,473	$6,370,412	$5,177,285	$6,133,311	$4,937,664
Covered payroll	$1,453,993	$1,438,560	$1,313,451	$1,216,615	$1,232,128	$1,234,115
Net OPEB liability (asset) as a % of covered payroll	201.00%	339.40%	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%	0.00%

* Fiscal year ended December 31, 2018 was the first year of implementation.

SUPPLEMENTARY INFORMATION

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

	2023	2022
Water Sales - Irrigation:		
Sales	$ 1,935,769	$ 2,581,390
Water contract Kasson	205,150	356,518
Outside District	121,881	293,587
Total Water Sales - Irrigation	$ 2,262,800	$ 3,231,495
Source of Water:		
Operating and maintenance	$ 34,978	$ 4,033
CVP water and CVP water rights fees	39,922	13,219
River water rights fees	20,655	5,873
Environmental reviews/studies	342,464	341,140
Supplemental water expenses	311,976	517,248
Transfer water CVP	44,227	-
Total Source of Water	$ 794,222	$ 881,513
Pumping:		
Pump tending	$ 128	$ 710
Pump house	84,951	74,580
Pump repairs	71,454	62,281
Panel & switch gear	65,499	36,152
Lift station (power)	1,934,151	2,181,636
Drain pump	19,352	27,076
Power lines	23,791	10,067
Security	415	941
Drainage wells and pumps, PR	1,043	204
Total Pumping	$ 2,200,784	$ 2,393,647
Transmission and Distribution:		
Supervision labor	$ 97,010	$ 117,157
Ditch tending	413,397	518,804
Kasson District repair	6,119	3,770
Lift canals	10,475	43,461
Canals and ditch repair	26,522	127,576
Structures repair	135,143	89,187
Weed and rodent control	294,458	195,457
Road right of way	66,516	51,748
Dust control	84,050	74,088
District maintenance yard	45,203	25,945
Vehicle expense	37,669	23,115
Tires and fuel	107,417	103,969
Trucks and tractors	8,053	11,837
Tools, equipment, and other	28,427	43,825
Power - office and shop	16,979	17,496
Kasson payroll	93,449	86,972
Total Transmission and Distribution	$ 1,470,887	$ 1,534,407

(Continued)

BANTA-CARBONA IRRIGATION DISTRICT
SUPPLEMENTAL OPERATING STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

	2023	2021
Administration and General:		
General manager	$ 176,175	$ 164,726
District officer	119,871	96,087
Clerical	43,653	35,534
Office supplies	76,271	105,370
Telephone	14,868	13,573
Property insurance	90,159	62,356
Safety costs	23,640	4,929
Pension fund	27,833	32,041
Employee benefits	799,052	760,737
OPEB expense	(1,959,882)	(1,487,939)
Workers' compensation	54,281	33,856
Personnel general	7,596	9,461
Vacation and sick leave	133,241	185,763
Longevity pay	8,458	11,748
Taxes and license	13,601	20,121
Flood control	39,018	270
Other	48,902	40,446
Director's fees	9,600	10,100
District officer expense	25,672	27,229
Legal and audit	162,719	78,286
Janitorial	3,996	4,299
Water conservation	6,684	17,856
Association dues	32,670	40,485
Rainy days	12,039	1,989
Total Administration and General	$ (29,883)	$ 269,323
Fish Screen:		
Payroll	$ -	$ 12,269
Maintenance	27,260	7,009
Total Fish Screen	$ 27,260	$ 19,278

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2023 and 2022

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:

$ 5,152,289	+	$ 4,679,528	/ 2 =	$ 4,915,908	
(Prior year cost of services)		(Current year cost of services)		(average cost of services)	
49,422	+	36,506	/ 2 =	42,964	
(Prior year total acre feet)		(Current year total acre feet)		(average acre-feet delivered)	
Average cost of service rate	=	$5,888,209 / 42,964	=	$ 114.42	per acre-foot

Summary of Amounts Used in Calculations

Acre-Feet of Water Delivered:	2023	2022
Inside	29,714	39,607
Outside	821	1,966
Kasson	5,971	7,849
Total Acre-Feet of Water Delivered	36,506	49,422

Costs:	2023	2022
Pumping	$ 2,200,783	$ 2,393,647
Transmission and Distribution	1,470,886	1,534,407
Administrative and General	(29,883)	269,323
Fish Screen	27,260	19,278
Depreciation	989,826	929,761
Water Rights Fees – River	20,655	5,873
Total Costs	$ 4,679,528	$ 5,152,289

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 8, 2024.

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 2023-01, 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
July 8, 2024

BANTA-CARBONA IRRIGATION DISTRICT
Schedule of Findings and Responses
December 31, 2023 and 2022

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 2023-01

Significant Audit Adjustments and Year-End Closing

Criteria

There was a significant number of audit adjustments needed to produce GAAP-compliant financial statements. 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 several material 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.

Repeat Finding

This is a repeat finding from 2022 that has been partially corrected. There has been stability and growth within the management roles. A formal set of documented policies and procedures for year-end closing has not yet been adopted.

Context

The District is lacking controls over year-end closing processes, monitoring and evaluation of estimates, and accounting over long-term transactions to mitigate the risk of misstatement over key balances.

SECTION II – FINANCIAL STATEMENT FINDINGS, CONTINUED

Cause

There is no documented process for formally closing the books and reviewing year-end balances in accordance with GAAP. Current management is recovering from previous turnover where the processes for identifying year-end accruals needed was not being documented.

Effect of condition

There were significant audit adjustments that may have had an impact on the financial and operational decisions made during the course of the year.

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 continued training and monitoring for compliance within the roles fulfilling financial responsibilities.

Views of responsible officials and planned corrective actions

Management has recently filled the role 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, she has improved upon the process of integrating the books with our audited figures. Additionally, the District continues to involve the General Manager and Board of Directors in reviewing financial reports. Finally, the District is still currently working on a more comprehensive policies and procedures handbook.

SECTION III - STATUS OF PRIOR YEAR FINDINGS

Finding 2023-01 is a repeat finding of 2022-01 after the District made partial corrections. There has been no significant turnover within management or governance in 2023, but policies and practices over GAAP-compliant year-end closing procedures are still being worked on.