

SUTTER BUTTE FLOOD CONTROL AGENCY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2015



SUTTER BUTTE FLOOD CONTROL AGENCY  
FINANCIAL STATEMENTS

JUNE 30, 2015

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

**COMMERCIAL ACCOUNTING & TAX SERVICES**

433 N. CAMDEN DR. SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
[www.mlhcpas.com](http://www.mlhcpas.com)

**GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
[www.mlhcpas.com](http://www.mlhcpas.com)

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Sutter Butte Flood Control Agency  
Yuba City, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sutter Butte Flood Control Agency (Agency), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency'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 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.

**Auditor's Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

## **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 Agency, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the basic financial statements effective July 1, 2014, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **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 Schedule of the General Fund on pages 4 through 8 and page 30 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Budgetary Comparison Schedule of the Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule for the Capital Projects Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Agency'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 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 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 the Agency's internal control over financial reporting and compliance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
December 1, 2015

**Sutter Butte Flood Control Agency  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Management's Discussion and Analysis**

As management of the Sutter Butte Flood Control Agency (SBFCA), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the SBFCA for the fiscal year ended June 30, 2015. This document has been prepared as required by the Governmental Accounting Standards Board Statement No. 34 (GASB No. 34). We encourage readers to consider the information presented here in conjunction with the basic financial statements and accompanying notes to those financial statements.

**I. Financial Highlights**

Major Milestones

- This fiscal year was SBFCA's fifth year of collecting assessments associated with the Sutter Butte Flood Control Agency Assessment District (the "Assessment District"). The Agency has received more than 100% of the levied assessments as of the date of this financial report when taking into consideration interest remitted with the collections by Sutter and Butte Counties.
- As of the completion of the 2015 construction season ending in November 2015, SBFCA has completed a significant portion of the construction of Project Areas C, B & D of the Feather River West Levee Project (the "FRWLP"). This includes 24 miles of slurry wall and 1.5 miles of berm construction.
- In October 2013, SBFCA executed a contract with the State of California, Department of Water Resources ("DWR") to provide grant funding from Proposition 1E for \$56.78 million for Project Area C work. In September 2014, DWR amended the Early Implementation Project (EIP) Agreement with SBFCA to provide additional funding of \$73.084 million for both design and construction. In December 2014, SBFCA submitted an early request for funding from the Urban Flood Risk Reduction Program funding to the State of California, Department of Water Resource (DWR). Two actions took place as a result of this request. First, DWR provided a commitment letter on December 22, 2014 committing an additional \$43,861,587 of funding for the current approved scope of work under DWR's EIP funding program. This resulted in a third amendment to SBFCA's funding agreement. The second action resulted in SBFCA submitting a competitive grant proposal for an additional \$40,828,931 million to the State for the balance of the FRWLP as well as the Oroville Wildlife Area Flood Stage Reduction Project. DWR provided a conditional commitment letter on May 15, 2015 for this additional funding and in response, SBFCA has submitted a full application, which, as of the date of this report, is still being reviewed by DWR.
- On July 1, 2014, SBFCA entered into two other funding agreements with the State under DWR's Yuba Feather Flood Protection Program. These grants are funding the design and permitting of the Oroville Wildlife Area Flood Stage Reduction Project and Gridley Bridge Erosion Site Project.
- In August 2014, on behalf of the Feather River Region, SBFCA completed the first phase of the Feather River Regional Flood Management Plan.
- In April 2015, SBFCA completed a Flood Safety plan for the Yuba City Basin as well as Flood Safety appendices for Biggs, Gridley and Live Oak to support their associated Emergency Operations Plans.
- In total, during the fiscal year, SBFCA received nearly \$67 million of funding through its Funding Agreements with the State.
- In May 2013, SBFCA issued \$41,035,000 in Assessment Revenue Bonds yielding \$40,000,000 in project proceeds. The balance of the project proceeds on July 1, 2014 was \$19,441,705. During the fiscal year, SBFCA drew down the balance of these proceeds to advance work on the FRWLP.
- On June 18, 2015, SBFCA closed on the sale of a second series of Assessment Revenues that 1) refunded the outstanding balance, with interest, of SBFCA's Rabobank Loan in the amount of \$14,781,756 million, and generated an additional \$33,707,379 million in project proceeds.
- During the fiscal year, SBFCA spent more than \$90 million to advance the FRWLP.
- This fiscal year saw a substantial increase in financial activities for SBFCA. Expenditures increased by more



than 115% and revenues increased by more than 67% over last fiscal year. Overall, fiscal year 2014-15 has been another productive year for the Agency as evidenced by the completion of more than 24 miles of levee construction to date. In addition, the Agency advanced planning for and secured funding for several other projects in the basin including Oroville Wildlife Area, the Gridley Bridge Erosion Site Repair, and the Laurel Avenue Flood System Repair Project.

#### Financial Activities

- Primarily as result of the grant awards, collection of assessment revenues and the investment of those resources in the FRWLP, SBFCA's net position increased by \$68,443,724 in fiscal year 2014-15. SBFCA capitalizes investments in the FRWLP as Construction in progress.
- Total assets increased by \$106,224,615 mostly due to an increase in Construction in progress.
- Total liabilities increased by \$37,780,891 primarily due to an increase in Bonds Payable as a result of Series 2015 Assessment Revenue Bond issues net of the repayment of the outstanding Rabobank Loan.

