CALL TO ORDER: Welcome to the Three Rivers Levee Improvement Authority (TRLIA) meeting. As a courtesy to others, please turn off cell phones or other electronic devices which might disrupt the meeting. Thank you.

I ROLL CALL – Directors Atwal, Brown, Ledbetter, Lofton, Vasquez

II PUBLIC COMMUNICATIONS: Any person may speak about any subject of concern within the jurisdiction of TRLIA which is not on today’s agenda. The total amount of time allotted shall be limited to a total of 15 minutes and each individual or group will be limited to no more than 5 minutes. Prior to this time, speakers are requested to fill out a “Request to Speak” card and submit it to the secretary.

III AGENDA ITEMS: Matters listed are considered to be routine and can be enacted by one motion.

A. Approve minutes of the meeting of March 20, 2018.

B. Approve contract with Sills Ag Consulting Inc., in the amount of $22,010, and authorize the Executive Director to execute upon review and approval of General Counsel.

VI. CLOSED SESSION:

1. Conference with Real Property Negotiators pursuant to Government Code §54956.8- Negotiating Parties: TRLIA/Kelly Pope/Paul Brunner/Brenda Schimpf. Negotiation: Price and terms of Payment for the following Properties:

   A. APN 018-180-066 and 078 Gallier
   B. APN 018-180-082 and 018-150-012 Wilbur
   D. APN 018-180-085 Nunes

2. Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation pursuant to Government Code paragraph (2) of subdivision (d) of Section 54956.9: One Case

VII. BOARD AND STAFF MEMBER REPORTS

A. Financial Statements for Fiscal Year 2016-2017

B. Other Reports

VIII. ADJOURN
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

MARCH 20, 2018

MINUTES

Call to order 2:03 p.m. with a quorum being present as follows: Directors Sarbdeep Atwal, Doug Lofton, and Andy Vasquez. Director Rick Brown was absent. Also present were Executive Director Paul Brunner, Counsel Andrea Clark, and Deputy Clerk of the Board of Supervisors Rachel Ferris. Chair Atwal presided.

I ROLL CALL – Directors Atwal, Brown, Lofton, Vasquez – Director Brown absent

II PUBLIC COMMUNICATIONS: None

III SPECIAL PRESENTATION: Recognize Secretary Donna Stottlemeyer on retirement from County service. Executive Director Paul Brunner thanked Ms. Stottlemeyer for her service and presented a plaque.

The Board recessed at 2:07 p.m. and returned at 2:19 p.m.

IV AGENDA ITEMS

A. Approve meeting minutes of February 20, 2018.

   MOTION: Move to approve
   MOVED: Andy Vasquez  SECOND: Doug Lofton
   AYES: Sarbdeep Atwal, Doug Lofton, Andy Vasquez
   NOES: None  ABSTAIN: None  ABSENT: Rick Brown

B. Approve Amendment No. 9 in the amount of $63,154 to agreement with MHM Inc., extend termination date to December 31, 2019, and authorize Executive Director to execute contract upon review/approval of General Counsel.

   MOTION: Move to approve
   MOVED: Andy Vasquez  SECOND: Doug Lofton
   AYES: Sarbdeep Atwal, Doug Lofton, Andy Vasquez
   NOES: None  ABSTAIN: None  ABSENT: Rick Brown

C. 1. Approve amending Department of Water Resources (DWR)/TRLIA EIP Funding Agreement to allow retaining fee ownership of Feather Setback Agriculture properties and transfer properties to DWR for an agreed upon sum of $234,900 and authorize Executive Director to finalize, and execute agreement modification upon review/approval of General Counsel; and 2. Authorize Executive Director to negotiate long-term Ag leases with current or new lease holders. Executive Director Paul Brunner provided a PowerPoint presentation regarding the Feather Setback Levee Project location recap:

   - EIP funding (Early Implementation Funding) including Segments 1, 2, and 3
   - Time line for Setback levee construction and removal
   - Expansion of floodway included acquisition of 1760 acres
   - Leases based on a percentage of crop value
   - Ecological and cultural sites
• Feather River Corridor Management Plan for recreation
• Negotiation of new Ag leases, terms and conditions

MOTION: Move to approve and authorize
MOVED: Andy Vasquez    SECOND: Doug Lofton
AYES: Sarbdeep Atwal, Doug Lofton, Andy Vasquez
NOES: None    ABSTAIN: None    ABSENT: Rick Brown

V. BOARD AND STAFF MEMBER REPORTS

Executive Director Paul Brunner:
○ Outstanding Small Project of the Year award for Yuba Goldfields 100-year Interim Flood Control project, banquet to be held April 12, 2018, Sacramento
○ 2018 California Central Valley Flood Control Forum 10:00 a.m.-1:30 p.m. Sacramento
○ Letter of support relating to flood risk reduction and implementation of recommendations from the Central Valley Flood Protection Plan
○ Western Pacific Interceptor Canal update
○ Meeting with RD 784 regarding assessments, March 22, 2018

Director Doug Lofton: Congratulations on Outstanding Small Project of the Year award

VI. CLOSED SESSION the Board retired into closed session at 2:54 p.m. and returned at 3:13 p.m. with all members present as indicated above. There was nothing to report.

1. Conference with Real Property Negotiators pursuant to Government Code §54956.8 - Negotiating Parties: TRLIA/Kelly Pope/Paul Brunner/Brenda Schimpf. Negotiation: Price and terms of Payment for the following properties:
   A) APN 018-180-072 and 073 Sanders
   B) APN 018-180-074 Clift
   C) APN 018-180-070 and 079 Ludwick
   D) APN 018-180-066 and 078 Gallier
   E) APN 018-170-002 Robinson
   F) APN 017-170-012 and 016 Fahy
   G) APN 017-170-014 Precast Concrete
   H) APN 018-180-082 and 018-150-012 Wilbur
   I) APN 018-150-063 Barker
   K) APN 018-170-002 Robinson
   L) APN 018-180-085 Nunes

VII. ADJOURN: 3:14 p.m.

______________________________  Chair

ATTEST: RACHEL FERRIS
CLERK OF THE BOARD OF SUPERVISORS
AND SECRETARY OF THE PUBLIC AUTHORITY

______________________________  Approved: _______________________

03/20/2018 – TRLIA
TO: Three Rivers Levee Improvement Authority Board  
DATE: April 17, 2018  
FROM: Paul G. Brunner, Executive Director  
SUBJECT: Sills Ag Consulting Inc. Contract to Provide Ag Consulting Services

Recommended Action:  
Approve Sills Ag Consulting Inc. contract in the amount of $22,010, and authorize the executive director to sign and execute the contract, once contract has been reviewed by General Counsel.

Background:  
TRLIA has multiple needs for Ag consulting services. Since 2008 TRLIA has maintained in conjunction with DWR approximately 470 acres of Agricultural orchards in the Feather Setback Area. TRLIA is in the process of becoming the sole owner of these orchards. TRLIA owns and maintains over 800 acres of ecological mitigation sites in the Feather and Bear Setback Areas. Most if not all state future funding opportunities for flood control projects require projects to have multi-benefit components such as eco or Ag improvements.

Discussion:  
TRLIA will use these consulting services to improve existing TRLIA Ag and Eco property management, and help develop future multi benefit opportunities. Besides the Bear and Feather Setback Areas, the proposed contract provides for agricultural consulting services for the Goldfields 200-Year Project.

Fiscal Impact:  
This is a time and material contract and can be terminated at any time, with TRLIA only obligated to pay for the work completed at the time of termination. The estimated fee for this work is $22,010. Work performed for the Feather and Bear Setback Area will be paid with local funding; most likely from the revenues received from the TRLIA Ag leases in the Feather Setback Area. The work being performed for the Goldfields 200-Year Project is cost shared with the state (85% state/15% local).

