

SUTTER BUTTE FLOOD CONTROL AGENCY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2013

SUTTER BUTTE FLOOD CONTROL AGENCY
FINANCIAL STATEMENTS

JUNE 30, 2013

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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, 2013, 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, 2013, 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, 2012, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 3 through 6 and page 23 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 relate 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 November 26, 2013, 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
November 26, 2013

**Sutter Butte Flood Control Agency
Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

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, 2013. 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 third year of collecting assessments associated with the Sutter Butte Flood Control Agency Assessment District (the "Assessment District") and the Agency collected nearly 99% of the levied assessments as of the date of this financial report.
- SBFCA completed the design and planning activities associated with the first phase ("Project Area C") of the Feather River West Levee Early Implementation Program Project (the "EIP Project") and in May 2013, issued a construction contract to Nordic/Magnus Pacific Joint Venture for \$51,606,600.
- Also in May, SBFCA received a letter of commitment from the State of California, Department of Water Resources ("DWR") committing grant funding from Proposition 1E for \$56.78 million for Project Area C work. As of the date of this financial report, a grant agreement has been executed and DWR has started the process of providing funding through the agreement.
- In May 2013, SBFCA issued \$41,035,000 in Assessment Revenue Bonds yielding \$40,000,000 in project proceeds. SBFCA's Assessment Revenue Bond issue received an "A" rating from S&P. The Project Proceeds are being used to fund the local share of costs for the construction for Project Area C and advance the remainder of the EIP Project.
- In June 2013, SBFCA repaid the outstanding principal balance of \$3,060,054 and interest of \$54,728 of its start-up loans with its member agencies. Additional interest due on the loans totaling \$4,267 was paid in August 2013. As of the date of this financial report, all member agency loans have been fully retired.
- SBFCA also took the role as the lead Agency on the Feather River Regional Flood Management Plan and entered into a grant agreement with the DWR to fund the effort in the amount of \$651,000.

Financial Activities

- Primarily as a result of the grant awards and the collection of assessment revenues and the investment of those resources in the EIP, SBFCA's net position increased by \$8,201,114 in FY 12/13. SBFCA capitalizes investments in the EIP Project as Construction in progress.
- Total assets increased by \$52,152,693 mostly due to cash received through the issuance of the 2013 Assessment Revenue Bonds, an increase in Capital Assets associated with Construction in Progress, and an increase in accounts receivable representing funding for FY 12/13 received after June 30, 2013, which is associated with the SBFCA design funding agreement with DWR.
- Total liabilities increased by \$43,951,579 primarily due to the issuance of the 2013 Assessment Revenue Bonds as well as increases in accounts payable, and interest payable as of June 30, 2013.

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 comprised 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 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. 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 \$17,967,728 as of the close of the fiscal year.

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 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, 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 Assets 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 comparison to demonstrate compliance with approved budgets.

III. Government-Wide Financial Analysis

As noted earlier, SBFCA's assets exceed liabilities by \$17,967,728 at the end of fiscal year 2012-13. This amount is a significant increase from the fiscal year ended June 30, 2012 of \$9,766,614. The key element to this increase is related to SBFCA's Capital Asset Policy.

In fiscal year 2011-12, SBFCA implemented a policy to capitalize the work completed for its EIP Project in accordance with its Capital Asset policy implemented during that fiscal year. The vast majority of its Net Assets are invested in this Capital Project as Construction in progress. Construction in progress increased by \$10,473,875 during the fiscal year. The significant increase in Net Assets from fiscal year 2011-12 represents the continued accomplishment of SBFCA's immediate primary goal which is the construction the EIP Project. SBFCA's Net Position will continue to increase over time as granted revenues from DWR are invested into the EIP Project. However, upon the completion of various phases of the EIP Project, which is expected over the next 5 years, SBFCA expects to transfer the completed phases to the State of California, thereby reducing the 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.