## **II. Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to SBFCA's Basic Financial Statements. SBFCA's Basic Financial Statements are composed of three components: 1) the Government-wide Financial Statements, 2) the Fund Financial Statements, and 3) the Notes to the Basic Financial Statements. This report also contains required supplementary information and other supplemental information in addition to the Basic Financial Statements themselves.

### **Government-Wide Financial Statements**

The *Government-Wide Financial Statements* provide a longer-term view of SBFCA's activities as a whole, and comprise the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* provides information about the financial position of SBFCA as a whole, including all capital assets and liabilities on a full accrual basis of accounting. Over time, increases or decreases in SBFCA's net position may serve as one useful indicator of the Agency's overall financial position. In the case of SBFCA, total assets exceeded liabilities by \$129,528,504 as of the close of the fiscal year. When comparing SBFCA's Net Position to fiscal year 2013/14, there has been an increase of \$68,443,724 which is indicative of level of construction activity that has taken place over the year primarily funded by grants from the State of California.

The *Statement of Activities* provides information about how SBFCA's 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 the related cash flows. Thus, the revenues and all of the expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The Government-Wide Financial Statements are prepared on the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

In the *Statement of Net Position* and the *Statement of Activities*, all of SBFCA's activities are considered to be governmental activities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SBFCA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, particularly those conditions related to its grants. All of the funds of SBFCA are governmental funds and the Fund Financial Statements provide detailed information about all of SBFCA's funds.

Governmental Funds - All of SBFCA's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of SBFCA's general operations. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance SBFCA's activities. Capital assets and other long-lived assets are not presented in the Governmental Fund Financial Statements. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds Financial Statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

SBFCA currently maintains two major governmental funds: The General Fund and Capital Projects Fund. Information is presented separately for each of the funds in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

SBFCA adopts an annual appropriated budget for both of its funds. A budgetary comparison schedule has been provided for the General Fund and the Capital Projects Fund to demonstrate compliance with this budget and is included within the Required Supplementary Information and Other Supplemental Information, respectively.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* and *Other Supplemental Information* with budgetary comparisons to demonstrate compliance with approved budgets.

### **III. Government-Wide Financial Analysis**

As noted earlier, SBFCA's assets exceed liabilities by \$129,528,504 at the end of fiscal year 2014-15. This amount is a significant increase from the fiscal year ended June 30, 2014 balance of \$61,084,780. The key element to this increase is related to SBFCA's Capital Asset Policy and the significant receipt of funds from the State of California (Department of Water Resources) through funding agreements and the associated investments made by SBFCA in the FRWLP over the past fiscal year.

In fiscal year 2011-12, SBFCA implemented a policy to capitalize the work completed for its FRWLP in accordance with its Capital Asset policy implemented during that fiscal year. The vast majority of SBFCA's Net Position are invested in this capital project as Construction in Progress. Construction in Progress increased by \$93,328,137 during the fiscal year. The significant increase in Net Position from fiscal year 2014-15 represents the continued accomplishment of SBFCA's immediate primary goal, which is the construction of the FRWLP. SBFCA's Net Position will continue to increase in the next fiscal year as construction activities have continued into fiscal year 2015-16 and grant revenues from DWR are invested in the FRWLP and other capital projects. However, SBFCA expects upon the completion of various phases of the FRWLP, which are expected over the next 5 years, SBFCA will transfer maintenance responsibility of the completed phases to the local maintaining agencies and improved facilities will be transferred to the State of California (specifically the Sacramento San Joaquin Drainage District), thereby reducing SBFCA's Net Position.

### **IV. Fund Financial Statements Analysis**

SBFCA uses fund accounting to ensure and demonstrate compliance with finance-related legal and grant requirements.

Governmental Funds - The focus of the SBFCA's Governmental Fund Financial Statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SBFCA's financing requirements. In particular, any unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2015, SBFCA's governmental funds reported combined fund balances of \$57,699,460, an increase of \$19,303,163 in comparison to the fund balance as of June 30, 2014. This increase is primarily due to the sale of a second series of assessment revenue bonds at the end of the fiscal year that yielded an additional \$33,707,379 of proceeds for project related expenses. \$3,277,208 of the fund balance amount is unassigned fund balance and the remainder is restricted for capital projects. The vast majority of the fund balance is associated with the gross proceeds of SBFCA's Series 2015 Assessment Revenue Bonds and cash received and accounts receivable from the State of California.

The General Fund is the main operating fund of SBFCA. On June 30, 2015, the Fund Balance was \$3,277,208 and all of this was unassigned fund balance. A useful measurement of the fund liquidity is a comparison between total expenditures and the ending fund balance. Expenditures for the fiscal year were \$408,480, only 12.5% of the ending fund balance. Unassigned fund balance was 802.3% of current fiscal year expenditures.