Attachment:  
1. Sills Ag Consulting Inc., Contract  
2. Sills Ag Consulting Inc., Scope of Work
AGREEMENT FOR
PROFESSIONAL SERVICES

THIS AGREEMENT for professional services ("Agreement") is made as of the
Agreement Date set forth below by and between the THREE RIVERS LEVEE
IMPROVEMENT AUTHORITY, a political subdivision of the State of California ("the THREE
RIVERS LEVEE IMPROVEMENT AUTHORITY"), and SILLS AG CONSULTING INC., the
"CONSULTANT".

In consideration of the services to be rendered, the sums to be paid, and each and every
 covenant and condition contained herein, the parties hereto agree as follows:

OPERATIVE PROVISIONS

1. SERVICES.

The CONSULTANT shall provide those services described in Attachment "A", Provision
A-1. CONSULTANT shall provide said services at the time, place and in the manner specified.

2. TERM.

Commencement Date: May 1, 2018

Termination Date: December 31, 2019

Notwithstanding the term set forth above, and unless this contract is terminated by either
party prior to its termination date, the term of this Agreement shall be automatically extended
from the termination date for ninety days. The purpose of this automatic extension is to allow
for continuation of services, and to allow THREE RIVERS LEVEE IMPROVEMENT
AUTHORITY time in which to complete a novation or renewal contract for CONSULTANT and
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY approval.

CONSULTANT understands and agrees that there is no representation, implication, or
understanding that the services provided by CONSULTANT pursuant to this Agreement will be
purchased by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY under a new
agreement following expiration or termination of this Agreement, and CONSULTANT waives
all rights or claims to notice or hearing respecting any failure to continue purchase of all or any
such services from CONSULTANT.
3. **PAYMENT.**

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall pay CONSULTANT for services rendered pursuant to this Agreement at the time and in the amount set forth in Attachment "B". The payment specified in Attachment "B" shall be the only payment made to CONSULTANT for services rendered pursuant to this Agreement. CONSULTANT shall submit all billings for said services to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY in the manner specified in Attachment "B".

4. **FACILITIES, EQUIPMENT AND OTHER MATERIALS AND OBLIGATIONS OF THREE RIVERS LEVEE IMPROVEMENT AUTHORITY.**

CONSULTANT shall, at its sole cost and expense, furnish all facilities, equipment, and other materials which may be required for furnishing services pursuant to this Agreement, unless an exception to this requirement is provided in Attachment "A", Provision A-4.

5. **GENERAL PROVISIONS.**

The general provisions set forth in Attachment "C" are part of this Agreement. Any inconsistency between said general provisions and any other terms or conditions of this Agreement shall be controlled by the other term or condition insofar as it is inconsistent with the general provisions.

6. **DESIGNATED REPRESENTATIVES.**

Paul G. Brunner, Executive Director, is the representative of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and will administer this Agreement for the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY. _____Dave Sills_____ is the authorized representative for CONSULTANT. Changes in designated representatives shall occur only by advance written notice to the other party.

7. **ATTACHMENTS.**

All attachments referred to herein are attached hereto and by this reference incorporated herein. Attachments include:

- Attachment A - Services
- Attachment B - Payment
- Attachment C - General Provisions

Attachment C – Page 2 of 12.
8. **TERMINATION.** THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and CONSULTANT shall each have the right to terminate this Agreement upon 30 days written notice to the other party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on ______________________, 2018.

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

SILLS AG CONSULTING INC.

__________________________________________

Paul G. Brunner, P.E.
Executive Director

David P. Sills
President

ATTEST:
RACHEL FERRIS,
SECRETARY

APPROVED AS TO FORM:
ANDREA P. CLARK

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY GENERAL COUNSEL

__________________________________________

Andrea P. Clark.

Attachment C – Page 3 of 12.
ATTACHMENT A

A.1 SCOE OF SERVICES AND DUTIES.

The services to be provided by CONSULTANT and the scope of CONSULTANT's duties are described in the Scope of Work titled Scope of Work for TRLIA, which is an appendix to this Attachment A.

A.2 TIME SERVICES RENDERED.

See Appendix.

A.3 MANNER SERVICES ARE TO BE PERFORMED.

As an independent CONSULTANT, CONSULTANT shall be responsible for providing services and fulfilling obligations hereunder in a professional manner: THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall not control the manner of performance.

A.4 FACILITIES FURNISHED BY THREE RIVERS LEVEE IMPROVEMENT AUTHORITY.

CONSULTANT shall, at his/her sole cost and expense, furnish all facilities, equipment, and other materials which may be required for furnishing services pursuant to this Agreement.
ATTACHMENT B

PAYMENT

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall pay CONSULTANT as follows:

B.1 BASE CONTRACT FEE. THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall pay CONSULTANT a contract fee not to exceed $22,010.00; CONSULTANT shall submit requests for payment after completion of services or no later than the tenth (10th) day of the month following provision of services. In no event shall total compensation paid to CONSULTANT under this Provision B.1 exceed $22,010.00 without an amendment to this Agreement approved by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY Board of Directors.

B.2 TRAVEL COSTS. THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall not pay CONSULTANT for meals, lodging or other travel costs not included in this Agreement unless said costs are approved in advance by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY representative (Operative Provision 7) and then THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall pay THREE RIVERS LEVEE IMPROVEMENT AUTHORITY per diem rates in effect on the date of invoice upon presentation of invoices.

B.3 AUTHORIZATION REQUIRED. Services performed by CONSULTANT and not authorized in this Agreement shall not be paid for by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY. Payment for additional services shall be made to CONSULTANT by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY if, and only if, this Agreement is amended by both parties in advance of performing additional services.
ATTACHMENT C

GENERAL PROVISIONS

C.1 INDEPENDENT CONSULTANT STATUS. At all times during the term of this Agreement, the following apply:

C.1.1 All acts of CONSULTANT shall be performed as an independent CONSULTANT and not as an agent, officer or employee of THREE RIVERS LEVEE IMPROVEMENT AUTHORITY. It is understood by both CONSULTANT and THREE RIVERS LEVEE IMPROVEMENT AUTHORITY that this Agreement is by and between two independent CONSULTANTs and is not intended to and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture or association.

C.1.2 CONSULTANT shall have no claim against THREE RIVERS LEVEE IMPROVEMENT AUTHORITY for employee rights or benefits, including, but not limited to, seniority, vacation time, vacation pay, sick leave, personal time off, overtime, medical, dental or hospital benefits, civil service protection, disability retirement benefits, paid holidays or other paid leaves of absence.

C.1.3 CONSULTANT is solely obligated to pay all applicable taxes, deductions and other obligations, including, but not limited to, federal and state income taxes, withholding and Social Security taxes, unemployment and disability insurance and Workers' Compensation and Medi-Care payments.

C.1.4 As an independent CONSULTANT, CONSULTANT is not subject to the direction and control of THREE RIVERS LEVEE IMPROVEMENT AUTHORITY except as to the final result contracted for under this Agreement. THREE RIVERS LEVEE IMPROVEMENT AUTHORITY may not require CONSULTANT to change its manner of doing business, but may require it to redirect its efforts to accomplish what it has agreed to do.

C.1.5 CONSULTANT may provide services to others during the same period service is provided to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY under this Agreement.

C.1.6 If in the performance of this Agreement any third persons are employed by CONSULTANT, such persons shall be entirely and exclusively under the direction, supervision and control of CONSULTANT. All terms of employment including hours, wages, working conditions, discipline, hiring and discharging or any other term of employment or requirements of law shall be determined by the CONSULTANT.

C.1.7 As an independent CONSULTANT, CONSULTANT hereby indemnifies
and holds THREE RIVERS LEVEE IMPROVEMENT AUTHORITY harmless from any and all claims that may be made against THREE RIVERS LEVEE IMPROVEMENT AUTHORITY based on any contention by any third party that an employer-employee relationship exists by reason of this Agreement.

