

Florin Resource Conservation District Comprehensive Annual Financial Report For the Years ended June 30, 2017 and 2016



Florin Resource Conservation District
Basic Financial Statements
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For the years ended June 30, 2017 and 2016

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November 7, 2017

Members of the Board of Directors
Florin Resource Conservation District

Directors:

The Florin Resource Conservation District is required by State statute to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). These statements must also be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In meeting those requirements, we are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2017.

The information presented in this CAFR is intended to provide financial information with all the disclosures necessary to enable the District's customers, investment community and general public to assess the District's financial condition. The CAFR contains management's representations concerning the finances of the District. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to both protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been independently audited by Badawi & Associates, a firm of licensed certified public accountants with which the District contracts for these services. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and is intended to be read in conjunction with it. The District's MD&A can be located immediately following the independent auditors' report.

The Comprehensive Annual Financial Report is organized into Introductory, Financial, and Statistical sections. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes: Independent Auditor's Report on the District's financial statements; MD&A; June 30, 2017 basic financial statements, including the statement of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the basic financial statements and required supplementary information. The statistical section is the chief source of information regarding the District's economic condition. The financial statements are prepared in accordance with GAAP.

Accounting System and Budgetary Controls

The District's accounting records are maintained using the accrual basis of accounting, except for the General Fund, which uses the modified accrual basis. The revenues of the District's enterprise funds are recognized when they are earned and the expenses are recognized when they are incurred.

The Elk Grove Water District (EGWD) staff develops annual budgets which are subject to the approval of the District's Board of Directors (Board). A proposed budget is first presented to the Finance Committee for review and comment. Once comments are received and incorporated, a final proposed budget is presented to the Board for their consideration and approval. The budget is required to be adopted on or before June 30th of each year. The budget is used as a management tool for projecting and measuring revenues and expenses.

DISTRICT PROFILE

History

The Florin Resource Conservation District (FRCD) was formed in 1953, pursuant to Section 9000 et seq. of the Public Resources Code of the State of California. The

District is located approximately six miles southeast of the City of Sacramento in the west central portion of unincorporated Sacramento County and was formed to address soil degradation issues resulting from poor irrigation and drainage. There currently are approximately 92,000 acres within the District. The FRCD has historically provided technical assistance and conservation education to farmers, community members and students.

In 1999, the FRCD purchased the privately-owned Elk Grove Water Works which operated and maintained a water system going back to 1893. Since 1999, most of the FRCD's activities have focused on the continued operations of that water system.

In the early 2000's, the Elk Grove Water Works was renamed as the Elk Grove Water District (EGWD). The EGWD operates as a department of the FRCD and is classified as a medium sized water purveyor serving approximately 45,000 people. The EGWD service area is divided into two distinct service areas commonly referred to as Service Area 1 and Service Area 2.

Source water for Service Area 1 is provided by four (4) deep wells and four (4) shallow wells owned and operated by EGWD. Source water for Service Area 2 includes both groundwater and surface water which is provided on a wholesale basis by the Sacramento County Water Agency (SCWA). Water is not shared between the two service areas except in an emergency.

The FRCD is governed by a five-member Board of Directors serving four-year staggered terms, and has used the Florin Resource Conservation District Economic Development Corporation (the Corporation) to facilitate debt issuances. As required by GAAP, the Corporation is reported in these financial statements on a blended basis included with the Enterprise Funds as the Corporation does not issue separate financial statements. More information on the Corporation may be found in Note A to the basic financial statements.

Mission Statement

The Elk Grove Water District is "Continually committed to outstanding customer service along with supplying its customers with excellent, safe, affordable water for current and future generations."

Water Supply

Source Water – There are currently eight wells that supply groundwater to Service Area 1. Four of the wells are deep wells, and four are shallow wells. The deep aquifer has concentrations of iron and manganese that may exceed current federal and state secondary drinking water standards. The deep wells are designed to produce approximately 1,800 gallons per minute (gpm) each. The water from the deep wells is conveyed to the Railroad Water Treatment and Storage Facility where it is disinfected with sodium hypochlorite and treated for iron and manganese removal. The treated water is held in two large storage tanks before it is pumped into the water distribution system.

Additional source water is provided from the shallow groundwater wells. The shallow wells are disinfected with sodium hypochlorite prior to being pumped directly in to the water distribution system. The shallow wells are used to balance system demands.

Water Treatment

The Elk Grove Water District maintains two water treatment facilities:

The Railroad Water Treatment and Storage Facility provides 4.0 million gallons of water storage, 10 booster pumps (rated at 1,700 gpm capacity each), and water treatment that removes iron and manganese. The facility contains one of the four deep wells on site. The facility has been equipped with a backup power supply generator to run the entire facility in the event of a power failure or emergency. All source water for the treatment facility is groundwater from the four deep wells. The Railroad Water Treatment and Storage Facility provides the majority of the water for Service Area 1.

The Hampton Village Water Treatment Plant (WTP) provides an additional 1,000 gpm of water to EGWD's source capacity, and improves the reliability of the water system by providing redundancy to the Railroad Water Treatment and Storage Facility. The Hampton Village WTP contains one shallow well on site. Treatment facilities at the Hampton Village WTP include disinfection by sodium hypochlorite and arsenic, iron and manganese removal.

Financial Stability and Planning

The current and future stability of the EGWD is positive with the existing revenue source remaining stable. Revenues are received entirely through water rates. EGWD provides water to nearly 12,500 service connections currently and growth projections suggest that the service connections should increase by approximately 150 in 2018.

The local economy continues to improve slightly and the number of connections has remained relatively stable. Although the service connections have remained stable, the

volume of water sold has been affected by the continuing drought and has decreased in the fiscal year ended June 30, 2017.

On January 25, 2012, the Board directed Staff to conduct a five-year water rate study (Study) for the EGWD to cover the period of FY 2013-14 through FY 2017-18. The Plan's objectives were as follows:

- Maintain appropriate levels for reserve funds
- Maintain appropriate levels of funding for operational requirements
- Generate the appropriate level of funding necessary to fund the FY 2013-14 Five Year Capital Improvement Program
- Update the current Meter Connection Fee and Capacity Charges for new development

On June 26, 2013, the Board of Directors approved the five-year financial plan and associated amendments to the District's water rate ordinance. The first revenue adjustment occurred on January 1, 2014 and the plan requires water revenue adjustments on January 1st of each year as follows:

- January 2014 – 3%
- January 2015 – 3%
- January 2016 – 3%
- January 2017 – 3.5%
- January 2018 – 4.5%

On December 14, 2016 the Board approved deferring one-half percent of the water revenue adjustment scheduled on January 1, 2017. The overall rate for the water service for FY 2016-17 was increased by only 3.0% rather than the suggested 3.5% adjustment.

Each June, the Board also adopts a new five-year Capital Improvement Program (CIP) designed to build, replace, and maintain the necessary infrastructure for the safe operation of the EGWD. The CIP is available on the District's website www.egwd.org.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Florin Resource Conservation District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements

and we are submitting it to the GFOA to determine its eligibility for the certificate for the fiscal year ended June 30, 2017.

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the entire staff of the Finance Department and the Elk Grove Water District Management team.

A handwritten signature in blue ink, reading "Patrick Lee". The signature is written in a cursive, flowing style.

PATRICK LEE
FINANCE MANAGER/TREASURER

**FLORIN RESOURCE CONSERVATION DISTRICT
LIST OF OFFICIALS
JUNE 30, 2017**

BOARD OF DIRECTORS:

| | | | | |
|-------------|------------------|-------------|-----------------|--------------|
| Tom Nelson | Bob Gray | Lisa Medina | Sophia Scherman | Jeanne Sabin |
| Chairperson | Vice-Chairperson | Director | Director | Director |

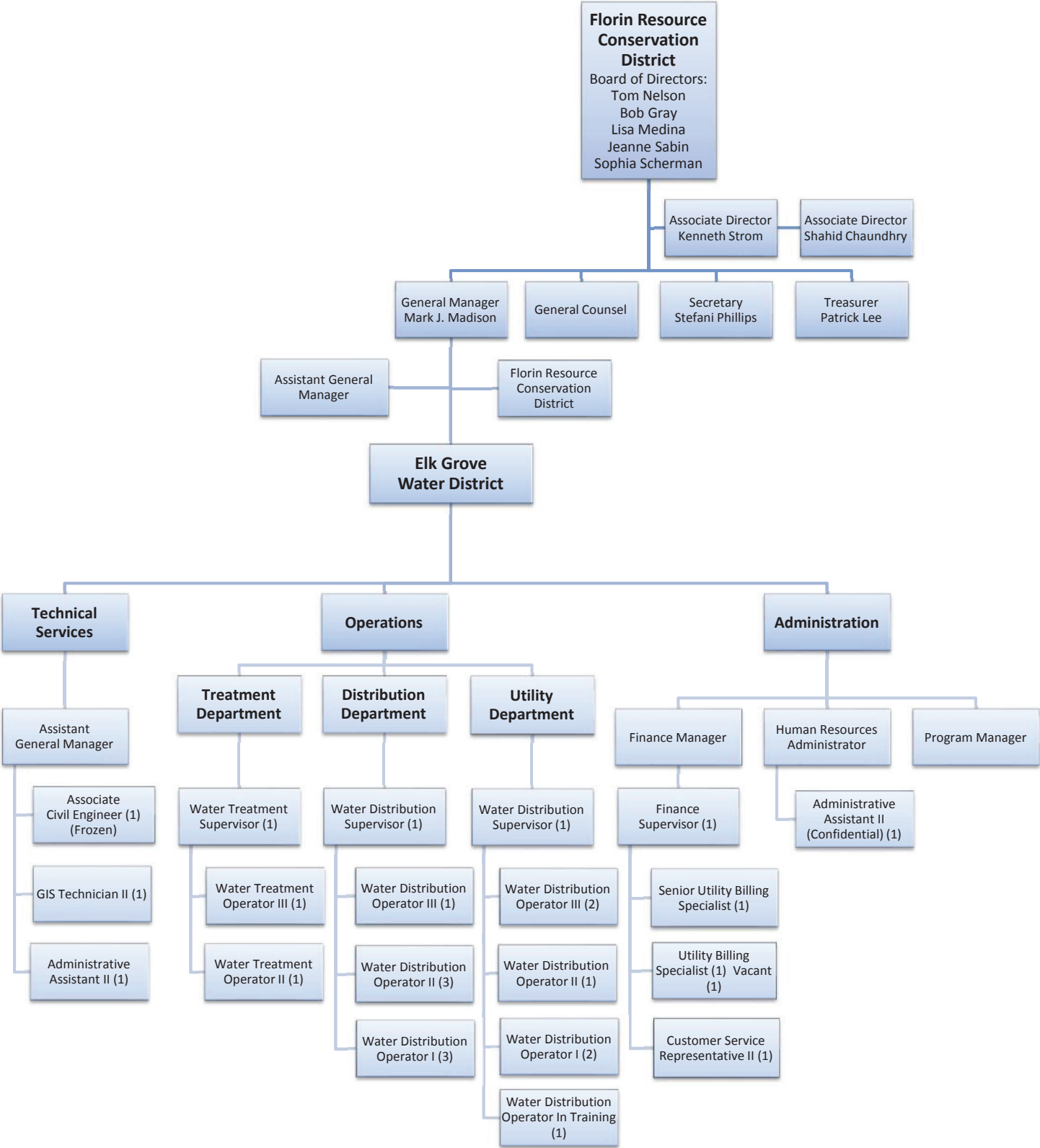
STAFF:

Mark J. Madison
General Manager

Patrick Lee
Treasurer / Finance Manager

Stefani Phillips
Secretary / Human Resources Administrator

Florin Resource Conservation District
Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Florin Resource Conservation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Florin Resource Conservation District
Elk Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Florin Resource Conservation District (District) as of and for the years ended June 30, 2017 and June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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. 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.

To the Board of Directors
of the Florin Resource Conservation District
Elk Grove, California
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of District, as of June 30, 2017 and June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan schedules, and schedule of funding progress for OPEB plans on pages 3 to 14 and pages 59 to 61 to 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 District's basic financial statements. The Introductory section, and Statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory section and Statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is stylized, with a large, looped "B" and a cursive "Badawi & Associates".

Badawi & Associates
Certified Public Accountants
Oakland, California
November 7, 2017

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017, 2016 AND 2015

The following narrative overview and analysis of the financial activities of the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2017 has been prepared by management to enhance the information provided in the transmittal letter. It is intended to be read in conjunction with that letter and should provide a better understanding of the District's financial operations and performance. The District is comprised of resource conservation efforts, and also provides water service to residents and businesses in Elk Grove. The latter is under the Elk Grove Water District, a subset or subsidiary of the Florin Conservation District. While both entities are being reported on, the bulk of the financial information is for the Water District, which has a large revenue base.

FINANCIAL HIGHLIGHTS

- The District's total assets increased by \$0.9 million during fiscal 2017 and decreased by \$9.0 million in 2016 compared to the prior year. Total liabilities decreased by \$1.2 million during fiscal 2017 and decreased by \$15.8 million in 2016. The changes in total assets and total liabilities in fiscal 2017 are due primarily to the pay down of District debt. The District has benefited from continued positive net income results, and the combined results of these activities are an increase in net position of \$2.6 million during fiscal year 2017, compared to an increase of \$7.5 million in 2016.
- Operating revenue of \$14.2 million, \$13.8 million and \$14.3 million in 2017, 2016 and 2015, respectively, and operating expenses of \$9.8 million, \$9.0 million and \$11.1 million in 2017, 2016 and 2015 respectively, after depreciation resulted in net income from operations of \$4.4 million, \$4.9 million and \$3.2 million in enterprise funds in 2017, 2016 and 2015, respectively. Net non-operating expenses of \$1.8 million in 2017, non-operating revenues of \$2.7 million in 2016 and non-operating expense of \$2.7 million in 2015 for business-type activities is the result of \$1.9 million, \$2.1 million and \$3.0 million in interest expense for 2017, 2016 and 2015, respectively, offset by non-operating revenue of approximately \$.05 million, \$4.8 million, and \$0.3 million in 2017, 2016 and 2015, respectively.
- Fiscal year 2017 operating income, the difference between operating revenues and operating expenses, was \$4.4 million, or 31% of operating revenues. This positive result is a decrease of \$.4 million, or 8.7% compared to 2016 operating income. Charges for services increased by \$.7 million, or 5.5%, however, as customers used 12% more water with the drought officially ending. This is notable as 2017 was the first year since 2013-14 when water usage increased overall. However, operating expenses increased \$1.1 million, or 13.3% compared to 2016. The significant changes in expenses were:
 - Water purchases, reflecting increased usage, were up \$.3 million or 13%, reflecting higher water usage and higher rates from Sacramento County;
 - Administration and general expenses were up \$.2 million, or 20%, due mainly to election costs;

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017, 2016 AND 2015

- Salaries and benefits increased \$.5 million, or 16.8%, primarily as a result of a 2.73% COLA adjustment in FY 2017 and an adjustment to reclass OPEB payments from prior year;
 - Depreciation expenses increased \$.1 million, or 5.9%, reflecting the District's completion of more capital improvements last year.
- Capital assets net of depreciation decreased \$0.4 million in fiscal year 2017. This was primarily a reflection of more capital projects being completed during 2017 than construction in progress being added through new capital projects during 2017. Capital assets decreased \$7.6 million in fiscal year 2016, as the District sold an office building in 2016. The District added approximately \$2.5 million in infrastructure, improvements and equipment during 2017 while disposing of approximately \$0.2 million. Annual depreciation for 2017 was approximately \$1.7 million. Also at the end of fiscal year 2017, \$0.1 million in infrastructure, improvement, and equipment assets were classified as "construction in-progress".
- Restricted cash and investments decreased by \$0.4 million, \$1.4 million, and \$0.2 million in 2017, 2016 and 2015, respectively. The decrease in 2017 was because of liquidating restricted cash balances associated with the 2002 Series A COP's that were paid off in the current year. The 2016 refunding bonds do not require debt service reserves while the 2014 refunding bonds do require a debt service reserve, which is satisfied by a Surety Bond in an amount required by the Bond Issuer. The decrease in 2016 was a result of liquidating restricted cash balances associated with the office building that are no longer required.
- Unrestricted net position was \$13.9 million, \$12.1 million and \$8.3 million at June 30, 2017, 2016 and 2015, respectively. Unrestricted net position increased \$1.9 million in fiscal year 2017 compared to 2016. Restricted net position was \$0, \$0.4 million and \$1.9 million at June 30, 2017, 2016 and 2015, respectively, of which \$0, \$0.4 million and \$1.9 million was restricted for debt service.
- The District had positive cash flow from enterprise fund operations of \$5.7 million, \$5.1 million and \$5.0 million in 2017, 2016 and 2015, respectively. The District spent \$1.4 million, \$1.5 million and \$2.0 million in 2017, 2016 and 2015, respectively, on the acquisition of capital assets. The District issued \$14.9 million of refunding debt during 2016 and spent \$3.2 million, \$29.0 million and \$38.6 million in 2017, 2016 and 2015, respectively, on debt principal and interest payments. The District experienced an increase of \$1.2 million, a decrease of \$1.6 million and a decrease of \$0.8 million in its ending cash balances of \$12.9 million, \$11.7 million, and \$13.3 million, respectively at June 30, 2017, 2016 and 2015 respectively.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

SECTIONS OF THE FINANCIAL STATEMENTS

The three sections of the District's financial statements are the: 1) introductory section, 2) financial section, and 3) statistical section.

Introductory Section

This includes the table of contents, letter of transmittal, list of Board of Directors and Staff, and organization chart. The transmittal letter was revised to discuss items that had a significant impact on the financial statements.

