

RECEIVED

JUN 16 2009

TRLIA

**THREE RIVERS LEVEE
IMPROVEMENT AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2008

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

476 Century Park Drive, Ste. A
Yuba City, CA 95991

TEL: (530) 673-9500
FAX: (530) 673-2535

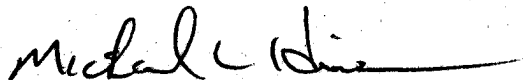
INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California**

I have audited the accompanying Statement of Financial Position of Three Rivers Levee Improvement Authority as of June 30, 2008 and the related Statement of Activities and Changes in Net Assets and Combined Statement of Cash Flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and government auditing standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Three Rivers Levee Improvement Authority as of June 30, 2008 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



May 15, 2009

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Current Assets:

Cash in County Treasury	1,345,089
Accounts Receivable	784,637
Interest Receivable	<u>128,935</u>
Total Current Assets	<u>2,258,661</u>

Fixed Assets:

Land – Right of Way	4,567,250
Deposit – Condemnation Fund	<u>5,369,301</u>
Total Other Assets	<u>9,936,551</u>
Total Assets	<u>12,195,212</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	<u>6,645,279</u>
Total Current Liabilities	<u>6,645,279</u>

Net Assets

Unrestricted	<u>5,549,933</u>
Total Liabilities and Net Assets	<u>12,195,212</u>

See accompanying notes to financial statements

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2008**

Revenue:

Landowner Advanced Funding	3,486,297
Proposition 1E Funding	13,664,843
Developer Impact Fees	1,003,840
Interest	93,984
Other Income (Note)	<u>2,860,050</u>
Total Revenue	<u>21,109,014</u>

Expenditures:

Special Projects	
Levee Improvement Costs	21,307,594
Easement Costs	3,068,888
Administrative Expenses:	
Salaries and Benefits	294,412
Utilities	34,066
Insurance	191,126
Postage and Delivery	3,119
Directors Fees	5,450
Rent	28,711
Office and Miscellaneous	15,984
Travel	11,015
Memberships	7,735
Accounting Audit Fee	<u>29,200</u>
Total Expenditures	<u>24,997,300</u>

Excess of Expenditures over Revenue (3,888,286)

Net Assets – Beginning of Year 9,438,219

Net Assets – End of Year 5,549,933

See accompanying notes to financial statements

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2008

Cash Flows From Operating Activities:

Cash Received from Landowners	3,705,500
Cash Received – Grants, etc.	17,070,724
Cash Disbursed for Operating Activities	<u>(21,033,729)</u>

Net Cash Flows Used in Operation Activities: (257,505)

Cash Flows From Investing Activities:

Interest Income	93,984
Condemnation Fund Deposits	<u>(4,030,301)</u>

Net Cash Flows Used In Investing Activities (3,936,317)

Cash Flows From Financing Activities -0-

Net Increase in Cash (4,193,822)

Cash at Beginning of Year 5,538,911

Cash at End of Year 1,345,089

See accompanying notes to financial statements

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

History and Organization

The Three Rivers Levee Improvement Authority (TRLIA) was formed in April 2004 as a Joint Powers Authority (JPA) between Yuba County and Reclamation District No. 784. Section 2.01 from the JPA agreement describes TRLIA's purpose.

This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the County and the District, and for other purposes as permitted under the Act, the Bond Law and as agreed by the parties hereto. The primary purpose of this Agreement is to provide for flood control improvements located in the County, including improvements to the levee system and related drainage improvements. The Authority may undertake any activities necessary or desirable to achieve its primary purpose including, but not limited to (a) the power to study, plan for, design, develop, acquire, and construct and repair improvements, (b) the acquisition and holding of title to land, including the acquisition of land by eminent domain proceedings, as necessary for levee system improvements, related drainage improvements and/or habitat mitigation incident to any such improvements, and (c) the provision of financing for improvements and related activities, including financing by means of the creation of one or more community facilities districts, assessment districts or other financing districts, the entering into of lease and/or installment sale obligations, the issuance of revenue or other notes, bonds or evidences of indebtedness, and the imposition of appropriate impact or other fee obligations. The Authority may conduct activities alone, or in cooperation with any Member, any Associate Member, the State of California or any agency or political subdivision thereof, the United States or any department or agency thereof, or other entities. It is not contemplated that the Authority will in any way contract for or finance periodic levee maintenance activities which the District, other reclamation districts or other governmental or nongovernmental entities are obligated to do, or which otherwise in the past have been done by them.