C.2 LICENSES, PERMITS, ETC. CONSULTANT represents and warrants to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY that it has all licenses, permits, qualifications, and approvals of whatsoever nature which are legally required for CONSULTANT to practice its profession. CONSULTANT represents and warrants to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY that CONSULTANT shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for CONSULTANT to practice its profession at the time the services are performed. Failure of the CONSULTANT to comply with this provision shall authorize the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY to immediately terminate this agreement notwithstanding Operative Provision No. 9.

C.3 TIME. CONSULTANT shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for the satisfactory performance of CONSULTANT'S obligations pursuant to this Agreement. Neither party shall be considered in default of this Agreement to the extent performance is prevented or delayed by any cause, present or future, which is beyond the reasonable control of the party.

C.4 INSURANCE. Prior to rendering services provided by the terms and conditions of this Agreement, CONSULTANT or its subCONSULTANTS shall acquire and maintain during the term of this Agreement, insurance coverage, through and with an insurer acceptable to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, naming the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and any related agency governed by the Board of Directors which is letting the contract or for whom the services under the contract are being provided, and THREE RIVERS LEVEE IMPROVEMENT AUTHORITY'S, or related agency's, officials, employees, and volunteers as additional insured (excluding workers' compensation and professional liability insurance), (hereinafter referred to as "the insurance"). The limits of insurance herein shall not limit the liability of the CONSULTANT hereunder.

C.4.1 TERM. Policies of insurance shall be in effect during the term of this Agreement and shall provide that they may not be canceled without first providing THREE RIVERS LEVEE IMPROVEMENT AUTHORITY with thirty (30) days written notice of such intended cancellation. If CONSULTANT fails to maintain the insurance provided herein, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY may secure such insurance and deduct the cost thereof from any funds owing to CONSULTANT.

C.4.2 MINIMUM SCOPE OF INSURANCE. CONSULTANT shall procure insurance covering general liability, automobile liability, and workers' compensation. Coverage shall be at least as broad as:

Attachment C – Page 7 of 12.
(a) Insurance Services Office (ISO) Commercial General Liability Occurrence form number CG 0001 or equivalent ISO form. A non-ISO form must be reviewed and approved by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY Risk Manager prior to acceptance of the Agreement.

(b) Insurance Services Office Business Auto Coverage form number CA 0001 0187 covering Automobile Liability, code 1 “any auto” and Endorsement CA 0029.

(c) Workers' Compensation insurance as required by the Labor Code of the State of California and Employers Liability insurance.

(d) If this Agreement is for the provision of professional services, Professional Errors and Omissions Liability Insurance, with a coverage form subject to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY approval.

**C.4.3 OTHER INSURANCE PROVISIONS.** The policies are to contain, or be endorsed to contain the following provisions:

(a) General Liability and Automobile Liability Coverages.

(i) The THREE RIVERS LEVEE IMPROVEMENT AUTHORITY and the public entity awarding the contract if other than the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, and their officials, employees and volunteers are to be covered as additional insureds as respects: liability arising out of activities performed by or on behalf of the CONSULTANT; products and completed operations of the CONSULTANT; premises owned, leased, occupied, or used by the CONSULTANT; or automobiles owned, leased, hired, or borrowed by the CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees or volunteers.

(ii) The CONSULTANT'S insurance coverage shall be primary insurance as respects the

Attachment C – Page 8 of 12.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees and volunteers and any other insureds under this Agreement. Any insurance or self-insurance maintained by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees and volunteers or other insureds shall be excess of the CONSULTANT’S insurance and shall not contribute with it.

(iii) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees and volunteers or other insureds under this Agreement.

(iv) The insurance policy required by this clause shall be endorsed to state that the CONSULTANT’S insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer’s liability.

(b) Worker’s Compensation and Employers’ Liability Coverage. The insurer shall agree to waive all rights of subrogation against the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees and volunteers or other insureds under this Agreement.

(c) All Coverages. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or below minimum limits required under this Agreement except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY.

C.4.4 ACCEPTABILITY OF INSURERS. Insurance is to be placed with insurers with a current A.M. Best’s rating of no less than A:VII.

C.4.5 MINIMUM LIMITS OF INSURANCE. CONSULTANT shall maintain limits no less than:

(a) Commercial General Liability: One Million Dollars

Attachment C — Page 9 of 12.
($1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit.

(b) Automobile Liability: $1,000,000 combined single limit per accident for bodily injury or property damage.

(c) Workers’ Compensation and Employers Liability: Workers’ Compensation limits as required by the Labor Code of the State of California and Employers Liability limits of One Million Dollars ($1,000,000) per accident.

(d) Professional Errors and Omissions Liability (if required): Policy limits of not less than One Million Dollars ($1,000,000) per claim and One Million Dollars ($1,000,000) annual aggregate, with deductible or self-insured portion not to exceed Two Thousand Five Hundred Dollars ($2,500). Coverage may be made on a claims-made basis with a “Retro Date” either prior to the date of the Agreement or the beginning of the Agreement services. If claims-made, coverage must extend to a minimum of twelve-months beyond completion of the services. If coverage is canceled or non-renewed and not replaced with another claims-made policy form with a “Retro Date” prior to the Agreement effective date, the CONSULTANT must purchase “extended reporting” coverage for a minimum of twelve (12) months after completion of services.

C.4.6 SUBCONSULTANTS. In addition to the above policies, if CONSULTANT hires a subCONSULTANT under this Agreement CONSULTANT shall include all subCONSULTANTS as insureds under its policies or shall furnish separate certificates and endorsements for each subCONSULTANT. All coverages for subCONSULTANTS shall be subject to all of the requirements stated herein. If CONSULTANT requires subCONSULTANTS to provide insurance coverage, then CONSULTANT shall be named as an additional insured under such policy or policies (excluding workers’ compensation and professional liability insurance).

C.4.7 DEDUCTIBLES AND SELF-INSURED RETentions. Except as otherwise provided in this Agreement, any deductibles or self-insured retentions must be declared to and approved by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY. At the option of THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, either the insurer shall reduce or eliminate such deductions or self-insured retentions as respects
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its officials, employees and volunteers; or, the CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

C.4.8 VERIFICATION OF COVERAGE.

(a) CONSULTANT shall furnish THREE RIVERS LEVEE IMPROVEMENT AUTHORITY with Certificates of Insurance and with original endorsements effecting coverage required by this clause. The certificate(s) and endorsement(s) for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificate(s) and endorsement(s) are to be on forms provided by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY or on forms received and approved by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY before work commences. THREE RIVERS LEVEE IMPROVEMENT AUTHORITY reserves the right to require complete, certified copies of all required insurance policies at any time.

(b) CONSULTANT shall not render services under the terms and conditions of this Agreement unless each type of insurance coverage and endorsement is in effect and CONSULTANT has delivered the certificate(s) of insurance and endorsement(s) to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY as previously described. If CONSULTANT fails to procure and maintain said insurance, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY may, but shall not be required to, procure and maintain the same, and the premiums of such insurance shall be paid by CONSULTANT to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY upon demand. The policies of insurance provided herein which are to be provided by CONSULTANT shall be for a period of time sufficient to cover the term of the Agreement, including THREE RIVERS LEVEE IMPROVEMENT AUTHORITY’S acceptance of CONSULTANT’S work. It is understood and agreed that thirty (30) days prior to the expiration of any policy of insurance, CONSULTANT will deliver to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY certificate(s) and endorsement(s) evidencing a renewal or new policy to take the place of the policy expiring.

C.5 INDEMNITY. CONSULTANT shall defend, indemnify, and hold harmless THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, its elected and appointed councils, boards,
commissions, officers, agents, and employees from any liability for damage or claims for damage for personal injury, including death, as well as for property damage, which may arise from the intentional or negligent acts or omissions of CONSULTANT in the performance of services rendered under this Agreement by CONSULTANT, or any of CONSULTANT'S officers, agents, employees, CONSULTANTs, or subCONSULTANTs.

