FECHTER & COMPANY
Certified Public Accountants

BANTA – CARBONA IRRIGATION DISTRICT

Financial Report
With
Independent Auditor's Report Thereon

December 31, 2025 and 2024, Restated

BANTA-CARBONA IRRIGATION DISTRICT
Financial Report
December 31, 2025 and 2024, Restated

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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 Banta-Carbona Irrigation District as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise 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 Banta-Carbona Irrigation District, as of December 31, 2025 and 2024, as restated, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

As discussed in Note 15 to the financial statements, Banta-Carbona Irrigation District has restated its December 31, 2024 financial statements to correct errors in the accounting for prepaid expenses and accounts receivable. Our opinion is not modified with respect to this matter.

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 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.

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Responsibilities of Management for the Financial Statements, continued

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 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.

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 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 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, as listed under the Table of Contents, 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 Banta-Carbona Irrigation District's basic financial statements. The accompanying 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 July 8, 2026, on our consideration of 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 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

Sacramento, California
July 8, 2026

Management's Discussion and Analysis (Unaudited)

This discussion and analysis provided by Management of Banta-Carbona Irrigation District (the District) provides an overview of the District's financial activities for the years ended December 31, 2025 and 2024. Please read it in conjunction with the District's Financial Statements and Independent Auditor's report for the years ended December 31, 2025 and 2024.

Reporting on the District as a Whole

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 are the District's condensed Statements of Net Position and the respective changes in balances:

	2025	2024, Restated	$ Difference	% Difference
Current and other assets	$ 12,566,725	$ 15,250,545	$(2,683,820)	-18%
Capital assets	43,257,975	33,678,234	9,579,741	28%
Total assets	55,824,700	48,928,779	6,895,921	14%
Current liabilities	1,363,234	975,388	387,846	40%
Non-current liabilities	3,452,947	3,214,189	238,758	7%
Deferred inflows of resources	-	72,957	(72,957)	100%
Total liabilities	4,816,181	4,262,534	553,647	13%
Net investment in capital assets	43,257,975	33,678,234	9,579,741	28%
Unrestricted	7,750,544	10,988,011	(3,237,467)	-29%
Total net position	$ 51,008,519	$ 44,666,245	$ 6,342,274	14%

	2024, Restated	2023	$ Difference	% Difference
Current and other assets	$ 15,250,545	$ 14,775,639	$ 474,906	3%
Capital assets	33,678,234	30,513,434	3,164,800	10%
Total assets	48,928,779	45,289,073	3,639,706	8%
Current liabilities	975,388	1,490,472	(515,084)	-35%
Non-current liabilities	3,214,189	2,922,591	291,598	10%
Deferred inflows of resources	72,957	-	72,957	100%
Total liabilities	4,262,534	4,413,063	(150,529)	-3%
Net investment in capital assets	33,678,234	30,513,434	3,164,800	10%
Unrestricted	10,988,011	10,362,576	625,435	6%
Total net position	$ 44,666,245	$ 40,876,010	$ 3,790,235	9%

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 are the District's condensed Statements of Revenues, Expenses, and Changes in Net Position and respective changes in balances:

	2025	2024, Restated	$ Difference	% Difference
Operating revenues	$ 4,280,332	$ 7,715,813	$ (3,435,481)	-45%
Operating expenses	8,362,399	7,978,503	383,896	5%
Operating loss	(4,082,067)	(262,690)	(3,819,377)	1454%
Non-operating revenues	10,424,341	4,277,159	6,147,182	144%
Change in net position	6,342,274	4,014,469	2,327,805	58%
Beginning net position, restated	44,666,245	40,651,776	4,014,469	10%
Ending net position	$ 51,008,519	$ 44,666,245	$ 6,342,274	14%

	2024, Restated	2023	$ Difference	% Difference
Operating revenues	$ 7,715,813	$ 5,512,800	$ 2,203,013	40%
Operating expenses	7,978,503	5,231,406	2,747,097	53%
Operating (loss) income	(262,690)	281,394	(544,084)	-193%
Non-operating revenues	4,277,159	2,493,834	1,783,325	72%
Change in net position	4,014,469	2,775,228	1,239,241	45%
Beginning net position	40,651,776	38,100,782	2,550,994	7%
Ending net position, restated	$ 44,666,245	$ 40,876,010	$ 3,790,235	9%

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 $6,342,274, resulting in an ending balance of $51,008,519 for the year ended December 31, 2025. For the year ended December 31, 2024, the District's total net position increased by $4,014,469, resulting in an ending balance of $44,666,245.