At June 30, 2013, SBFCA's governmental funds reported combined fund balances of \$42,682,040 a significant increase of \$38,941,070 in comparison to June 30, 2012. However, only \$2,479,361 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 2013 Assessment Revenue Bonds which are dedicated for specific purposes as defined by the Bond Indenture.

The General Fund is the main operating fund of SBFCA. On June 30, 2013, the Fund Balance was \$2,479,361 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 net of Debt Service were \$298,280, only 12% of the ending fund balance. During the fiscal year, a transfer of \$3,178,044 from the Capital Projects Fund took place to cover the repayment of the outstanding Loans provided by SBFCA's member agencies for the startup of the Agency.

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 EIP Project, and the Feather River Regional Planning Effort. The Fund Balance at June 30, 2013 was \$40,202,679. The total expenditures of the fund were \$13,985,913, and represent 34.8% of the ending fund balance, indicating that liquidity is fairly high. This is as a result of the proceeds from SBFCA's assessment revenue bonds. By far, the largest effort for SBFCA is the EIP Project. EIP Project expenditures represented over 70% of the total expenditures in the Capital Fund. During the fiscal year the design and planning efforts of the EIP Project continued and the Agency commenced Right of Way Acquisition and Construction. These efforts were funded primarily from Assessment Revenues and draws on the Agency's Line of Credit with Rabobank. The Agency's issuance of the 2013 Assessment Revenue Bonds took place in May 2013 so the project proceeds were not available to fund a majority of current expenses incurred throughout the fiscal year. In order to meet the cash flow requirements of projected expenses in fiscal year 2013-14 SBFCA's will primarily utilize the proceeds of its Assessment Revenue Bonds and grant revenues from its Project Area C funding agreement with the DWR.

V. Budgetary Highlights

A budgetary to actual comparison for the General Fund is included in the Required Supplementary Information. Total Operating expenditures were \$46,212 (1.4%) over budget mostly due to unbudgeted interest expenses associated with

the member Agency loans. In addition, total revenues were \$765,003. Actual revenues were in the excess of the budgeted revenues by \$15,003 solely as a result of unbudgeted interest income.

A budgetary to actual comparison for the Capital Fund is included as Other Supplemental Information. Total Capital revenues were \$3,304,206 (44%) over the final budget due to the accrual of Proposition 1E Funding scheduled to be received in December 2013 for fiscal year 2012-13. Total Capital expenditures were \$1,656,355 (13.4%) over budget primarily due to greater than expected capital outlay expenditures during the fiscal year. SBFCA's original estimate of the work its contractor would complete during the final months of the fiscal year was budgeted within fiscal year 2013-14. These expenses were accrued to fiscal year 2012-13. SBFCA expects that future year capital budgets for Project Area C will be reduced as a result of the accrual of expenditures versus an overall increase in costs.

VI. Capital Asset and Long-Term Obligations

Capital Assets – During last fiscal year, 2011-12, SBFCA implemented its capital asset policy. This fiscal year SBFCA continued significant investment in the Feather River West Levee Project and increased its capital assets by \$10,473,875. As previously discussed, these capital assets represent Construction in progress. Through June 30, 2013, SBFCA continued to advance the final design of significant portion of the project, acquired lands and right of way for the project and commenced construction.

Long-Term Obligations – During the fiscal year, SBFCA retired the principal amount of its three outstanding loans to its member agencies, Yuba City, Sutter County, and Levee District 1. As of June 30, 2013, \$4,267 of interest accrued during the fiscal year. This interest amount remained outstanding as of the end of fiscal year 2012-13.

In fiscal year 2011-12, SBFCA entered into a Loan Agreement with Rabobank, NA structured as 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 June 30, 2013 SBFCA had drawn down funds totaling of \$5,870,441.

In May 2013, SBFCA issued \$41,035,000 of Assessment Revenue Bonds for capital improvements. As of June 30, 2013 the outstanding balance of the bonds payable was \$41,035,000.