C.6 CONSULTANT NOT AGENT. Except as THREE RIVERS LEVEE IMPROVEMENT AUTHORITY may specify in writing, CONSULTANT shall have no authority, express or implied, to act on behalf of THREE RIVERS LEVEE IMPROVEMENT AUTHORITY in any capacity whatsoever as an agent. CONSULTANT shall have no authority, express or implied, pursuant to this Agreement to bind THREE RIVERS LEVEE IMPROVEMENT AUTHORITY to any obligation whatsoever.

C.7 ASSIGNMENT PROHIBITED. CONSULTANT may not assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no legal effect.

C.8 PERSONNEL. CONSULTANT shall assign only competent personnel to perform services pursuant to this Agreement. In the event that THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, in its sole discretion, at any time during the term of this Agreement, desires the removal of any person or persons assigned by CONSULTANT to perform services pursuant to this Agreement, CONSULTANT shall remove any such person immediately upon receiving written notice from THREE RIVERS LEVEE IMPROVEMENT AUTHORITY of its desire for removal of such person or persons.

C.9 STANDARD OF PERFORMANCE. CONSULTANT shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which CONSULTANT is engaged. All products of whatsoever nature which CONSULTANT delivers to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY pursuant to this Agreement shall be prepared in a first class and workmanlike manner and shall conform to the standards or quality normally observed by a person practicing in CONSULTANT's profession.

C.10 POSSESSORY INTEREST. The parties to this Agreement recognize that certain rights to property may create a "possessory interest", as those words are used in the California Revenue and Taxation Code, §107. For all purposes of compliance by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY with Section 107.6 of the California Revenue and Taxation Code, this recital shall be deemed full compliance by the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY. All questions of initial determination of possessory interest and valuation of such interest, if any, shall be the responsibility of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY Assessor and the contracting parties hereto. A taxable possessory interest may be created by this contract; and if created, the party in whom such an interest is vested will be subject to the payment of property taxes levied on such an interest.

C.11 TAXES. CONSULTANT hereby grants to the THREE RIVERS LEVEE

Attachment C – Page 12 of 12.
IMPROVEMENT AUTHORITY the authority to deduct from any payments to CONSULTANT any THREE RIVERS LEVEE IMPROVEMENT AUTHORITY imposed taxes, fines, penalties and related charges which are delinquent at the time such payments under this Agreement are due to CONSULTANT.

C.12 TERMINATION. Upon termination of this Agreement as otherwise provided herein, CONSULTANT shall immediately cease rendering service upon the termination date and the following shall apply:

C.12.1 CONSULTANT shall deliver copies of all writings prepared by it pursuant to this Agreement. The term "writings" shall be construed to mean and include: handwriting, typewriting, printing, photostating, photographing, and every other means of recording upon any tangible thing and form of communication or representation, including letters, words, pictures, sounds, or symbols, or combinations thereof.

C.12.2 THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall have full ownership and control of all such writings or other communications delivered by CONSULTANT pursuant to this Agreement.

C.12.3 THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall pay CONSULTANT the reasonable value of services rendered by CONSULTANT to the date of termination pursuant to this Agreement not to exceed the amount documented by CONSULTANT and approved by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY as work accomplished to date; provided, however, THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall not in any manner be liable for lost profits which might have been made by CONSULTANT had CONSULTANT completed the services required by this Agreement. In this regard, CONSULTANT shall furnish to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY such financial information as in the judgment of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY is necessary to determine the reasonable value of the services rendered by CONSULTANT. In the event of a dispute as to the reasonable value of the services rendered by CONSULTANT, the decision of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY shall be final. The foregoing is cumulative and does not affect any right or remedy which THREE RIVERS LEVEE IMPROVEMENT AUTHORITY may have in law or equity.

CONSULTANT may terminate its services under this Agreement upon thirty (30) days written notice to the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, without liability for damages, if CONSULTANT is not compensated according to the provisions of the Agreement or upon any other material breach of the Agreement by THREE RIVERS LEVEE IMPROVEMENT AUTHORITY.

C.13 NON-DISCRIMINATION. Throughout the duration of this Agreement, CONSULTANT shall not unlawfully discriminate against any employee of the CONSULTANT.
or of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY or applicant for employment or for services or any member of the public because of race, religion, color, national origin, ancestry, physical or mental disability, medical condition, marital status, age, sex or sexual orientation. CONSULTANT shall ensure that in the provision of services under this Agreement, its employees and applicants for employment and any member of the public are free from such discrimination. CONSULTANT shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12900, et seq.). The applicable regulations of the Fair Employment Housing Commission implementing Government Code Section 12900, set forth in Chapter 5, Division 4 of Title 2 of the California Code of Regulations are incorporated into this Agreement by reference and made a part hereof as if set forth in full. CONSULTANT shall also abide by the Federal Civil Rights Act of 1964 and all amendments thereto, and all administrative rules and regulations issued pursuant to said Act. CONSULTANT shall give written notice of its obligations under this clause to any labor agreement. CONSULTANT shall include the non-discrimination and compliance provision of this paragraph in all subcontracts to perform work under this Agreement.

C.14 REHABILITATION ACT OF 1973/AMERICANS WITH DISABILITIES ACT OF 1990. In addition to application of the non-discrimination provision of this Agreement, above, CONSULTANT agrees to comply with all provisions of section 504 et seq. of the Rehabilitation Act of 1973, and with all provisions of the Americans with Disabilities Act of 1990, and all amendments thereto, and all administrative rules and regulations issued pursuant to said Acts, pertaining to the prohibition of discrimination against qualified handicapped and disabled persons, in all programs or activities, as to employees or recipients of services.

C.15 OWNERSHIP OF INFORMATION. All professional and technical information developed under this Agreement and all work sheets, reports, and related data shall become the property of THREE RIVERS LEVEE IMPROVEMENT AUTHORITY, and CONSULTANT agrees to deliver reproducible copies of such documents to THREE RIVERS LEVEE IMPROVEMENT AUTHORITY on completion of the services hereunder. The THREE RIVERS LEVEE IMPROVEMENT AUTHORITY agrees to indemnify and hold CONSULTANT harmless from any claim arising out of reuse of the information for other than this project.

C.16 WAIVER. A waiver by any party of any breach of any term, covenant or condition herein contained or a waiver of any right or remedy of such party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained or of any continued or subsequent right to the same right or remedy. No party shall be deemed to have made any such waiver unless it is in writing and signed by the party so waiving.

C.17 COMPLETENESS OF INSTRUMENT. This Agreement, together with its specific references and attachments, constitutes all of the agreements, understandings, representations, conditions, warranties and covenants made by and between the parties hereto. Unless set forth herein, neither party shall be liable for any representations made express or implied.
C.18 SUPERSEDES PRIOR AGREEMENTS. It is the intention of the parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, representations, or agreements, written or oral, between the parties hereto.

C.19 ATTORNEY’S FEES. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys’ fee, which may be set by the Court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such party may be entitled.

C.20 CAPTIONS. The captions of this Agreement are for convenience in reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

C.21 DEFINITIONS. Unless otherwise provided in this Agreement, or unless the context otherwise requires, the following definitions and rules of construction shall apply herein.

C.21.1 NUMBER AND GENDER. In this Agreement, the neuter gender includes the feminine and masculine, and the singular includes the plural, the word "person" includes corporations, partnerships, firms or associations, wherever the context so requires.

C.21.2 MANDATORY AND PERMISSIVE. "Shall" and "will" and "agrees" are mandatory. "May" is permissive.

C.22 TERM INCLUDES EXTENSIONS. All references to the term of this Agreement or the Agreement Term shall include any extensions of such term.

C.23 SUCCESSORS AND ASSIGNS. All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto,

shall be binding upon and inure to the benefit of such party, its successors and assigns.

C.24 MODIFICATION. No modification or waiver of any provision of this Agreement or its attachments shall be effective unless such waiver or modification shall be in writing, signed by all parties, and then shall be effective only for the period and on the condition, and for the specific instance for which given.