For comparative purposes, this MD&A presents condensed financial information for the current fiscal year and the two preceding fiscal years. Due to the prior period adjustment, amounts for 2023 are not directly comparable to the amounts reported for 2024 and 2025. See Note 13 to the financial statements for a description of the prior period adjustment and its effect on beginning net position.

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 2025 are $12,752,406 and the current liabilities are $1,363,234 resulting in a current ratio of 9.2 for the year ending December 31, 2025, as compared to a current ratio of 13.1 for the previous year, 2024.

Business-type Activities

Operating revenues of the District's water sales decreased by approximately $3.4M from 2024 to 2025. The decrease was due primarily to the delayed renewal of the District's Warren Act Contract authorizing supplemental water sales in 2025.

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. One project has been authorized for upgrading the two electric substations from 2.4 kV to 12.47 kV. Significant capital projects will continue through 2026.

Economic Factors and Next Year's Budget and Rates

It is expected that in 2026 electric power costs could continue to increase. The District is investing a large capital project to upgrade its electric distribution system from 2.4 kV to 12.47 kV, which 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, 2025 and 2024, Restated

	2025	2024, Restated
Assets		
Current Assets:		
Cash and investments	$ 10,871,509	$ 14,071,120
Receivables:		
Service charges	613,025	293,125
Standby charges	68,793	74,032
Taxes	23,081	37,349
Leases	-	60,809
Other	82,991	150,873
Prepaid expenses	907,326	563,237
Total current assets	12,566,725	15,250,545
Capital Assets, Net	43,257,975	33,678,234
Total Assets	55,824,700	48,928,779
Liabilities		
Current Liabilities:		
Accounts payable	629,760	256,519
Unearned revenue	568,396	664,068
Compensated absences, current portion	95,508	-
Wages payable	69,569	54,801
Total current liabilities	1,363,234	975,388
Long-Term Liabilities:		
Compensated absences, net of current portion	95,508	199,343
Other post-employment benefits	3,357,439	3,014,846
Total Liabilities	4,816,181	4,189,577
Deferred Inflows of Resources		
Lease related	-	72,957
Net Position		
Net investment in capital assets	43,257,975	33,678,234
Unrestricted	7,750,544	10,988,011
Total Net Position	$ 51,008,519	$ 44,666,245

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, 2025 and 2024, Restated

	2025	2024, Restated
Operating Revenues:		
Water sales - irrigation	$ 4,280,332	$ 4,465,813
Supplemental water sales	-	3,250,000
Total operating revenues	4,280,332	7,715,813
Operating Expenses:		
Sources of water	918,388	917,667
Pumping	1,638,089	2,292,574
Transmission and distribution	1,789,897	1,569,540
Administration and general	2,503,673	1,996,225
Fish screen	33,796	14,381
Depreciation	1,478,557	1,188,116
Total operating expenses	8,362,400	7,978,503
Operating income (loss)	(4,082,068)	(262,690)
Non-Operating Revenues (Expenses):		
Standby charges	222,282	222,241
Interest income	350,371	177,333
County tax allocation	308,655	262,198
Contract/lease revenue	2,722,825	1,850,900
Grant revenue	6,176,501	236,839
Gain (Loss) on sale of assets	9,802	13,756
Other	524,151	1,158,540
Net increase in the value of investments	109,754	355,352
Total non-operating revenues	10,424,341	4,277,159
Change in net position	6,342,273	4,014,469
Beginning net position	44,666,245	40,876,010
Correction of error	-	(224,234)
Beginning net position - restated	44,666,245	40,651,776
Ending net position	$ 51,008,519	$ 44,666,245