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, assessment revenue is somewhat insulated from local economic factors that might impact home values. To the extent local economic factors impact a property owners ability to pay the assessment SBFCA's revenues and future ability to capitalize this revenue could be impacted. The property assessment collection rate for the third 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 has implemented a five year budget planning platform that encompasses the full design and construction of the EIP Project. The budgets for fiscal years 2013-14 and 2014-15 have been developed assuming that SBFCA completes the design of the EIP Project on an aggressive schedule and commences construction on its remaining Project Areas in the Spring of 2014. The budgets also assume that a series of construction funding agreements with the Department of Water Resources are in place to provide a significant portion of the funding for the EIP Project.

In September 2012, SBFCA hired its second employee through a services agreement with the City of Yuba City, the Director of Engineering. The position was vacated in 2011 when the Director of Engineering assumed the role of the Executive Director. The budget for 2012/13 continued to fund the Director of Engineering position that was ultimately filled in September 2012.

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, 1227 Bridge Street, Suite C, Yuba City, CA 95991.

Sutter Butte Flood Control Agency
Statement of Net Position
June 30, 2013

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 5,440,772
Cash and investments with fiscal agent	36,260,215
Accounts receivable	5,248,012
Interest receivable	301
Total Current assets	46,949,300
Noncurrent assets:	
Bond issue costs, net of accumulated amortization	618,718
Capital assets not being depreciated:	
Construction in progress	23,208,598
Total Noncurrent assets	23,827,316
Total Assets	70,776,616
LIABILITIES	
Current liabilities:	
Accounts payable	4,151,562
Accrued liabilities	26,584
Interest payable	138,087
Total Current liabilities	4,316,233
Noncurrent liabilities:	
Compensated absences	14,096
Bonds payable	42,608,118
Loans payable	5,870,441
Total Noncurrent liabilities	48,492,655
Total Liabilities	52,808,888
NET POSITION	
Net investment in capital assets	10,191,872
Unrestricted	7,775,856
Total Net Position	\$ 17,967,728

See accompanying notes to basic financial statements

Sutter Butte Flood Control Agency
Statement of Activities
For the Fiscal Year Ended June 30, 2013

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	\$ 3,126,708	\$ -	\$ 750,000	\$ 10,803,936	\$ 8,427,228
Interest on long-term debt	266,605				(266,605)
Total governmental activities	\$ 3,393,313	\$ -	\$ 750,000	\$ 10,803,936	8,160,623
General revenues:					
					29,491
					11,000
					<u>40,491</u>
					8,201,114
					<u>9,766,614</u>
					<u>\$ 17,967,728</u>

See accompanying notes to basic financial statements

Sutter Butte Flood Control Agency
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 2,545,481	\$ 2,895,291	\$ 5,440,772
Cash and investments with fiscal agent		36,260,215	36,260,215
Accounts receivable	1,147	5,246,865	5,248,012
Interest receivable		301	301
Total Assets	\$ 2,546,628	\$ 44,402,672	\$ 46,949,300
LIABILITIES			
Accounts payable	\$ 40,683	\$ 4,110,879	\$ 4,151,562
Accrued liabilities	26,584		26,584
Unearned revenue		89,114	89,114
Total Liabilities	67,267	4,199,993	4,267,260
FUND BALANCES			
Restricted for capital projects		40,202,679	40,202,679
Unassigned	2,479,361		2,479,361
Total Fund Balances	2,479,361	40,202,679	42,682,040
Total Liabilities and Fund Balances	\$ 2,546,628	\$ 44,402,672	\$ 46,949,300

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, 2013

FUND BALANCES - GOVERNMENTAL FUNDS \$ 42,682,040

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.

23,208,598

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, 2013.

89,114

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.