C.25 COUNTERPARTS. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

C.26 OTHER DOCUMENTS. The parties agree that they shall cooperate in good faith to Attachment C – Page 15 of 12.
accomplish the object of this Agreement and to that end, agree to execute and deliver such other and further instruments and documents as may be necessary and convenient to the fulfillment of these purposes.

C.27 PARTIAL INVALIDITY. If any term, covenant, condition or provision of this Agreement is held by a Court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provision and/or provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

C.28 JURISDICTION. It is agreed by the parties hereto that unless otherwise expressly waived by them, any action brought to enforce any of the provisions hereof or for declaratory relief hereunder shall be filed and remain in a Court of competent jurisdiction in the County of Yuba, State of California.

C.29 CONTROLLING LAW. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

C.30 TIME IS OF THE ESSENCE. Time is of the essence of this Agreement and each covenant and term a condition herein.

C.31 AUTHORITY. All parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles and capacities herein stated and on behalf of any entities, persons, estates or firms represented or purported to be represented by such entity(s), person(s), estate(s) or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Agreement have been fully complied with. Further, by entering into this Agreement, neither party hereto shall have breached the terms or conditions of any other contract or agreement to which such party is obligated, which such breach would have a material effect hereon.

C.32 CONFLICT OF INTEREST. Neither a THREE RIVERS LEVEE IMPROVEMENT AUTHORITY employee whose position in THREE RIVERS LEVEE IMPROVEMENT AUTHORITY enables such employee to influence the award of this Agreement or any competing Agreement, nor a spouse or economic dependent of such employee, shall be employed in any capacity by CONSULTANT herein, or have any other direct or indirect financial interest in this Agreement.

CONSULTANT may be subject to the disclosure requirements of the THREE RIVERS LEVEE IMPROVEMENT AUTHORITY conflict of interest code if in a position to make decisions or influence decisions that could have an effect on the CONSULTANT’S financial interest. The THREE RIVERS LEVEE IMPROVEMENT AUTHORITY Administrator shall determine in writing if CONSULTANT has been hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in the Yuba County Conflict of Interest Code.

C.33 NOTICES. All notices and demands of any kind which either party may require or
desire to serve on the other in connection with this Agreement must be served in writing either by personal service or by registered or certified mail, return receipt requested, and shall be deposited in the United States Mail, with postage thereon fully prepaid, and addressed to the party so to be served as follows:

If to "THREE RIVERS LEVEE IMPROVEMENT AUTHORITY":

THREE RIVERS LEVEE IMPROVEMENT AUTHORITY  
Paul G. Brunner, Executive Director  
1114 Yuba Street, Suite 218  
Marysville, CA 95901

If to "CONSULTANT":

SILLS AG CONSULTING, INC.  
Dave P. Sills, President  
3301 Stonehurst Drive  
El Dorado Hills, CA 95762

Attachment C – Page 17 of 12.
# Scope of Work for TRLIA

**Agronomy and Crop Consulting**

<table>
<thead>
<tr>
<th>Begin Date:</th>
<th>Apr 1 2018</th>
<th>Target End Date:</th>
<th>Aug 30 2019</th>
</tr>
</thead>
</table>

**Dave Sills**
Agronomist/Veg. Management

**Project Mgrs:** Claire Marie Turner / Ric Reinhardt of MBK Engineers

### Project Location
Yuba County, TRLIA

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Projected Finish Date</th>
<th>Hrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1. Goldfields 200-Year project</td>
<td>August 2019</td>
<td></td>
</tr>
<tr>
<td>Soil Sample Analyses</td>
<td>Aug 2018</td>
<td>6</td>
</tr>
<tr>
<td>Agricultural Leveling Planning</td>
<td>Aug 2018</td>
<td>7</td>
</tr>
<tr>
<td>Agricultural Amendment Evaluations</td>
<td>Aug 2018</td>
<td>8</td>
</tr>
<tr>
<td>Misc. Phone Calls</td>
<td>Aug 2019</td>
<td>10</td>
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<tr>
<td>Reports</td>
<td>Aug 2018</td>
<td>8</td>
</tr>
<tr>
<td>Email Correspondence</td>
<td>Aug 2019</td>
<td>10</td>
</tr>
<tr>
<td>Meetings</td>
<td>Aug 2019</td>
<td>10</td>
</tr>
<tr>
<td>Task 2. General Agronomy Services</td>
<td>Aug 2019</td>
<td></td>
</tr>
<tr>
<td>Other Services As Requested by TRLIA</td>
<td>Aug 2019</td>
<td>55.5</td>
</tr>
</tbody>
</table>

**Cumulative Hours:** 114.5

---

**Task 1. Goldfields 200-Year Project**

- **Total Hours Estimated:** 59 hours @ $180.00 = $10,620.00
- **Ag Soil Analyses (lab cost reimbursement):** $1,400.00

**Task 2. General Agronomy Services**

- **Total Hours Estimated:** 55.5 hours @ $180.00 = $9,990.00

**Total Estimated Costs:** $22,010.00
Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated March 23, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Significant audit findings**

**Qualitative aspects of accounting practices**

**Accounting policies**
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Three Rivers Levee Improvement Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

**Accounting estimates**
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

**Financial statement disclosures**
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties encountered in performing the audit**
We encountered no significant difficulties in dealing with management in performing and completing our audit.
Uncorrected misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements
None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. No such disagreements arose during our audit.

Management representations
We have requested certain representations from management that are included in the attached management representation letter dated March 23, 2018.

Management consultations with other independent accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

This communication is intended solely for the information and use of the Board of Directors and management of Three Rivers Levee Improvement Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Roseville, California
March 23, 2018
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INDEPENDENT AUDITORS’ REPORT

Board of Directors
Three Rivers Levee Improvement Authority
Marysville, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Three Rivers Levee Improvement Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 Authority’s preparation and fair presentation of the financial statements 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 Authority’s internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Nexia
international
Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Three Rivers Levee Improvement Authority as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison for the General fund, as listed in the table of contents, 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 (GASB), 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.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2018, on our consideration of the Three Rivers Levee Improvement Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the Three Rivers Levee Improvement Authority'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 Three Rivers Levee Improvement Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP
Roseville, California
March 23, 2018
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

This Management’s Discussion and Analysis of the Three Rivers Levee Improvement Authority’s (Authority) basic financial statements presents a discussion and analysis of the Authority’s financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the Authority’s basic financial statements following this section.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the 2016-2017 fiscal year by $46.5 million. Of this amount, $2.8 million is restricted for capital projects, debt service, and other public uses (restricted net position), and $33.9 million is invested in capital assets, net of related debt.

As of June 30, 2017, the Authority’s governmental funds reported combined fund balances of $10.6 million as restricted fund balance.

At the end of the fiscal year, unrestricted net position for governmental activities was $9.8 million, a decrease of approximately $7 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of Authority finances, in a manner similar to private-sector business.

The statement of net position presents information on all Authority assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator in determining if the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but uncollected revenues and earned but unused vacation leave). Both of these government-wide financial statements distinguish functions of the Authority that are principally supported by assessments, taxes and intergovernmental revenues (governmental activities).