Financial Section

This section includes the auditor's report, management's discussion and analysis and the basic financial statements. The District's basic financial statements are comprised of the government-wide statements, the fund statements, the notes to the basic financial statements, and the required supplementary information. The management's discussion and analysis was adjusted to indicate that the discussion of the change in net position of governmental activities includes a discussion of the change in fund balance since no significant reconciling items exist between the fund and government-wide statements.

Statistical Section

The statistical section of the financial statements is the chief source of information regarding a government's *economic condition*. All of the information presented in the statistical section is organized around five specific objectives.

- ***Provide information on financial trends.*** Information needed to help users understand how a government's financial position has changed over time.
- ***Provide information on revenue capacity.*** Information needed to help the users understand and assess a government's ability to generate revenues.
- ***Provide information on debt capacity.*** Information needed to help users understand and assess a government's debt burden.
- ***Provide demographic and economic information.*** Information needed to help users understand the government's socioeconomic environment and to facilitate comparisons of financial statement information over time and among governments.
- ***Provide operating information.*** Information needed to help users understand a government's operations and resources as well as to provide a context for understanding and assessing its economic condition.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The District's Proprietary Fund Statements include those Water System activities funded primarily through user charges to customers. The District's governmental funds relate to activities related to resource conservation not funded from user charges.

The government-wide statements include the Statements of Net Position and the Statements of Activities, the Proprietary Fund Statements and the Statements of Cash Flows. The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as total net position. The government-wide statements and Proprietary Fund Statements use the economic resources measurement focus and accrual basis of accounting, similar to private enterprises. The governmental fund statements include a Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. The governmental fund uses the current financial resources measurement focus and the modified accrual basis of accounting. When evaluated over a period of time, increases or decreases in net position and fund balance may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balance reflect the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes provide in depth information that is vital to gaining a full understanding of the data provided in the financial statements.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

FINANCIAL ANALYSIS OF THE DISTRICT

STATEMENT OF NET POSITION – GOVERNMENT-WIDE TOTALS
AS OF JUNE 30, 2017, 2016 AND 2015

| | Governmental activities | | | Business-type activities | | | Total | | |
|-------------------------------------|-------------------------|------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Current assets | \$ 47,068 | \$ 95,044 | \$ 127,886 | \$ 15,104,312 | \$ 13,394,711 | \$ 13,384,512 | \$ 15,151,380 | \$ 13,489,755 | \$ 13,512,398 |
| Capital assets, net of depreciation | - | - | - | 70,430,326 | 70,812,095 | 78,424,992 | 70,430,326 | 70,812,095 | 78,424,992 |
| Other assets | - | - | - | 579,879 | 991,627 | 2,390,213 | 579,879 | 991,627 | 2,390,213 |
| Total Assets | 47,068 | 95,044 | 127,886 | 86,114,517 | 85,198,433 | 94,199,717 | 86,161,585 | 85,293,477 | 94,327,603 |
| Deferred outflows | - | - | - | 2,309,325 | 1,978,933 | 1,197,255 | 2,309,325 | 1,978,933 | 1,197,255 |
| Current liabilities | 4,667 | 6,210 | 4,667 | 3,329,671 | 2,646,770 | 15,621,910 | 3,334,338 | 2,652,980 | 15,626,577 |
| Long-term liabilities | - | - | - | 47,606,115 | 49,520,679 | 52,350,288 | 47,606,115 | 49,520,679 | 52,350,288 |
| Total Liabilities | 4,667 | 6,210 | 4,667 | 50,935,786 | 52,167,449 | 67,972,198 | 50,940,453 | 52,173,659 | 67,976,865 |
| Deferred inflows | - | - | - | 205,877 | 332,887 | 319,826 | 205,877 | 332,887 | 319,826 |
| Net Position: | | | | | | | | | |
| Net Investment in Capital Assets | - | - | - | 23,387,996 | 22,281,403 | 17,009,265 | 23,387,996 | 22,281,403 | 17,009,265 |
| Restricted | - | - | - | 10 | 412,862 | 1,875,557 | 10 | 412,862 | 1,875,557 |
| Unrestricted | 42,401 | 88,834 | 123,219 | 13,894,173 | 11,982,765 | 8,220,126 | 13,936,574 | 12,071,599 | 8,343,345 |
| Total Net Position | \$ 42,401 | \$ 88,834 | \$ 123,219 | \$ 37,282,179 | \$ 34,677,030 | \$ 27,104,948 | \$ 37,324,580 | \$ 34,765,864 | \$ 27,228,167 |

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

There was a decrease in current assets of \$47,976 in 2017, a decrease of \$32,842 in 2016, and a decrease of \$15,392 in 2015. Also during the same time period, current liabilities decreased \$1,543, increased \$1,543 and decreased \$6,350, and unrestricted net position decreased \$46,433 in 2017, decreased \$34,385 in 2016, and decreased \$9,042 in 2015 for the governmental fund. There is no ongoing revenue source for District resource conservation efforts, so there were not any significant revenues in 2017, 2016 or 2015. There was an increase of expenditures of \$13,170 in 2017, increase of expenditures of \$12,984 in 2016, and a decrease of \$15,319 in 2015. The increase in 2017 is attributable to election costs and the increase in 2016 is attributable to expenditures for contracted services to perform a needs assessment.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

There was a revenue increase of 3.0% for the water service rate payers effective January 1, 2017. There was an increase of \$0.7 million in revenues in 2017, an increase of \$0.3 million in revenues in 2016 and a decrease of \$0.3 million in 2015, respectively. The increases in 2017 and 2016 are attributed to the rate increases, with 2017 also realizing the first year over year increase in customer water sales since 2014, as the drought ended. The decrease in 2015 is due primarily to reduced water sales as a result of increased conservation efforts during the statewide drought. There was a decrease in rental revenue in 2016 due to sale and disposal of the Susie Gaines Mitchell Office Building on October 29, 2015. The sale of the building allows the District to focus its efforts on its core Water operations.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

Current assets increased by \$1.7 million in 2017, and remained relatively unchanged in 2016. The increase in 2017 is due to an increase in cash and cash equivalents as a result of positive operating income.

Capital assets (net of depreciation) decreased approximately \$0.4 million in 2017, decreased approximately \$7.6 million in 2016, and remained relatively flat in 2015. The decrease in 2017 was primarily due to an increase in depreciation expense as a result of capitalizing construction in progress to depreciable assets. The decrease in 2016 was primarily due to the sale and disposal of the Office Building which more than offset the \$1.5 million of capital assets placed into service during the year. Total depreciation expense recognized was \$1.7 million in 2017, \$1.6 million in 2016 and \$2.0 million in 2015. The increase in depreciation expense in 2017 was due primarily to the capitalization of construction in progress and the decrease in 2016 was primarily due to the restatement of capital assets in fiscal year 2015 and reclassification into proper asset classes.

Current liabilities increased by \$0.7 million in 2017 due to principal debt payments coming due within the year. There was a decrease of \$12.6 million in 2016 primarily due to the sale and disposal of the office building which eliminated \$11.7 million of debt that was in technical default. There was a decrease of \$0.6 million in 2015 due to a decrease in due to other governments of \$1.1 million offset by an increase to accounts payable of \$0.7 million and decreases to interest payable and debt in technical default.

Long term debt in the Water District Fund decreased by \$2.1 million during 2017 as a result of continued debt service payments. During 2016, there was a decrease of \$2.9 million as a result of the bond refunding, which included a capital contribution by the District of \$1.5 million, and scheduled principal retirements totaling \$17.8 million offset by the issuance of \$14.9 million of debt to refund prior debt at favorable rates and at a savings to ratepayers. During 2015 there was a decrease of \$2.6 million as a result of the refunding and scheduled principal retirements totaling \$34.9 million offset by the issuance of \$32.3 million of refunding debt.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

**CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - GOVERNMENT-WIDE TOTALS
FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015**

| | Governmental activities | | | Business-type activities | | | Total | | |
|--|-------------------------|------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| Revenues: | | | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Water services | - | - | - | 14,210,971 | 13,475,325 | 13,185,838 | 14,210,971 | 13,475,325 | 13,185,838 |
| Office building | - | - | - | - | 373,800 | 1,121,400 | - | 373,800 | 1,121,400 |
| Capital contribution/grants | - | - | - | - | - | 28,500 | - | - | 28,500 |
| General Revenues: | | | | | | | | | |
| Interest earnings | 4 | 93 | 2,643 | 46,228 | 20,002 | 19,970 | 46,232 | 20,095 | 22,613 |
| Other | 1,564 | 353 | 10,162 | 54,451 | 4,777,152 | 290,069 | 56,015 | 4,777,505 | 300,231 |
| Total Revenues | \$ 1,568 | \$ 446 | \$ 12,805 | \$ 14,311,650 | \$ 18,646,279 | \$ 14,645,777 | \$ 14,313,218 | \$ 18,646,725 | \$ 14,658,582 |
| Expenses: | | | | | | | | | |
| General Government | \$ 48,001 | \$ 34,831 | \$ 21,847 | \$ - | \$ - | \$ - | \$ 48,001 | \$ 34,831 | \$ 21,847 |
| Water Service | - | - | - | 11,706,501 | 10,754,181 | 12,447,446 | 11,706,501 | 10,754,181 | 12,447,446 |
| Office building | - | - | - | - | 320,016 | 1,672,932 | - | 320,016 | 1,672,932 |
| Total Expenses | 48,001 | 34,831 | 21,847 | 11,706,501 | 11,074,197 | 14,120,378 | 11,706,501 | 11,109,028 | 14,142,225 |
| Change in net position | (46,433) | (34,385) | (9,042) | 2,605,149 | 7,572,082 | 525,399 | 2,558,716 | 7,537,697 | 516,357 |
| Net position, beginning of year | 88,834 | 123,219 | 132,261 | 34,677,030 | 27,104,948 | 26,579,549 | 34,765,864 | 27,228,167 | 26,711,810 |
| NET POSITION, END OF YEAR | \$ 42,401 | \$ 88,834 | \$ 123,219 | \$ 37,282,179 | \$ 34,677,030 | \$ 27,104,948 | \$ 37,324,580 | \$ 34,765,864 | \$ 27,228,167 |

GOVERNMENTAL ACTIVITIES HIGHLIGHTS

For the District's resource conservation programs during 2017 and 2016, there was a decrease in net position of \$46,433 and \$34,385. This resulted from conservation related expenditures without ongoing revenues, as the District is drawing down its cash balances to fund resource conservation efforts. The Board is considering the strategic direction of the conservation side of the District's operations. Cash and cash equivalents decreased from \$95,044 in 2016 to \$47,068 in 2017 and \$127,886 in 2015 to \$95,044 in 2016. Expenses increased in 2017 due to election costs and increased in 2016 due to the needs assessment that was performed during the fiscal year. There was a decrease of \$9,042 in the governmental net position in 2015 as a result of the loss in rental income due to the sale of the rental property in 2014.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

BUSINESS-TYPE ACTIVITIES HIGHLIGHTS

Total net position of business type activities was \$37.3 million in 2017. While the change in net position was positive in 2017, it decreased from \$7.6 million in 2016 to \$2.6 million in 2017 due to the one-time gain on the sale of the office building in 2016 and the gain realized from bond refunding.

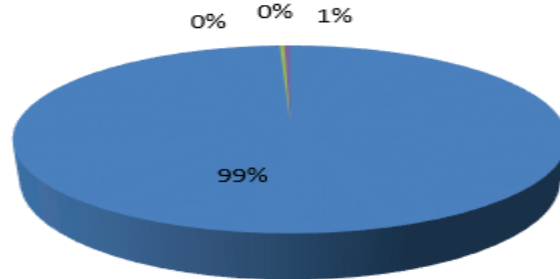
Operating expenses increased by \$1.0 million in 2017, due mainly to a \$0.3 million increase to purchased water and a \$0.5 million increase in salaries and benefits as a result of a 2.73% COLA increase. Operating expenses decreased in 2016 by \$1.7 million as follows: purchased water decreased by \$0.2 million, administration and general expenses decreased by \$0.5 million, salaries and benefits decreased by \$0.1 million, other production expenses decreased by \$1.0 million and depreciation and amortization decreased by \$0.4 million. The stabilization in benefits is largely due to policy changes for health insurance that has resulted in employees migrating to lower cost plans as well as sharing in the cost of medical benefits. Interest expense also decreased by approximately \$0.9 million in 2016 primarily due to the bond refinancing's in fiscal years 2015 and 2016.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

The breakdown of business-type activities revenues and expenditures by type for the years ended June 30, 2017, 2016 and 2015 were as follows:

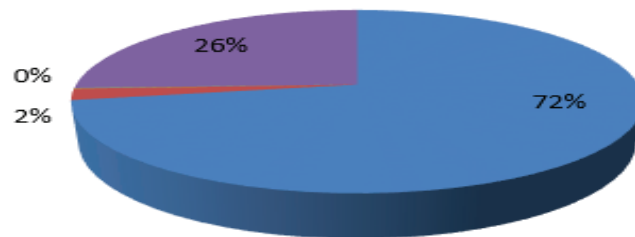
2017 Revenue

■ Water Services ■ Rental Income ■ Interest Income ■ Other Income



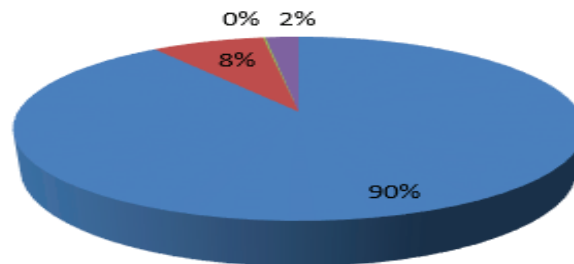
2016 Revenue

■ Water Services ■ Rental Income ■ Interest Income ■ Other Income



2015 Revenue

■ Water Services ■ Rental Income ■ Interest Income ■ Other Income



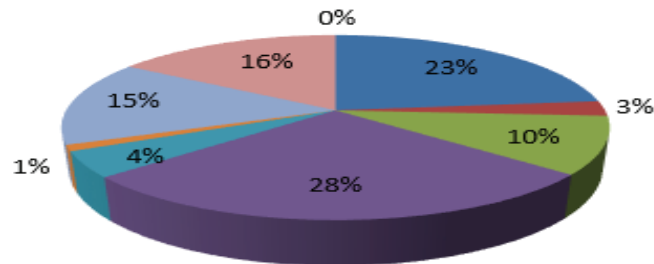
FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017, 2016 AND 2015

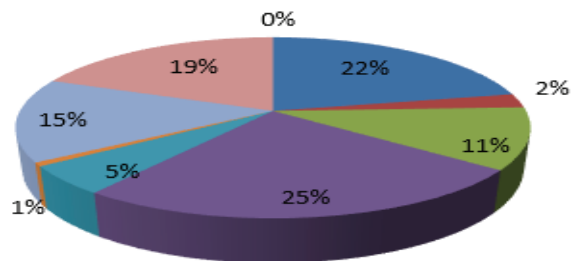
2017 Expenses

- Water Purchased
- Salaries & Benefits
- Depreciation & Amortization
- Power Purchased
- Other Production Expenses
- Interest Expense
- Administration & General
- Insurance
- Other Expenses



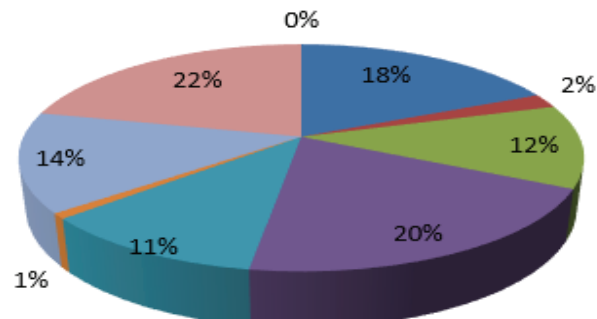
2016 Expenses

- Water Purchased
- Salaries & Benefits
- Depreciation & Amortization
- Power Purchased
- Other Production Expenses
- Interest Expense
- Administration & General
- Insurance
- Other Expenses



2015 Expenses

- Water Purchased
- Salaries & Benefits
- Depreciation & Amortization
- Power Purchased
- Other Production Expenses
- Interest Expense
- Administration & General
- Insurance
- Other Expenses



FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

General Fund Budgetary Highlights

The General Fund's only source of revenue in FY 2016-17 was from interest income, as the District's resource conservation efforts have no ongoing source of revenue. Association dues, meeting expense and contracted services were budgeted and paid almost entirely from reserves.

Capital Asset and Debt Administration

Capital assets decreased \$7.6 million in fiscal year 2016 primarily due to the sale and disposal of the office building. The changes in fiscal year 2015 was a result of expenditures for infrastructure offset by depreciation each year. Depreciation expense for 2017, 2016, and 2015 was \$1.7 million, \$1.6 million, and \$2.0 million, respectively.

Major capital asset projects during 2017 and 2016 included Hampton Water Treatment Plant Improvements, Fiber Optic Cables and Railroad Water Treatment Facility Tanks and Vessels Recoating. See additional information on capital assets in Note 3 on page 41.

OUTSTANDING DEBT ISSUES
AS OF JUNE 30, 2017, 2016 AND 2015

| | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|
| 2002/3/5/14-16 Refunding and Capital Improvements-EGWD | \$ 46,135,000 | \$ 47,575,000 | \$ 50,492,145 |
| 2003 Refunding-Office Building | - | - | 9,816,994 |
| | <u>\$ 46,135,000</u> | <u>\$ 47,575,000</u> | <u>\$ 60,309,139</u> |

On October 30, 2015 the District consummated the sales transaction of the Susie Gaines Mitchell Building with the Three Tower Corporation, Inc. and R. Scott Rasmussen, LLC. for a purchase price of \$9.9 million. In addition, the District assigned all right, title and interest in and to the lease with the County of Sacramento to the purchaser. The net sales proceeds were remitted to the Bond Trustee, Bank of New York, Mellon, for the final disbursement to the Series 2003 Certificate holders.