(138,087)

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	(14,096)
Loan payable	(5,870,441)
Bonds payable and issue premium (net of issue costs of \$618,718)	(41,989,400)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ 17,967,728

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, 2013

	General Fund	Capital Projects Fund	Total
REVENUES			
Intergovernmental	\$ -	\$ 4,979,526	\$ 4,979,526
Assessment revenue	750,000	5,781,280	6,531,280
Investment earnings	15,003	14,488	29,491
Other revenues		11,000	11,000
Total Revenues	765,003	10,786,294	11,551,297
EXPENDITURES			
Current:			
Operational:			
Telephone	235		235
Postage and freight	132		132
Advertising	24		24
Forms and supplies	362		362
Professional services	198,474		198,474
Salaries and benefits	80,076		80,076
Travel and meetings	8,249		8,249
Dues and subscriptions	855		855
Rentals	525		525
Insurance	5,437		5,437
Tools and other materials and supplies	3,911		3,911
Capital:			
USACE Feasibility Study		1,215,411	1,215,411
State EIP Funded		674,036	674,036
Local EIP Funded		690,234	690,234
Regional Flood Management Planning - State Funded		198,336	198,336
Early Implementation Project Preliminary			
Design and Application		12,886	12,886
Stakeholder Management		28,560	28,560
Capital outlay		10,473,875	10,473,875
Debt Service:			
Cost of debt issuance		620,423	620,423
Principal	3,060,054		3,060,054
Interest	58,995	72,152	131,147
Total Expenditures	3,417,329	13,985,913	17,403,242
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(2,652,326)	(3,199,619)	(5,851,945)
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of long-term debt		43,215,563	43,215,563
Original issue premium		1,577,452	1,577,452
Transfers in	3,178,044		3,178,044
Transfers out		(3,178,044)	(3,178,044)
Total Other Financing Sources (Uses)	3,178,044	41,614,971	44,793,015
NET CHANGE IN FUND BALANCES	525,718	38,415,352	38,941,070
FUND BALANCES, JULY 1, 2012	1,953,643	1,787,327	3,740,970
FUND BALANCES, JUNE 30, 2013	\$ 2,479,361	\$ 40,202,679	\$ 42,682,040

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, 2013

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 \$ 38,941,070

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

CAPITAL ASSETS

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 10,473,875

LONG-TERM DEBT

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 (138,087)
 Compensated absences (8,965)

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 (43,215,563)

Costs associated with the issuance of long-term debt are reported as expenditures 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.

Bond issue costs 620,423
 Amortization of bond issue costs (1,705)

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 (1,577,452)
 Amortization of original issue premium 4,334

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 3,060,054

ACCOUNTS RECEIVABLE

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.

43,130

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 8,201,114

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

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 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, 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 governmental 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, 2013.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

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 assets 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, 2013

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. 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, 2013, there was one employee of the Agency and \$14,096 has been accrued as a long-term debt. This debt represents the balance of the employee's vacation leave as of June 30, 2013. 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, 2013.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position and Fund Equity

In the Government-wide Financial Statements, net assets 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 (ordinance or 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 (ordinance or 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, 2013

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. 60, 61, 62, and 63 during the fiscal year ended June 30, 2013.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of GASB Statement No. 60 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus." This Statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of GASB Statement No. 61 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of GASB Statement No. 62 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the Agency's financial statements are explained in Note 1H.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

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.

A. 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	\$ 5,440,772
Cash and investments with fiscal agent, Statement of Net Position	<u>36,260,215</u>
Total cash and investments	<u><u>\$ 41,700,987</u></u>

Cash and Investments held by the Agency at June 30, 2013 consisted of the following:

Deposits with financial institutions	\$ 120,336
Investments	<u>41,580,651</u>
Total cash and investments	<u><u>\$ 41,700,987</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.