Fund Financial Statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance.
Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on current in-flows and outflows of spendable resources as well as the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the Authority's short-term financial position and the financial resources available in the near future to support the Authority's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information regarding the Authority's budgetary process has been provided along with budgetary comparison schedules for the Authority's general fund and for each of the major governmental special revenue funds.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>The Authority's Net Position</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and Other Assets</td>
<td>$15,510,339</td>
<td>$19,758,881</td>
<td></td>
</tr>
<tr>
<td>Capital Assets</td>
<td>80,158,280</td>
<td>80,601,526</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>95,678,619</td>
<td>100,360,407</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current/Noncurrent Liabilities</td>
<td>2,857,685</td>
<td>22,833</td>
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<tr>
<td>Long-term Liabilities</td>
<td>46,264,753</td>
<td>43,956,324</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>49,122,438</td>
<td>43,979,157</td>
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<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment In Capital Assets</td>
<td>33,903,527</td>
<td>36,645,202</td>
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<tr>
<td>Restricted Net Position</td>
<td>2,798,330</td>
<td>2,797,961</td>
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<tr>
<td>Unrestricted Net Position</td>
<td>9,854,324</td>
<td>16,938,087</td>
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<tr>
<td><strong>Total Net Position</strong></td>
<td>$46,556,181</td>
<td>$56,381,250</td>
<td></td>
</tr>
</tbody>
</table>
ANALYSIS OF NET POSITION

As noted earlier, net position may serve as a useful indicator of government’s financial position. In the case of the Authority, assets exceeded liabilities by $46.5 million at the close of the fiscal year ending June 30, 2017. The decrease in net position of approximately $9.8 million can be primarily attributed to the decrease in Current Assets ($4.3 million) as a result of a reduction in cash, an increase in Total Liabilities due to the amount of payables due to contractors at June 30, 2017 ($2.83 million) and additional capitalized appreciation of the on the outstanding Mello-Roos CFD Bonds ($2.3 million).

Restricted Net Position, the use of which is restricted by entities external to the Authority (i.e. external creditors, other governmental agencies, or by law through constitutional powers or enabling legislation) comprise $2.8 million for the current fiscal year.

Net investment in capital assets decreased by $2.7 million from 2016 to 2017 due to the retirement and transfer of completed flood control works to Reclamation District No. 784.

The following table indicates the changes in net position for governmental and business-type activities:

<table>
<thead>
<tr>
<th>Table 2</th>
<th>The Authority’s Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
</tr>
<tr>
<td>Intergovernmental Revenue</td>
<td>$136,027</td>
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<tr>
<td>Property Assessments and Fees</td>
<td>1,038,325</td>
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<tr>
<td>CFM Direct Assessments</td>
<td>685,786</td>
</tr>
<tr>
<td>Rental Income</td>
<td>61,000</td>
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<tr>
<td>General Revenue:</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>149,034</td>
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<tr>
<td>Miscellaneous</td>
<td>86,946</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>2,157,118</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
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<tr>
<td>Levee Improvement Activities</td>
<td>(11,982,187)</td>
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<tr>
<td>Changes In Net Position</td>
<td>(9,826,069)</td>
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<tr>
<td>Net Position - Beginning of Year</td>
<td>56,381,250</td>
</tr>
<tr>
<td>Net Position - End of Year</td>
<td>$46,556,181</td>
</tr>
</tbody>
</table>
Overall, activities in the current year decreased the Authority’s net position by $9.8 million. The Authority saw an overall decrease of $13.6 million in revenues from $15.7 million in 2016 to $2.1 million in 2017. The Authority saw a minor increase in property assessments and fees and direct assessments revenue. The decrease in revenue was accompanied by an increase of $2.2 million in expenditures, from $9.8 million to $11.9 million, or 22%. This was in large part due to an increase in the amount of levee improvements completed relative to the prior fiscal year.

FINANCIAL ANALYSIS OF THE AUTHORITY’S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds:** Governmental activities are generally accounted for under the General Fund and special revenue. The focus of the Authority’s governmental funds is to provide information on near-term inflows, outflows, and balances as spendable resources. Such information is useful in assessing the Authority’s short-term financing requirements, in particular, unreserved fund balance may serve as a useful measure of the government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the Authority's governmental funds reported a combined ending fund balance of $10.6 million, compared to $10.8 million of the previous year, a decrease of 2.0%. The $10.6 million in fund balance is classified under GASB 54 as restricted, due to grant and other regulatory provisions.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Budgetary fund balances, Beginning</td>
<td>$10,063,363</td>
<td>$10,063,363</td>
<td>$13,063,363</td>
</tr>
<tr>
<td>Resources (inflows)</td>
<td>18,034,073</td>
<td>18,034,073</td>
<td>7,266,260</td>
</tr>
<tr>
<td>Total charges to appropriations</td>
<td>(18,137,447)</td>
<td>(18,137,447)</td>
<td>(7,539,136)</td>
</tr>
<tr>
<td>Budgetary fund balances, June 30</td>
<td>$ 9,956,989</td>
<td>$ 9,956,989</td>
<td>$ 3,793,487</td>
</tr>
</tbody>
</table>

Actual inflows for 2017 were lower than the final budgeted revenue by $10.7 million due lower than expected intergovernmental revenues (grant revenues from the Department of Water Resources). The Authority also had actual expenditures less than budgeted by approximately the same amount, $10.6 million.
Capital Assets: The Authority's investment in capital assets for its governmental type activities as of June 30, 2017, amounted to $80.1 million (net of accumulated depreciation) compared to $80.6 million reported in 2016. This investment in capital assets includes levee improvement project costs. Additional information on the Authority's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

Debt Administration: At the end of the current fiscal year, the Authority had total long-term obligations outstanding of $46 million. The long-term obligations are as follows:

- $46.3 million – bonds payable

Additional information on the Authority's long-term debt obligations can be found in Note 4 of the Notes to the Basic Financial Statements.

ECONOMIC OUTLOOK

The adopted expenditure budget for fiscal year 2017/18 for the Authority's general fund totals approximately $17.5 million which is a $600,600 decrease, or 3.3% decrease when compared to the prior year.

During the fiscal year of 2017/18, the Authority expects to complete the Western Pacific Interceptor Canal levee improvement project as well as complete a significant portion of the planning and engineering associated with the 200-Year Goldfields Levee Improvement Project.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Three Rivers Levee Improvement Authority, 1114 Yuba Street, Suite 218 Marysville, California 95901.
BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

Statement of Net Position
June 30, 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments in County Treasury</td>
<td>$ 10,618,419</td>
</tr>
<tr>
<td>Cash with fiscal agent</td>
<td>2,798,330</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>61,000</td>
</tr>
<tr>
<td>Due from other government agencies</td>
<td>1,991,626</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>3,654</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>37,310</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
</tr>
<tr>
<td>Non-depreciable</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 95,578,619</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>2,857,685</td>
</tr>
<tr>
<td>Long-term liabilities:</td>
<td></td>
</tr>
<tr>
<td>Bonds payable, noncurrent portion</td>
<td>46,264,753</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 49,122,438</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>$ 33,903,527</td>
</tr>
<tr>
<td>Restricted for restoration area endowment</td>
<td>2,798,330</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>9,854,324</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 46,556,181</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

Statement of Activities
For the Fiscal Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administrative Expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>$ 262,654</td>
</tr>
<tr>
<td>Insurance</td>
<td>282,108</td>
</tr>
<tr>
<td>Memberships</td>
<td>19,740</td>
</tr>
<tr>
<td>Professional services</td>
<td>173,467</td>
</tr>
<tr>
<td>Travel</td>
<td>8,546</td>
</tr>
<tr>
<td><strong>Special Projects:</strong></td>
<td></td>
</tr>
<tr>
<td>Levee improvement costs</td>
<td>7,225,867</td>
</tr>
<tr>
<td>Maintenance reimbursements</td>
<td>969,858</td>
</tr>
<tr>
<td>Developer impact fee payments</td>
<td>481,563</td>
</tr>
<tr>
<td>Fiduciary fees</td>
<td>46,037</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,512,347</td>
</tr>
<tr>
<td><strong>Total Program Expenses</strong></td>
<td><strong>11,982,187</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental revenue</td>
<td>136,027</td>
</tr>
<tr>
<td>Property assessments</td>
<td>1,038,325</td>
</tr>
<tr>
<td>CFD special taxes</td>
<td>685,786</td>
</tr>
<tr>
<td>Rental income</td>
<td>61,000</td>
</tr>
<tr>
<td><strong>Total Program Revenues</strong></td>
<td><strong>1,921,138</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Program Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10,061,049)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment earnings</td>
<td>149,034</td>
</tr>
<tr>
<td>Other revenue</td>
<td>86,946</td>
</tr>
<tr>
<td><strong>Total General Revenues</strong></td>
<td><strong>235,980</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Position</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(9,825,069)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position - Beginning of Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56,381,250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position - End of Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 46,556,181</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS
### Balance Sheet
#### Governmental Funds.
#### June 30, 2017