Four work phases have been identified with the goal of achieving 200-year flood protection. The first construction work was initiated September 2004 and final phase is scheduled to complete by the end of 2009. The cost to complete the four phases is estimated to be \$360 million and will be funded mostly by local sources and State funding.

Significant Accounting Policies

Fund Accounting

The Organization operates as an Enterprise Fund. The Enterprise Fund is 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 services to the general public on a continuing basis are financed primarily through landowner charges.

Basis of Accounting

The Organization uses the accrual basis of accounting for financial reporting purposes. Accrual accounting attempts to record the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of that process.

Property and Equipment

The Organization was formed to perform repairs and improvements to property owned and maintained by the County of Yuba and Reclamation District No. 784. In addition, the organization has purchased land as a right of way to enable the improvements to the existing levee system.

Construction work for the improvement of the levee system within the Organizations boundaries in Yuba County is reflected on its books as an operating expense. The Organization, as originally formed, will cease to exist upon the completion of the projects for which it was formed. At that time ownership of any property and the completed improvements to the levee system will be transferred to the existing owner, primarily the State of California, and maintenance responsibility will be assumed by Reclamation District No. 784 and/or other entities established to perform this function. The value to be transferred will be the fair market value of levee improvements. The total costs of the levee improvements to date are as follows:

Fiscal Year Ended

June 30, 2004	701,774
June 30, 2005	5,603,384
June 30, 2006	50,572,148
June 30, 2007	74,257,632
June 30, 2008	<u>24,376,482</u>
	<u>155,501,420</u>

Cash and Reserves

Funds of the Organization are on deposit with the Yuba County Treasurer. These funds consist of a diversified portfolio pool and do not require a category of risk in accordance with GASB #3. The risk of material loss with regard to these funds is not considered to be material.

Deposit - State Condemnation Fund

Deposits with the State Compensation Fund represent funds contributed for the purchase of property for the right of way for levee improvements, for which the District and the sellers have not reached an agreed upon sales price. The total contribution to the fund represents an 18% allocation from Three Rivers Levee Improvement Authority and an 82% allocation from the State of California Department of Water Resources. Upon the determination of the actual property fair value additional contributions will be made or any refunds will be received in this same 18%/82% allocation proportion. During this process, the District receives interest on these funds. The total interest for the current year was \$321,188. At the conclusion of the improvement process, the real property acquired for right-of-way purposes will become the property of the State of California.

Accounts Receivable

Accounts receivable at June 30, 2008 consist of the following:

Developer Fees	<u>784,637</u>
----------------	----------------

Other Income

A detail of Other Income for the year ended June 30, 2008 is as follows:

Condemnation Fund Interest	321,188
Wildland Mitigation Fees	1,071,687
Pump Station Reimbursements	1,322,653
Miscellaneous	<u>144,522</u>
	<u>2,860,050</u>

Community Facilities Districts - Capital Improvement Bonds

Three Rivers Levee Improvement Authority issued Capital Improvement Bonds on April 18, 2007 to finance the repayment of proceeds received in accordance with the advance funding agreements with local developers. These are special assessment bonds are issued on specific parcels of landowners within the south county area Community Services District. These bonds will be repaid by annual assessments on the parcels which were benefitted by the levee improvement project. These bonds are not on obligation of the Three Rivers Levee Improvement Authority and are not reflected as a liability. A summary of the bonds is as follows:

	Community Facilities District <u>of 2006-1</u>	Community Facilities District <u>of 2006-2</u>
Name of Bond Issue	Special Tax 2007 Series A	Special Tax 2007 Series B
Date of Issue	4-18-2007	4-18-2007
Face Value	14,930,382	8,663,901
Balance – 6/30/2008	14,930,382	8,663,901
District Assessed Value	125,627,756	62,805,888

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

476 Century Park Drive, Ste. A
Yuba City, CA 95991

TEL: (530) 673-9500
FAX: (530) 673-2535

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California**

I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2008, and have issued my report thereon dated May 15, 2009.

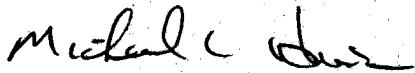
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements.

The management of Three Rivers Levee Improvement Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Three Rivers Levee Improvement Authority for the year ended June 30, 2008, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.



May 15, 2009

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

476 Century Park Drive, Ste. A
Yuba City, CA 95991

TEL: (530) 673-9500
FAX: (530) 673-2535

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2008, and have issued my report thereon dated May 15, 2009.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Three Rivers Levee Improvement Authority is the responsibility of Three Rivers Levee Improvement Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Three Rivers Levee Improvement Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the management and granting agencies. However, this report is a matter of public record and its distribution is not limited.



May 15, 2009