Economic Factors and Next Year's Budgets and Rates

- The most recent data available from the Bureau of Labor Statistics for the Sacramento Metropolitan Area shows a continued improving economy. As of August 2017, the local unemployment rate was 5.2%, compared to 5.3% and 5.7% in August 2016 and 2015 respectively. The California Department of Transportation reports that Sacramento County experienced positive job growth of 3.9% in 2016, compared to 3.2% overall in Northern California.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017, 2016 AND 2015

- On June 26, 2013 the Board adopted a five-year rate structure which calls for revenue adjustments as follows:
 - 3% January 2014
 - 3% January 2015
 - 3% January 2016
 - 3.5% January 2017
 - 4.5% January 2018

On December 14, 2016 the Board approved deferring one-half percent of the water revenue adjustment scheduled on January 1, 2017. The overall rate for the water service for FY 2016-17 was increased by only 3.0% rather than the suggested 3.5% adjustment.

All of these factors were considered in preparing the Florin Resource Conservation District's budget for the fiscal year ending June 30, 2018, including the Board approval of deferring another one and one-half percent of the water revenue adjustment scheduled on January 1, 2018 from 4.5% to 3.0%. The District adopted an operating budget of \$14.3 million for FY 2017-18. In addition, the District approved \$1.5 million in capital expenditures for FY 2017-18, as part of the five-year Capital Improvement Program totaling \$6.9 million.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning the information provided in this report or for requests for additional financial information should be addressed to Patrick Lee, Finance Manager/Treasurer, 9257 Elk Grove Blvd, Elk Grove, CA 95624 or please call (916) 685-3556.



MARK J. MADISON, GENERAL MANAGER



PATRICK LEE, FINANCE MANAGER

Florin Resource Conservation District
Comparative Statement of Net Position
June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|----------------------------|-----------------------------|---------------|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 47,068 | \$ 12,871,285 | \$ 12,918,353 | \$ 95,044 | \$ 11,295,772 | \$ 11,390,816 |
| Receivables: | | | | | | |
| Customer accounts receivable | - | 2,038,529 | 2,038,529 | - | 1,900,871 | 1,900,871 |
| Other receivables | - | - | - | - | 28,000 | 28,000 |
| Interest receivable | - | 3,439 | 3,439 | - | 8,350 | 8,350 |
| Inventories | - | 65,658 | 65,658 | - | 79,012 | 79,012 |
| Prepaid expenses | - | 125,401 | 125,401 | - | 82,706 | 82,706 |
| Total current assets | 47,068 | 15,104,312 | 15,151,380 | 95,044 | 13,394,711 | 13,489,755 |
| Noncurrent assets: | | | | | | |
| Restricted cash and cash equivalents | - | 10 | 10 | - | 412,862 | 412,862 |
| OPEB asset | - | 579,869 | 579,869 | - | 578,765 | 578,765 |
| Capital assets: | | | | | | |
| Not being depreciated | - | 789,541 | 789,541 | - | 1,949,156 | 1,949,156 |
| Being depreciated, net | - | 69,640,785 | 69,640,785 | - | 68,862,939 | 68,862,939 |
| Total capital assets | - | 70,430,326 | 70,430,326 | - | 70,812,095 | 70,812,095 |
| Total noncurrent assets | - | 71,010,205 | 71,010,205 | - | 71,803,722 | 71,803,722 |
| Total assets | 47,068 | 86,114,517 | 86,161,585 | 95,044 | 85,198,433 | 85,293,477 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amount on refunding of debt | - | 1,108,918 | 1,108,918 | - | 1,182,847 | 1,182,847 |
| Deferred employer pension contribution | - | 302,911 | 302,911 | - | 298,557 | 298,557 |
| Deferred outflows of resources - pension | - | 897,496 | 897,496 | - | 497,529 | 497,529 |
| Total deferred outflows of resources | - | 2,309,325 | 2,309,325 | - | 1,978,933 | 1,978,933 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | - | 284,073 | 284,073 | 1,543 | 374,919 | 376,462 |
| Due to other governments | 4,667 | 293,247 | 297,914 | 4,667 | 245,803 | 250,470 |
| Interest payable | - | 624,040 | 624,040 | - | 464,585 | 464,585 |
| Unearned revenue | - | 16,848 | 16,848 | - | - | - |
| Noncurrent liabilities, due within one year | - | 2,111,463 | 2,111,463 | - | 1,561,463 | 1,561,463 |
| Total current liabilities | 4,667 | 3,329,671 | 3,334,338 | 6,210 | 2,646,770 | 2,652,980 |
| Noncurrent liabilities: | | | | | | |
| Net pension liability | - | 1,381,275 | 1,381,275 | - | 1,161,343 | 1,161,343 |
| Noncurrent liabilities, due in more than one year | - | 46,224,840 | 46,224,840 | - | 48,359,336 | 48,359,336 |
| Total noncurrent liabilities | - | 47,606,115 | 47,606,115 | - | 49,520,679 | 49,520,679 |
| Total liabilities | 4,667 | 50,935,786 | 50,940,453 | 6,210 | 52,167,449 | 52,173,659 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows of resources - pension | - | 205,877 | 205,877 | - | 332,887 | 332,887 |
| Total deferred inflows of resources | - | 205,877 | 205,877 | - | 332,887 | 332,887 |
| NET POSITION | | | | | | |
| Net investment in capital assets | - | 23,387,996 | 23,387,996 | - | 22,281,403 | 22,281,403 |
| Restricted for debt service | - | 10 | 10 | - | 412,862 | 412,862 |
| Unrestricted | 42,401 | 13,894,173 | 13,936,574 | 88,834 | 11,982,765 | 12,071,599 |
| Total net position | \$ 42,401 | \$ 37,282,179 | \$ 37,324,580 | \$ 88,834 | \$ 34,677,030 | \$ 34,765,864 |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Statement of Activities
For the year ended June 30, 2017

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Change in Net Position | | |
|----------------------------------|---------------|----------------------|----------------------------------|-------------------------|--------------------------|---------------|
| | | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | |
| General government | \$ 48,001 | \$ - | \$ - | \$ (48,001) | \$ - | \$ (48,001) |
| TOTAL GOVERNMENTAL ACTIVITIES | 48,001 | - | | (48,001) | - | (48,001) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | |
| Water District | 11,706,501 | 14,210,971 | - | - | 2,504,470 | 2,504,470 |
| Office Building | - | - | - | - | - | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | 11,706,501 | 14,210,971 | - | - | 2,504,470 | 2,504,470 |
| TOTAL PRIMARY GOVERNMENT | \$ 11,754,502 | \$ 14,210,971 | \$ - | (48,001) | 2,504,470 | 2,456,469 |
| GENERAL REVENUES: | | | | | | |
| Interest and investment earnings | | | | 4 | 46,228 | 46,232 |
| Other revenues | | | | 1,564 | 32,334 | 33,898 |
| Gain on extinguishment of debt | | | | - | - | - |
| Gain on sale of capital assets | | | | - | 22,117 | 22,117 |
| Total general revenues | | | | 1,568 | 100,679 | 102,247 |
| Change in net position | | | | (46,433) | 2,605,149 | 2,558,716 |
| Net position - beginning of year | | | | 88,834 | 34,677,030 | 34,765,864 |
| Net position - end of year | | | | \$ 42,401 | \$ 37,282,179 | \$ 37,324,580 |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Statement of Activities (Continued)
For the year ended June 30, 2016

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Change in Net Position | | |
|--------------------------------|----------------------------------|----------------------|----------------------------------|-------------------------|--------------------------|---------------|
| | | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | | |
| General government | \$ 34,831 | \$ - | \$ - | \$ (34,831) | \$ - | \$ (34,831) |
| TOTAL GOVERNMENTAL ACTIVITIES | 34,831 | - | - | (34,831) | - | (34,831) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | |
| Water District | 10,754,181 | 13,475,325 | - | - | 2,721,144 | 2,721,144 |
| Office Building | 320,016 | 373,800 | - | - | 53,784 | 53,784 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 11,074,197 | 13,849,125 | - | - | 2,774,928 | 2,774,928 |
| TOTAL PRIMARY GOVERNMENT | \$ 11,109,028 | \$ 13,849,125 | \$ - | (34,831) | 2,774,928 | 2,740,097 |
| GENERAL REVENUES: | | | | | | |
| | Interest and investment earnings | | | 93 | 20,002 | 20,095 |
| | Other revenues | | | 353 | 139,539 | 139,892 |
| | Gain on extinguishment of debt | | | - | 3,369,337 | 3,369,337 |
| | Gain on sale of capital assets | | | - | 1,268,276 | 1,268,276 |
| | Total general revenues | | | 446 | 4,797,154 | 4,797,600 |
| | Change in net position | | | (34,385) | 7,572,082 | 7,537,697 |
| | Net position - beginning of year | | | 123,219 | 27,104,948 | 27,228,167 |
| | Net position - end of year | | | \$ 88,834 | \$ 34,677,030 | \$ 34,765,864 |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Comparative Balance Sheet
Governmental Fund
June 30, 2017 and 2016

| | | General Fund | |
|--|--|------------------|------------------|
| | | 2017 | 2,016 |
| ASSETS | | | |
| Cash and investments | | \$ 47,068 | \$ 95,044 |
| Total assets | | <u>\$ 47,068</u> | <u>\$ 95,044</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | | \$ - | \$ 1,543 |
| Due to other governments | | 4,667 | 4,667 |
| Total liabilities | | <u>4,667</u> | <u>6,210</u> |
| Fund Balances: | | | |
| Unassigned | | 42,401 | 88,834 |
| Total fund balances | | <u>42,401</u> | <u>88,834</u> |
| Total liabilities and fund balances | | <u>\$ 47,068</u> | <u>\$ 95,044</u> |
| Total fund balance, governmental fund | | \$ 42,401 | \$ 88,834 |
| There were no reconciling differences between net position for governmental activities in the statement of net position and fund balance in the governmental fund balance sheet. | | | |
| Total net position, governmental activities | | <u>\$ 42,401</u> | <u>\$ 88,834</u> |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the years ended June 30, 2017 and 2016

| | General Fund | |
|---|-----------------|-----------------|
| | 2017 | 2,016 |
| REVENUES: | | |
| Use of money and property | \$ 4 | \$ 93 |
| Miscellaneous | 1,564 | 353 |
| Total revenues | 1,568 | 446 |
| EXPENDITURES: | | |
| Current: | | |
| General government | 48,001 | 34,831 |
| Total expenditures | 48,001 | 34,831 |
| Net change in fund balances | (46,433) | (34,385) |
| FUND BALANCES: | | |
| Beginning of year | 88,834 | 123,219 |
| End of year | \$ 42,401 | \$ 88,834 |
| Net change in fund balance, governmental fund | \$ (46,433) | \$ (34,385) |
| There were no reconciling differences between changes in net position for governmental activities in the statement of activities and changes in fund balance in the statement of revenues, expenditures, and changes in fund balance. | | |
| Change in net position, governmental activities | \$ (46,433) | \$ (34,385) |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Comparative Statement of Net Position
Proprietary Funds
For the years ended June 30, 2017 and 2016

| | Enterprise Funds | | | Enterprise Funds | | |
|---|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| | 2017 | | | 2016 | | |
| | Water District Fund | Office Building Fund | Total Proprietary Funds | Water District Fund | Office Building Fund | Total Proprietary Funds |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 12,871,285 | \$ - | \$ 12,871,285 | \$ 11,295,772 | \$ - | \$ 11,295,772 |
| Receivables: | | | | | | |
| Customer accounts receivable | 2,038,529 | - | 2,038,529 | 1,900,871 | - | 1,900,871 |
| Other receivables | - | - | - | 28,000 | - | 28,000 |
| Interest receivable | 3,439 | - | 3,439 | 8,350 | - | 8,350 |
| Inventories | 65,658 | - | 65,658 | 79,012 | - | 79,012 |
| Prepaid expense | 125,401 | - | 125,401 | 82,706 | - | 82,706 |
| Total current assets | 15,104,312 | - | 15,104,312 | 13,394,711 | - | 13,394,711 |
| Noncurrent assets: | | | | | | |
| Restricted cash and cash equivalents | 10 | - | 10 | 412,862 | - | 412,862 |
| OPEB asset | 579,869 | - | 579,869 | 578,765 | - | 578,765 |
| Capital assets: | | | | | | - |
| Not being depreciated | 789,541 | - | 789,541 | 1,949,156 | - | 1,949,156 |
| Being depreciated, net | 69,640,785 | - | 69,640,785 | 68,862,939 | - | 68,862,939 |
| Total capital assets | 70,430,326 | - | 70,430,326 | 70,812,095 | - | 70,812,095 |
| Total noncurrent assets | 71,010,205 | - | 71,010,205 | 71,803,722 | - | 71,803,722 |
| Total assets | 86,114,517 | - | 86,114,517 | 85,198,433 | - | 85,198,433 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amount on refunding of debt | 1,108,918 | - | 1,108,918 | 1,182,847 | - | 1,182,847 |
| Deferred employer pension contribution | 302,911 | - | 302,911 | 298,557 | - | 298,557 |
| Deferred outflows of resources - pension | 897,496 | - | 897,496 | 497,529 | - | 497,529 |
| Total deferred outflows of resources | 2,309,325 | - | 2,309,325 | 1,978,933 | - | 1,978,933 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 284,073 | - | 284,073 | 374,919 | - | 374,919 |
| Due to other governments | 293,247 | - | 293,247 | 245,803 | - | 245,803 |
| Interest payable | 624,040 | - | 624,040 | 464,585 | - | 464,585 |
| Unearned revenue | 16,848 | - | 16,848 | - | - | - |
| Noncurrent liabilities, due within one year | 2,111,463 | - | 2,111,463 | 1,561,463 | - | 1,561,463 |
| Total current liabilities | 3,329,671 | - | 3,329,671 | 2,646,770 | - | 2,646,770 |
| Noncurrent liabilities: | | | | | | |
| Net pension liability | 1,381,275 | - | 1,381,275 | 1,161,343 | - | 1,161,343 |
| Noncurrent liabilities, due in more than one year | 46,224,840 | - | 46,224,840 | 48,359,336 | - | 48,359,336 |
| Total noncurrent liabilities | 47,606,115 | - | 47,606,115 | 49,520,679 | - | 49,520,679 |
| Total liabilities | 50,935,786 | - | 50,935,786 | 52,167,449 | - | 52,167,449 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows of resources - pension | 205,877 | - | 205,877 | 332,887 | - | 332,887 |
| Total deferred inflows of resources | 205,877 | - | 205,877 | 332,887 | - | 332,887 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 23,387,996 | - | 23,387,996 | 22,281,403 | - | 22,281,403 |
| Restricted for debt service | 10 | - | 10 | 412,862 | - | 412,862 |
| Unrestricted (deficit) | 13,894,173 | - | 13,894,173 | 11,982,765 | - | 11,982,765 |
| Total net position | \$ 37,282,179 | \$ - | \$ 37,282,179 | \$ 34,677,030 | \$ - | \$ 34,677,030 |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the years ended June 30, 2017 and 2016

| | Enterprise Funds | | | Enterprise Funds | | |
|---|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| | 2017 | | | 2016 | | |
| | Water District Fund | Office Building Fund | Total Proprietary Funds | Water District Fund | Office Building Fund | Total Proprietary Funds |
| OPERATING REVENUES: | | | | | | |
| Charges for services | 14,210,971 | - | 14,210,971 | 13,475,325 | - | 13,475,325 |
| Rental income | - | - | - | - | 373,800 | 373,800 |
| Total operating revenues | 14,210,971 | - | 14,210,971 | 13,475,325 | 373,800 | 13,849,125 |
| OPERATING EXPENSES: | | | | | | |
| Water purchased | 2,732,016 | - | 2,732,016 | 2,417,349 | - | 2,417,349 |
| Power purchased | 307,612 | - | 307,612 | 277,127 | - | 277,127 |
| Administration and general | 1,172,524 | - | 1,172,524 | 977,466 | 238,912 | 1,216,378 |
| Salaries and benefits | 3,228,235 | - | 3,228,235 | 2,763,806 | - | 2,763,806 |
| Other production expenses | 525,951 | - | 525,951 | 524,769 | 41,410 | 566,179 |
| Insurance | 125,199 | - | 125,199 | 74,280 | - | 74,280 |
| Depreciation and amortization | 1,745,984 | - | 1,745,984 | 1,649,295 | - | 1,649,295 |
| Total operating expenses | 9,837,521 | - | 9,837,521 | 8,684,092 | 280,322 | 8,964,414 |
| OPERATING INCOME | 4,373,450 | - | 4,373,450 | 4,791,233 | 93,478 | 4,884,711 |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Interest revenue | 46,228 | - | 46,228 | 19,994 | 8 | 20,002 |
| Interest expense | (1,868,980) | - | (1,868,980) | (2,070,089) | (39,694) | (2,109,783) |
| Gain on extinguishment of debt | - | - | - | - | 3,369,337 | 3,369,337 |
| Gain on sale of capital assets | 22,117 | - | 22,117 | 3,565 | 1,264,711 | 1,268,276 |
| Other nonoperating revenue | 32,334 | - | 32,334 | 139,539 | - | 139,539 |
| Total nonoperating revenues (expenses) | (1,768,301) | - | (1,768,301) | (1,906,991) | 4,594,362 | 2,687,371 |
| CHANGE IN NET POSITION | 2,605,149 | - | 2,605,149 | 2,884,242 | 4,687,840 | 7,572,082 |
| NET POSITION | | | | | | |
| Beginning of year | 34,677,030 | - | 34,677,030 | 31,792,788 | (4,687,840) | 27,104,948 |
| End of year | <u>\$ 37,282,179</u> | <u>-</u> | <u>37,282,179</u> | <u>\$ 34,677,030</u> | <u>\$ -</u> | <u>\$ 34,677,030</u> |

The accompanying notes are an integral part of these financial statements.

