

**THREE RIVERS LEVEE
IMPROVEMENT AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2015

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

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

INDEPENDENT AUDITOR'S REPORT

TEL: (530) 673-9500
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**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, 2015, 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, 2015, 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.

A handwritten signature in black ink, appearing to read "Michael C. [unclear]".

December 22, 2015

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

	<u>General Fund</u>	<u>Levee Assessment Fund</u>
Current Assets:		
Cash in County Treasury (Note)	2,600,682	134,084
Cash with Fiscal Agent (Note)	2,797,012	
Accounts Receivable	3,405,009	
Interest Receivable	<u>3,647</u>	<u>1,079</u>
Total Current Assets	<u>8,806,350</u>	<u>135,163</u>
Other Assets:		
Total Other Assets	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>8,806,350</u>	<u>135,163</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable - Accrued Expenses	<u>311,926</u>	<u>-0-</u>
Total Current Liabilities	<u>311,926</u>	<u>-0-</u>
Net Assets		
Restricted	2,797,012	-0-
Unrestricted	<u>5,697,412</u>	<u>135,163</u>
Total Net Assets	<u>8,494,424</u>	<u>135,163</u>
Total Liabilities and Net Assets	<u>8,806,350</u>	<u>135,163</u>

See accompanying notes to financial statements

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2015

	<u>General Fund</u>	<u>Levee Assessment</u>
Revenue:		
Proposition 1E Funding	2,440,613	
Property Assessments and Fees	-0-	908,599
Interest	21,053	2,013
Landowner Funding	640,724	38,478
Other Income (Note)	<u>65,231</u>	<u>-0-</u>
Total Revenue	<u>3,167,621</u>	<u>949,090</u>
Expenditures:		
Special Projects		
Levee Improvement Costs (Schedule)	3,083,389	
Maintenance Reimbursements		886,238
Administrative Expenses:		
Yuba County Reimbursements		
Salaries and Benefits	364,885	
Interdepartmental Costs	36,345	
Utilities	20,815	
Insurance	300,334	
Directors Fees	2,300	
Rent	32,606	
Office and Miscellaneous	4,008	
Travel	6,651	
Memberships	<u>13,760</u>	
Total Expenditures	<u>3,865,093</u>	<u>886,238</u>
Excess of Revenues over Expenditures	(697,472)	62,852
Net Assets, Unrestricted – Beginning of Year	6,394,884	72,311
Net Assets, Unrestricted – End of Year	<u>5,697,412</u>	<u>135,163</u>

See accompanying notes to financial statements

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2015

Cash Flows From Operating Activities:

Cash Received from Operating Activities	2,693,541
Cash Disbursed for Operating Activities	<u>(3,878,973)</u>

Net Cash Flows Used in Operation Activities: (1,185,432)

Cash Flows From Investing Activities:

Interest Income	<u>20,754</u>
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Net Cash Flows From Investing Activities 20,754

Cash Flows From Financing Activities -0-

Net Decrease in Cash (1,164,678)

Cash at Beginning of Year 3,765,360

Cash at End of Year 2,600,682

See accompanying notes to financial statements

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
SCHEDULE OF LEVEE IMPROVEMENT COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Phase 4 – Yuba:		
Design	3,810	
Permit	9,170	
Environmental Mitigation	15,136	
Construction Management	693	
Right of Way	<u>201,406</u>	
		230,215
Phase 4 - Yuba - Element 1A		
Permitting	2,200	
Construction Management	1,235	
Right of Way	<u>5,848</u>	
		9,286
Phase 4 – Feather:		
Segment 1:		
Design	53,697	
Construction	173,159	
Right of Way Support	5,604	
Segment 2:		
Design	85,476	
Right of Way Support	117,401	
Segment 3:		
Design & Permitting	36,852	
Construction	75,538	
Right of Way	41,953	
TAC License Costs	<u>26,175</u>	
		615,855
WPIC 200 Year Compliance		
Permitting	601,009	
Right of Way	446,793	
Construction	<u>83,893</u>	
		1,131,695
200 Year Compliance - Non EIP		122,764
FESSRO Feather River Project		112,339
Goldfield Evaluation (Prop 13 work)		538,749
Goldfield 200 Year Project		15,063
Environmental Mitigation Costs		181,854
Interim Operating Costs		<u>125,569</u>
Total		<u>3,083,389</u>

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2015**

ASSETS

	<u>CFD 2006-1</u>	<u>CFD 2006-2</u>
Cash in Treasury	<u>237,803</u>	<u>52,924</u>
Total Assets	<u>237,803</u>	<u>52,924</u>

LIABILITIES AND NET ASSETS

Liabilities	-0-	-0-
Net Assets	<u>237,803</u>	<u>52,924</u>
Total Liabilities and Net Assets	<u>237,803</u>	<u>52,924</u>