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, 2025 and 2024, Restated

	2025	2024, Restated
Cash flows from operating activities:		
Cash received from customers	$ 3,864,760	$ 7,234,156
Cash paid to suppliers	(4,911,493)	(5,391,435)
Cash paid to employees	(1,589,435)	(1,477,480)
Net cash (used) provided by operating activities	(2,636,167)	365,241
Cash flows from non-capital financing activities:		
Standby charges	227,521	225,330
County tax allocation	322,923	258,109
Contract/lease revenue	2,783,634	1,850,900
Grant revenue	6,176,501	236,839
Other	524,151	1,103,970
Net cash provided by non-capital financing activities	10,034,730	3,675,148
Cash flows from capital and related financing activities:		
Purchase of capital assets	(11,058,298)	(4,360,860)
Net cash used by capital and related financing activities	(11,058,298)	(4,360,860)
Cash flows from investing activities:		
Investment income received	460,125	580,687
Net cash provided by investing activities	460,125	580,687
Net (decrease) increase in cash and cash equivalents	(3,199,610)	260,216
Cash and cash equivalents, beginning of year	14,071,120	13,810,904
Cash and cash equivalents, end of year	$ 10,871,509	$ 14,071,120

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, 2025 and 2024, Restated

	2025	2024, Restated
Reconciliation of operating income to net cash (used) provided by operating activities:		
Operating loss	$ (4,082,068)	$ (262,690)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:		
Depreciation and amortization	1,478,557	1,188,116
Changes in assets and liabilities:		
Accounts receivable	(319,900)	(489,812)
Note receivable	-	(60,809)
Other receivable	-	(82,077)
Prepaid expenses	(343,769)	223,042
Accounts payable	369,323	(402,455)
Unearned revenue	(95,672)	151,041
Payroll liabilities	14,768	8,630
Other postemployment benefits asset/liability	342,593	92,255
Net cash (used) provided by operating activities	$ (2,636,167)	$ 365,241

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 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 Statements 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 Statements 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, and all amounts are expected to be collected within one year.

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 net liabilities and deferred inflows of resources. 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 Governmental Accounting Standards Board (GASB) statement No. 20, paragraph 7, the District has selected consistently to follow GASB pronouncements over any conflicting Financial Accounting Standards Board (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:

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

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.

Note 1 – Summary of Accounting Policies, Continued

E. Property Taxes and 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.

The District also levies annual benefit assessments on real property within its boundaries to finance water operations. By statute, the full amount of the annual assessment becomes a lien on the related property on March 1 of each year (California Water Code Section 25925). Assessment bills are mailed in November and are payable in two installments, with the first installment due December 20 and the second installment due June 20; unpaid installments become delinquent and are subject to statutory penalties. Delinquent assessments constitute tax liens with priority over other liens and may ultimately be enforced through foreclosure and sale proceedings as provided by the California Water Code.

Note 2 – Cash and Investments

Cash and investments at December 31, 2025 and 2024 consisted of the following:

	2025	2024
Petty cash	$ 100	$ 100
Deposits with financial institutions	1,187,760	3,082,949
Investments	9,683,649	10,988,071
Total	$ 10,871,509	$ 14,071,120

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

	2025	2024
LAIF	$ 8,679,560	$ 57,666
Cetera Investment Fund	1,004,089	10,930,405
Total	$ 9,683,649	$ 10,988,071

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, 2025 and 2024, the District carried balances of $937,760 and $2,832,949, respectively, that exceeded FDIC. These excess amounts are collateralized as required by California law for public agencies.

Note 2 – Cash and Investments, Continued

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 No. 3, *Deposits with Financial Institutions, Investment, and Reverse Purchase Agreements.* The District has investments of $8,679,560 in Local Agency Investment Fund (LAIF) as of December 31, 2025. 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, 2025 was 4.411% and withdrawals require a one-day notice.

