

DELTA FARMS RECLAMATION DISTRICT NO. 2027
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Delta Farms Reclamation District No. 2027
Mandeville Island, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and general fund of Delta Farms Reclamation District No. 2027 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 modified cash basis financial position of the governmental activities and general fund of Delta Farms Reclamation District No. 2027, as of June 30, 2025, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

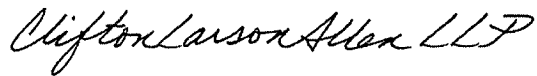
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 GAAS 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 GAAS, 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 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 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.



CliftonLarsonAllen LLP

Roseville, California
November 5, 2025

Delta Farms Reclamation District No. 2027

**Statement of Net Position – Modified Cash Basis
June 30, 2025**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	
Unrestricted	<u>\$ 84,922</u>
Total assets	<u>84,922</u>
Net Position	
Unrestricted	<u>84,922</u>
Total net position (deficit)	<u><u>\$ 84,922</u></u>

See accompanying Notes to the Financial Statements.

Delta Farms Reclamation District No. 2027

Statement of Activities – Modified Cash Basis For the Year Ended June 30, 2025

	Cash		Program		Net
	Disbursements	Charges for	Cash Receipts	Capital Grants	(Disbursements)
		Service	Operating	and	Receipts and
			Grants and	Contributions	Changes in
			Contributions		Net Position
Governmental Activities					
Operations	\$ 966,414	\$ 2,594,000	\$ -	\$ --	\$ 1,627,586
Capital outlay	832,998	--	--		(832,998)
Net program disbursements					<u>794,588</u>
General Receipts					
Interest					374
Other					<u>104,493</u>
Total general receipts					<u>104,867</u>
Change in net position					899,455
Net position (deficit), beginning of period					<u>(814,533)</u>
Net position (deficit), end of period					<u>\$ 84,922</u>

See accompanying Notes to the Financial Statements.

Delta Farms Reclamation District No. 2027

**Governmental Funds Balance Sheet – Modified Cash Basis
June 30, 2025**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	
Unrestricted	<u>\$ 84,922</u>
Total assets	<u><u>\$ 84,922</u></u>
Fund Balances	
Unassigned	<u>\$ 84,922</u>
Total fund balances	<u><u>\$ 84,922</u></u>

See accompanying Notes to the Financial Statements.

Delta Farms Reclamation District No. 2027

Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis
For the Year Ended June 30, 2025

	<u>General Fund</u>
Revenues	
Property assessments	\$ 2,594,000
Other	104,493
Interest	<u>374</u>
Total revenues	<u>2,698,867</u>
Expenditures	
Operations	
Levee and bridge repairs and maintenance	297,667
Utilities	297,900
Salaries, wages, and employee benefits	105,782
Engineering	29,942
Legal and accounting fees	15,030
Office expense	4,772
Insurance	820
Debt Service	
Principal	1,000,000
Interest	214,501
Capital outlay	<u>832,998</u>
Total expenditures	<u>2,799,412</u>
Operating Income	<u>(100,545)</u>
Net change in fund balance	(100,545)
Modified cash basis fund balance, beginning of year	<u>185,467</u>
Modified cash basis fund balance, end of year	<u><u>\$ 84,922</u></u>

See accompanying Notes to the Financial Statements.

Delta Farms Reclamation District No. 2027

Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of
Governmental Funds – Modified Cash Basis to the Government-Wide Statement of Activities -
Modified Cash Basis
For the Year Ended June 30, 2025

Net change in fund balance - governmental funds \$ (100,545)

Amounts reported for governmental activities in the statement
of activities are different because:

Retirement of registered warrants uses current resources of
governmental funds, but reduces debt and long-term liabilities
in the statement of net position

1,000,000

Change in net position of governmental activities

\$ 899,455

See accompanying Notes to the Financial Statements.

Delta Farms Reclamation District No. 2027

Notes to the Financial Statements June 30, 2025

Note A – Summary of Significant Accounting Policies

This summary of significant accounting policies of Delta Farms Reclamation District No. 2027 (the District) is presented to assist in understanding the District's financial statements.

Description of the Reporting Entity

The District was formed on March 21, 1918, under Section 50000 of the California State Water Code to provide drainage, irrigation and complete reclamation of lands within District boundaries. The District is comprised of two landowners and is governed by a three-member Board of Trustees, each elected by the landowners to a four-year term.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all cash receipts and disbursements activity, except for the principal portion of registered warrants arising from cash transactions. These statements are on the modified cash basis which is different than accounting principles generally accepted in the United States of America.