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2017 and 2016

| | Enterprise Funds | | | Enterprise Funds | | |
|--|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| | 2017 | | | 2016 | | |
| | Water District Fund | Office Building Fund | Total Proprietary Funds | Water District Fund | Office Building Fund | Total Proprietary Funds |
| CASH FLOWS FROM | | | | | | |
| OPERATING ACTIVITIES: | | | | | | |
| Receipts from customers and users | \$ 14,118,161 | \$ - | \$ 14,118,161 | \$ 13,235,660 | \$ 373,800 | \$ 13,609,460 |
| Payments to suppliers | (4,936,045) | - | (4,936,045) | (4,080,136) | (1,282,386) | (5,362,522) |
| Payments to employees | (3,504,194) | - | (3,504,194) | (3,123,227) | - | (3,123,227) |
| NET CASH PROVIDED BY | | | | | | |
| OPERATING ACTIVITIES | 5,677,922 | - | 5,677,922 | 6,032,297 | (908,586) | 5,123,711 |
| CASH FLOWS FROM NONCAPITAL | | | | | | |
| FINANCING ACTIVITIES: | | | | | | |
| Operating grants and reimbursements | 32,334 | - | 32,334 | 139,539 | - | 139,539 |
| NET CASH PROVIDED BY NONCAPITAL | | | | | | |
| FINANCING ACTIVITIES | 32,334 | - | 32,334 | 139,539 | - | 139,539 |
| CASH FLOWS FROM CAPITAL | | | | | | |
| AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Bond proceeds from debt issuance | - | - | - | 14,875,000 | - | 14,875,000 |
| Principal paid on noncurrent liabilities | (1,737,957) | - | (1,737,957) | (17,792,145) | (8,324,295) | (26,116,440) |
| Interest paid on noncurrent liabilities | (1,509,565) | - | (1,509,565) | (2,641,657) | (252,965) | (2,894,622) |
| Proceeds from sale of capital assets | 97,762 | - | 97,762 | 79,210 | 8,653,030 | 8,732,240 |
| Purchase of capital assets | (1,448,974) | - | (1,448,974) | (1,509,476) | - | (1,509,476) |
| NET CASH USED BY CAPITAL AND | | | | | | |
| RELATED FINANCING ACTIVITIES | (4,598,734) | - | (4,598,734) | (6,989,068) | 75,770 | (6,913,298) |
| CASH FLOWS FROM | | | | | | |
| INVESTING ACTIVITIES: | | | | | | |
| Interest received | 51,139 | - | 51,139 | 13,648 | 8 | 13,656 |
| NET CASH PROVIDED BY | | | | | | |
| INVESTING ACTIVITIES | 51,139 | - | 51,139 | 13,648 | 8 | 13,656 |
| NET INCREASE (DECREASE) IN | | | | | | |
| CASH AND CASH EQUIVALENTS | 1,162,661 | - | 1,162,661 | (803,584) | (832,808) | (1,636,392) |
| CASH AND CASH EQUIVALENTS - Beginning of year | 11,708,634 | - | 11,708,634 | 12,512,218 | 832,808 | 13,345,026 |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 12,871,295</u> | <u>\$ -</u> | <u>\$ 12,871,295</u> | <u>\$ 11,708,634</u> | <u>\$ -</u> | <u>\$ 11,708,634</u> |
| RECONCILIATION OF CASH AND | | | | | | |
| CASH EQUIVALENTS TO THE | | | | | | |
| STATEMENT OF NET POSTION | | | | | | |
| Cash and cash equivalents | \$ 12,871,285 | \$ - | \$ 12,871,285 | \$ 11,295,772 | \$ - | \$ 11,295,772 |
| Restricted cash and cash equivalents | 10 | - | 10 | 412,862 | - | 412,862 |
| CASH AND CASH EQUIVALENTS | <u>\$ 12,871,295</u> | <u>\$ -</u> | <u>\$ 12,871,295</u> | <u>\$ 11,708,634</u> | <u>\$ -</u> | <u>\$ 11,708,634</u> |

(Continued)

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2017 and 2016

| | Enterprise Funds | | | Enterprise Funds | | |
|---|---------------------|--------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| | 2017 | | | 2016 | | |
| | Water District | Office Building | Total Proprietary Funds | Water District | Office Building | Total Proprietary Funds |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income | \$ 4,373,450 | \$ - | \$ 4,373,450 | \$ 4,791,233 | \$ 93,478 | \$ 4,884,711 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 1,745,984 | | 1,745,984 | 1,649,295 | | 1,649,295 |
| Changes in operating assets and liabilities: | | | | | | |
| Customer accounts receivable | (109,658) | - | (109,658) | (239,665) | - | (239,665) |
| Inventory | 13,354 | - | 13,354 | - | - | - |
| Prepaid expenses | (42,695) | - | (42,695) | 294 | - | 294 |
| OPEB asset | (1,104) | - | (1,104) | (2,288) | - | (2,288) |
| Deferred employer pension contributions | (4,354) | - | (4,354) | (6,887) | - | (6,887) |
| Deferred outflows of resources - pension | (399,967) | - | (399,967) | (343,926) | - | (343,926) |
| Accounts payable | (90,846) | - | (90,846) | 171,161 | - | 171,161 |
| Due to other governments | 47,444 | - | 47,444 | 19,400 | (1,002,064) | (982,664) |
| Unearned revenue | 16,848 | - | 16,848 | - | - | - |
| Net pension liability | 219,932 | - | 219,932 | (55,925) | - | (55,925) |
| Deferred inflows of resources - pension | (127,010) | - | (127,010) | 13,061 | - | 13,061 |
| Compensated absences | 36,544 | - | 36,544 | 36,544 | - | 36,544 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 5,677,922 | \$ - | \$ 5,677,922 | \$ 6,032,297 | \$ (908,586) | \$ 5,123,711 |

The accompanying notes are an integral part of these financial statements.

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Florin Resource Conservation District
Notes to Basic Financial Statements
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Florin Resource Conservation District (the District) was formed in 1953, pursuant to Section 9000 et seq. of the Public Resources Code of the State of California. The District, which is located approximately six miles southeast of the City of Sacramento is the west central portion of unincorporated Sacramento County, was formed to address soil dehydration issues resulting from poor irrigation and drainage. There currently are approximately 92,000 acres within the District.

The District provides technical assistance and conservation and conservation education to farmers dealing with natural resource management issues, and views education as one of its primary objectives. The District additionally serves as the clearinghouse for solid and water conservation measures, such as administering the local water hyacinth eradication program. The United States Department of Agriculture, through its Soil Conservation Services, provides staffing and technical assistance to the District and the two adjacent soil conservation districts.

The District has provided water service within its 13-mile water service area since it acquired the Elk Grove Water Service in 1999, which was merged into and is a department of the District. In 2010, the name of the Elk Grove Water Service was changed to the Elk Grove Water District (EGWD). In 1998, the District acquired a building which houses the Sacramento County Department of Human Assistance and is leased by the District to the County of Sacramento. The building was sold in 2015-16 and the associated debt for the building acquisition was retired at that time.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units'. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial reporting entity consists of (a) the primary government, the District, (b) organization for which the District is financially accountable, and (c) other organizations for which the District is not accountable, but for which the nature and significance of their relationship with the District are such that would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the District has the ability to impose its will on the component unit or (b) there is a potential for the component unit to provide a financial benefit to or impose a financial burden on the District.

As required by GAAP, these financial statements present the District and its only component unit, the Florin Resource Conservation District Economic Development Corporation (the Corporation). The Corporation is reported in these financial statements on a blended basis due to the District's Board of Directors serving as the Corporation's governing body, the District's Board having the ability to impose its will on the Corporation, because the Corporation is financially dependent on the District and the fact that the sole purpose of the Corporation is to provide financing to the District under the District's debt issuance documents. The Corporation does not issue separate financial statements.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose for carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business—Type Activities for the District accompanied by a total column.

These financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, 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 liabilities are incurred.

Certain types of transactions reported as program revenues for the District are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. There were no interfund activities requiring elimination in fiscal year 2017 and 2016.

The District applies all applicable GASB pronouncements and Interpretations currently in effect.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of 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 the District's major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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.

The District reports the following fund as a major governmental fund of the District:

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund. The General Fund consists of programs associated with conservation not related to the Elk Grove Water District (EGWD), which is funded by District water charges to customers.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally, those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated susceptible to accrual by the District are earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total 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 a liability is incurred.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Basis of Accounting and Measurement Focus, Continued*

Proprietary Fund Financial Statements, Continued

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses

The District reports the Water District as a proprietary fund of the District.

Water District Fund accounts for all activities related to the Elk Grove Water District, which provides water to commercial and residential customers in the District's service area.

Office Building Fund accounts for all activities related to a building owned by the District on Florin Road in Sacramento, California and leased to the County of Sacramento Department of Human Assistance. The Office Building was sold in fiscal year 2016.

D. *Cash, Cash Equivalents and Investments*

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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 District does not have any investments that are measured using Level 3 inputs. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, including restricted assets and the District's investment in the State of California Local Agency Investment Fund (LAIF).

E. *Restricted Cash and Investments*

Certain proceeds of the District's long-term debt are classified as restricted cash and investments on the statement of net position because their use is limited by applicable bond covenants. The "reserve" account is used to report resources set aside to make up potential future deficiencies in the bond's debt service. Certain unspent bond proceeds are also restricted to specific capital projects or administrative, operating and maintenance expenses in the Office Building Fund by the related debt covenants.

F. *Accounts Receivable*

Accounts receivable arise from billings to customers for water usage and include an estimate for unbilled revenues earned from the dates the customers were last billed to the end of the year. An allowance for uncollectible accounts of \$77,708 and \$77,708 was recorded in the Water District Fund by the District as of June 30, 2017 and 2016.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Transactions

Borrowings between funds outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. short term borrowings) or “advance to/from other funds” (i.e. long term borrowings).

H. Inventory

Inventory consists primarily of materials used in the construction and maintenance of the water system and is valued using the specific identification method. The cost of the inventory is recorded as an expense when consumed, rather than when purchased.

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated or contributed assets are recorded at acquisition value at the date of donation. Capital assets owned by the proprietary funds are recorded at cost. 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.

Depreciation is computed on the straight-line basis over the estimated useful lives of the various classes of assets as follows:

| | |
|---|---------------|
| Buildings | 40 years |
| Improvements | 10-15 years |
| Equipment | 5 - 25 years |
| Water treatment and distribution system | 25 - 80 years |

It is the District’s policy to capitalize all capital assets with a useful life of more than one year, and original cost of \$5,000 or greater. Costs of the assets sold or retired (all the related amounts of accumulated depreciation) are eliminated from the statement of net position in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

J. Bond Discounts, Premiums and Deferred Amount on Refunding of Long-Term Debt

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which does not significantly differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Bond Discounts, Premiums and Deferred Amount on Refunding of Long-Term Debt, Continued

Accounting gains or losses resulting from advance refunding of long-term debt are deferred in accordance with GASB Statement No. 65, *Items previously Reported as Assets and Liabilities*, and are reported as deferred inflows of resources or deferred outflows of resources on the financial statements. Deferred amounts on bond refunding are amortized over the remaining life of the old debt (had it not been refunded) or the life of the new debt, whichever is shorter.

K. Due to Other Governments

Due to other governments in the General Fund consisted of rents collected by the District on property jointly owned with two other resource conservation districts that had not been remitted to the other districts at year-end. Due to other governments in the Water District Fund mainly consisted of \$293,247 and \$245,803 payable to the County of Sacramento for water purchases at June 30, 2017 and 2016, respectively.

L. Compensated Absences

The District's policy allows employees to accumulate earned, but unused personnel leave time at the rate of twelve days per year and vacation time at the rate of five days per year after six months of service, ten days per year after two years of service and fifteen days per year after five years of service. The liability for these compensated absences is recorded as a long-term liability in the proprietary fund and government-wide statements. The current portion of this long-term liability is estimated based on historical trends. In the fund financial statements, governmental funds only report the compensated absence liability that have matured, such as for employee resignations or retirements, while the proprietary funds report the liability as it is incurred. The General Fund has no employees assigned to it and, thus no compensated absence amount is reported under governmental activities.

M. Unearned Revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. The District recorded \$16,848 and \$0 at June 30, 2017 and 2016, respectively.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Position and Fund Balance

The government-wide and proprietary fund financial statements present net position. Net position is categorized as the net investment in capital assets, restricted, and unrestricted:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

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

Unrestricted Net Position – This amount is the remaining net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

The fund balance of the General Fund is reported as unassigned according to GASB Statement No. 54 because the Board of Directors has approved no constraints on its use.

O. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management, at the date of the financial statements, to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the District’s participation in the Special District Risk Management Authority as described in Note 6. The insurance is subject to a deductible. No significant claims occurred during the years ended June 30, 2017 and 2016. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

R. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the District's California Public Employee's Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

S. New Pronouncements

In 2017, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement did not apply to the District for the current fiscal year.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

S. New Pronouncement, Continued

- GASB Statement No. 77, *Tax Abatement Disclosure*- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*- The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. There was no effect on net position as a result of implementation of this statement.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

| As of June 30, 2017 | | | |
|---|----------------------------|-----------------------------|----------------------|
| Government-Wide Statement of Net Position | | | |
| | Governmental Activities | Business-Type Activities | Total |
| Deposits and investments | \$ 47,068 | \$ 12,871,285 | \$ 12,918,353 |
| Restricted cash and investments | - | 10 | 10 |
| Total cash and investments | \$ 47,068 | \$ 12,871,295 | \$ 12,918,363 |

| As of June 30, 2016 | | | |
|---|----------------------------|-----------------------------|----------------------|
| Government-Wide Statement of Net Position | | | |
| | Governmental Activities | Business-Type Activities | Total |
| Deposits and investments | \$ 95,044 | \$ 11,295,772 | \$ 11,390,816 |
| Restricted cash and investments | - | 412,862 | 412,862 |
| Total cash and investments | \$ 95,044 | \$ 11,708,634 | \$ 11,803,678 |

Cash and investments were classified according to GASB Statement No 40 as follows as of June 30:

| | 2017 | 2016 |
|-------------------------------------|----------------------|----------------------|
| Cash on hand | \$ 1,000 | \$ 991 |
| Deposits with financial institution | 2,179,752 | 1,051,194 |
| Total cash on hand and deposits | 2,180,752 | 1,052,185 |
| Local Agency Investment funds | 501,972 | 337,525 |
| CalTrust | 2,273,241 | 2,000,000 |
| Investments held by Custodian | 7,962,388 | 8,001,106 |
| Total investments | 10,737,601 | 10,338,631 |
| Total District Treasury | 12,918,353 | 11,390,816 |
| Cash with fiscal agent | 10 | 412,862 |
| Total cash and investments | \$ 12,918,363 | \$ 11,803,678 |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the District's cash deposit was \$2,179,752 and \$1,051,194 at June 30 2017 and 2016 respectively. Balance before reconciling amounts were a positive amount of \$2,635,262 and \$1,489,349 at June 30, 2017 and 2016 respectively. The District has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities pledged by the pledging financial institution in the District's name.

The California Government Code (Code) requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of the pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits.

The District follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Investments

Investments are reported at fair value. California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restricted) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. The District's permissible investments include the following instruments:

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---------------------|---------------------------------------|--|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| California Local Agency Investment | 5 years | None | None |
| Bankers Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates and Time Deposits | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% | None |
| Medium Term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-through Securities | 5 years | 20% | None |
| Financial Futures and Option Contracts | 1 | 1 | 1 |
| Investment Pools, including LAIF | None | None | None |

1 - The District may invest in financial futures and option contracts of any of the above authorized categories, subject to the same overall portfolio limitations.

The District complied with the provisions of the California Government Code and its investment policy pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

| | 2017 | 2016 |
|--|------------------|------------------|
| Interest income | \$ 129,602 | \$ 18,881 |
| Unrealized gain/(loss) in change in fair value of investment | (86,809) | 1,214 |
| Total investment income | \$ 42,793 | \$ 20,095 |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

The District's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. Generally the District's practice is to buy and hold investments until maturity dates. Consequently, the District's investments are carried at fair value.

