

**THREE RIVERS LEVEE  
IMPROVEMENT AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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

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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying Statement of Financial Position of Three Rivers Levee Improvement Authority as of June 30, 2005 and the related Statement of Activities and Changes in Net Assets and Combined Statement of Cash Flows for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Three Rivers Levee Improvement Authority as of June 30, 2005 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Michael L. Hinz*

**July 28, 2007**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2005**

**ASSETS**

Current Assets:

Cash in County Treasury	7,027,552
Accounts Receivable – FEMA	71,706
Interest Receivable	<u>44,796</u>

Total Current Assets 7,144,054

Fixed Assets:

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Total Assets 7,144,054

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts Payable	82,088
Reimbursements Due to YCWA	<u>632,633</u>

Total Current Liabilities 714,721

Net Assets

Unrestricted 6,429,333

Total Liabilities and Net Assets 7,144,054

**See accompanying notes to financial statements**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2005**

**Revenue:**

Landowner Funding Assessments	8,766,755
Grant Income – FEMA	71,706
Interest	<u>94,743</u>
<b>Total Revenue</b>	<b><u>8,933,204</u></b>

**Expenditures:**

Phase I – Levee Improvements	3,220,651
Phase II – Engineering and Design	1,263,325
Phase II – Levee Improvements	42,760
Phase II – Right of Way	164,526
Phase III – Design and Engineering	883,248
Phase III – Right of Way	7,348
Phase IV – Engineering and Design	21,526
Administrative Costs	<u>283,650</u>
<b>Total Expenditures</b>	<b><u>5,887,034</u></b>

**Excess of Revenue over Expenditures** 3,046,170

**Net Assets – Beginning of Year** 3,383,163

**Net Assets – End of Year** 6,429,333

**See accompanying notes to financial statements**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2005**

Cash Flows From Operating Activities:

Cash Received from Landowners	8,766,756
Cash Disbursed for Operating Activities	<u>5,838,448</u>

Net Cash Flows Provided by Operation Activities: 2,928,308

Cash Flows From Investing Activities:

Interest Income	<u>56,714</u>
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Net Cash Flows Provided by Investing Activities 56,714

Cash Flows From Financing Activities:

Loan Proceeds – YCWA	632,633
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Net Cash Flows From Financing Activities 632,633

Net Increase in Cash 3,617,655

Cash at Beginning of Year 3,409,897

Cash at End of Year 7,027,552

**See accompanying notes to financial statements**

**THREE RIVERS LEVEE IMPROVEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**History and Organization**

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

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

Four work phases have been identified with the goal of achieving 200-year flood protection. The first construction work was initiated September 2004 and final phase is scheduled to complete by the end of 2008. The cost to complete the four phases is estimated to be \$360 million and will be funded mostly by local development fees and State funding.

## **Significant Accounting Policies**

### **Fund Accounting**

The Organization operates as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed primarily through landowner charges.

### **Basis of Accounting**

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

### **Property and Equipment**

The Organization was formed to perform repairs and improvements to property owned and maintained by the County of Yuba and Reclamation District No. 784. Consequently, the Organization does not own any property and equipment.

### **Cash and Reserves**

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

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

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

I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2005, and have issued my report thereon dated July 28, 2007.

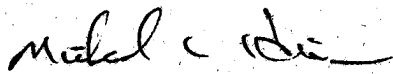
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial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

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

In planning and performing my audit of the general purpose financial statements of Three Rivers Levee Improvement Authority for the year ended June 30, 2005, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

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

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

A handwritten signature in cursive script, appearing to read "Michael C. De..." with a long horizontal flourish at the end.

July 28, 2007

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

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

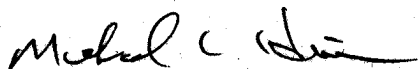
I have audited the general purpose financial statements of Three Rivers Levee Improvement Authority as of and for the year ended June 30, 2005, and have issued my report thereon dated July 28, 2007.

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

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

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

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



July 28, 2007