The statement of activities demonstrates the degree to which cash disbursements, with the exception of the principal portion of registered warrants, of a given function or segment are offset by program cash receipts. Cash disbursements are those that are clearly identifiable with a specific function or segment. Program cash receipts include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other receipts not classified as program receipts are presented as general receipts.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Equity in the government-wide statements is classified as net position and displayed in two components as follows:

- a. Restricted – Consists of restricted assets reduced by liabilities with restrictions placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. The District did not have any restricted net position as of June 30, 2025.
- b. Unrestricted – The total net position that does not meet the definition in the preceding category.

Delta Farms Reclamation District No. 2027

Notes to the Financial Statements June 30, 2025

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of one major fund as follows.

General fund (major) – This fund is established to account for resources devoted to financing the general services that the District performs. State assistance and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the District for which a separate fund has not been established.

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned – Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Trustees, District manager or their designee.

Unassigned – Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The District only had unassigned fund balance as of June 30, 2025.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Delta Farms Reclamation District No. 2027

Notes to the Financial Statements

June 30, 2025

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modification to the cash basis of accounting to report in the statement of net position cash transactions that result in an obligation that covers a period greater than the period in which the cash transaction occurred. Accordingly, long-term liabilities (principal portion of registered warrants), arising from cash transactions have been reported in the statement of net position.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements, with the exception of long-term liabilities (principal portion of registered warrants) arising from cash transactions. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event (such as donated assets and postemployment benefit obligations) are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

Budgetary Accounting

The District does not utilize formal budgetary procedures and is not required to adopt such procedures by law. Accordingly, budgetary comparison information is not required or presented.

Demand Warrants

The District is authorized under the California State Water Code to issue demand warrants.

Assessments

Assessments are levied at the discretion of the Board of Trustees.

Concentrations

The District is comprised of two landowners whose shares represent 100% of the total assessed valuation of District land.

Delta Farms Reclamation District No. 2027

Notes to the Financial Statements June 30, 2025

Note B – Cash and Cash Equivalents

Cash and cash equivalents of the District as of June 30, 2025, consist of the following:

	Carrying Amount	Bank Balance	Amortized Cost
Deposits			
Insured (FDIC)	<u>\$ 77,294</u>	<u>\$ 77,294</u>	
Investments in external investment pool			
San Joaquin County Treasurer	<u>\$ 7,628</u>		<u>\$ 7,628</u>

Cash on deposit in commercial accounts is insured by the Federal Deposit Insurance Corporation. Cash held by the San Joaquin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.sjgov.org/treasurer/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at amortized cost which approximates fair value, available upon demand and considered cash equivalents. The District does not maintain a formal investment policy.

Note C – Registered Warrants Payable (Direct Borrowing)

The District's registered warrants (direct borrowing) were redeemed in the current year. A schedule of changes in the registered warrants payable for the year ended June 30, 2025 follows.

Beginning balance	\$ 1,000,000
Registered warrants issued	--
Registered warrants redeemed	<u>(1,000,000)</u>
Ending balance	<u>\$ -</u>

Delta Farms Reclamation District No. 2027

Notes to the Financial Statements June 30, 2025

Note D – State Assistance

The District is participating in the California Delta Levee Subventions Program administered by the California Department of Water Resources. This program provides state financial assistance to local agencies responsible for maintenance of nonproject levees in the Sacramento-San Joaquin Delta. The District expects to receive a distribution of its 2024-2025 claim of approximately \$1,571,406.

Note E – Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for risks of loss, the District purchased insurance through commercial insurance carriers. The District's insurance coverage included general liability insurance with liability limits of \$1,000,000 per occurrence and \$2,000,000 aggregate as well as excess liability coverage of \$5,000,000. The district is self insured for claims over \$5,000,000.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

General liability insurance coverage is held through a master insurance program for Marnell Companies. Two members of the District's Board of Trustees are owners of Marnell Companies.

Note F – Governing Board

As of June 30, 2025, the three members of the District's Board of Trustees were as follows:

<u>Trustee</u>	<u>Term Expires</u>
Anthony A. Marnell, II	December 1, 2027
Meredith Ellis	December 1, 2025
Anthony A. Marnell, III	December 1, 2027

Note G – Related Party Transactions

The District paid CCRC Farms, LLC \$476,079 for levee and bridge repairs and maintenance and capital outlay during the year ended June 30, 2025. District trustees are owners of, or hold management positions in CCRC Farms, LLC.

Note H – Subsequent Events

On August 15, 2025, the District received a distribution totaling \$1,725,199 for its 2023-2024 claim from the California Delta Levee Subventions Program administered by the California Department of Water Resources which is further described in Note D above.