The Capital Projects Fund is the main project fund of SBFCA and supports SBFCA's capital programs. These programs include the US Army Corps of Engineers Sutter Basin Feasibility Study, SBFCA's FRWLP, the Feather River Regional Planning Effort, and four new efforts for which SBFCA has received commitments of grant funding from DWR including the Emergency Response Planning effort, the design and permitting effort of the Oroville Wildlife Area Flood Stage Reduction project, the design and permitting effort of the Gridley Bridge Erosion Site project and finally the final design permitting and construction of the Laurel Avenue Flood System Repair Project. The Fund Balance on June 30, 2015 was \$54,422,252. The total expenditures of the fund were \$112,561,429. These represent 207% of the ending fund balance, indicating that liquidity is low. This is to be expected, as by far the largest effort for SBFCA is the FRWLP. FRWLP expenditures represented over 83% of the total expenditures in the Capital Fund. SBFCA's funding agreement with the State for the FRWLP currently provides funding for 76% of this effort. In the future, certain reaches will be funded at a higher cost share. The State advances a portion of its share of projected expenditures on a quarterly basis. This provides the cash flow for the project, while at the same time protecting the State's interests in the project and not advancing too much funding without SBFCA substantiating expenditures on a monthly basis. In order to meet the cash flow requirements for the local share of the FRWLP during the fiscal year, SBFCA relied on the proceeds of its two series of Assessment Revenue Bonds as well as the Rabobank Loan.

## **V. Budgetary Highlights**

A budgetary to actual comparison for the General Fund is included in the Required Supplementary Information. Total Expenditures were \$251,490 (38%) under the final budget, mostly due to a reduction in salaries and benefits expended against the General Fund. SBFCA is able to allocate some of its costs for Salaries and benefits to its Capital Projects Fund and receive reimbursement for these costs. Throughout the fiscal year, this allocation was greater than originally budgeted resulting in reduced General Fund expenditures. Actual revenues were in excess of the final budgeted revenues by \$22,144 solely as a result of unbudgeted interest income.

A budgetary to actual comparison for the Capital Fund is also included as Other Supplemental Information. Total Capital revenues were \$19,160,815 (21%) under the final budget mostly due to delays in the amount of construction completed during the fiscal year and associated with that, lower than expected receipts of Proposition 1E Funding from DWR (Intergovernmental revenue). Funding from the State is partly a function of the timing of when expenditures are forecasted to take place. Ultimately the a portion of SBFCA's planned construction activities took place later than expected due to issues associated with the discovery of cultural resources and compliance with regulatory permits. Total expenditures were \$42,598,235 (27%) lower than the final budget primarily due to slower than expected capital outlay expenditures during the fiscal year. As previously noted a portion of SBFCA's planned construction activities took place later than expected during the construction season which transcends fiscal years.

## **VI. Capital Asset and Long-Term Obligations**

Capital Assets – During fiscal year 2011-12, SBFCA implemented its capital asset policy. This fiscal year SBFCA continued its significant investment in the Feather River West Levee Project and increased its capital assets by \$93,328,137. As previously discussed, these capital assets represent Construction in Progress. Through June 30, 2015, SBFCA was in the middle of its construction season.

Long-Term Obligations – In fiscal year 2011-12, SBFCA entered into a Loan Agreement with Rabobank, NA structured as a variable rate non-revolving \$25,000,000 line of credit. The Loan requires interest-only payments on the amount drawn down until maturity on October 15, 2016 at which time any outstanding loan balance would convert to a fully amortized loan over 10 years. Through the fiscal year ending June 30, 2014, SBFCA had drawn down funds totaling \$5,870,441. SBFCA made one additional draw on the loan during the fiscal year bringing the outstanding amount of the loan to \$14,737,649. As part of the Series 2015 Assessment Revenue Bond issuance, SBFCA utilized a portion of the bond sale proceeds to redeem the outstanding loan amount with interest. During the fiscal year, SBFCA made interest payments on the outstanding loan amount totaling \$212,148.

In May 2013, SBFCA issued its first series of Assessment Revenue Bonds in the amount of \$41,035,000 for capital improvements. As of June 30, 2015 the outstanding balance of the bonds payable was \$41,035,000. During the fiscal year SBFCA made interest payments on the outstanding debt amount totaling \$1,739,862.

In June 2015, SBFCA issued its second series of Assessment Revenue Bonds in the amount of \$47,070,000 for capital improvements. As of June 30, 2015 the outstanding balance of the bonds payable was \$47,070,000.

## **VII. Economic Factors and Next Year's Budget**

The sole local source of funding for SBFCA's efforts is the Assessment District. As this property assessment is not tied to property values, it is a direct charge on the property tax roll, and assessment revenue is somewhat insulated from local economic factors that might impact home values. To the extent local economic factors impact a property owner's ability to pay the assessment, SBFCA's revenues and future ability to capitalize this revenue could be impacted. The property assessment non-collection rate for the fourth year of collection is extremely low, less than 1% for the assessment collected on the secured property tax rolls of Sutter and Butte Counties.

SBFCA is entering its fifth year of its five year budget planning platform that encompasses the full design and vast majority of the FRWLP. Due to circumstances beyond its control, a portion of the construction of the FRWLP will extend into a third construction season which will go beyond June 30, 2016, the end of the five year planning horizon. The budget for fiscal year 2015-16 was been developed assuming that SBFCA continues to advance the construction of the FRWLP on an aggressive schedule and re-commences construction in the Spring of 2016 after the Winter pause in construction. Major construction on the FRWLP will be complete during the 2016 construction season. SBFCA is currently undergoing a long term strategic planning effort that will result in an implementation plan that will guide the development of SBFCA's next 5-year planning horizon, through June 2021. SBFCA management expects that this next 5-year budget will reflect the completion of the FRWLP as well as additional work related to the Feather River West Levee in the rural portion of the basin and other priorities that will be reflected within the forthcoming strategic plan.

## **VIII. Requests for Information**

This financial report is designed to provide a general overview for all those with an interest in SBFCA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Sutter Butte Flood Control Agency, Post Office Box M, Yuba City, CA 95991.