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Levee Assessment</th>
<th>CFD 2008-1</th>
<th>CFD 2008-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments in County Treasury</td>
<td>$9,753,913</td>
<td>$262,318</td>
<td>$361,859</td>
<td>$200,329</td>
<td>$10,618,419</td>
</tr>
<tr>
<td>Cash with fiscal agent</td>
<td>2,798,330</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>2,798,330</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>61,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>61,000</td>
</tr>
<tr>
<td>Due from other government agencies</td>
<td>1,991,626</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1,991,626</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>--</td>
<td>3,654</td>
<td>--</td>
<td>--</td>
<td>3,654</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>32,717</td>
<td>3,200</td>
<td>859</td>
<td>534</td>
<td>37,510</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$14,677,586</td>
<td>$269,172</td>
<td>$392,718</td>
<td>$200,863</td>
<td>$15,510,339</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Levee Assessment</th>
<th>CFD 2008-1</th>
<th>CFD 2008-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$2,857,685</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$2,857,685</td>
</tr>
<tr>
<td>Unavailable revenue</td>
<td>2,026,414</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>2,026,414</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>4,884,099</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>4,884,099</td>
</tr>
</tbody>
</table>

#### Fund Balances

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Levee Assessment</th>
<th>CFD 2008-1</th>
<th>CFD 2008-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>9,793,487</td>
<td>269,172</td>
<td>362,718</td>
<td>200,863</td>
<td>10,626,240</td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td>9,793,487</td>
<td>269,172</td>
<td>362,718</td>
<td>200,863</td>
<td>10,626,240</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Levee Assessment</th>
<th>CFD 2008-1</th>
<th>CFD 2008-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td>$14,677,586</td>
<td>$269,172</td>
<td>$392,718</td>
<td>$200,863</td>
<td>$15,510,339</td>
</tr>
</tbody>
</table>

---

The accompanying notes are an integral part of these financial statements.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

Reconciliation of the Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2017

Fund Balance - total governmental funds $ 10,626,240

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

Receivables not collected during the availability period are deferred in the fund statements. 2,026,414

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 80,168,280

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds. Bonds payable (46,264,753)

Net position of governmental activities $ 46,566,181

The accompanying notes are an integral part of these financial statements.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Levee</th>
<th>CFD 2006-1</th>
<th>CFD 2006-2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental revenue</td>
<td>$7,042,563</td>
<td>$</td>
<td>$</td>
<td>$7,042,563</td>
</tr>
<tr>
<td>Property assessments</td>
<td>--</td>
<td>1,038,325</td>
<td>--</td>
<td>1,038,325</td>
</tr>
<tr>
<td>CFD special taxes</td>
<td>--</td>
<td>508,249</td>
<td>177,537</td>
<td>685,786</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>139,751</td>
<td>5,762</td>
<td>2,319</td>
<td>149,034</td>
</tr>
<tr>
<td>Other revenue</td>
<td>86,946</td>
<td>--</td>
<td>--</td>
<td>86,946</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>7,269,280</td>
<td>1,044,107</td>
<td>510,568</td>
<td>9,002,654</td>
</tr>
</tbody>
</table>

Expenditures
Current:
Administrative:
Salaries and benefits | 262,654 | -- | -- | -- | 262,654|
Insurance             | 282,108 | -- | -- | -- | 282,108|
Memberships           | 19,740  | -- | -- | -- | 19,740 |
Professional services | 173,467 | -- | -- | -- | 173,467|
Travel                | 8,546   | -- | -- | -- | 8,546  |
Special projects:
Levee improvement costs | 6,792,621 | -- | -- | -- | 6,792,621|
Maintenance reimbursements | -- | 969,858 | -- | -- | 969,858|
Development impact fee payments | -- | -- | 395,957 | 85,606 | 481,563|
Fiduciary fees        | --     | -- | 32,288 | 13,749 | 46,037 |
Redemption of CFD bonds | -- | -- | 203,918 | -- | 203,918|
**Total Expenditures** | 7,539,138 | 969,858 | 632,163 | 99,355 | 9,240,512|

Net change in fund balances | (269,876) | 74,249 | (121,595) | 79,364 | (237,858)|

Fund Balance - Beginning of Year | 10,083,363 | 194,923 | 484,313 | 121,499 | 10,864,098 |

Fund Balance - End of Year | $9,793,487 | $269,172 | $352,718 | $200,863 | $10,626,240 |

The accompanying notes are an integral part of these financial statements.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the
Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net change to fund balance - total governmental funds $ (237,858)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (6,845,536)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. Retirements are reported as expenses.

Capital asset expenditures 6,337,880
Retirement of capital assets (6,771,126)

The repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 203,918

The compounding of interest on the capital appreciation bonds does not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. (2,512,347)

Change in net position of governmental activities $ (9,825,089)

The accompanying notes are an integral part of these financial statements.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Three Rivers Levee Improvement Authority (Authority) is a joint powers authority established in May 2004 between the County of Yuba and Reclamation District No. 784 to finance and construct levee improvements in south Yuba County. The Authority’s mission is to provide 200-year flood protection from 29 miles of levees to more than 40,000 residents. The Authority is governed by a five-member Board of Directors.

Component Units

The Authority Board of Directors approved the formation of two Community Facilities Districts (CFDs) on April 3, 2007. The property owners within the proposed boundaries of the CFDs who qualified as the electors for the purposes of authorizing the CFDs unanimously voted to form the CFDs and to incur bonded indebtedness in an amount not to exceed $250,000,000 for CFD 2006–1. The CFD 2006–1 bond proceeds would be used to fund the costs of the Levee Improvement Program funded through an advanced funding agreement entered into by certain landowners, Yuba County (County), and the TRLIA. The CFD 2006–2 proceeds would be used to fund the costs of the Levee Improvement Program previously advanced by certain landowners through prior agreements, as well as other improvements included in County capital facilities impact fees.

B. Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds, each of which is defined as a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority’s Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Authority.

The Government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the Authority’s assets and liabilities, including capital assets and long-term debt, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. In the Statement of Activities, interfund transfers have been eliminated.
Fund Financial Statements

Governmental fund financial statements include a balance sheet, and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the difference in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

The Authority reports the following major governmental funds:

- The General Fund is the Authority’s primary operating fund. It accounts for all financial resources of the general government.

- The Levee Assessment Fund was established to collect funds for the purpose of providing levee maintenance within the operating and maintenance assessment district.

The Special Revenue Funds also include the non-major funds representing the activities of the two CFD funds.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers revenues reported in the governmental fund to be available if they are collected within forty five days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include intergovernmental revenue. Receivables recorded in the financial statements are not net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2016 were not considered material and, therefore, were not recorded.

In the governmental fund financial statements, material receivables in governmental funds include revenue accruals such as grants, interest and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified
accrual method of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available.

E. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date received. Capital assets include public domain and general fixed assets consisting of certain improvements including flood control. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the estimated useful lives in the government-wide statements.

The estimated lives are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>20 - 60 years</td>
</tr>
<tr>
<td>Structures and Improvements</td>
<td>15 - 60 years</td>
</tr>
<tr>
<td>Equipment, Furniture and Vehicles</td>
<td>3 - 20 years</td>
</tr>
</tbody>
</table>

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

F. Equity

GOVERNMENT-WIDE STATEMENTS

In the government-wide financial statements, equity is classified as net position and displayed in three components as follows:

- Net investment in capital assets—the portion of net position, which is represented by the current net book value of the Authority’s capital assets, less the outstanding balance of any debt issued to finance these assets.

- Restricted net position—a component of net position whose use is subject to constraints that are either (a) externally imposed by creditors, grantees, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position—this portion of net position does not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

FUND STATEMENTS

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance—amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.
• Restricted fund balance – amounts with constraints placed on their use by those external to the Authority, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

• Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Authority's Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

• Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose.

