

Sutter Butte Flood Control Agency

Sutter and Butte Counties, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2025

Sutter Butte Flood Control Agency

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sutter Butte Flood Control Agency, California (Agency), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Agency's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
of the Sutter Butte Flood Control Agency
Yuba City, California
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 39-40 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.

Supplementary 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 for the Capital Projects Fund is presented for purpose 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 budgetary comparison schedule for the Capital Projects Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Badawi and Associates, CPAs
Emeryville, California
February XX, 2025

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Sutter Butte Flood Control Agency

Statement of Net Position

June 30, 2025

ASSETS	
Current assets:	
Cash and investments	\$ 25,590,215
Cash and investments with fiscal agent	1,441,659
Receivables:	
Accounts	45,914
Interest	71,096
Prepaid items	1,800
Total current assets	<u>27,150,684</u>
Noncurrent assets:	
Reimbursement agreement receivable	619,326
Capital assets:	
Construction in progress	5,166,061
Total capital assets, net	<u>5,166,061</u>
Total noncurrent assets	<u>5,785,387</u>
Total assets	<u><u>32,936,071</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,200,133
Interest payable	781,469
Bonds payable, due within one year	2,365,000
Total current liabilities	<u>5,346,602</u>
Noncurrent liabilities:	
Bonds payable, due in more than one year	73,888,677
Total noncurrent liabilities	<u>73,888,677</u>
Total liabilities	<u><u>79,235,279</u></u>
NET POSITION	
Net investment in capital assets	(71,087,616)
Unrestricted	24,788,408
Net position	<u><u>\$ (46,299,208)</u></u>

See accompanying Notes to Basic Financial Statements.

Sutter Butte Flood Control Agency
Statement of Activities
For the year ended June 30, 2025

	Expenses	Program Revenues		Total	Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental activities					
Flood protection	\$ 13,681,910	\$ 750,000	\$ 8,918,473	\$ 9,668,473	\$ (4,013,437)
Interest on long-term debt	3,027,616	-	-	-	(3,027,616)
Total governmental activities	\$ 16,709,526	\$ 750,000	\$ 8,918,473	\$ 9,668,473	(7,041,053)
General Revenues:					
					1,464,876
					363
					1,465,239
					(5,575,814)
					(41,438,001)
					714,607
					(40,723,394)
					\$ (46,299,208)

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

Sutter Butte Flood Control Agency
Balance Sheet - Governmental Funds
June 30, 2025

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 7,411,642	\$ 18,178,573	\$ 25,590,215
Cash and investments with fiscal agent	-	1,441,659	1,441,659
Receivables:			
Accounts	-	45,914	45,914
Interest	-	71,096	71,096
Reimbursement agreement		619,326	619,326
Prepaid items	1,800	-	1,800
Total assets	\$ 7,413,442	\$ 20,356,568	\$ 27,770,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	31,945	2,168,188	2,200,133
Total liabilities	31,945	2,168,188	2,200,133
Deferred inflows of resources:			
Unavailable revenue	-	619,326	619,326
Total deferred inflows of resources	-	619,326	619,326
Fund Balances:			
Nonspendable: prepaid items	1,800	-	1,800
Restricted for capital projects	-	17,569,054	17,569,054
Unassigned	7,379,697	-	7,379,697
Total fund balances	7,381,497	17,569,054	24,950,551
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,413,442	\$ 20,356,568	\$ 27,770,010

See accompanying Notes to Basic Financial Statements.

Sutter Butte Flood Control Agency

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Fund Balances of Governmental Funds	\$ 24,950,551
Amounts reported for governmental activities in the Statement of Net Position are different	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	5,166,061
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 the government-wide statement of net position, it is recognized in the period that it is incurred.	(781,469)
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	619,326
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Long term debt due within one year	(2,365,000)
Long term debt due in more than one year	<u>(73,888,677)</u>
Net Position of Governmental Activities	<u><u>\$ (46,299,208)</u></u>

See accompanying Notes to Basic Financial Statements.