**Sutter Butte Flood Control Agency**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 10,135,881
Cash and investments with fiscal agent	35,735,509
Accounts receivable, net	18,290,720
Interest receivable	129
Total Current assets	<u>64,162,239</u>
Noncurrent assets:	
Capital assets not being depreciated:	
Construction in progress	164,620,003
Total Noncurrent assets	<u>164,620,003</u>
<b>Total Assets</b>	<u>228,782,242</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	6,420,047
Accrued liabilities	11,081
Interest payable	533,464
Bonds payable, including original issue premium	336,128
Total Current liabilities	<u>7,300,720</u>
Noncurrent liabilities:	
Compensated absences	19,189
Bonds payable, including original issue premium	91,933,829
Total Noncurrent liabilities	<u>91,953,018</u>
<b>Total Liabilities</b>	<u>99,253,738</u>
<b>NET POSITION</b>	
Net investment in capital assets	108,085,555
Restricted for capital projects	18,686,743
Unrestricted	2,756,206
<b>Total Net Position</b>	<u>\$ 129,528,504</u>

See accompanying notes to basic financial statements

**Sutter Butte Flood Control Agency**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Flood protection	\$ 2,959,554	\$ -	\$ 750,000	\$ 72,825,981	\$ 70,616,427
Interest on long-term debt	2,231,497				(2,231,497)
Total governmental activities	<u>\$ 5,191,051</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 72,825,981</u>	<u>68,384,930</u>
General revenues:					
					58,794
					<u>58,794</u>
					68,443,724
					<u>61,084,780</u>
					<u>\$ 129,528,504</u>

See accompanying notes to basic financial statements

**Sutter Butte Flood Control Agency**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 3,312,564	\$ 6,823,317	\$ 10,135,881
Cash and investments with fiscal agent		35,735,509	35,735,509
Accounts receivable		18,404,359	18,404,359
Interest receivable		129	129
<b>Total Assets</b>	<b>\$ 3,312,564</b>	<b>\$ 60,963,314</b>	<b>\$ 64,275,878</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,275	\$ 6,395,772	\$ 6,420,047
Accrued liabilities	11,081		11,081
<b>Total Liabilities</b>	<b>35,356</b>	<b>6,395,772</b>	<b>6,431,128</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-assessments		145,290	145,290
<b>Total liabilities and deferred inflows of resources</b>	<b>35,356</b>	<b>6,541,062</b>	<b>6,576,418</b>
<b>FUND BALANCES</b>			
Restricted for capital projects		54,422,252	54,422,252
Unassigned	3,277,208		3,277,208
<b>Total Fund Balances</b>	<b>3,277,208</b>	<b>54,422,252</b>	<b>57,699,460</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,312,564</b>	<b>\$ 60,963,314</b>	<b>\$ 64,275,878</b>

See accompanying notes to basic financial statements

**Sutter Butte Flood Control Agency**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

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FUND BALANCES - GOVERNMENTAL FUNDS \$ 57,699,460

Amounts reported for Governmental Activities in the Statement of Net Position are different because of the following:

**CAPITAL ASSETS**

In the governmental funds balance sheet, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. 164,620,003

**ACCOUNTS RECEIVABLE**

Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the statement of net position and statement of activities, however, revenues and assets are reported regardless of when financial resources are available. This is the amount of the unearned revenue associated with accounts receivable as of June 30, 2015. 145,290

An allowance for uncollectible accounts receivable has been set up in the amount of \$113,639 for certain accounts receivable. (113,639)

**INTEREST PAYABLE**

In the governmental funds balance sheet, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that it is incurred. (533,464)

**LONG-TERM DEBT**

In the governmental funds balance sheet, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities consist of:

Compensated absences	(19,189)
Original issue premium	(4,164,957)
Bonds payable	(88,105,000)
	(88,105,000)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ 129,528,504

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See accompanying notes to basic financial statements



**Sutter Butte Flood Control Agency**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	General Fund	Capital Projects Fund	Total
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 66,950,659	\$ 66,950,659
Assessment revenue	750,000	5,873,137	6,623,137
Investment earnings	22,144	36,650	58,794
<b>Total Revenues</b>	<b>772,144</b>	<b>72,860,446</b>	<b>73,632,590</b>
<b>EXPENDITURES</b>			
Current:			
Operational:			
Telephone	389		389
Postage and freight	22		22
Forms and supplies	1,014		1,014
Printing and binding	76		76
Professional services	248,487		248,487
Salaries and benefits	136,473		136,473
Travel and meetings	17,405		17,405
Dues and subscriptions	829		829
Rentals	205		205
Insurance	1,344		1,344
Tools and other materials and supplies	2,236		2,236
Capital:			
USACE Feasibility Study		6,947	6,947
State EIP Funded		1,072,069	1,072,069
Local EIP Funded		428,486	428,486
Regional Flood Management Planning - State Funded		142,676	142,676
Emergency Response Plan		102,117	102,117
Oroville Wildlife Area Planning		60,077	60,077
Laurel Avenue		17,094	17,094
Early Implementaton Project Design and Application		18,597	18,597
Gridley Bridge Project		10,820	10,820
Stakeholder Management		1,944	1,944
Capital outlay		93,328,137	93,328,137
Debt Service:			
Cost of debt issuance		682,806	682,806
Principal		14,737,649	14,737,649
Interest		1,952,010	1,952,010
<b>Total Expenditures</b>	<b>408,480</b>	<b>112,561,429</b>	<b>112,969,909</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>363,664</b>	<b>(39,700,983)</b>	<b>(39,337,319)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from issuance of long-term debt		55,937,208	55,937,208
Revenue bonds premium		2,703,274	2,703,274
<b>Total Other Financing Sources (Uses)</b>		<b>58,640,482</b>	<b>58,640,482</b>
<b>Net Change in Fund Balances</b>	<b>363,664</b>	<b>18,939,499</b>	<b>19,303,163</b>
<b>FUND BALANCES, JULY 1, 2014</b>	<b>2,913,544</b>	<b>35,482,753</b>	<b>38,396,297</b>
<b>FUND BALANCES, JUNE 30, 2015</b>	<b>\$ 3,277,208</b>	<b>\$ 54,422,252</b>	<b>\$ 57,699,460</b>