The District's investments as of December 31, 2025 and 2024, are summarized below:

2025 Investments	Maturity Year	0-1 Years Before Maturity	1-5 Years Before Maturity	Credit Rating
LAIF Investment Fund	2025	$ 8,679,560	-	N/A
Cetera Investment Fund	2025	$ 1,004,089	-	N/A

2024 Investments	Maturity Year	0-1 Years Before Maturity	1-5 Years Before Maturity	Credit Rating
LAIF Investment Fund	2024	$ 57,666	-	N/A
Cetera Investment Fund	2024	$ 10,930,405	-	N/A

Note 3 – Prepaid Expenses

Prepaid expenses at December 31, 2025 and 2024 consisted of the following:

	2025	2024, Restated
Water conveyance and storage	$ 70,135	$ 3,192
Power	732,498	435,630
Insurance	62,472	61,779
Dues	2,617	25,285
Other	39,604	37,351
Total	$ 907,326	$ 563,237

Note 4 – Unearned Revenues

Unearned revenues at December 31, 2025 and 2024 consisted of the following:

	2025	2024
Rent income	$ 66,992	$ 82,077
Standby charges	222,291	222,282
Prepaid customer accounts - water sales	279,113	359,709
Total	$ 568,396	$ 664,068

Note 5 – Capital Assets

Capital assets activity for the years ended December 31, 2025 and 2024 is as follows:

	Balance 12/31/2024	Additions	Retirements	Transfers	Balance 12/31/2025
Capital assets, non-depreciable:					
Land	$ 1,783,416	$ 109,040	$ -	$ -	$ 1,892,456
Right-of-way	600,859	-	-	-	600,859
Construction-in-progress	-	760,200	-	-	760,200
Total capital assets, non-depreciable	2,384,275	869,240	-	-	3,253,515
Capital assets, depreciable:					
Fish screen project	8,592,317	-	-	-	8,592,317
General property and equipment	35,348,581	10,189,058	(137,218)	-	45,400,421
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	864,867	-	-	-	864,867
Total capital assets, depreciable	45,831,168	10,189,058	(137,218)	-	55,883,008
Less accumulated depreciation	(14,537,209)	(1,478,557)	137,218	-	(15,878,548)
Total capital assets, depreciable, net	31,293,959	8,710,501	-	-	40,004,460
Total capital assets, net	$33,678,234	$ 9,579,741	$ -	$ -	$43,257,975

	Balance 12/31/2023	Additions	Retirements	Transfers	Balance 12/31/2024
Capital assets, non-depreciable:					
Land	$ 1,783,416	$ -	$ -	$ -	$ 1,783,416
Right-of-way	560,212	40,647	-	-	600,859
Construction-in-progress	417,066	-	-	(417,066)	-
Total capital assets, non-depreciable	2,760,694	40,647	-	(417,066)	2,384,275
Capital assets, depreciable:					
Fish screen project	8,592,317	-	-	-	8,592,317
General property and equipment	30,736,186	4,320,213	(124,884)	417,066	35,348,581
PL 984 project	1,025,403	-	-	-	1,025,403
Buildings	864,867	-	-	-	864,867
Total capital assets, depreciable	41,218,773	4,320,213	(124,884)	417,066	45,831,168
Less accumulated depreciation	(13,466,033)	(1,188,116)	116,940	-	(14,537,209)
Total capital assets, depreciable, net	27,752,740	3,132,097	(7,944)	417,066	31,293,959
Total capital assets, net	$30,513,434	$ 3,172,744	$ (7,944)	$ -	$33,678,234

Total depreciation expense for the years ended December 31, 2025 and 2024 was $1,478,557 and $1,188,116, 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. 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, 2025 and December 31, 2024, were $34,657 and $29,628, 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 – Commitments and Contingencies

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, workers' 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, 2025 and 2024, the District paid $1,426,834 and $1,796,246 in fees to the PWRPA, respectively. The District may withdraw from the PWRPA at any time.

Note 10 – Lease Receivable

The District leases real property to a local farm operation, currently under contract from January 1, 2024 through December 31, 2026. There is an option to extend the lease for a period of 3 years, though that option period is not included in the lease term for measurement because the exercise was not considered reasonably certain at lease commencement. This option was ultimately executed by the lessee in January 2026, which will result in a qualifying change under GASB 87 to require remeasurement in 2026.