<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

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

2. CASH AND INVESTMENTS, Continued

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

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	\$ 5,320,436	\$ 5,320,436	\$ -	\$ -	\$ -	\$ -	\$ -
Held by bond trustees:							
Money Market Funds	36,260,215	36,260,215					
	<u>\$ 41,580,651</u>	<u>\$ 41,580,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013

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	\$ 5,320,436	N/A	\$ -	\$ -	\$ -	\$ -	\$5,320,436
Held by bond trustees:							
Money Market Funds	<u>36,260,215</u>	N/A		<u>36,260,215</u>			
Total	<u>\$ 41,580,651</u>		<u>\$ -</u>	<u>\$ 36,260,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,320,436</u>

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.

As of June 30, 2013, none of the Agency's deposits with financial institutions exceeded federal depository insurance limits.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

3. RISK MANAGEMENT

General Liability, Auto Liability, and Errors & Omissions Insurance

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

4. INTERFUND TRANSACTIONS

Transfers for the fiscal year ended June 30, 2013, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>
	Capital Projects Fund
General Fund	<u>\$ 3,178,044</u>
Total	<u><u>\$ 3,178,044</u></u>

The 2012/13 fiscal year transfer consisted of a transfer from the Capital Projects Fund to the General Fund of \$3,178,044 to cover the repayment of balance on the outstanding loans to the member agencies.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not depreciated:				
Construction in progress	<u>\$ 12,734,723</u>	<u>\$ 10,473,875</u>	<u>\$ -</u>	<u>\$ 23,208,598</u>
Total capital assets, not depreciated	<u>12,734,723</u>	<u>10,473,875</u>	<u></u>	<u>23,208,598</u>
Capital assets, net	<u><u>\$ 12,734,723</u></u>	<u><u>\$ 10,473,875</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,208,598</u></u>

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

6. LONG-TERM DEBT

Loan Payable

Loan payable at June 30, 2013, consisted of the following:

To Rabobank, a line of credit up to \$25,000,000. Interest rate is based on the LIBOR one month rate, plus 150 basis points, which was 1.7032% as of June 30, 2013. The loan requires interest only payments due every October 15 and April 15, based on the outstanding balance, and has a balloon principal payment due in full on October 15, 2016.	\$ 5,870,441
Total Loan Payable	<u>\$ 5,870,441</u>

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, 2013 was \$41,035,000.

The scheduled annual minimum debt service requirements at June 30, 2013 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ -	\$ 1,435,386	\$ 1,435,386
2015		1,739,862	1,739,862
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
2019-2023	2,900,000	8,296,913	11,196,913
2024-2028	4,480,000	7,458,315	11,938,315
2029-2033	8,095,000	5,865,923	13,960,923
2034-2038	9,965,000	3,978,994	13,943,994
2039-2043	12,065,000	1,786,100	13,851,100
2044	2,710,000	54,200	2,764,200
Totals	<u>\$ 41,035,000</u>	<u>\$ 35,800,530</u>	<u>\$ 76,835,530</u>

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

6. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	July 1, 2012			June 30, 2013	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental activities:					
Loans Payable	\$ 6,749,932	\$ 2,180,563	\$ (3,060,054)	\$ 5,870,441	\$ -
Bonds Payable		41,035,000		41,035,000	
Original Issue Premium		1,577,452	(4,334)	1,573,118	
Compensated Absences	5,131	8,965		14,096	
	<u>5,131</u>	<u>8,965</u>		<u>14,096</u>	
Governmental activities					
Long-term liabilities	<u>\$ 6,755,063</u>	<u>\$ 44,801,980</u>	<u>\$ (3,064,388)</u>	<u>\$ 48,492,655</u>	<u>\$ -</u>

7. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The Agency is not a defendant in any lawsuits as of June 30, 2013.

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, 2013 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, 2013, 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, 2013, \$50,453,700 of this contract was still outstanding.

8. OPERATING LEASE

The Agency entered into an operating lease agreement on June 1, 2009. The agreement is between the Agency (lessor) and the Yuba-Sutter Economic Development Corporation for office space at 1227 Bridge Street, Suite C, in Yuba City, CA. The lease payment is \$500 per month and is on a month-to-month basis, with 30 days notice required for termination.