See accompanying notes to basic financial statements

**Sutter Butte Flood Control Agency**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 19,303,163
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
<b>CAPITAL ASSETS</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are, therefore, added back to fund balances	93,328,137
<b>LONG-TERM DEBT</b>	
The amount below does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (net change). This is the current fiscal year change:	
Interest payable	(338,918)
Compensated absences	(7,441)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Proceeds of issuance of long-term debt	(55,937,208)
Original issue premiums on long-term debt issuances increases the proceeds and are reported as other financing sources in the governmental funds, but are deferred and amortized throughout the period during which the related debt is outstanding in the statement of net position.	
Original issue premium	(2,703,274)
Amortization of original issue premium	59,431
Repayment of long-term debt principal is an expenditure in governmental funds, but in the statement of net position the repayment reduces the long-term liability.	
Repayment of debt principal	14,737,649
<b>ACCOUNTS RECEIVABLE</b>	
During the fiscal year, it was determined that certain accounts receivable may become uncollectible, therefore, an allowance of \$113,639 was set up on the statement of net position. This is the amount of the change in the allowance from the prior fiscal year.	
	13,165
Certain revenues reported in the statement of activities are not current financial resources and therefore, are not reported as revenues in the governmental funds. This amount represents the amount that prior fiscal year unearned revenue exceeded current fiscal year.	
	<u>(10,980)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 68,443,724</u>

See accompanying notes to basic financial statements

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Sutter Butte Flood Control Agency (Agency) is a joint powers agency formed in December 2007 by the Counties of Butte and Sutter, the Cities of Biggs, Gridley, Live Oak, and Yuba City, and Levee Districts No. 1 and 9. The Agency has the power and authority to plan, finance, acquire, construct, and improve regional facilities for the purpose of providing flood protection to the Yuba City/Sutter Basin. The Agency is governed by a 13-member Board comprised of elected officials from the member cities, counties, and levee districts.

The Agency's Boundaries encompass approximately 34,200 properties in Butte and Sutter Counties.

**B. Basis of Presentation and Accounting and Measurement Focus**

The accounts of the Agency 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. Agency 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 Agency'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 Agency. The Agency has no Business-type or Fiduciary Activities.

The Government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Agency'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.

*Major Funds* - An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Agency has no enterprise funds as of June 30, 2015.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation and Accounting and Measurement Focus, Continued***

*Governmental 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 Agency has presented all funds as major funds.

The following are descriptions of the major governmental funds:

- The **General Fund** is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the Agency that are not accounted for through other funds.
- The **Capital Projects Fund** is used to account for the capital project activities of the Agency.

All governmental funds are accounted for on a spending or “*current financial sources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end, except for grant revenues which are 9 months) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the difference created by the integrated approach.

***C. Use of Restricted/Unrestricted Net Position***

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Agency’s policy is to apply restricted net position first.

***D. Cash and Investments***

The Agency pools cash resources from all funds with the City of Yuba City’s cash in order to facilitate management of cash. The balance in the pooled cash account is available to meet current operating requirements. The Agency also has two bank accounts with Wells Fargo, which are used for the payroll and payroll taxes and a state grant.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***E. Investment Valuation***

The Agency has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Interest earned on investments is allocated to all funds on the basis of quarterly cash and investment balances.

***F. Capital Assets***

Capital assets are those assets acquired for general governmental purposes and are reported in the governmental activities in the Government-wide Financial Statements. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed. All purchased capital assets are recorded at historical or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date received. Capital assets are defined by the Agency as assets with an estimated useful life of more than one year and a cost according to the table below:

Class	Capitalization Threshold
Land	\$0
Land Improvements	\$100,000
Buildings	\$100,000
Building Improvements	\$100,000
Infrastructure: Pavement, Bridges, All Other	\$100,000
Equipment, Furniture, & Vehicles	\$5,000
Intangible Assets	\$5,000
Capital Lease Property	\$5,000
Leasehold Improvements	\$100,000
Works of Art / Historical Treasures	\$0
Construction in Progress for Year End Reporting	Projects to exceed \$100,000 at completion

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.

***G. Compensated Absences***

As of June 30, 2015, there were two employees of the Agency and \$19,189 has been accrued as a long-term debt. This debt represents the balance of the employees' vacation leave as of June 30, 2015.

The Agency also leases an employee from the City of Yuba City. The leased employee's compensatory time has not been accrued as of June 30, 2015.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***H. Net Position and Fund Equity***

In the Government-wide Financial Statements, net position are classified in the following categories:

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

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

***I. Fund Balances***

Fund balances are divided into five classifications based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Agency ordinances).