Note 10 – Lease Receivable, Continued

The tenant pays the District $400 per farmable acre, resulting in an annual payment at the beginning of each year of $76,116. An interest rate of 4.330% was used as an estimate based on the US Department of the Treasury par yield on a 2-year treasury bond as of 1/2/2024 when calculating the present value of future non-variable rental payments to be received.

During the year ended December 31, 2025, the District recognized $76,116 in rental income, comprised of $72,956 in principal and $3,160 in interest. The District also received $2,979 in variable payments for the Southern Delta Water Agency, San Joaquin County, and Mosquito and Vector Control assessments, which are based on annually-assessed pass-through charges allocable to the lease acreage and are recognized as earned.

During the year ended December 31, 2024, the District recognized $76,116 in rental income, comprised of $69,929 in principal and $6,187 in interest, and received $2,838 in variable payments for the Southern Delta Water Agency, San Joaquin County, and Mosquito and Vector Control assessments.

Note 11 – Post-Retirement Health Insurance

Plan Description – In addition to the pension benefits described in Note 5, the District provides post-retirement health care insurance to all employees who retire from the District on or after attaining age 65 with at least 15 years of service. 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, 2025 and 2024 was $3,357,439 and $3,014,846, respectively.

Note 11 – 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, 2025 and 2024 were $170,797 and $143,328, respectively.

The District's net OPEB liability was measured as of December 31, 2024, 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	4.43%
Salary increases	3.00%
Healthcare cost trend rate	4.10 to 5.80% for Medical; 4.10 to 11.70% 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. The Mortality Table is 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, 2024.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at January 1, 2024	$ 3,014,846	$ -	$ 3,014,846
Changes recognized for the measurement period:			
Service cost	69,357	-	69,357
Interest	127,945	-	127,945
Effect of economic/demographic gains or losses	393,417	-	393,417
Changes in assumptions	(56,439)	-	(56,439)
Employer contributions	-	191,687	(191,687)
Benefit payments	(191,687)	(191,687)	-
Net changes	342,593	-	342,593
Balance at December 31, 2024	$ 3,357,439	$ -	$ 3,357,439

Note 11 – 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 (3.28 percent) or 1 percentage point higher (5.28 percent) than the current discount rate:

	1% Decrease 3.43%	Discount Rate 4.43%	1% Increase 5.43%
District's net OPEB liability	$ 3,770,771	$ 3,357,439	$ 3,022,275

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	$ 2,989,164	$ 3,357,439	$ 3,815,898

Note 12 – Commitments

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, 2025 and 2024, was approximately $1,062,079 and $1,168,766, respectively.

The District does not have any outstanding commitments for current ongoing construction contracts.

Note 13 – Compensated Absences Liability

The District provides compensated absences in the form of vacation and sick leave benefits to eligible employees. Vacation and sick leave are accrued based on employee tenure in accordance with the District's personnel policies and employment arrangements. Accrued vacation leave generally is payable upon separation from service, and accrued sick leave may be paid upon separation or used by employees, as applicable under the District's policies. Accordingly, the liability for compensated absences reflects amounts for leave that are more likely than not to be paid in cash or settled through leave use, based on the terms of the District's policies and management's estimate of the amounts expected to be paid upon separation or used.

Note 13 – Compensated Absences Liability, Continued

The District measures its compensated absences liability in accordance with GASB Statement No. 101, *Compensated Absences*. The liability is measured using pay and salary rates in effect as of December 31, 2025 and December 31, 2024, respectively, and includes salary-related payments that are directly and incrementally associated with payments for compensated absences, as applicable. Management has evaluated rolling usage over a span of time to estimate approximately 50% of the calculated liability is likely to be used within 12 months starting in 2025.