See accompanying notes to financial statements

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUNDS
STATEMENT OF ACTIVITIES
JUNE 30, 2015**

	<u>CFD 2006-1</u>	<u>CFD 2006-2</u>
Revenue:		
Current Secured Taxes	<u>477,416</u>	<u>103,584</u>
Total Taxes	477,416	103,584
Interest	<u>4,821</u>	<u>744</u>
Total Revenue	<u>482,237</u>	<u>104,328</u>
Expenditures:		
Levee Fee Credit Disbursements	1,146,045	139,816
Fiduciary Fees	25,082	15,065
Redemption of CFD Bonds	<u>-0-</u>	<u>35,621</u>
Total Expenditures	<u>1,171,127</u>	<u>190,502</u>
Excess Revenues over Expenditures	(688,890)	(86,174)
Beginning Net Assets	<u>926,693</u>	<u>139,098</u>
Ending Net Assets	<u>237,803</u>	<u>52,924</u>

See accompanying notes to financial statements

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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. TRILA has, for now, assumed flood control responsibilities for the 100 year flood control features that were recently completed by TRILA within the Goldfields. No other district has flood control responsibilities within the Goldfields.

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 future cost of the work in the Goldfields is anticipated to exceed \$50,000,000. The Goldfields work is within Yuba County, but is not within the current jurisdiction of RD784.

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 flood control repairs, improvements and property acquisitions within the County of Yuba. 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. Upon completion of projects environmental mitigation properties will be retained by TRLIA. 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	6,185,931
June 30, 2014	4,561,799
June 30, 2015	<u>3,083,389</u>

334,354,568

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.

Other Income

A detail of Other Income for the year ended June 30, 2015 is as follows:

Administration Fees	<u>65,231</u>
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Cash in County Treasury

Cash in County Treasury as of June 30, 2015 consisted of the following accounts with the Yuba County Treasurer:

General Account	2,000,096
Feather River Funding	211,829
Upper Yuba River Funding	<u>388,757</u>
	<u>2,600,682</u>

Cash with Fiscal Agent

Funds are held in trust for the long term care endowments for mitigation areas created within the Bear River and Feather River set-back areas by the Authority. These funds are dedicated to the long term care and maintenance of the areas in perpetuity as a condition of certain permits obtained by the Authority. The cash is held in trust by US Bank pursuant to an escrow agreement. The cash held by the trustee as of June 30, 2015 consisted of the following amounts:

Feather River Endowment	651,434
Bear River Endowment	<u>2,145,578</u>
	<u>2,797,012</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 Community Facilities Districts 2006-1 & 2006-2. These bonds are repaid solely from annual special taxes on the parcels within the Districts. These bonds are not an obligation of Three Rivers Levee Improvement Authority. They are an obligation of the respective Three Rivers Levee Improvement Community Facilities Districts, and are payable solely from the proceeds of refunding bonds or special taxes, therefore, they are not reflected as a general liability of the Authority. 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
Original Issue Value	14,930,382	8,663,901
Accreted Value, Net of Redemptions - 6/30/15	25,321,632	15,482,680
District Assessed Value	134,672,779	43,237,747

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	<u>(2,079,469)</u>
Total Authorized	39,576,531
Amount Funded to June 30, 2010	<u>39,576,531</u>
Authorization Remaining	<u>-0-</u>

Levee Assessment Fund

The Levee Assessment Fund was established to collect funds for the purpose of providing levee maintenance within the operating and maintenance assessment district. Collections of direct property assessments are used to fund both the administrative costs of the district and the authorized services approved as part of the formation of the district. For Fiscal Year 14/15, from the total collections of \$908,599, \$22,361 was used to reimburse Three Rivers Levee Improvement Authority for the administrative costs of the district and \$886,238 was transferred to Reclamation District 784 to fund the costs of levee maintenance activities. The annual assessment levy is determined based upon a projected budget for levee maintenance as provided by Reclamation District 784 and approved by the Three Rivers Levee Improvement Authority Board, subject to the maximum allowable levy based upon the Engineer's Report and the Proposition 218 process used to approve and form the district.

Subsequent Events

The District has prepared its financial statements for the fiscal year ended June 30, 2015. The date of issuance of these financial statements is December 22, 2015. All events taking place after June 30, 2015 but before December 22, 2015 are deemed to be subsequent events. There have been no significant subsequent events required to be disclosed as a part of this financial statement.

MICHAEL L. HINZ, CPA, INC
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**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, 2015, and have issued my report thereon dated December 22, 2015.

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, 2015, 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.

A handwritten signature in cursive script, appearing to read "Michael C. Deas".

December 22, 2015

MICHAEL L. HINZ, CPA, INC
CERTIFIED PUBLIC ACCOUNTANT

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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, 2015, and have issued my report thereon dated December 22, 2015.

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.



December 22, 2015