Enabling legislation authorizes the Agency to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Agency can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Directors, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***I. Fund Balances, Continued***

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Agency for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or an Agency official delegated that authority by Agency ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Agency applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***J. Use of Estimates***

The preparation of 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.

***K. Interfund Transactions***

Quasi-external transactions are accounted for as revenues or expenditures (governmental fund types). Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recovered as a reduction in expenditures in the user fund. All other interfund transactions are reported as transfers.

***L. New Accounting Pronouncements***

The Agency has implemented the requirements of Governmental Accounting Standards Board (GASB) Statements No. 68, 69, and 71 during the fiscal year ended June 30, 2015.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. New Accounting Pronouncements, Continued**

*Governmental Accounting Standards Board Statement No. 68*

For the fiscal year ended June 30, 2015, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of GASB Statement No. 68 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2015.

*Governmental Accounting Standards Board Statement No. 69*

For the fiscal year ended June 30, 2015, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Implementation of the GASB Statement No. 69 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2015.

*Governmental Accounting Standards Board Statement No. 71*

For the fiscal year ended June 30, 2015, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. Implementation of the GASB Statement No. 71 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2015.



**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*M. Deferred Inflows of Resources*

Pursuant to GASB Statement No. 63 the Agency recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 5 for a detailed listing of the deferred inflows of resources that the Agency has recognized.

**2. CASH AND INVESTMENTS**

The Agency maintains a cash and investment pool with the City of Yuba City (City) for all funds. In addition, the Agency has two accounts with Wells Fargo Bank for payroll and payroll taxes and a state grant.

The investments made by the City are limited to those allowable under State statutes as incorporated into the Agency’s Joint Powers Agreement, which is more conservative than that allowed by State statute.

See the City’s Comprehensive Annual Financial Report for disclosures related to the pooled cash and investments and the related interest rate risk, credit risk, custodial risk, and concentration of risk.

*Summary of Cash and Investments*

The Cash and Investments are classified in the financial statements as shown below:

Cash and investments, Statement of Net Position	\$ 10,135,881
Cash and investments with fiscal agent, Statement of Net Position	<u>35,735,509</u>
Total cash and investments	<u><u>\$ 45,871,390</u></u>

Cash and Investments held by the Agency at June 30, 2015 consisted of the following:

Deposits with financial institutions	\$ 79,441
Deposits with City of Yuba City	10,056,440
Investments	<u>35,735,509</u>
Total cash and investments	<u><u>\$ 45,871,390</u></u>

*Investments Authorized by the California Government Code*

The table below identifies the investment types that are authorized for the Agency by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The Agency has not adopted a formal investment policy.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
City Cash Pool	None	None	None

*Investments Authorized by Debt Agreements*

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Funds	N/A	None	None
State Investment Fund (LAIF)	N/A	None	None

*Disclosures Relating to Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
City Cash Pool	\$ 10,056,440	\$ 10,056,440	\$ -	\$ -	\$ -	\$ -	\$ -
Held by bond trustees:							
Money Market Funds	35,729,554	35,729,554					
State Investment Fund (LAIF)	5,955	5,955					
	\$ 45,791,949	\$ 45,791,949	\$ -	\$ -	\$ -	\$ -	\$ -

*Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations*

The Agency's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

*Disclosures Relating to Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
City Cash Pool	\$ 10,056,440	N/A	\$ -	\$ -	\$ -	\$ -	\$10,056,440
Held by bond trustees:							
Money Market Funds	35,729,554	N/A		35,729,554			
State Investment Fund (LAIF)	5,955	N/A					5,955
<b>Total</b>	<b>\$ 45,791,949</b>		<b>\$ -</b>	<b>\$ 35,729,554</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$10,062,395</b>

*Concentration of Credit Risk*

The California Government Code contains limitations on the amount that can be invested in any one issuer. There are no investments (other than the money market funds) that represent 5% or more of total Agency investments.

*Custodial Credit Risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District had no deposits with financial institutions in excess of federal depository insurance limits as of June 30, 2015.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**3. RISK MANAGEMENT**

*General Liability & Crime Insurance*

Coverage is maintained with the CSAC Excess Insurance Authority with coverage limits of \$1,000,000 per occurrence.

*Workers' Compensation Insurance*

Coverage is maintained with Special District Risk Management Authority.

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets, not depreciated:				
Construction in progress	\$ 71,291,866	\$ 93,328,137	\$ -	\$ 164,620,003
Total capital assets, not depreciated	<u>71,291,866</u>	<u>93,328,137</u>		<u>164,620,003</u>
Capital assets, net	<u>\$ 71,291,866</u>	<u>\$ 93,328,137</u>	<u>\$ -</u>	<u>\$ 164,620,003</u>

**5. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that apply to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. The deferred inflow of resources balance at June 30, 2015, related to the assessment revenue accounts receivable not received within 60 days, was \$145,290.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**6. LONG-TERM DEBT**

**Loan Payable**

The Agency paid off its Rabobank line of credit during the fiscal year ended June 30, 2015.

**Bonds Payable**

Assessment Revenue Bonds Series 2013

On May 16, 2013, the Agency issued \$41,035,000 of Assessment Revenue Bonds bearing interest between 3.0% and 5.0% and payable semi-annually on October 1 and April 1, maturing on October 1, 2043. These bonds were used to finance the construction of certain public capital improvements related to levee improvements and flood control, to provide funds for a reserve fund for the bonds, to provide capitalized interest through October 1, 2013, and to pay costs of issuance of the bonds. The outstanding principal balance of the 2013 Assessment Revenue Bonds at June 30, 2015 was \$41,035,000.