• Unassigned fund balance – the residual classification that includes amounts not contained in the other classifications.

The Authority's governing board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by unrestricted committed, assigned and unassigned resources as they are needed.

G. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH

Cash at June 30, 2017, consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash with Yuba County Treasury</td>
<td>$10,618,419</td>
</tr>
<tr>
<td>Cash with fiscal agent</td>
<td>$2,798,330</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,416,749</strong></td>
</tr>
</tbody>
</table>

The Authority is a voluntary participant in the County of Yuba Treasury’s investment pool. The County maintains a cash and investment pool in order to facilitate the management of cash. Each fund’s portion of this pool is displayed on the balance sheet as “cash and investments.” On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balance. Information regarding categorization of investments, risk and fair value reporting disclosures can be found in the County of Yuba financial statements.

Governmental Accounting Standards Board Statement No. 40 requires additional disclosures about a government’s deposits and investment risks that include credit risk, custodial risk, concentration risk and interest rate risk.
THREE RIVERS LEVEE IMPROVEMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Required risk disclosures for the Authority’s investment in the Yuba County Investment Pool at June 30, 2017, were as follows:

- Credit risk: Not rated
- Custodial risk: Not applicable
- Concentration of credit risk: Not applicable
- Interest rate risk: Not available

Investments held in the County’s investment pool are available on demand and are stated at cost.

The California Government Code requires California banks and savings and loan associations to secure the Authority’s cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus collateral for cash deposits is considered to be held in the Authority’s name. The market value of pledge governmental securities must equal at least 110% of the Authority’s cash deposits. California law also allows institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority’s total cash deposits.

NOTE 3: CAPITAL ASSETS

For the fiscal year ended June 30, 2017, the change in capital assets was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nondepreciable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$29,755,674</td>
<td>$194,045</td>
<td>$</td>
<td>$29,949,719</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>50,845,852</td>
<td>6,143,835</td>
<td>6,771,126</td>
<td>50,218,581</td>
</tr>
<tr>
<td>Total</td>
<td>$80,601,526</td>
<td>$6,337,860</td>
<td>$6,771,126</td>
<td>$80,168,280</td>
</tr>
</tbody>
</table>

NOTE 4: LONG-TERM LIABILITIES

In April 2007, Three Rivers Levee Improvement Authority Board of Directors approved the formation of two Communities’ Facilities Districts (CFDs) and issued two series of bonds: Series A related to CFD 2006-1 in the total amount of $14,930,382, and Series B related to CFD 2006-2, in the total amount of $8,663,901. The property owners within the proposed boundaries of the CFDs who qualified as electors for the purposes of authorizing the CFDs unanimously voted to form the CFD’s to incur bond indebtedness to fund the costs of the Levee Improvement Program funded through an advanced funding agreement entered into by certain landowners, Yuba County and TRLIA.

Both of these series of bonds are Builder Bonds, 100 percent of which were purchased by landowners in the CFDs at the time of formation. All of the Builder Bonds are capital appreciation bonds, which have no debt service or annual cost associated with them. These bonds accrete in value over time, and the entire accreted amount is due at either redemption or maturity of the bonds (2037) solely to the extent payable by special tax collections or Refunding
Bonds issued by the CFDs. Refunding bonds are expected to be issued by the CFDs to repay the outstanding builders bonds and potentially fund remaining levee funding obligations.

For the fiscal year ended June 30, 2017, the change in long-term liabilities was as follows:

<table>
<thead>
<tr>
<th>Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 01, 2016</td>
<td></td>
<td></td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Capital Improvement Bonds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Tax 2007 Series A</td>
<td>$27,287,845</td>
<td>$2,899,455</td>
<td>$203,317</td>
</tr>
<tr>
<td>Special Tax 2007 Series B</td>
<td>16,668,479</td>
<td>1,159,517</td>
<td>1,546,326</td>
</tr>
<tr>
<td>Total</td>
<td>$43,856,324</td>
<td>$4,058,972</td>
<td>$1,750,543</td>
</tr>
</tbody>
</table>

NOTE 5: PENSION

The employees who work for the Authority are actually County employees and are covered under the retirement plan of the County. Required disclosure information regarding employees' retirement plan can be found in the County's audited financial statements.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The employees who work for the Authority are actually County employees and are covered under the post-employment benefit plan of the County. Required disclosure information regarding post-employment benefits can be found in the County's audited financial statements.

NOTE 7: RISK MANAGEMENT

The Authority 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 disaster. The Authority's liability coverage is maintained with the CSAC Excess Insurance Authority.

NOTE 8: RELATED PARTY TRANSACTIONS

The Authority reimburses the County of Yuba for personnel salaries and benefits. The total amount of expense recorded to reimburse the County of Yuba during the fiscal year ended June 30, 2017 was $262,654.
REQUIRED SUPPLEMENTARY INFORMATION
### THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

**Budgetary Comparison Schedule**
**General Fund**
**For the Fiscal Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variances with</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual Amounts</td>
</tr>
<tr>
<td>Budgetary fund balances, July 1</td>
<td>$ 10,063,363</td>
<td>$ 10,063,363</td>
<td>$ 10,063,363</td>
</tr>
<tr>
<td>Resources (inflows):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Assessments</td>
<td>28,500</td>
<td>28,500</td>
<td>--</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>15,005,573</td>
<td>18,005,573</td>
<td>7,042,563</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>--</td>
<td>226,897</td>
</tr>
<tr>
<td>Amounts available for appropriation</td>
<td>28,037,436</td>
<td>28,037,436</td>
<td>17,332,023</td>
</tr>
<tr>
<td>Expenditures (outflows):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>319,000</td>
<td>319,000</td>
<td>282,108</td>
</tr>
<tr>
<td>Membership</td>
<td>19,800</td>
<td>19,800</td>
<td>19,740</td>
</tr>
<tr>
<td>Spacial Projects</td>
<td>17,240,247</td>
<td>17,240,247</td>
<td>7,056,575</td>
</tr>
<tr>
<td>Professional Services</td>
<td>476,900</td>
<td>476,900</td>
<td>173,497</td>
</tr>
<tr>
<td>TRLIA Funding District Admin.</td>
<td>28,500</td>
<td>28,500</td>
<td>--</td>
</tr>
<tr>
<td>TRLIA Outreach</td>
<td>40,000</td>
<td>40,000</td>
<td>--</td>
</tr>
<tr>
<td>Travel</td>
<td>13,000</td>
<td>13,000</td>
<td>8,546</td>
</tr>
<tr>
<td>Total charges to appropriations</td>
<td>18,137,447</td>
<td>18,137,447</td>
<td>7,539,136</td>
</tr>
<tr>
<td>Budgetary fund balances, June 30</td>
<td>$ 9,959,989</td>
<td>$ 9,959,989</td>
<td>$ 9,793,487</td>
</tr>
</tbody>
</table>
BUDGETARY BASIS OF ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director submits to the Board of Directors a proposed operating budget for the following fiscal year. This budget includes proposed expenditures by fund and the revenues expected to finance them.

2. The Executive Director is authorized to transfer budgeted amounts, however, any revisions which alter total expenditures of any fund must be approved by the Board of Directors.

3. Formal budgetary integration is employed as management control device during the year for the General Fund.

4. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the fiscal year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The Executive Director must approve any adjustments to the budget.

5. Appropriations lapse at the end of the fiscal year.

6. Budgeted appropriations for the various governmental funds become effective each July 1. The Board of Directors may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund presents comparisons of the legally-adopted budget with actual data on a basis consistent with accounting principles generally accepted in the United States of America.

The Authority did not present a budgetary schedule for the Levee Assessment this year since the fund did not report a budget this year.
OTHER REPORTS
INDEPENDENT AUDITOR’S 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
Three Rivers Levee Improvement Authority
Marysville, California

We have audited, 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, the financial statements of the governmental activities and each major fund of the Three Rivers Levee Improvement Authority (Authority) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (Internal control) to determine the 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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 a 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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’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 results 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
March 23, 2018