Sutter Butte Flood Control Agency
Notes to Basic Financial Statements
June 30, 2013

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Agency management has reviewed all known events that have occurred after June 30, 2013, and through November 26, 2013, 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, 2013

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Assessment revenue	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Investment earnings			15,003	15,003
Total Revenues	750,000	750,000	765,003	15,003
EXPENDITURES				
Current				
Operational:				
Telephone	960	217	235	(18)
Postage and freight	100	9	132	(123)
Advertising	180	15	24	(9)
Forms and supplies	4,800	669	362	307
Printing and binding	1,200	125		125
Professional services	402,520	181,878	198,474	(16,596)
Salaries and benefits	45,640	102,006	80,076	21,930
Travel and meetings	8,667	4,688	8,249	(3,561)
Dues and subscriptions	5,125	1,049	855	194
Rentals	2,400	545	525	20
Insurance	7,320	5,502	5,437	65
Tools and other materials and supplies	1,200	3,973	3,911	62
Contingency	15,000	10,000		10,000
Debt service:				
Principal	3,060,820	3,060,441	3,060,054	387
Interest			58,995	(58,995)
Total Expenditures	3,555,932	3,371,117	3,417,329	(46,212)
Excess of Revenues Over (Under) Expenditures	(2,805,932)	(2,621,117)	(2,652,326)	(31,209)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,060,820	3,060,441	3,178,044	117,603
Total Other Financing Sources (Uses)	3,060,820	3,060,441	3,178,044	117,603
Net Change in Fund Balance	254,888	439,324	525,718	86,394
FUND BALANCE, JULY 1, 2012	1,953,643	1,953,643	1,953,643	
FUND BALANCE, JUNE 30, 2013	\$ 2,208,531	\$ 2,392,967	\$ 2,479,361	\$ 86,394

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$ 4,967,214	\$ 1,722,055	\$ 4,979,526	\$ 3,257,471
Assessment revenue	5,750,000	5,750,000	5,781,280	31,280
Investment earnings		33	14,488	14,455
Other revenues	16,000	10,000	11,000	1,000
Total Revenues	10,733,214	7,482,088	10,786,294	3,304,206
EXPENDITURES				
Capital:				
USACE Feasibility Study	934,718	1,317,761	1,215,411	102,350
State EIP Funded	890,000	902,724	674,036	228,688
Local EIP Funded	890,000	916,974	690,234	226,740
Regional Flood Management Planning - State Funded		253,561	198,336	55,225
Early Implementation Project Preliminary				
Design and Application	11,236	17,183	12,886	4,297
Stakeholder Management	48,000	44,049	28,560	15,489
Capital outlay	22,450,948	8,805,154	10,473,875	(1,668,721)
Debt service:				
Cost of debt issuance			620,423	(620,423)
Interest	899,500	72,152	72,152	
Total Expenditures	26,124,402	12,329,558	13,985,913	(1,656,355)
Excess of Revenues Over (Under) Expenditures	(15,391,188)	(4,847,470)	(3,199,619)	1,647,851
OTHER FINANCIING SOURCES (USES)				
Proceeds from issuance of long-term debt	20,000,000	20,000,000	43,215,563	23,215,563
Original issue premium			1,577,452	1,577,452
Transfers out	(3,060,820)	(3,060,441)	(3,178,044)	(117,603)
Total Other Financing Sources (Uses)	16,939,180	16,939,559	41,614,971	24,675,412
Net Change in Fund Balance	1,547,992	12,092,089	38,415,352	26,323,263
FUND BALANCE, JULY 1, 2012	1,787,327	1,787,327	1,787,327	
FUND BALANCE, JUNE 30, 2013	\$ 3,335,319	\$ 13,879,416	\$ 40,202,679	\$ 26,323,263