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ 195,000	\$ 1,736,937	\$ 1,931,937
2017	305,000	1,729,438	2,034,438
2018	320,000	1,718,462	2,038,462
2019	330,000	1,705,462	2,035,462
2020	605,000	1,686,763	2,291,763
2021-2025	3,430,000	8,010,840	11,440,840
2026-2030	6,020,000	6,934,312	12,954,312
2031-2035	8,850,000	5,111,668	13,961,668
2036-2040	10,750,000	3,153,000	13,903,000
2041-2044	10,230,000	838,400	11,068,400
Totals	<u>\$ 41,035,000</u>	<u>\$ 32,625,282</u>	<u>\$ 73,660,282</u>

Assessment Revenue Bonds Series 2015

On May 28, 2015, the Agency issued \$47,070,000 of Assessment Revenue Bonds bearing interest between 3.375% and 5.000% and payable semi-annually on October 1 and April 1, maturing on October 1, 2045. These bonds were used to refund the Rabobank loan, finance the construction of certain public capital improvements related to levee improvements and flood control, to provide funds for a reserve fund for the bonds in the form of a debt service reserve surety, to pay capitalized interest on the bonds through October 1, 2015, and to pay costs of issuance of the bonds. The bonds are secured on parity with the 2013 Bonds. The outstanding principal balance of the 2015 Assessment Revenue Bonds at June 30, 2015 was \$47,070,000.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**6. LONG-TERM DEBT, Continued**

Assessment Revenue Bonds Series 2015, Continued

The scheduled annual minimum debt service requirements at June 30, 2015 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ -	\$ 1,623,805	\$ 1,623,805
2017		2,065,619	2,065,619
2018		2,065,619	2,065,619
2019	1,395,000	2,037,718	3,432,718
2020	1,190,000	1,986,018	3,176,018
2021-2025	6,835,000	8,990,219	15,825,219
2026-2030	7,055,000	7,188,316	14,243,316
2031-2035	7,440,000	5,795,753	13,235,753
2036-2040	9,095,000	4,088,312	13,183,312
2041-2045	11,475,000	1,712,799	13,187,799
2046	2,585,000	51,700	2,636,700
Totals	<u>\$ 47,070,000</u>	<u>\$ 37,605,878</u>	<u>\$ 84,675,878</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance	Due Within One Year
<b>Governmental activities:</b>					
Loans Payable	\$ 5,870,441	\$ 8,867,208	\$ (14,737,649)	\$ -	\$ -
Bonds Payable	41,035,000	47,070,000		88,105,000	195,000
Original Issue Premium	1,521,114	2,703,274	(59,431)	4,164,957	141,128
Compensated Absences	11,748	17,035	(9,594)	19,189	
Governmental activities Long-term liabilities	<u>\$ 48,438,303</u>	<u>\$ 58,657,517</u>	<u>\$ (14,806,674)</u>	<u>\$ 92,289,146</u>	<u>\$ 336,128</u>

**7. COMMITMENTS AND CONTINGENCIES**

**A. Lawsuits**

The Agency is not a defendant in any lawsuits as of June 30, 2015.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**7. COMMITMENTS AND CONTINGENCIES, Continued**

***B. Federal and State Grant Programs***

The Agency participates in a number of State programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the Agency may be required to reimburse the grantor government. As of June 30, 2015 the Agency believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the Agency.

As of June 30, 2015, in the opinion of Agency management and legal counsel, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

***C. Construction Commitments***

In May 2013, the Agency entered into a construction contract with Nordic/Magnus Pacific Joint Venture for \$51,606,600. As of June 30, 2015, due to additional change orders and field instructions, the contract amount has increased \$6,246,385 to \$57,852,985. As of June 30, 2015, \$1,837,097 of this contract was still outstanding.

In March 2014, the Agency entered into a second construction contract with Nordic/Magnus Pacific Joint Venture for \$98,897,740. As of June 30, 2015, due to additional change orders and field instructions, the contract amount has increased \$174,313 to \$98,723,427. As of June 30, 2015, approximately \$57,313,723 of this contract was still outstanding.

**8. OPERATING LEASE**

The Agency entered into an operating lease agreement on June 1, 2009 to occupy office space at 1227 Bridge Street, Suite C, in Yuba City, CA. During the fiscal year, the Agency terminated the lease. The Agency now co-locates with its Construction Manager, Parsons Brinkerhoff, at 1441 Garden Highway, Yuba City, CA. As of June 30, 2015, the Agency no longer has any operating lease agreements.

**9. EMPLOYEE RETIREMENT PLANS**

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all eligible employees, as defined by the Board of Directors. As of June 30, 2015, the Executive Director and the Administrative Manager are the two eligible employees. The Agency does not match the employees' contribution. The Omnibus Budget Reconciliation Act of 1990 mandates social security coverage for state and local government employees who are not covered by a retirement plan. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, specific in-service distributions, or unforeseeable emergency.