Sutter Butte Flood Control Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2025

	General Fund	Capital Projects Fund	Total
REVENUES:			
Intergovernmental	\$ -	\$ 2,976,644	\$ 2,976,644
Assessment revenue	750,000	6,037,110	6,787,110
Investment earnings	270,168	1,194,708	1,464,876
Other	-	363	363
Total revenues	1,020,168	10,208,825	11,228,993
EXPENDITURES:			
Current:			
Operational:			
Telephone	6,143	-	6,143
Postage and freight	466	-	466
Forms and supplies	2,013	-	2,013
Printing and binding	788	-	788
Professional services	286,468	-	286,468
Salaries and benefits	449,043	-	449,043
Travel and meetings	-	-	-
Dues and subscriptions	33,712	-	33,712
Rentals	28,592	-	28,592
Insurance	31,086	-	31,086
Capital:			
USACE Feasibility Study	-	458,531	458,531
EIP/UFRR - State Funded	-	501,190	501,190
EIP/UFRR - Local Funded	-	122,040	122,040
Regional Flood Management Planning - State Funded	-	66,305	66,305
ULOP - Local Funded	-	13,763	13,763
Flood Systems Repair Project - State Funded	-	106	106
Stakeholder Management	-	1,084	1,084
Sediment Removal	-	276,109	276,109
Local Funded Projects	-	5,807	5,807
Veg Planting	-	29,428	29,428
Capital outlay	-	6,057,879	6,057,879
Debt service:			
Principal	-	2,255,000	2,255,000
Interest and fiscal charges	-	3,192,857	3,192,857
Total expenditures	838,311	12,980,099	13,818,410
REVENUES OVER (UNDER) EXPENDITURES	181,857	(2,771,274)	(2,589,417)
OTHER FINANCING SOURCES AND USES:			
Transfers in	271,309	-	271,309
Transfers out	-	(271,309)	(271,309)
Total other financing sources and uses	271,309	(271,309)	-
Net change in fund balances	453,166	(3,042,583)	(2,589,417)
FUND BALANCES:			
Beginning of year	6,928,331	20,611,637	27,539,968
End of year	\$ 7,381,497	\$ 17,569,054	\$ 24,950,551

See accompanying Notes to Basic Financial Statements.

Sutter Butte County Flood Control Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (2,589,417)

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

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital outlay	353,091
Transfer of completed projects to maintainance agencies	(5,664,448)

Revenues that did not meet the revenue recognition criteria in the governmental funds but were recognized as revenue in the Government-Wide Financial Statements.	(95,281)
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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 the government-wide statement of net position, it is recognized in the period that it is incurred. This amount represents the change in interest payable.	24,113
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt related items:	
Repayment of debt principal	2,255,000

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	
Amortization of original issue premium	141,128

Change in Net Position of Governmental Activities	\$ (5,575,814)
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Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

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 No. 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 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, 2025.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Presentation and Accounting 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 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 the 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 Bank which are used for payroll and payroll taxes, and a state grant.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

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	\$ -
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	\$ -
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.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. *Net Position and Fund Equity*

In the Government-wide Financial Statements, net position is 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 does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

H *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 are 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.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Fund Balances, Continued

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.

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.

I. 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.

J. 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.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. New Pronouncements

In 2025, the Agency adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

- *GASB Statement No. 101, Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.
- *GASB Statement No. 102, Certain Risk Disclosures* - The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

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 Annual Comprehensive 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.

A. Summary of Cash and Investments

The cash and investments are classified in the financial statements as shown below:

Cash and investments	\$ 25,590,215
Cash and investments with fiscal agent	1,441,659
Total cash and investments	<u>\$ 27,031,874</u>

Cash and investments held by the Agency at June 30, 2025, consisted of the following:

Deposits with City of Yuba City	\$ 25,590,215
Investments	1,441,659
Total cash and investments	<u>\$ 27,031,874</u>

The Agency categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of an asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency had investments in the City's Investment Pool, however, this external pool is not measured under Level 1, 2, or 3.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

2. CASH AND INVESTMENTS, Continued

B. 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
City Cash Pool	None	None	None

C. 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.

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

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

2. CASH AND INVESTMENTS, Continued

D. 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	Amount	Remaining Maturity (in Months)	
		12 Months or Less	More Than 12 Months
Yuba City Cash Pool	\$ 25,590,215	\$ 25,590,215	\$ -
Held by Bond Trustees:			
Money Market Funds	1,441,659	1,441,659	-
Total	<u>\$ 27,031,874</u>	<u>\$ 27,031,874</u>	<u>\$ -</u>

E. 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.

F. 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	Ratings as of Fiscal Year End	
			AAA	Not Rated
Yuba City Cash Pool	\$ 25,590,215	N/A	\$ -	\$ 25,590,215
Held by Bond Trustees:				
Money Market Funds	1,441,659	N/A	1,441,659	-
Total	<u>\$ 27,031,874</u>		<u>\$ 1,441,659</u>	<u>\$ 25,590,215</u>

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

2. CASH AND INVESTMENTS, Continued

G. *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.

H. *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, 2025.

3. RISK MANAGEMENT

A. *Custodial Credit Risk*

Coverage is maintained with the Special District Risk Management Authority with coverage limits of \$10,000,000 per occurrence.