Changes in the District's compensated absences liability for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Beginning balance	$ 199,343	$ 230,686
Net (decrease) in compensated absences liability	(8,327)	(31,343)
Ending balance	$ 191,016	$ 199,343
Amount due within one year	$ 95,508	$ 199,343

Note 14 – Related Party Transactions

During the normal course of business, the District sold water during both years to local farms within the District boundaries that are owned by board members. These farms were billed in accordance with the District's standard rates including $8,104 in assessments and $218,327 in water sales for a total of $225,288.

Note 15 – Error Corrections

After reviewing closing entries for 2025, management identified $27,547 in prepaid expense that should have been amortized in a preceding year. Additional procedures identified that $196,687 of taxes receivable were stale-dated and already collected. These amounts were reversed in the earliest period presented in accordance with GASB 100, resulting in the restatement of 2024 by reducing current assets and net position by a total of $224,234 as of December 31, 2023. There were no impacts on the change in net position for the year ended December 31, 2024 as previously reported. The reconciliation of these adjustments to balances as previously reported is as follows:

	2024 Restatement
Beginning net position	$ 40,876,010
Decrease in prepaid expense	(27,547)
Decrease in taxes receivable	(196,687)
Net correction of error	(224,234)
Beginning net position, restated	$ 40,651,776

Note 16 – Subsequent Events

Management has evaluated subsequent events through July 8, 2026, the date which the financial statements were available to be issued. In January, 2026, the District's tenant leasing land as described in Note 9 executed an option to extend the lease term for a period of three years. The conditions of the lease remained unmodified except for the new termination date of December 31, 2028.

Required Supplementary Information

BANTA-CARBONA IRRIGATION DISTRICT
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
December 31, 2025

Last 10 Fiscal years*

	2025	2024	2023	2022	2021
Net OPEB liability					
Service cost	$ 69,357	$ 72,468	$ 104,242	$ 136,666	$ 218,495
Interest	127,945	116,420	211,871	217,151	130,106
Effect of economic/ demographic gains or losses	393,417	168,584	(2,227,713)	(1,157,302)	1,845,062
Change in assumptions	(56,439)	(94,420)	95,046	(556,559)	(872,641)
Benefit payments	(191,687)	(170,797)	(143,328)	(127,895)	(127,895)
Net change in net OPEB liability	342,593	92,255	(1,959,882)	(1,487,939)	1,193,127
Net OPEB liability - beginning	3,014,846	2,922,591	4,882,473	6,370,412	5,177,285
Net OPEB liability - ending	$ 3,357,439	$ 3,014,846	$ 2,922,591	$ 4,882,473	$ 6,370,412
Covered payroll	$ 1,604,203	$ 1,486,110	$ 1,453,993	$ 1,438,560	$ 1,313,451
Net OPEB liability (asset) as a % of covered payroll	209.29%	202.87%	201.00%	339.40%	485.01%
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

	2020	2019	2018
Net OPEB liability			
Service cost	$ 218,495	$ 282,329	$ 282,329
Interest	159,844	206,238	112,515
Effect of economic/ demographic gains or losses	(1,285,555)	(227,705)	1,432,666
Change in assumptions	69,431	1,064,147	(1,051,595)
Benefit payments	(118,241)	(129,362)	(112,360)
Net change in net OPEB liability	(956,026)	1,195,647	663,555
Net OPEB liability - beginning	6,133,311	4,937,664	4,274,109
Net OPEB liability - ending	$ 5,177,285	$ 6,133,311	$ 4,937,664
Covered payroll	$ 1,232,128	$ 1,232,128	$ 1,234,115
Net OPEB liability (asset) as a % of covered payroll	420.19%	497.78%	400.10%
Plan fiduciary net position as a % of the total OPEB liability	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, 2025 and 2024, Restated