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District's investments with LAIF at June 30, 2017 and 2016, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the District had \$501,972 invested in LAIF, which had invested 2.89% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

As of June 30, 2016, the District had \$337,525 invested in LAIF, which had invested 2.81% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.08% in the previous year. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. 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 the District 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 flow and liquidity needed for operations. The District's investment policy does not contain any provisions limiting interest rate risk that are more restrictive than what is specified in the California Government Code.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2017 and 2016:

2017

| Investment Type | Fair Value | Investment Maturities (in years) | | | | |
|------------------------------------|----------------------|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | | 1 year or Less | 2 years | 3 years | 4 years | 5 years or More |
| Securities of U.S. Government | | | | | | |
| Treasury and Agencies: | | | | | | |
| Federal Farm Credit Bank Bonds | \$ 976,710 | \$ - | \$ - | \$ - | \$ 976,710 | |
| Federal Home Loan Banks | 1,488,010 | - | 497,750 | - | - | 990,260 |
| Federal Home Loan Mortg Corp Notes | 1,995,910 | - | 997,970 | - | - | 997,940 |
| Federal National Mortg Assoc Notes | 3,450,475 | - | - | 1,974,470 | 990,180 | 485,825 |
| Money Market Sweep | 51,283 | 51,283 | - | - | - | - |
| CalTrust | 2,273,241 | 2,273,241 | - | - | - | - |
| Local Agency Investment Fund | 501,972 | 501,972 | - | - | - | - |
| Total | \$ 10,737,601 | \$ 2,826,496 | \$ 1,495,720 | \$ 1,974,470 | \$ 1,966,890 | \$ 2,474,025 |

2016

| Investment Type | Fair Value | Investment Maturities (in years) | | | | |
|------------------------------------|----------------------|----------------------------------|-------------|---------------------|---------------------|---------------------|
| | | 1 year or Less | 2 years | 3 years | 4 years | 5 years or More |
| Securities of U.S. Government | | | | | | |
| Treasury and Agencies: | | | | | | |
| Federal Farm Credit Bank Bonds | \$ 1,000,330 | \$ - | \$ - | \$ - | \$ - | \$ 1,000,330 |
| Federal Home Loan Banks | 501,330 | - | - | 501,330 | - | - |
| Federal Home Loan Mortg Corp Notes | 4,497,606 | - | - | 1,000,600 | - | 3,497,006 |
| Federal National Mortg Assoc Notes | 2,001,840 | - | - | - | 1,000,950 | 1,000,890 |
| CalTrust | 2,000,000 | 2,000,000 | - | - | - | - |
| Local Agency Investment Fund | 337,525 | 337,525 | - | - | - | - |
| Total | \$ 10,338,631 | \$ 2,337,525 | \$ - | \$ 1,501,930 | \$ 1,000,950 | \$ 5,498,226 |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2017 the District's deposits and investments were rated as follows:

| | Credit Quality Ratings | |
|--|------------------------|---------|
| | Moody's | S&P |
| Federal Farm Credit Bank Bonds | Aaaa | AA+ |
| Federal Home Loan Banks | Aaaa | AA+ |
| Federal Home Loan Mortg Corp Notes | Aaaa | AA+ |
| Federal National Mortg Association Notes | Aaaa | AA+ |
| Local Agency Investment Funds | Unrated | Unrated |
| CalTrust | Unrated | AAf/S1+ |

Concentration of Credit Risk: The California Government Code limits the amount the District may invest in any one issuer, with the exception of U.S. Treasury obligations, U.S. Agency securities and LAIF. The District has no investments in any one issuer (other than money market mutual funds and external investment pools) that represent 5% or more of total District 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 for its investment or collateral securities that are in the possession of another party.

E. Investment Valuation

Investments (except money market accounts that are included as part of restricted cash and investments) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: 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. Investments' fair value measurements at June 30, 2017 and 2016 are described on the following page:

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, Continued

2017:

| Investment Type | Fair Value | Fair Value Measurement Using | | | |
|--|----------------------|------------------------------|---------------------|-------------|--|
| | | Level 1 | Level 2 | Level 3 | |
| Securities of U.S. Government | | | | | |
| Treasury and Agencies: | | | | | |
| Federal Farm Credit Bank Bonds | \$ 976,710 | \$ - | \$ 976,710 | \$ - | |
| Federal Home Loan Banks | 1,488,010 | - | 1,488,010 | - | |
| Federal Home Loan Mortg Corp Notes | 1,995,910 | - | 1,995,910 | - | |
| Federal National Mortg Assoc Notes | 3,450,475 | - | 3,450,475 | - | |
| <i>Total Securities of U.S. Government</i> | <u>7,911,105</u> | <u>\$ -</u> | <u>\$ 7,911,105</u> | <u>\$ -</u> | |
| <i>Investments not subject to levelling:</i> | | | | | |
| Money Market Sweep | 51,283 | | | | |
| CalTrust Investment Pool | 2,273,241 | | | | |
| Local Agency Investment Fund | <u>501,972</u> | | | | |
| Total | <u>\$ 10,737,601</u> | | | | |

2016:

| Investment Type | Fair Value | Fair Value Measurement Using | | |
|---|----------------------|------------------------------|---------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Securities of U.S. Government | | | | |
| Treasury and Agencies: | | | | |
| Federal Farm Credit Bank Bonds | \$ 1,000,330 | \$ - | \$ 1,000,330 | \$ - |
| Federal Home Loan Banks | 501,330 | - | 501,330 | - |
| Federal Home Loan Mortg Corp Notes | 4,497,606 | - | 4,497,606 | - |
| Federal National Mortg Assoc Notes | 2,001,840 | - | 2,001,840 | - |
| <i>Total Securities of U.S. Government</i> | <u>8,001,106</u> | <u>\$ -</u> | <u>\$ 8,001,106</u> | <u>\$ -</u> |
| <i>Investments not subject to levelling:</i> | | | | |
| CalTrust Investment Pool | 2,000,000 | | | |
| Local Agency Investment Fund | <u>337,525</u> | | | |
| Total | <u>\$ 10,338,631</u> | | | |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, Continued

Federal Agency Securities categorized as Level 2 are valued based on matrix pricing which use observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable market data by correlation to other means.

3. CAPITAL ASSETS

There were no governmental activity capital assets for the years ended June 30, 2017 and 2016.

Business-type activities capital asset activity for the years ended June 30 were as follows:

| | Balance June 30, 2015 | 2016 | | Balance June 30, 2016 | 2017 | | Balance June 30, 2017 |
|--|--------------------------|--------------|----------------|--------------------------|-------------|----------------|--------------------------|
| | | Additions | Reductions | | Additions | Reductions | |
| Capital assets not being depreciated: | | | | | | | |
| Land | \$ 1,243,882 | \$ - | \$ (605,807) | \$ 638,075 | \$ 48,503 | \$ - | \$ 686,578 |
| Construction in progress | 1,349,827 | 1,509,476 | (1,548,222) | 1,311,081 | 98,093 | (1,306,211) | 102,963 |
| Total capital assets not being depreciated | 2,593,709 | 1,509,476 | (2,154,029) | 1,949,156 | 146,596 | (1,306,211) | 789,541 |
| Capital assets being depreciated: | | | | | | | |
| Buildings | 13,105,906 | 56,586 | (12,023,510) | 1,138,982 | 199,758 | - | 1,338,740 |
| Wells | 8,348,532 | 82,582 | - | 8,431,114 | 149,348 | - | 8,580,462 |
| Treatment Plants | 12,156,790 | 641,951 | - | 12,798,741 | 644,557 | - | 13,443,298 |
| Water mains | 73,597,465 | 560,071 | (28,184) | 74,129,352 | 1,438,045 | - | 75,567,397 |
| Equipment | 2,192,947 | 145,479 | (48,876) | 2,289,550 | 92,123 | (152,521) | 2,229,152 |
| Total assets being depreciated | 109,401,640 | 1,486,669 | (12,100,570) | 98,787,739 | 2,523,831 | (152,521) | 101,159,049 |
| Less accumulated depreciation for: | | | | | | | |
| Buildings | (5,547,138) | (24,359) | 5,240,998 | (330,499) | (24,922) | - | (355,421) |
| Wells | (4,149,756) | (311,860) | - | (4,461,616) | (315,164) | - | (4,776,780) |
| Treatment Plants | (4,993,044) | (347,094) | - | (5,340,138) | (412,799) | - | (5,752,937) |
| Water mains | (16,851,107) | (919,616) | 14,092 | (17,756,631) | (926,617) | - | (18,683,248) |
| Equipment | (2,029,312) | (55,480) | 48,876 | (2,035,916) | (66,483) | 152,521 | (1,949,878) |
| Total accumulated depreciation | (33,570,357) | (1,658,409) | 5,303,966 | (29,924,800) | (1,745,985) | 152,521 | (31,518,264) |
| Total capital assets being depreciated, net | 75,831,283 | (171,740) | (6,796,604) | 68,862,939 | 777,846 | - | 69,640,785 |
| Total capital assets, net | \$ 78,424,992 | \$ 1,337,736 | \$ (8,950,633) | \$ 70,812,095 | \$ 924,442 | \$ (1,306,211) | \$ 70,430,326 |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

4. LONG-TERM DEBT

The following is a summary of long-term liability activity for the years ended June 30, 2017:

| | Balance July 1, 2016 | 2017 | | Balance June 30, 2017 | Due Within One Year |
|---------------------------------------|-------------------------|-----------|----------------|--------------------------|------------------------|
| | | Additions | Reductions | | |
| Business-type activities: | | | | | |
| Water District Fund | | | | | |
| Certificates of Participation | | | | | |
| 2002 Refunding, Series A | \$ 375,000 | \$ - | \$ (375,000) | \$ - | \$ - |
| 2014 Refunding, Series A | 32,325,000 | - | (715,000) | 31,610,000 | 1,475,000 |
| 2016 Refunding, Series A | 14,875,000 | - | (350,000) | 14,525,000 | 515,000 |
| Total Water District Fund debt | 47,575,000 | - | (1,440,000) | 46,135,000 | 1,990,000 |
| Compensated absences | 207,260 | - | (22,205) | 185,055 | 121,463 |
| Total Water District Fund | 47,782,260 | \$ - | \$ (1,462,205) | \$ 46,320,055 | \$ 2,111,463 |
| Unamortized bond discounts & premiums | 2,138,539 | - | (122,291) | 2,016,248 | |
| Less: Due within one year | (1,561,463) | | | (2,111,463) | |
| Due in more than one year | \$ 48,359,336 | | | \$ 46,224,840 | |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

4. LONG-TERM DEBT, Continued

The following is a summary of long-term liability activity for the years ended June 30, 2016:

| | Balance July 1, 2015 | 2016 | | Balance June 30, 2016 | Due Within One Year |
|---------------------------------------|-------------------------|---------------|-----------------|--------------------------|------------------------|
| | | Additions | Reductions | | |
| Business-type activities: | | | | | |
| Water District Fund | | | | | |
| Certificates of Participation | | | | | |
| 2002 Refunding, Series A | \$ 1,100,000 | \$ - | \$ (725,000) | \$ 375,000 | \$ 375,000 |
| 2002 Capital Improvement, Series B | 2,075,000 | - | (2,075,000) | - | - |
| 2003 Capital Improvement, Series A | 3,915,000 | - | (3,915,000) | - | - |
| 2005 Capital Improvement, Series A | 11,077,145 | - | (11,077,145) | - | - |
| 2014 Refunding, Series A | 32,325,000 | | - | 32,325,000 | 715,000 |
| 2016 Refunding, Series A | - | 14,875,000 | - | 14,875,000 | 350,000 |
| Total Water District Fund debt | 50,492,145 | 14,875,000 | (17,792,145) | 47,575,000 | 1,440,000 |
| Compensated absences | 170,716 | 36,544 | - | 207,260 | 121,463 |
| Total Water District Fund | 50,662,861 | \$ 14,911,544 | \$ (17,792,145) | \$ 47,782,260 | \$ 1,561,463 |
| Unamortized bond discounts & premiums | 2,021,622 | - | (116,917) | 2,138,539 | |
| Less: Due within one year | (1,551,463) | | | (1,561,463) | |
| Due in more than one year | \$ 51,133,020 | | | \$ 48,359,336 | |
| Office Building Fund | | | | | |
| 2003 Subordinate Lien Refunding, | | | | | |
| Series B capital appreciation | | | | | |
| certificates | \$ 9,816,994 | \$ - | \$ (9,816,994) | \$ - | \$ - |
| Accreted interest on capital | | | | | |
| appreciation certificates | 2,039,690 | | (2,039,690) | - | - |
| Total Office Building Fund debt | 11,856,684 | - | (11,856,684) | - | - |
| Unamortized bond discounts | (163,052) | | 163,052 | | - |
| Less: Due within one year | (11,693,632) | | | - | |
| Due in more than one year | \$ - | | | \$ - | |

Florin Resource Conservation District

Notes to Basic Financial Statements, Continued

For the years ended June 30, 2017 and 2016

4. LONG-TERM DEBT, Continued

Long-term debt related to business-type activities consisted of the following at June 30:

| | 2017 | 2016 |
|--|---------------|---------------|
| <u>Water District Fund</u> | | |
| <u>2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A</u> | | |
| On August 16, 2002, the District issued the 2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A in the amount of \$23,675,000. The proceeds were used to refund the 1999 Certificates of Participation, Elk Grove Water Service Acquisition, Series A and B and 1999 Subordinate Lien Capital Appreciation Certificates of Participation, Elk Grove Water Service Acquisition, Series C. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$305,000 to \$825,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$20,625 to \$502,444 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 4.25% to 5.00%. | \$ - | \$ 375,000 |
| <u>Florin Resource Conservation District, Water Revenue Refunding Bonds, 2014 Series A</u> | | |
| On December 16, 2014, the District issued the Florin Resource Conservation District, Water Revenue Refunding Bonds, 2014 Series A in the amount of \$32,325,000. The proceeds were used to prepay aggregate principal amount of outstanding certificates of participation previously executed and delivered by the District, purchase a debt service reserve surety bond, and pay for certain costs associated with the issuance of the 2014 Series A Bonds. The Bonds are secured by a lien on the net water system revenues. Annual principal payments of \$715,000 to \$2,450,000 are due on September 1 through September 1, 2032. Semi-annual interest payments of \$37,625 to \$688,909 are due March 1 and September 1, 2016 through September 1, 2032. Interest rates range from 4.30% to 5.00%. The refunding resulted in an economic gain of \$3,563,207 and an accounting loss that was recorded as a deferred outflow of resources. The unamortized balance of the deferred loss on refunding as of June 30, 2017 was \$667,878. The aggregate difference between the debt service requirements of the refunding bonds and remaining debt service of the refunded bonds was \$4,893,871. | \$ 31,610,000 | \$ 32,325,000 |
| <u>Florin Resource Conservation District, Water Revenue Refunding Bonds, 2016 Series A</u> | | |
| On June 7, 2016, the District issued the Florin Resource Conservation District, Water Revenue Refunding Bonds, 2016 Series A in the amount of \$14,875,000. The proceeds were used to prepay aggregate principal amount of outstanding certificates of participation previously executed and delivered by the District, purchase a debt service reserve surety bond, and pay for certain costs associated with the issuance of the 2016 Series A Bonds. The Bonds are secured by a lien on the net water system revenues. Annual principal payments of \$350,000 to \$2,395,000 are due on September 1 through September 1, 2032. Semi-annual interest payments of \$43,110 to \$124,950 are due March 1, 2016 and September 1 through September 1, 2032. Interest rate 3.6%. The refunding resulted in an economic gain of \$2,098,268 and an accounting loss that was recorded as a deferred outflow of resources. The unamortized balance of the deferred loss on refunding as of June 30, 2017 was \$441,040. The aggregate difference between the debt service requirements of the refunding bonds and the remaining debt service of the refunded bonds was \$9,573,508. | \$14,525,000 | \$ 14,875,000 |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

4. LONG TERM DEBT, Continued

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2017 are as follows:

| Year Ending June 30, | Water District Fund | | |
|-------------------------|--|----------------------|----------------------|
| | 2014 Refunding, Series A and 2016 Refunding, Series A Bonds | | |
| | Principal | Interest | Total |
| 2018 | \$ 1,990,000 | \$ 1,833,349 | \$ 3,823,349 |
| 2019 | 2,070,000 | 1,753,909 | 3,823,909 |
| 2020 | 2,165,000 | 1,661,734 | 3,826,734 |
| 2021 | 2,300,000 | 1,555,469 | 3,855,469 |
| 2022 | 2,440,000 | 1,442,499 | 3,882,499 |
| 2023-2027 | 14,025,000 | 5,555,776 | 19,580,776 |
| 2028-2032 | 17,245,000 | 2,655,161 | 19,900,161 |
| 2033 | 3,900,000 | 80,735 | 3,980,735 |
| | <u>\$ 46,135,000</u> | <u>\$ 16,538,632</u> | <u>\$ 62,673,632</u> |

Pledged Revenues: The District has pledged future water system revenues, net of specified operating expenses, to repay its 2014 Series A Water Revenue Refunding Bonds, and 2016 Series A Water Revenue Refunding Bonds in the original amount of \$32,325,000, and \$14,875,000 respectively. Proceeds of the 2016 Bonds were used to retire the 2002 and 2005 Certificates, and the remaining 2002 Certificates were paid off during 2016-17.

The 2014 and 2016 bonds are parity debt, with the net revenues, less the rate stabilization fund, required to be at least 1.15 times the sum of the cash basis installment principal and interest payments on the outstanding bonds and any other obligation payable from water system revenues.

The following is a calculation of the required coverage ratios for the Water District Fund as of June 30:

| | 2017 | 2016 |
|--|--------------|--------------|
| Covenant 2: | | |
| Net revenues before adjustments (operating income) | \$ 4,373,450 | \$ 4,791,233 |
| Add: Depreciation and amortization | 1,745,984 | 1,649,295 |
| Net revenues, not including rate stabilization fund, accrual basis | 6,119,434 | 6,440,528 |
| Interest and principal payments, cash basis (as defined) | 3,247,522 | 4,080,771 |
| Coverage ratio computed | <u>1.88</u> | <u>1.58</u> |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

4. LONG TERM DEBT, Continued

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to the bondholders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The District performed calculations of excess investments earnings on various investments and financings and determined there was no arbitrage liability at June 30, 2017 and 2016.