B. *Workers' Compensation Insurance*

Coverage is maintained with Special District Risk Management Authority.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Capital assets, not depreciated				
Construction in progress	\$ 10,477,418	\$ 353,091	\$ (5,664,448)	\$ 5,166,061
Total capital assets, not depreciated	10,477,418	353,091	(5,664,448)	5,166,061
Capital assets, net	\$ 10,477,418	\$ 353,091	\$ (5,664,448)	\$ 5,166,061

5. LONG-TERM DEBT

A. 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, 2025 was \$35,850,000.

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 790,000	\$ 1,496,263	\$ 2,286,263
2027	830,000	1,455,763	2,285,763
2028	1,395,000	1,400,138	2,795,138
2029	1,465,000	1,328,638	2,793,638
2030	1,540,000	1,253,513	2,793,513
2031-2035	8,850,000	5,111,671	13,961,671
2036-2040	10,750,000	3,153,000	13,903,000
2041-2044	10,230,000	838,400	11,068,400
	\$ 35,850,000	\$ 16,037,386	\$ 51,887,386

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

5. LONG-TERM DEBT, Continued

A. Bonds Payable, Continued

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, 2025 was \$37,650,000.

The scheduled annual minimum debt service requirements at June 30, 2025 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 1,575,000	\$ 1,581,094	\$ 3,156,094
2027	1,655,000	1,500,344	3,155,344
2028	1,215,000	1,428,594	2,643,594
2029	1,275,000	1,366,344	2,641,344
2030	1,335,000	1,311,941	2,646,941
2031-2035	7,440,000	5,795,752	13,235,752
2036-2040	9,095,000	4,088,313	13,183,313
2041-2045	11,475,000	1,712,800	13,187,800
2046	2,585,000	51,700	2,636,700
	<u>\$ 37,650,000</u>	<u>\$ 18,836,882</u>	<u>\$ 56,486,882</u>

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

5. LONG-TERM DEBT, Continued

B. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Governmental activities:					
Bonds payable	\$ 75,755,000	\$ -	\$ (2,255,000)	\$ 73,500,000	\$ 2,365,000
Original issue premium	2,894,805	-	(141,128)	2,753,677	-
Governmental activities					
Long-term liabilities	<u>\$ 78,649,805</u>	<u>\$ -</u>	<u>\$ (2,396,128)</u>	<u>\$ 76,253,677</u>	<u>\$ 2,365,000</u>

6. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The agency is not a defendant in any lawsuits as of June 30, 2025.

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 June 30, 2025 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, 2025, 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.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

6. COMMITMENTS AND CONTINGENCIES, Continued

C. Construction Commitments

Escherman had completed construction prior to 23-24 FY. Two additional contracts with Lund Construction (relief well) and T&S Construction (Fed Project) were both executed in July 2024 (FY 24-25).

7. OPERATING LEASE

In April 2019, the Agency executed a new Lease Agreement with Yuba River Molding & Millworks for office space located at 1445 Butte House Road, Yuba City, CA effective June 1, 2019. The lease agreement is expired and SBFCA continues to lease currently on a month-to-month basis.

8. 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 plan and the Board of Directors. As of June 30, 2025, the Executive Director and the Administrative Analyst are the only eligible employees. 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. In combination with the deferred compensation plan, 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 matching contributions under the 457 plan or defined benefit 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.

During the year, the Agency paid \$66,938 in contributions (pension expense) to the plan.