	2025	2024
Water Sales - Irrigation:		
Sales	$ 2,328,715	$ 2,160,148
Water contract Kasson	265,824	246,738
Outside District	203,010	170,406
Transfer water	1,482,783	1,888,521
Total Water Sales - Irrigation	$ 4,280,332	$ 4,465,813
Source of Water:		
Operating and maintenance	$ 24,574	$ 124,755
CVP water and CVP water rights fees	63,957	28,612
River water rights fees	15,470	14,743
Environmental reviews/studies	194,401	334,085
Supplemental water expenses	5,000	9,003
Transfer water CVP	614,986	406,469
Total Source of Water	$ 918,388	$ 917,667
Pumping:		
Pump tending	$ -	$ -
Pump house	62,882	233,212
Pump repairs	134,751	96,529
Panel & switch gear	96,294	43,386
Lift station (power)	1,268,282	1,907,814
Drain pump	60,664	15,830
Power lines	11,358	(4,468)
Security	3,858	271
Total Pumping	$ 1,638,089	$ 2,292,574
Transmission and Distribution:		
Supervision labor	$ 105,031	$ 101,938
Ditch tending	532,933	499,667
Kasson District repair	2,554	2,634
Lift canals	233,553	170,814
Canals and ditch repair	71,726	42,120
Structures repair	25,545	31,684
Weed and rodent control	348,330	199,738
Road right of way	36,594	55,855
Dust control	87,745	88,099
District maintenance yard	47,423	29,560
Vehicle expense	32,552	25,986
Tires and fuel	105,630	108,869
Trucks and tractors	15,259	42,293
Tools, equipment, and other	27,071	52,202
Power - office and shop	18,289	19,564
Kasson payroll	99,662	98,517
Total Transmission and Distribution	$ 1,789,897	$ 1,569,540

(Continued)

BANTA-CARBONA IRRIGATION DISTRICT
Supplemental Operating Statements
For the Years Ended
December 31, 2025 and 2024, Restated

	2025	2024
Administration and General:		
General manager	$ 190,409	$ 184,894
District officer	92,299	78,750
Clerical	73,434	53,591
Office supplies	83,254	70,059
Telephone	14,904	13,711
Property insurance	97,355	71,345
Safety costs	39,272	42,537
Pension fund	34,657	29,628
Employee benefits	1,013,162	926,831
OPEB expense	342,593	92,255
Workers' compensation	48,074	51,942
Personnel general	3,347	4,129
Vacation and sick leave	191,548	133,239
Longevity pay	4,230	5,537
Taxes and license	19,251	11,497
Flood control	1,244	2,658
Other	6,354	14,728
Director's fees	7,200	8,000
District officer expense	48,729	41,174
Legal and audit	99,239	104,818
Janitorial	5,103	5,125
Water conservation	11,793	6,613
Association dues	65,773	29,577
Rainy days	6,985	13,587
Total Administration and General	$ 2,503,673	$ 1,996,225
Fish Screen:		
Maintenance	$ 33,796	$ 14,381
Total Fish Screen	$ 33,796	$ 14,381

BANTA-CARBONA IRRIGATION DISTRICT
Cost of Service Rate Report
December 31, 2025 and 2024, Restated

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:

$ 7,075,579	+	$ 7,459,482	/ 2	=	$ 7,267,530	
(Prior year cost of services, restated)		(Current year cost of services)			(average cost of services)	

41,160	+	44,348	/ 2	=	42,754	
(Prior year total acre feet)		(Current year total acre feet)			(average acre-feet delivered)	

Average cost of service rate	=	$7,267,530 / 42,754		=	$ 169.98	per acre-foot

Summary of Amounts Used in Calculations

Acre-Feet of Water Delivered:	2025	2024
Inside	35,808	33,140
Outside	1,355	1,154
Kasson	7,185	6,866
Total Acre-Feet of Water Delivered	44,348	41,160

Costs:	2025	2024
Pumping	$ 1,638,089	$ 2,292,574
Transmission and Distribution	1,789,897	1,569,540
Administrative and General	2,503,673	1,996,225
Fish Screen	33,796	14,381
Depreciation	1,478,557	1,188,116
Water Rights Fees – River	15,470	14,743
Total Costs	$ 7,459,482	$ 7,075,579

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 year ended December 31, 2025, 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, 2026.

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 of 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. However, material weaknesses or significant deficiencies may exist that were not identified.

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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.*

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

Sacramento, California
July 8, 2026