5. NET POSITION RESERVES

The District's Board of Directors approved a reserve policy that authorized commitments of unrestricted net position in the Water District Fund for certain percentages of the change in new position reported in the audited financial statements or budget up to a specified dollar amount as follows as of June 30:

| | Description | 2017 | 2016 |
|---------------------------------|---|----------------------|----------------------|
| Operating fund | 120 days of annual operations and maintenance budget | \$ 4,182,889 | \$ 4,575,414 |
| Future capital improvement fund | 75% of unrestricted funds not allocated to other reserve funds | 5,109,297 | 1,504,000 |
| Capital improvement fund | Annual capital improvement budget | 1,130,000 | 1,044,000 |
| Future capital replacement fund | 25% of unrestricteid funds not allocated to other reserve funds | 1,703,099 | 3,039,268 |
| Capital replacement fund | Annual capital replacement budget | 626,000 | 1,013,089 |
| Elections and special studies | Amount specified by Board of Directors | 120,000 | 120,000 |
| Total net position commitments | | <u>\$ 12,871,285</u> | <u>\$ 11,295,771</u> |

6. INSURANCE

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA or JPIA). The JPIA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code for the purpose of providing insurance coverage for its member districts. The District pays an annual premium to JPIA for liability, property and workers compensation. The District annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the JPIA. The District's coverage and corresponding deductibles follow:

| Coverage | Amount | Deductible |
|--|----------------------|------------|
| Liability (including errors and omissions) | \$ 60,000,000 | None |
| Property | 60,000 - 150,000,000 | 500-1,000 |
| Worker's compensation | 2,000,000 | None |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT BENEFITS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plans' provisions and benefits in effect at June 30, 2017 and 2016 are summarized as follows:

| | Miscellaneous - Classic | | Miscellaneous - PEPRA | |
|---|--------------------------|---------|-----------------------------|---|
| Hire Date | Prior to January 1, 2013 | | On or after January 1, 2013 | |
| Benefit vesting schedule | 5 years service | | 5 years service | |
| Benefit payment | Monthly for life | | Monthly for life | |
| Retirement age | 55 | | 62 | |
| Monthly benefits, as a % of annual salary | 2.00% | | 2.00% | |
| Required employee contribution rates | 6.000% | | 6.250% | |
| Required employer contribution rates (2016) | 8.003% | | 6.250% | |
| Required unfunded liability payment (2016) | \$ | 1,141 | \$ | - |
| Required employer contribution rates (2017) | 8.377% | | 6.555% | |
| Required unfunded liability payment (2017) | \$ | 123,375 | \$ | - |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT BENEFITS, Continued

B. Benefits Provided, Continued

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District’s contributions to the Plan for the year ended June 30, 2016 and 2015 were \$298,557 and \$291,670 respectively.

As of June 30, 2017 and 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,381,275 and \$1,161,343 respectively.

The District’s net pension liability for the Plans is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan for the fiscal year 2017 is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The net pension liability of the Plan for the fiscal year 2016 is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District’s proportionate share of the net pension liability was based on the District’s plan liability and asset-related information where available, and proportional allocations of plan amounts as of the valuation date where not available.

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

The District’s proportionate share of the net pension liability for the plan as of June 30, 2014, 2015, and 2016 was as follows:

| | | | |
|------------------------------|------------|------------------------------|------------|
| Proportion - June 30, 2014 | 0.019560% | Proportion - June 30, 2015 | 0.016920% |
| Proportion - June 30, 2015 | 0.016920% | Proportion - June 30, 2016 | 0.015960% |
| Change - Increase (Decrease) | -0.002640% | Change - Increase (Decrease) | -0.000960% |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT BENEFITS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

For the year ended June 30, 2017 and 2016, the District recognized pension expense(income) of \$(8,270) and \$(95,122) respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2017 | | 2016 | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 302,911 | \$ - | \$ 298,557 | \$ - |
| Changes in employer's proportion | 168,760 | 108,085 | 262,515 | 60,489 |
| Differences between the employer's contribution and the employer's proportionate share of contributions | 221,704 | - | 215,837 | - |
| Changes of assumptions | - | 95,480 | - | 181,440 |
| Differences between expected and actual experiences | 10,092 | 2,312 | 19,177 | - |
| Net differences between projected and actual earnings on plan investments | 496,940 | - | - | 90,958 |
| Total | \$ 1,200,407 | \$ 205,877 | \$ 796,086 | \$ 332,887 |

\$302,911 and \$298,557 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018 and 2017 respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30: | 2017 | 2016 |
|-------------------------|---------|---------|
| 2017 | - | 29,880 |
| 2018 | 184,397 | 25,614 |
| 2019 | 149,704 | (6,976) |
| 2020 | 228,805 | 116,124 |
| 2021 | 128,713 | - |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 and 2015 actuarial valuations were determined using the following actuarial assumptions:

| | 2017 | 2016 |
|--|--|--|
| Valuation Date | June 30, 2015 | June 30, 2014 |
| Measurement Date | June 30, 2016 | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| Inflation | 2.75% | 2.75% |
| Projected Salary Increase | Varies by entry age and service | Varies by entry age and service |
| Investment Rate of Return ⁽¹⁾ | 7.65% | 7.65% |
| Mortality | Derived by CalPERS membership data for all funds | Derived by CalPERS membership data for all funds |

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of a January 2010 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liabilities was 7.65 percent for the Plan for the measurement date June 30, 2016 and 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | 2017 | | | 2016 | | |
|-------------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
| Global Equity | 51.00% | 5.25% | 5.71% | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% | 2.00% | -0.55% | -1.05% |
| Total | 100% | | | 100% | | |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

7. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 2017 | | 2016 |
|-----------------------|--------------|----|-----------|
| 1% Decrease | 6.65% | | 6.65% |
| Net Pension Liability | \$ 2,138,582 | \$ | 1,842,185 |
| Current Discount Rate | 7.65% | | 7.65% |
| Net Pension Liability | \$ 1,381,275 | \$ | 1,161,343 |
| 1% Increase | 8.65% | | 8.65% |
| Net Pension Liability | \$ 755,399 | \$ | 599,229 |

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017 and 2016 the District reported a payable of \$0 and \$0 for outstanding amount of required contributions to the pension plan required.

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's other postemployment benefits plan (the plan) is an agent defined benefit healthcare plan administered by the District. CalPERS invests the plan's assets as part of the California Employer's Retiree Benefit Trust (CERBT), resulting in its classification as an agent plan. The plan provides lifetime healthcare insurance coverage for eligible retirees and their dependents through the District's group medical insurance plan, which covers both active and retired participants. EGWD pays a portion of the group medical, dental, and vision insurance premiums for each eligible employee and spouse or registered domestic partner retiring within 120 days of separation from EGWD. Eligibility is based on an employee reaching 55 years of age and having fifteen years continuous service with EGWD. Benefits from the EGWD plan cease for a spouse upon death of the retiree. Employees hired before October 28, 2009 had a one-time option to increase their years for eligibility from five to fifteen and have vision and dental coverage added to their post-retirement benefit.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

Since premiums are determined for active employees and retirees on a combined basis, an implied subsidy must be reflected under GASB45. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District and its employees. The Plan does not issue a financial report.

Funding Policy: The contribution requirements of the Plan participants and the District are established by and may be amended by the District. The District elected to pre-fund benefits during the year ended June 30, 2009 and contributes the annual OPEB cost each year.

Annual OPEB Cost and Net OPEB Obligation/Assets: The District's annual other postemployment benefits cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB obligation for the year ended June 30, 2017 and 2016.

| | 2017 | 2016 |
|---|--------------|--------------|
| Annual required contribution (ARC) | \$ 162,762 | \$ 155,455 |
| Interest on net OPEB obligation | (39,941) | (39,784) |
| Adjustment to annual required contribution | 38,837 | 37,615 |
| Annual OPEB cost (expense) | 161,658 | 153,286 |
| Contribution | (162,762) | (155,574) |
| (Increase) decrease in net OPEB asset | (1,104) | (2,288) |
| Net OPEB obligation (asset) - beginning of year | (578,765) | (576,477) |
| Net OPEB obligation (asset) - end of year | \$ (579,869) | \$ (578,765) |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------|------------------|--|-----------------------------|
| 6/30/2015 | \$ 73,169 | 105% | \$ (576,477) |
| 6/30/2016 | 153,286 | 101% | (578,765) |
| 6/30/2017 | 161,658 | 101% | (579,869) |

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

Funded Status and Funding Progress: The funded status of the plan as of most recent valuation was as follows:

| | 7/1/2015 |
|---|--------------------|
| Actuarial accrued liability (AAL) | \$ 1,893,606 |
| Actuarial value of plan assets | 1,834,047 |
| Unfunded actuarial accrued (liability) asset (UAAL) | <u>\$ (59,559)</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 96.9% |
| Covered payroll (active plan members) | \$ 2,375,112 |
| UAAL as a percentage of covered payroll | -2.5% |

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.28% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements to an annual rate of 5.0%, 3.25% annual payroll increases and a 5.00% general inflation assumption. The initial UAAL was amortized as a level percentage of projected payroll over a closed 30-year period. The remaining amortization period at June 30, 2015 was 23 years.

9. COMMITMENTS AND CONTINGENCIES

Claims: The District is a party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the District's legal counsel believe that there are no loss contingencies that would have a material adverse impact on the financial position of the District.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

10. SALE AND EXTINGUISHMENT OF DEBT (FISCAL YEAR 2016)

The Subordinate Lien Refunding Certificates of Participation, Office Building, Series 2003 B (Current Interest Certificates and Capital Appreciation Certificates) (the Certificates) were collateralized by an office building at 2450 Florin Road, Sacramento owned by the District and leased by the County of Sacramento Department of Human Assistance (the County). The lease payments received from the County that were the sole source of repayment of the Certificates were not adequate to make the scheduled debt service payment along with administrative, operating and maintenance expenses while maintaining administrative, operations and maintenance expense reserve funds required under the debt agreement. No other District revenues could have legally been used to make up the shortfall of lease revenues. The District also previously used a portion of the administration expense reserve fund to make certain payments on the Certificates and was not able to maintain the required reserve funds. The use of reserve funds to make debt service payments on the certificates and not being able to maintain required reserve funds resulted in the District being in technical default of the debt agreement. The technical default resulted in the requirement to file a Notice of Listed Event with the Trustee under the Trust Agreement. The District initially filed a Notice of Listed Event with the Bank of New York Mellon Trust Company, N.A. on October 26, 2011 and updates that filing on a regular basis. The Notices can be accessed on the continuing disclosures tab of the Electronic Municipal Market Access Website at www.emma.msrb.org by searching for Florin Resource Conservation District and the Certificates above.

In addition to the inability to maintain the required reserve funds described above, the District was unable to make property tax payments to the County of Sacramento for fiscal years 2009-10 – 2014-15 totaling approximately \$1,002,064 as of June 30, 2015 due to the lack of available funds. The property taxes were delinquent and were subject to penalties and interest that accrue continually. In addition, after five years of delinquency the County had the right to sell the property to satisfy the tax lien. The County could sell the building to satisfy the tax lien on or after July 1, 2015 under the California Revenue and Taxation Code Section 3361 and must attempt to sell the building to satisfy the tax lien by July 1, 2019 under California Revenue and Taxation Code Section 3362.

In consultation with The Bank of New York Mellon Trust Company, N.A., the District commissioned CBRE, Inc. to market the office building and assist the District in completing a sales transaction. On April 8, 2015, CBRE, Inc. issued an offering memorandum listing the office building for sale with an offering price of \$8,950,000. On May 21, 2015 the District executed a Purchase and Sales Agreement with The Three Tower Corporation, Inc., and R. Scott Rasmussen, LLC. For a purchase price of \$9,900,000. All delinquent property taxes as well as deferred Capital Improvements under the lease agreement of \$850,000 were scheduled to be paid from the escrow account at the close of the sales transaction.

On May 29, 2015, the District filed a Complaint for Declaratory Relief in the Sacramento County Superior Court seeking a judicial declaration that its sale of the office building and payment from the sale proceeds of costs of sale, delinquent property taxes, and deferred Capital Improvements, and payment of the net sale proceeds to the Trustee for distribution to the 2003 Certificate holders is reasonable, appropriate and consistent with the District's obligations under the Certificates.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2017 and 2016

10. SALE AND EXTINGUISHMENT OF DEBT (FISCAL YEAR 2016), Continued

The court issued a ruling on October 19, 2015 supporting the District's Complaint for Declaratory Relief. As such, on October 30, 2015 the District consummated the sales transaction of the Susie Gaines Mitchell Building with The Three Tower Corporation, Inc., and R. Scott Rasmussen, LLC. (the "Purchaser") for a purchase price of \$9,900,000. In addition, the District assigned all right, title and interest in and to the lease with the County of Sacramento to the purchaser. The net sales proceeds were remitted to the Bond Trustee, Bank of New York, Mellon, for the payment of outstanding invoices and final disbursement to the Series 2003 Certificate holders.

On February 23, 2016 the Bank of New York Mellon Trust Company, N.A., issued a Notice of Distribution to Holders of Florin Resource Conservation District Certificates of Participation Subordinate Lien Current Interest Series 2003A and Subordinate Lien Capital Appreciation Series 2003B. The Notice provided the calculation and estimated date of final distribution to Bondholders which took place on February 29, 2016.

11. EXCESS EXPENDITURES OVER BUDGET

The General Fund's actual expenditures exceeded budget by \$6,180.

REQUIRED SUPPLEMENTARY INFORMATION

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Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2017 and 2016

1. BUDGETARY COMPARISON INFORMATION -GENERAL FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with |
|--|--------------------|--------------------|------------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| Use of money and property | \$ 75 | \$ 75 | \$ 4 | \$ (71) |
| Miscellaneous | - | - | 1,564 | 1,564 |
| Total revenues | <u>75</u> | <u>75</u> | <u>1,568</u> | <u>1,493</u> |
| EXPENDITURES: | | | | |
| General government | 41,821 | 41,821 | 48,001 | (6,180) |
| Total expenditures | <u>41,821</u> | <u>41,821</u> | <u>48,001</u> | <u>(6,180)</u> |
| REVENUES OVER (UNDER) EXPENDITURE | <u>(41,746)</u> | <u>(41,746)</u> | <u>(46,433)</u> | <u>(4,687)</u> |
| Net change in fund balance | <u>\$ (41,746)</u> | <u>\$ (41,746)</u> | <u>(46,433)</u> | <u>\$ (4,687)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | 88,834 | |
| End of year | | | <u>\$ 42,401</u> | |

For the year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with |
|-----------------------------------|--------------------|--------------------|------------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| Use of money and property | \$ 100 | \$ 100 | \$ 93 | \$ (7) |
| Miscellaneous | - | - | 353 | 353 |
| Total revenues | <u>100</u> | <u>100</u> | <u>446</u> | <u>346</u> |
| EXPENDITURES: | | | | |
| General government | 36,130 | 36,130 | 34,831 | 1,299 |
| Total expenditures | <u>36,130</u> | <u>36,130</u> | <u>34,831</u> | <u>1,299</u> |
| Net change in fund balance | <u>\$ (36,030)</u> | <u>\$ (36,030)</u> | <u>(34,385)</u> | <u>\$ 1,645</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | 123,219 | |
| End of year | | | <u>\$ 88,834</u> | |

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2017 and 2016

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the District's Proportionate Share of the Net Pension Liability – Last 10 Years*

| | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2014</u> |
|---|------------------|------------------|------------------|
| Proportion of the net pension liability | 0.01596% | 0.01692% | 0.01956% |
| Proportionate share of the net pension liability | \$ 1,381,275 | \$ 1,161,703 | \$ 1,217,268 |
| Covered payroll | \$ 2,375,112 | \$ 2,055,396 | \$ 2,094,592 |
| Proportionate Share of the net pension liability as percentage of covered payroll | 58.16% | 56.52% | 62.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.06% | 78.40% | 79.82% |

Notes to Schedule:

*- Fiscal year 2015 was the 1st year of implementation.

B. Schedule of Contributions – Last 10 Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|
| Contractually required contribution (actuarially determined) | \$ 302,911 | \$ 298,556 | \$ 291,670 |
| Contribution in relation to the actuarially determined contributions | (302,911) | (298,556) | (291,670) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,272,435 | \$ 2,375,112 | \$ 2,055,396 |
| Contributions as a percentage of covered payroll | 13.33% | 12.57% | 14.19% |

Note to Schedule

| | | | |
|-----------------|-----------|-----------|-----------|
| Valuation date: | 6/30/2014 | 6/30/2013 | 6/30/2012 |
|-----------------|-----------|-----------|-----------|

* - Fiscal year 2015 was the 1st year of implementation.

