

**THREE RIVERS LEVEE  
IMPROVEMENT AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**MICHAEL L. HINZ, CPA, INC**  
*CERTIFIED PUBLIC ACCOUNTANT*

476 Century Park Drive, Ste. A  
Yuba City, California 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 the governmental activities of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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

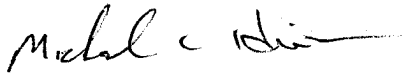
My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the district's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Three Rivers Levee Improvement Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



**December 5, 2013**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013**

**ASSETS**

	<u>General Fund</u>	<u>Levee Assessment Fund</u>
Current Assets:		
Cash in County Treasury (Note)	5,271,424	35,977
Accounts Receivable	3,107,069	
Interest Receivable	<u>9,142</u>	<u>1,498</u>
Total Current Assets	<u>8,387,635</u>	<u>37,475</u>
Other Assets:		
Total Other Assets	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>8,387,635</u>	<u>37,475</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Accounts Payable - Accrued Expenses	<u>414,091</u>	<u>          </u>
Total Current Liabilities	<u>414,091</u>	<u>          </u>
Net Assets		
Unrestricted	<u>7,973,544</u>	<u>37,475</u>
Total Liabilities and Net Assets	<u>8,387,635</u>	<u>37,475</u>

**See accompanying notes to financial statements**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Levee Assessment</u>
<b>Revenue:</b>		
Proposition 1E Funding	3,611,573	
Property Assessments and Fees		882,158
Interest	55,756	2,906
Landowner Funding	1,659,708	
Other Income (Note)	<u>297,675</u>	
<b>Total Revenue</b>	<u>5,624,712</u>	<u>885,064</u>
<b>Expenditures:</b>		
Special Projects		
Levee Improvement Costs (Schedule)	6,185,931	
Maintenance Reimbursements		885,212
Administrative Expenses:		
Yuba County Reimbursements		
Salaries and Benefits	345,447	
Interdepartment Costs	36,578	
Utilities	15,113	
Insurance	321,473	
Directors Fees	3,650	
Rent	32,586	
Office and Miscellaneous	11,764	
Travel	7,330	
Memberships	<u>10,715</u>	
<b>Total Expenditures</b>	<u>6,970,587</u>	<u>885,212</u>
<b>Excess of Revenues over Expenditures</b>	<u>(1,345,875)</u>	( 148)
<b>Net Assets – Beginning of Year</b>	<u>9,319,419</u>	<u>37,623</u>
<b>Net Assets – End of Year</b>	<u>7,973,544</u>	<u>37,475</u>

See accompanying notes to financial statements

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2013**

Cash Flows From Operating Activities:	
Cash Received from Operating Activities	6,020,879
Cash Disbursed for Operating Activities	<u>(7,922,683)</u>
Net Cash Flows Used in Operation Activities:	<u>(1,901,804)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>82,178</u>
Net Cash Flows From Investing Activities	<u>82,178</u>
Cash Flows From Financing Activities	<u>-0-</u>
Net Decrease in Cash	( 1,819,626)
Cash at Beginning of Year	<u>7,091,050</u>
Cash at End of Year	<u><u>5,271,424</u></u>

**See accompanying notes to financial statements**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
SCHEDULE OF LEVEE IMPROVEMENT COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Phase 4 – Yuba:		
Design	28,637	
Permit	52,596	
Environmental Mitigation	134,991	
Construction	1,722,032	
Construction Management	115,880	
Right of Way	<u>643,008</u>	
		2,697,144
Phase 4 - Yuba - Element 1A		
Design	32,655	
Permitting	69,473	
Construction	450,047	
Construction Management	163,909	
Right of Way	<u>86,834</u>	
		802,918
Phase 4 – Feather:		
Segment 1:		
Design	36,741	
Right of Way Support	20,642	
Segment 2:		
Design	63,951	
Right of Way Support	272,869	
Right of Way – Direct Purchase (Note)	49,885	
Segment 3:		
Design	116,678	
Construction	48,288	
Construction Management	19,804	
Right of Way	<u>288,058</u>	
		916,916
Goldfields - Phase 2:		
Design	2,323	
Construction	815,529	
Construction Management	<u>28,326</u>	
		846,178
WPIC 200 Year Compliance - Right of Way		143,139
Goldfields Technical Analysis		466,425
Environmental Mitigation Costs		305,106
Interim Operating Costs		<u>8,105</u>
Total		<u>6,185,931</u>

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2013**

**ASSETS**

	<u>CFD 2006-1</u>	<u>CFD 2006-2</u>
Cash in Treasury	<u>457,625</u>	<u>91,264</u>
Total Assets	<u>457,625</u>	<u>91,264</u>

**LIABILITIES AND NET ASSETS**

Liabilities	-0-	-0-
Net Assets	<u>457,625</u>	<u>91,264</u>
Total Liabilities and Net Assets	<u>457,625</u>	<u>91,264</u>