Sutter Butte Flood Control Agency

Notes to Basic Financial Statements

For the year ended June 30, 2025

9. RESTATEMENTS

The Agency recorded the following restatements to capture a long-term receivable related to a contractual reimbursement agreement. Net position and fund balance were adjusted as followed:

	Previously Reported	Receivables	As Restated	
Governmental Activities	\$ (41,438,001)	\$ 714,607	\$ (40,723,394)	
	Previously Reported	Receivables	Unavailable Revenues	As Restated*
Capital Projects Fund	\$ 20,611,637	\$ 714,607	\$ (714,607)	\$ 20,611,637

*No net impact on beginning fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

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Sutter Butte Flood Control Agency
Note to Required Supplementary Information
For the year ended June 30, 2025

1. BUDGETARY CONTROL AND ACCOUNTING

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

1. In May and/or June 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. Operating Fund appropriations lapse at the end of the fiscal year. Capital Fund appropriations carry-over at the end of the fiscal year per the budget resolution.
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.

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
Required Supplementary Information
For the year ended June 30, 2025

1. BUDGETARY CONTROL AND ACCOUNTING, Continued

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual for the General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Assessment revenue	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Investment earnings	-	-	270,168	270,168
Total revenues	750,000	750,000	1,020,168	270,168
EXPENDITURES:				
Current:				
Operational:				
Telephone	4,500	4,635	6,143	(1,508)
Postage and freight	2,250	2,318	466	1,852
Forms and supplies	2,250	11,227	2,013	9,214
Printing and binding	3,000	3,090	788	2,302
Professional services	714,265	792,728	286,468	506,260
Salaries and benefits	410,446	398,830	449,043	(50,213)
Dues and subscriptions	1,000	36,050	33,712	2,338
Rentals/Utilities	46,950	48,359	28,592	19,767
Insurance	15,918	30,900	31,086	(186)
Total expenditures	1,200,579	1,328,137	838,311	489,826
REVENUES OVER (UNDER)				
EXPENDITURES	(450,579)	(578,137)	181,857	759,994
OTHER FINANCING SOURCES AND USES:				
Transfers in	-	-	271,309	271,309
Total other financing sources and uses	-	-	271,309	271,309
Net change in fund balances	(450,579)	(578,137)	453,166	1,031,303
FUND BALANCES:				
Beginning of year	6,928,331	6,928,331	6,928,331	-
End of year	\$ 6,477,752	\$ 6,350,194	\$ 7,381,497	\$ 1,031,303

OTHER SUPPLEMENTARY INFORMATION

Sutter Butte Flood Control Agency
Other Supplementary Information
For the year ended June 30, 2025

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL FOR THE CAPITAL PROJECTS FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,976,644	\$ 2,976,644
Assessment revenues	5,750,000	5,750,000	6,037,110	287,110
Interest revenues	-	-	1,194,708	1,194,708
Other	-	80,000	363	(79,637)
Total revenues	5,750,000	5,830,000	10,208,825	4,378,825
EXPENDITURES:				
Capital:				
USACE Feasibility Study	600,000	621,500	458,531	162,969
EIP/UFRR - State Funded	-	523,640	501,190	22,450
EIP/UFRR - Local Funded	-	117,360	122,040	(4,680)
Regional Flood Management Planning - State Funded	163,500	133,719	66,305	67,414
ULOP - Local Funded	19,600	12,200	13,763	(1,563)
Flood Systems Repair Project - State Funded			106	(106)
Stakeholder Management			1,084	(1,084)
Sediment Removal	333,708	348,060	276,109	71,951
Local Funded Projects	-	12,244	5,807	6,437
Veg Planting	92,896	20,053	29,428	(9,375)
Capital outlay	12,724,832	5,788,430	6,057,879	(269,449)
Debt service:				
Principal	2,255,000	2,255,000	2,255,000	-
Interest and fiscal charges	3,192,857	3,192,857	3,192,857	-
Total expenditures	19,382,393	13,025,063	12,980,099	44,964
REVENUES OVER (UNDER) EXPENDITURES	(13,632,393)	(7,195,063)	(2,771,274)	4,423,789
OTHER FINANCING SOURCES AND USES:				
Transfers out	-	-	(271,309)	(271,309)
Total other financing sources and uses	-	-	(271,309)	(271,309)
Net change in fund balances	(13,632,393)	(7,195,063)	(3,042,583)	4,152,480
FUND BALANCES:				
Beginning of year	20,611,637	20,611,637	20,611,637	-
End of year	\$ 6,979,244	\$ 13,416,574	\$ 17,569,054	\$ 4,152,480

*Sutter Bypass East Levee and Tudor Flood Risk Reduction project expenditures are included in capital outlay.