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2017 and 2016

3. OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

The table below, which is from the latest available actuarial valuation, shows a two-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the funded status of the accrued liability as a percentage of the annual covered payroll for the District's contribution to OPEB as of June 30:

Funded Status of Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Actuarial Unfunded (Overfunded) Liability | Funded Ratio | Covered Payroll | Liability as Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|--|-----------------|--------------------|---|
| 7/1/2013 | 1,474,536 | 1,085,281 | (389,255) | 135.9% | 1,944,000 | -20% |
| 7/1/2015 | 1,834,047 | 1,893,606 | 59,559 | 96.9% | 2,375,112 | 3% |

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STATISTICAL SECTION

Table of Contents

This part of the Florin Resource Conservation District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

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| Florin Resource Conservation District | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Net Position by Component | | | | | | | | | | |
| Last Ten Years | | | | | | | | | | |
| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities | | | | | | | | | | |
| Unrestricted | \$ 170,385 | \$ 67,862 | \$ 69,903 | \$ 80,760 | \$ 88,227 | \$ 80,927 | \$ 132,261 | \$ 123,219 | \$ 88,834 | \$ 42,401 |
| Total governmental activities net position | 170,385 | 67,862 | 69,903 | 80,760 | 88,227 | 80,927 | 132,261 | 123,219 | 88,834 | 42,401 |
| Business-Type | | | | | | | | | | |
| Invested in capital assets (net of debt) | (16,229,391) | (17,480,931) | (17,738,507) | (18,773,507) | (17,230,289) | (15,360,450) | 15,860,844 | 17,009,265 | 22,281,403 | 23,387,996 |
| Restricted for Debt Services | 2,348,094 | 2,224,971 | 2,383,125 | 1,953,435 | 1,965,930 | 1,834,869 | 1,863,744 | 1,871,782 | 412,862 | 10 |
| Restricted for Capital Projects | 6,336,442 | 3,771,280 | 1,568,906 | 533,691 | 1,321 | 1,321 | 1,321 | - | - | - |
| Restricted for administrative, operating and maintenance expenses | - | - | - | 480,803 | 419,984 | 365,030 | 202,854 | 3,775 | - | - |
| Unrestricted | 337,661 | 5,509,663 | 9,122,678 | 9,538,425 | 10,042,430 | 10,676,025 | 9,786,366 | 8,220,125 | 11,982,765 | 13,894,173 |
| Total business-type net position | (7,207,194) | (5,975,017) | (4,663,798) | (6,267,153) | (4,800,624) | (2,483,205) | 27,715,129 | 27,104,947 | 34,677,030 | 37,282,179 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | (16,229,391) | (17,480,931) | (17,738,507) | (18,773,507) | (17,230,289) | (15,360,450) | 15,860,844 | 17,009,265 | 22,281,403 | 23,387,996 |
| Restricted | 8,684,536 | 5,996,251 | 3,952,031 | 2,967,929 | 2,387,235 | 2,201,220 | 2,067,919 | 1,875,557 | 412,862 | 10 |
| Unrestricted | 508,046 | 5,577,525 | 9,192,581 | 9,619,185 | 10,130,657 | 10,756,952 | 9,918,627 | 8,343,344 | 12,071,599 | 13,936,574 |
| Total Primary government net position | \$ (7,036,809) | \$ (5,907,155) | \$ (4,593,895) | \$ (6,186,393) | \$ (4,712,397) | \$ (2,402,278) | \$ 27,847,390 | \$ 27,228,166 | \$ 34,765,864 | \$ 37,324,580 |

| Florin Resource Conservation District | | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|
| Changes in Net Position | | | | | | | | | | |
| Last Ten Years | | | | | | | | | | |
| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 16,253 | \$ 116,712 | \$ 18,961 | \$ 1,198 | \$ 3,894 | \$ 21,579 | \$ 37,166 | \$ 21,847 | \$ 34,831 | \$ 48,001 |
| Business-type activities: | | | | | | | | | | |
| Water | 10,377,324 | 11,741,844 | 12,442,411 | 12,765,798 | 11,946,649 | 11,607,439 | 11,855,162 | 12,447,446 | 10,754,181 | 11,706,501 |
| Office Building | 1,703,967 | 1,495,043 | 1,377,430 | 1,619,569 | 1,747,033 | 1,544,934 | 1,641,329 | 1,672,932 | 320,016 | - |
| Total business-type activities | 12,081,291 | 13,236,887 | 13,819,841 | 14,385,367 | 13,693,682 | 13,152,373 | 13,496,491 | 14,120,378 | 11,074,197 | 11,706,501 |
| Total primary government expenses | 12,097,544 | 13,353,599 | 13,838,802 | 14,386,565 | 13,697,576 | 13,173,952 | 13,533,657 | 14,142,225 | 11,109,028 | 11,754,502 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | 11,900 | 12,000 | 12,000 | 12,000 | 11,333 | 9,533 | 5,467 | - | - | - |
| Operating Grants | | | 8,936 | | | | | | | |
| Total governmental activities | 11,900 | 12,000 | 20,936 | 12,000 | 11,333 | 9,533 | 5,467 | - | - | - |
| Business-type activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Water | 11,922,374 | 12,865,774 | 13,642,267 | 13,981,562 | 14,420,788 | 14,312,791 | 13,435,194 | 13,185,838 | 13,475,325 | 14,210,971 |
| Office Building | 1,346,210 | 1,414,636 | 1,414,572 | 1,532,453 | 1,414,572 | 1,292,417 | 1,121,400 | 1,121,400 | 373,800 | - |
| Operating Grants | - | 10,519 | 3,834 | | 198,000 | | 100,000 | - | - | - |
| Total business-type activities | 13,268,584 | 14,290,929 | 15,060,673 | 15,514,015 | 16,033,360 | 15,605,208 | 14,656,594 | 14,307,238 | 13,849,125 | 14,210,971 |
| Total primary government program revenues | 13,280,484 | 14,302,929 | 15,081,609 | 15,526,015 | 16,044,693 | 15,614,741 | 14,662,061 | 14,307,238 | 13,849,125 | 14,210,971 |
| Net revenues (expenses) | | | | | | | | | | |
| Governmental activities | (4,353) | (104,712) | 1,975 | 10,802 | 7,439 | (12,046) | (31,699) | (21,847) | (34,831) | (48,001) |
| Business-Type | 1,187,293 | 1,054,042 | 1,240,832 | 1,128,648 | 2,339,678 | 2,452,835 | 1,160,103 | 186,860 | 2,774,928 | 2,504,470 |
| Total net revenues (expenses) | 1,182,940 | 949,330 | 1,242,807 | 1,139,450 | 2,347,117 | 2,440,789 | 1,128,404 | 165,013 | 2,740,097 | 2,456,469 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Interest and investment earnings | 361 | 189 | 66 | 55 | 28 | 17 | 50 | 2,643 | 93 | 4 |
| Other revenues | - | - | - | - | - | 4,729 | 82,983 | 10,162 | 353 | 1,564 |
| Transfers | | | | | | | | | | |
| Total governmental activities | 361 | 189 | 66 | 55 | 28 | 4,746 | 83,033 | 12,805 | 446 | 1,568 |
| Business-type activities: | | | | | | | | | | |
| Interest and investment earnings | 349,606 | 126,485 | 42,170 | 36,642 | 21,812 | 20,886 | 18,188 | 19,970 | 20,002 | 46,228 |
| Other revenues | 188,363 | 51,650 | 28,217 | 91,758 | 276,738 | 52,452 | 22,304 | 290,069 | 4,777,152 | 54,451 |
| Transfers | | | | | | | | | | |
| Total business-type activities | 537,969 | 178,135 | 70,387 | 128,400 | 298,550 | 73,338 | 40,492 | 310,039 | 4,797,154 | 100,679 |
| Total primary government | 538,330 | 178,324 | 70,453 | 128,455 | 298,578 | 78,084 | 123,525 | 322,844 | 4,797,600 | 102,247 |
| Change in net position: | | | | | | | | | | |
| Governmental activities | (3,992) | (104,523) | 2,041 | 10,857 | 7,467 | (7,300) | 51,334 | (9,042) | (34,385) | (46,433) |
| Business-type activities | 1,725,262 | 1,232,177 | 1,311,219 | 1,257,048 | 2,638,228 | 2,526,173 | 1,200,595 | 496,899 | 7,572,082 | 2,605,149 |
| Total primary government | \$ 1,721,270 | \$ 1,127,654 | \$ 1,313,260 | \$ 1,267,905 | \$ 2,645,695 | \$ 2,518,873 | \$ 1,251,929 | \$ 487,857 | \$ 7,537,697 | \$ 2,558,716 |

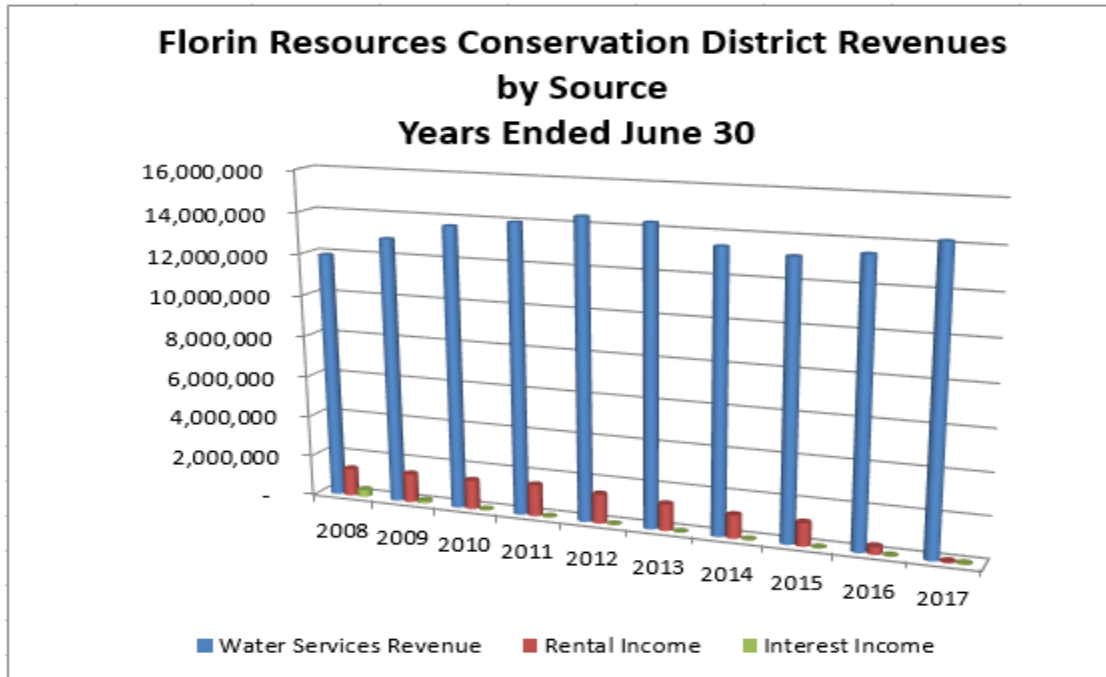
Source: Finance Department

| Florin Resource Conservation District | | | | | | | | | | |
|---------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|
| Fund Balances of Governmental Funds | | | | | | | | | | |
| Last Ten Years | | | | | | | | | | |
| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Unreserved | \$ 172,385 | \$ 67,862 | \$ 69,903 | \$ 80,760 | \$ 88,227 | \$ 76,198 | \$ 132,261 | \$ 123,219 | \$ 88,834 | \$ 42,401 |
| Total General Fund | \$ 172,385 | \$ 67,862 | \$ 69,903 | \$ 80,760 | \$ 88,227 | \$ 76,198 | \$ 132,261 | \$ 123,219 | \$ 88,834 | \$ 42,401 |

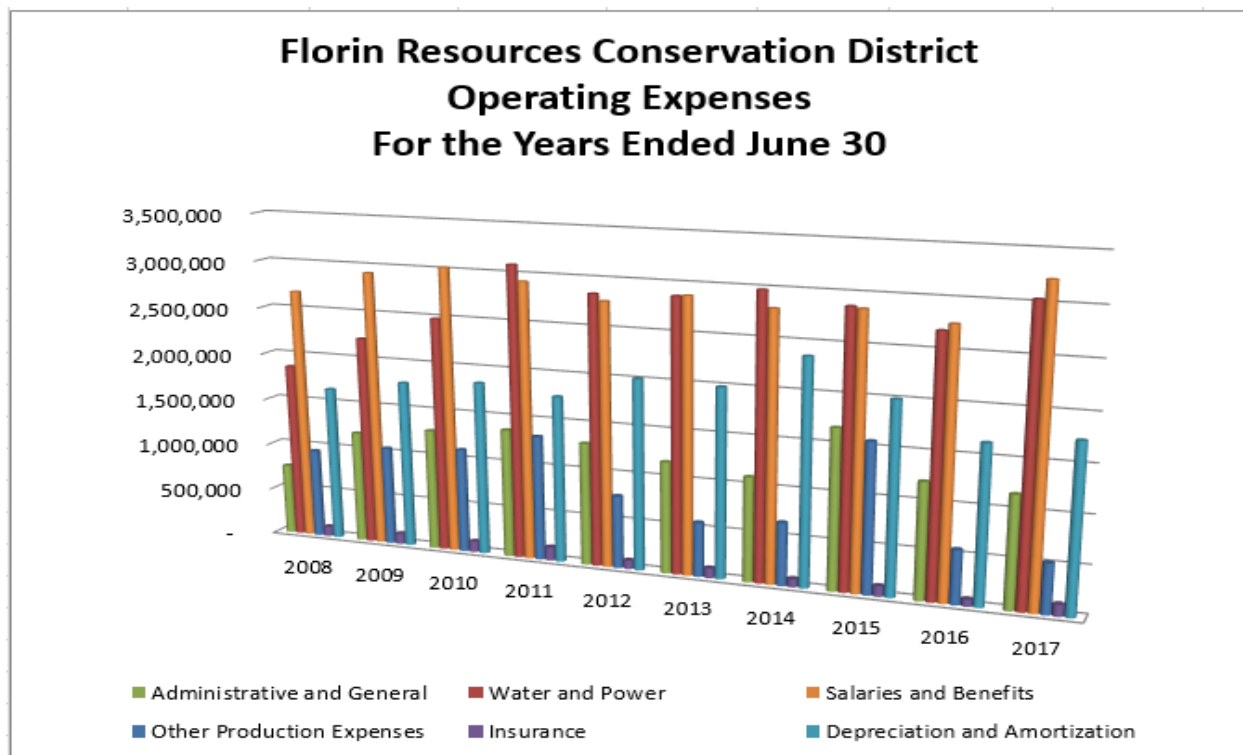
| Florin Resource Conservation District | | | | | | | | | | |
|--|------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|
| Changes in Fund Balances of Governmental Funds | | | | | | | | | | |
| Last Ten Years | | | | | | | | | | |
| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Use of money and property | \$ 10,261 | \$ 14,189 | \$ 12,066 | \$ 12,055 | \$ 11,361 | \$ 9,550 | \$ 5,517 | \$ 2,643 | \$ 93 | \$ 4 |
| Other | - | - | 8,936 | - | - | - | 4,729 | 10,162 | 353 | 1,564 |
| Total Revenues | 10,261 | 14,189 | 21,002 | 12,055 | 11,361 | 9,550 | 10,246 | 12,805 | 446 | 1,568 |
| Expenditures | | | | | | | | | | |
| General and administrative | 8,295 | 116,712 | 18,961 | 1,198 | 3,894 | 21,579 | 37,166 | 21,847 | 34,831 | 48,001 |
| Total expenditures | 8,295 | 116,712 | 18,961 | 1,198 | 3,894 | 21,579 | 37,166 | 21,847 | 34,831 | 48,001 |
| Other Financing Sources | | | | | | | | | | |
| Transfers | | | | | | | | | | |
| Gain (loss) on disposal of capital assets | | | | | | | 82,983 | | | |
| Total other financing sources | - | - | - | - | - | - | 82,983 | - | - | - |
| Net change in fund balance | 1,966 | (102,523) | 2,041 | 10,857 | 7,467 | (12,029) | 56,063 | (9,042) | (34,385) | (46,433) |
| Fund balance, beginning of the year | 168,419 | 170,385 | 67,862 | 69,903 | 80,760 | 88,227 | 76,198 | 132,261 | 123,219 | 88,834 |
| Fund balance, end of the year | \$ 170,385 | \$ 67,862 | \$ 69,903 | \$ 80,760 | \$ 88,227 | \$ 76,198 | \$ 132,261 | \$ 123,219 | \$ 88,834 | \$ 42,401 |

Source: Finance Department

Florin Resource Conservation District Financial Trends



The majority of the District's revenues are comprised of Water District revenues, rents that are collected from the 2450 Florin Road Building, and interest earned on the various accounts.



This graph contrasts the six largest expense groups of the District.