**See accompanying notes to financial statements**



**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUNDS  
STATEMENT OF ACTIVITIES  
JUNE 30, 2013**

	<u>CFD 2006-1</u>	<u>CFD 2006-2</u>
Revenue:		
Current Secured Taxes	448,026	89,271
Total Taxes	448,026	89,271
Interest	<u>18,237</u>	<u>3,901</u>
Total Revenue	<u>466,263</u>	<u>93,172</u>
Expenditures:		
Debit Service	1,362,244	287,136
Fiduciary Fees	<u>41,300</u>	<u>21,500</u>
Total Expenditures	<u>1,403,544</u>	<u>308,636</u>
Excess Revenues over Expenditures	(937,281)	(215,464)
Beginning Net Assets	<u>1,394,906</u>	<u>306,728</u>
Ending Net Assets	<u>457,625</u>	<u>91,264</u>

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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. The final phase was scheduled to be completed by the end of 2011 with the completion of the Upper Yuba Levee Improvement Project with a cost estimated to be \$405 million for 29 miles of levees and funded mostly by local sources and State funding. Additional Phase 4 work has been identified in the Goldfields area that is anticipated to last for at least several more years. The cost estimate for the Goldfields work is still being developed.

## 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	24,376,482
June 30, 2009	82,916,631
June 30, 2010	54,496,111
June 30, 2011	14,111,717
June 30, 2012	13,487,570
June 30, 2013	<u>6,185,931</u>
	<u>326,709,380</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.

### Use of Estimates

The preparation of the general purpose 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 and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

### Deposit - State Condemnation Fund

Deposits with the State Condemnation 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 a 17.175% allocation from Three Rivers Levee Improvement Authority and an 82.825% 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 the same proportion. During this process, the District receives interest on these funds. 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. The funds provided directly by the State of California are not included in the property acquisition costs due to the fact that they were not paid through District accounts.

### Other Income

A detail of Other Income for the year ended June 30, 2013 is as follows:

Administration Fees	89,357
Refunds - Property Settlements	125,483
Miscellaneous	<u>82,835</u>
	<u>297,675</u>

### Cash in County Treasury

Cash in County Treasury as of June 30, 2013 consisted of the following accounts with the Yuba County Treasurer:

General Account	3,196,339
SMARA Reclamation Assurance Reserve	1,896,978
Feather River Funding	173,109
Upper Yuba River Funding	<u>4,998</u>
	<u>5,271,424</u>

Community Facilities Districts - Special Revenue Funds

"Special Taxes collected from TRLIA Communities Facilities Districts 2006-1 & 2006-2 are utilized pursuant to the adopted Three Rivers Levee Impact Fee Advance Funding Credit & Reimbursement Policies and Procedures memorialized within development agreements covering properties within the aforementioned CFD's. The first use of Special Taxes is to satisfy any remaining Three Rivers Levee Impact Fee obligations of the development from which the special taxes are collected. Once all fee obligations are satisfied, special taxes are then utilized to redeem outstanding bonds issued as obligations of the districts. The Net assets of the CFD Revenue Funds are consequently reserved for those purposes.

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 tax bonds and are issued on specific parcels of landowners within the Community Facilities Districts. These bonds will be repaid by annual special taxes on the parcels within the Districts. These bonds are not an obligation of Three Rivers Levee Improvement Authority for the respective Three Rivers Levee Improvement Community Facilities District, and are payable solely from the proceeds of refundable bonds or special taxes, therefore, they are not reflected as a liability. A summary of the bonds is as follows:

	Community Facilities District of <u>2006-1</u>	Community Facilities District of <u>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
Original Issue Value	14,930,382	8,663,901
Accreted Value – 6/30/13	23,247,116	13,380,496
District Assessed Value	98,892,035	29,231,282

Local Funding – Yuba Levee Financing Authority

The Yuba Levee Financing Authority has authorized the matching funds for the Levee Improvement Program as follows:

Authorizations:

October 2008	13,080,000
November 2008	7,376,000
May 2010	14,200,000
January 2010	7,000,000
November 2010 Adjustment	( 2,079,469)
Total Authorized	39,576,531
Amount Funded to June 30, 2010	<u>39,576,531</u>
Authorization Remaining	<u><u>-0-</u></u>

Levee Assessment Fund

The Levee Assessment Fund was established to collect to collect funds for the purpose providing for levee maintenance within the operating and maintenance assessment district. Collection from direct property assessment and used to fund two district activities. The first \$16,000 of revenue are used reimburse Three Rivers Levee Improvement Authority for administrative costs. All remaining revenue is transferred to Reclamation District 784 to reimburse the costs of levee maintenance activities. The annual assessments are determined based upon a projected budget for levee maintenance as determined by Reclamation District 784, subject to the maximum allowable levee based upon the Engineer's Report and the Proposition 218 process used to approve and form the district.