**Sutter Butte Flood Control Agency**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

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**9. EMPLOYEE RETIREMENT PLANS, Continued**

The Agency also provides its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all eligible employees, as defined by the plan. The Agency makes contributions to the plan on behalf of each participant pursuant to terms of the plan and employment agreements specifying the amount of contribution. The balance in each employee's account is not available to the employee until normal retirement age, late retirement, disability retirement, death, or termination.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust. For the deferred compensation plan, this is the Sutter Butte Flood Control Agency 457(b) Deferred Compensation Plan and Trust. For the profit sharing plan, this is the Sutter Butte Flood Control Agency Profit Sharing Plan and Trust. The assets in these trusts are held by TD Ameritrade and are for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Sections 457 and 401 (a). The third-party administrator is Bidwell Consulting. Accordingly, these assets have been excluded from the accompanying financial statements.

**10. SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, Agency management has reviewed all known events that have occurred after June 30, 2015, and through December 1, 2015, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.



**Sutter Butte Flood Control Agency**  
**Notes to Required Supplementary Information**  
**June 30, 2015**

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**1. BUDGETARY CONTROL AND ACCOUNTING**

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

1. In May of each year, 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 budget is legally enacted through passage of a resolution before July 1.
3. 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.
4. Formal budgetary integration is employed as management control device during the year for the General Fund.
5. 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 reappropriated amounts for prior year encumbrances. The Executive Director must approve any adjustments to the budget.
6. Appropriations lapse at the end of the fiscal year.
7. 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.

**Sutter Butte Flood Control Agency**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Assessment revenue	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Investment earnings			22,144	22,144
<b>Total Revenues</b>	<b>750,000</b>	<b>750,000</b>	<b>772,144</b>	<b>22,144</b>
<b>EXPENDITURES</b>				
Current				
Operational:				
Telephone	1,200	1,200	389	811
Postage and freight	360	360	22	338
Advertising	45	45		45
Forms and supplies	2,000	2,405	1,014	1,391
Printing and binding	1,200	1,200	76	1,124
Professional services	186,500	255,701	248,487	7,214
Salaries and benefits	350,099	357,847	136,473	221,374
Travel and meetings	7,500	15,000	17,405	(2,405)
Dues and subscriptions	3,200	3,200	829	2,371
Rentals	1,020	1,020	205	815
Insurance	2,992	2,992	1,344	1,648
Tools and other materials and supplies	4,000	4,000	2,236	1,764
Contingency	15,000	15,000		15,000
<b>Total Expenditures</b>	<b>575,116</b>	<b>659,970</b>	<b>408,480</b>	<b>251,490</b>
<b>Net Change in Fund Balance</b>	<b>174,884</b>	<b>90,030</b>	<b>363,664</b>	<b>273,634</b>
<b>FUND BALANCE, JULY 1, 2014</b>	<b>2,913,544</b>	<b>2,913,544</b>	<b>2,913,544</b>	
<b>FUND BALANCE, JUNE 30, 2015</b>	<b>\$ 3,088,428</b>	<b>\$ 3,003,574</b>	<b>\$ 3,277,208</b>	<b>\$ 273,634</b>

**Sutter Butte Flood Control Agency**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 96,957,742	\$ 86,256,261	\$ 66,950,659	\$ (19,305,602)
Assessment revenue	5,750,000	5,750,000	5,873,137	123,137
Investment earnings		15,000	36,650	21,650
<b>Total Revenues</b>	<b>102,707,742</b>	<b>92,021,261</b>	<b>72,860,446</b>	<b>(19,160,815)</b>
<b>EXPENDITURES</b>				
Capital:				
USACE Feasibility Study		2,100	6,947	(4,847)
State EIP Funded	1,684,959	1,432,826	1,072,069	360,757
Local EIP Funded	613,662	591,565	428,486	163,079
Regional Flood Management Planning - State Funded		110,385	142,676	(32,291)
Emergency Response Plan	358,605	159,974	102,117	57,857
Oroville Wildlife Area Planning		85,422	60,077	25,345
Laurel Avenue		79,074	17,094	61,980
Early Implementaton Project Design and Application	6,000	20,043	18,597	1,446
Gridley Bridge Project		25,068	10,820	14,248
Stakeholder Management	48,000	13,620	1,944	11,676
Capital outlay	120,124,747	152,639,587	93,328,137	59,311,450
Debt service:				
Cost of debt issuance			682,806	(682,806)
Principal			14,737,649	(14,737,649)
Interest			1,952,010	(1,952,010)
<b>Total Expenditures</b>	<b>122,835,973</b>	<b>155,159,664</b>	<b>112,561,429</b>	<b>42,598,235</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(20,128,231)</b>	<b>(63,138,403)</b>	<b>(39,700,983)</b>	<b>23,437,420</b>
<b>OTHER FINANCIING SOURCES (USES)</b>				
Proceeds from issuance of long-term debt			55,937,208	55,937,208
Revenue bonds premium			2,703,274	2,703,274
<b>Total Other Financing Sources (Uses)</b>			<b>58,640,482</b>	<b>58,640,482</b>
<b>Net Change in Fund Balance</b>	<b>(20,128,231)</b>	<b>(63,138,403)</b>	<b>18,939,499</b>	<b>82,077,902</b>
<b>FUND BALANCE, JULY 1, 2014</b>	<b>35,482,753</b>	<b>35,482,753</b>	<b>35,482,753</b>	
<b>FUND BALANCE, JUNE 30, 2015</b>	<b>\$ 15,354,522</b>	<b>\$ (27,655,650)</b>	<b>\$ 54,422,252</b>	<b>\$ 82,077,902</b>