Source: Finance Department

**Florin Resource Conservation District
Elk Grove Water District Rate Analysis
Last Ten Years**

| | 2007/08 | | 2008/09 | | 2009/10 | | 2010/11 | | 2011/12 | |
|--|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|
| | Metered | | Metered | | Metered | | Metered | | Metered | |
| | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate |
| Monthly Fixed Rate | | | | | | | | | | |
| 1 inch meter | \$ 42.06 | \$ 58.26 | \$ 50.47 | \$ 69.91 | \$ 56.53 | \$ 78.30 | \$ 56.53 | \$ 78.30 | \$ 56.53 | \$ 78.30 |
| Monthly Consumption Rates | | | | | | | | | | |
| 1st tier: 0-30 ccf | 1.09 | | 1.31 | | 1.46 | | 1.46 | | 1.46 | |
| 2nd tier: over 30 ccf | 1.34 | | 1.61 | | 1.80 | | 1.80 | | 1.80 | |
| Each sq. ft. of premises over 4,000 sf. | | 0.00182 | | 0.00218 | | 0.00244 | | | | 0.00244 |
| Average Bill | 66.04 | | 79.25 | | 88.76 | | 88.76 | | 88.76 | |
| Fixed Charge | | | | | | | | | | |
| 5/8" meter | 42.06 | | 50.47 | | 56.53 | | 56.53 | | 56.53 | |
| 3/4" meter | 42.06 | | 50.47 | | 56.53 | | 56.53 | | 56.53 | |
| 1" meter | 42.06 | | 50.47 | | 56.53 | | 56.53 | | 73.48 | |
| 1 1/2" meter | 54.68 | | 65.61 | | 73.48 | | 73.48 | | 118.71 | |
| 2" meter | 88.33 | | 105.99 | | 118.71 | | 118.71 | | 446.56 | |
| 3" meter | 332.27 | | 398.73 | | 446.56 | | 446.56 | | 565.29 | |
| 4" meter | 420.60 | | 504.72 | | 565.29 | | 565.29 | | 847.93 | |
| 6" meter | 630.90 | | 757.08 | | 847.93 | | 847.93 | | 1,170.14 | |
| 8" meter | 870.64 | | 1,044.77 | | 1,170.14 | | 1,170.14 | | | |

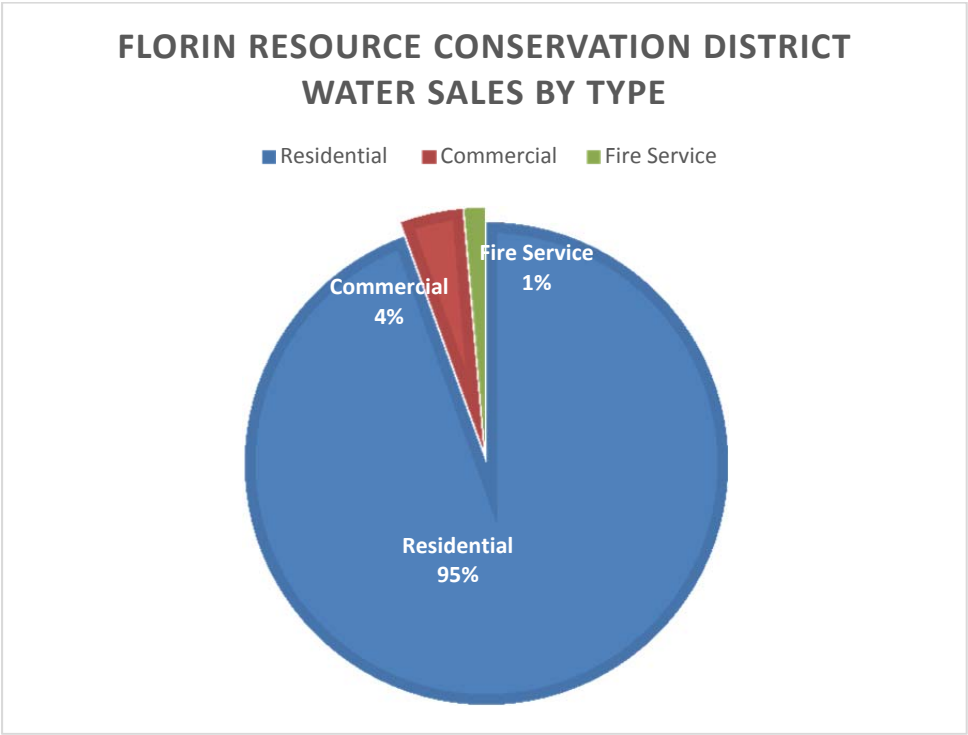
| | 2012/13 | | 2013/14 | | 2014/15 | | 2015/16 | | 2016/17 | |
|---|----------|-----------|----------|-----------|----------|-----------|----------|-----------|----------|-----------|
| | Metered | | Metered | | Metered | | Metered | | Metered | |
| | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate | Rate | Flat Rate |
| Monthly Fixed Rate | | | | | | | | | | |
| 1 inch meter | \$ 56.53 | \$ 78.30 | \$ 59.23 | \$ 70.22 | \$ 60.01 | \$ 72.00 | \$ 62.84 | N/A | \$ 64.73 | N/A |
| Monthly Consumption Rates | | | | | | | | | | |
| 1st tier: 0-30 ccf | 1.46 | | 1.39 | | 1.44 | | 1.48 | | 1.52 | |
| 2nd tier: over 30 ccf | 1.80 | | 2.76 | | 2.85 | | 2.93 | | 3.02 | |
| Each sq. ft. of premises over 4,000 sf. | | 0.00244 | | 0.00244 | | 0.00244 | | N/A | | N/A |
| Average Bill | 88.76 | | 84.25 | | 86.93 | | 89.48 | | 91.06 | |
| Fixed Charge | | | | | | | | | | |
| 5/8" meter | 56.53 | | 59.23 | | 60.01 | | 62.84 | | 64.73 | |
| 3/4" meter | 56.53 | | 59.23 | | 60.01 | | 62.84 | | 64.73 | |
| 1" meter | 73.48 | | 59.23 | | 60.01 | | 62.84 | | 64.73 | |
| 1 1/2" meter | 118.71 | | 83.37 | | 85.87 | | 88.45 | | 91.10 | |
| 2" meter | 446.56 | | 112.34 | | 115.71 | | 119.18 | | 122.76 | |
| 3" meter | 565.29 | | 179.93 | | 185.33 | | 190.89 | | 196.62 | |
| 4" meter | 847.93 | | 276.49 | | 284.79 | | 293.33 | | 302.13 | |
| 6" meter | 1,170.14 | | 517.89 | | 533.43 | | 549.43 | | 565.91 | |
| 8" meter | | | 807.57 | | 831.80 | | 856.75 | | 882.45 | |
| 10" meter | | | 1,145.53 | | 1,179.90 | | 1,215.29 | | 1,251.75 | |

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate |
| Flat Rate | | | | | | | | | | |
| 3/4" service | 46.61 | 55.93 | 62.64 | 62.64 | 62.64 | 62.64 | N/A | N/A | N/A | N/A |
| 1" service | 58.26 | 69.91 | 78.30 | 78.30 | 78.3 | 78.3 | 70.22 | 72.00 | N/A | N/A |
| 1 1/4" service | 69.91 | 83.89 | 93.96 | 93.96 | 93.96 | 93.96 | N/A | N/A | N/A | N/A |
| 1 1/2" service | 81.72 | 90.89 | 109.83 | 109.83 | 109.83 | 109.83 | 94.36 | 96.86 | N/A | N/A |
| 2" service | 122.35 | 146.82 | 164.44 | 164.44 | 164.44 | 164.44 | 123.33 | 126.7 | N/A | N/A |
| 3" service | 460.25 | 552.30 | 618.58 | 618.58 | 618.58 | 618.58 | 190.92 | 196.32 | N/A | N/A |
| 4" service | 582.60 | 699.12 | 783.02 | 783.02 | 783.02 | 783.02 | N/A | N/A | N/A | N/A |
| 6" service | 873.90 | 1,048.68 | 1,174.53 | 1,174.53 | 1174.53 | 1174.53 | N/A | N/A | N/A | N/A |
| 8" service | 1,205.98 | 1,410.13 | 1,579.35 | 1,579.35 | 1579.35 | 1579.35 | N/A | N/A | N/A | N/A |
| 1x3/4" + 1x2" service | 168.95 | 202.74 | 227.07 | 227.07 | 227.07 | 227.07 | N/A | N/A | N/A | N/A |
| 2x3/4" service | 93.22 | 111.86 | 125.29 | 125.29 | 125.29 | 125.29 | N/A | N/A | N/A | N/A |
| 3x3/4" service | 139.82 | 167.79 | 187.93 | 187.93 | 187.93 | 187.93 | N/A | N/A | N/A | N/A |
| 10x3/4" service | 466.08 | 559.30 | 626.42 | 626.42 | 626.42 | 626.42 | N/A | N/A | N/A | N/A |
| 33x3/4" service | 1,538.06 | 1,845.68 | 2,067.17 | 2,067.17 | 2067.17 | 2067.17 | N/A | N/A | N/A | N/A |
| 68x3/4" service | 3,169.34 | 3,803.21 | 4,259.60 | 4,259.60 | 4259.6 | 4259.6 | N/A | N/A | N/A | N/A |
| 2x1" service | 116.52 | 139.82 | 156.60 | 156.60 | 156.6 | 156.6 | N/A | N/A | N/A | N/A |
| 6x1" + 1x2" service | 471.91 | 566.29 | 634.25 | 634.25 | 634.25 | 634.25 | N/A | N/A | N/A | N/A |
| 6x1" service | 349.56 | 419.47 | 469.81 | 469.81 | 469.81 | 469.81 | N/A | N/A | N/A | N/A |
| 16x1" service | 932.16 | 118.59 | 132.83 | 132.83 | 132.83 | 132.83 | N/A | N/A | N/A | N/A |
| 21x1" service | 1,223.46 | 1,468.15 | 1,644.33 | 1,644.33 | 1644.33 | 1644.33 | N/A | N/A | N/A | N/A |
| 49x1" service | 2,854.74 | 3,425.69 | 3,836.78 | 3,836.78 | 3836.78 | 3836.78 | N/A | N/A | N/A | N/A |
| 72x1" service | 4,194.72 | 5,033.66 | 5,637.70 | 5,637.70 | 5637.7 | 5637.7 | N/A | N/A | N/A | N/A |
| 100x1" service | 5,826.00 | 6,991.20 | 7,830.15 | 7,830.15 | 7830.15 | 7830.15 | N/A | N/A | N/A | N/A |
| 2x2" service | 244.69 | 293.63 | 328.87 | 328.87 | 328.87 | 328.87 | N/A | N/A | N/A | N/A |

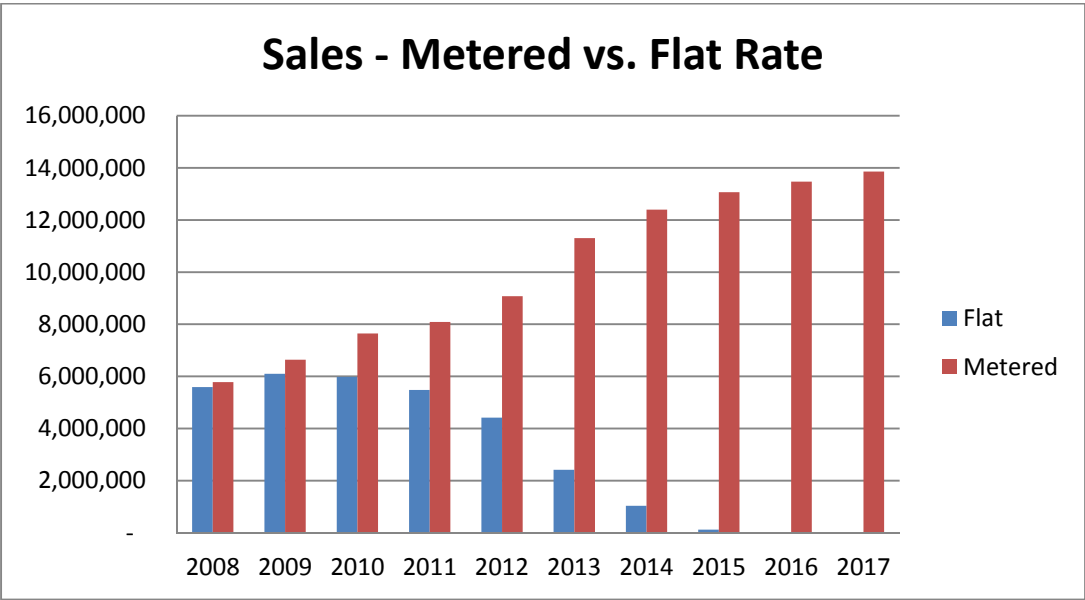
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flat Rate | Flate Rate | Flate Rate |
| Fire Protection Service | | | | | | | | | | |
| 2" connection | 44.17 | 21.20 | 23.74 | 23.74 | 23.74 | 23.74 | 2.71 | 2.79 | 2.87 | 2.96 |
| 3" connection | 166.14 | 79.75 | 89.32 | 89.32 | 89.32 | 89.32 | 7.87 | 8.11 | 8.35 | 8.60 |
| 4" connection | 210.30 | 100.94 | 113.05 | 113.05 | 113.05 | 113.05 | 16.78 | 17.28 | 17.80 | 18.33 |
| 6" connection | 315.45 | 151.41 | 169.58 | 169.58 | 169.58 | 169.58 | 48.73 | 50.19 | 51.70 | 53.25 |
| 8" connection | 435.32 | 208.95 | 234.02 | 234.02 | 234.02 | 234.02 | 103.85 | 106.96 | 110.17 | 113.48 |
| 10" connection | | | | | | | 186.75 | 192.35 | 198.12 | 204.06 |
| 12" connection | | | | | | | 301.65 | 310.70 | 320.02 | 329.62 |

In April 2013 a new 5 year Rate Plan was adopted

Source: Finance Department

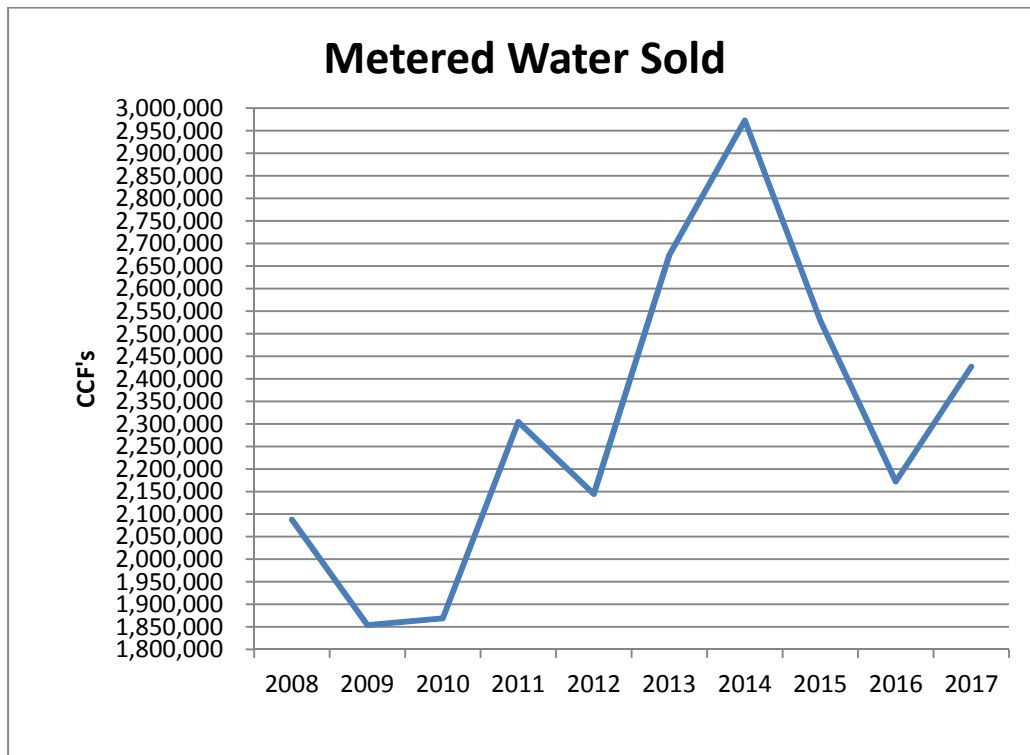


Sales by Type – This graph shows the percentages of the three major components of water sales by the Elk Grove Water District.



Metered vs. Flat Rate Sales – This chart shows the growth in meter sales primarily due to the conversion of accounts from flat rate to meters which was completed in December 2014.

Source: Finance Department



Metered Water Consumption - CCFs - This graph shows the consumption of metered water over the last 10 fiscal years. One CCF is equivalent to 748 gallons.

Historical Service Connections - The following table shows the service connections broken down by Metered and Flat Rate, Residential and Commercial.

| Year End | Flat Rate | Metered | Total | Residential | Commercial |
|----------|-----------|---------|--------|-------------|------------|
| 6/30/08 | 6,020 | 5,999 | 12,019 | 11,453 | 566 |
| 6/30/09 | 5,849 | 6,272 | 12,121 | 11,530 | 618 |
| 6/30/10 | 5,328 | 6,834 | 12,162 | 11,509 | 653 |
| 6/30/11 | 4,681 | 7,409 | 12,090 | 11,474 | 616 |
| 6/30/12 | 3,259 | 9,041 | 12,300 | 11,679 | 621 |
| 6/30/13 | 1,193 | 10,955 | 12,148 | 11,523 | 625 |
| 6/30/14 | 240 | 12,109 | 12,349 | 11,784 | 565 |
| 6/30/15 | 0 | 12,291 | 12,291 | 11,779 | 512 |
| 6/30/16 | 0 | 12,174 | 12,174 | 11,662 | 512 |
| 6/30/17 | 0 | 12,506 | 12,506 | 11,978 | 528 |

Source: Finance Department

FLORIN RESOURCE CONSERVATION DISTRICT

Ten Largest Commercial Customers

Current Year and Five Years Ago

Florin Resource Conservation District
Ten Largest Commercial Customers
Current Year and Five Years Ago

| Customer | FY 2012-13 | | Customer | FY 2016-17 | |
|-----------------------------------|---------------------|-------------------|--------------------------------|-------------------|-------------------|
| | Amount Billed | % of Total Billed | | Amount Billed | % of Total Billed |
| Cosumnes CSD | \$ 440,139 | 3.21% | Cosumnes CSD | \$ 316,377 | 2.28% |
| Elk Grove Unified School District | 409,473 | 2.98% | EGUSD | 247,539 | 1.79% |
| Realty Roundup | 133,633 | 0.97% | Emerald Park Company | 55,756 | 0.40% |
| Emerald Park Company | 69,149 | 0.50% | City Of Elk Grove-Public Works | 68,656 | 0.50% |
| City Of Elk Grove | 67,180 | 0.49% | Ferguson & Brewer Mgmt | 27,527 | 0.20% |
| Emerald Vista Apts. | 57,258 | 0.42% | JJD-Hov Elk Grove LLC | 29,122 | 0.21% |
| The Oaks Mobile Home Park | 31,935 | 0.23% | Gage Street Townhouses | 24,599 | 0.18% |
| Frontier Communications | 30,730 | 0.22% | The Oaks Mobile Home Park | 27,793 | 0.20% |
| Furguson & Brewer Mgmt | 30,680 | 0.22% | Chiu Family Trust | 16,746 | 0.12% |
| JJD-HOV Elk Grove | 29,111 | 0.21% | Elk Grove Village, LLC | 17,737 | 0.13% |
| | <u>\$ 1,299,288</u> | <u>9.45%</u> | | <u>\$ 831,851</u> | <u>6.01%</u> |

Debt Capacity

| Florin Resource Conservation District | | | | | |
|---|--------------------|-------------------|-----------|--------------------|---|
| Ratio of Debt Service to Operating Expenses - Proprietary Funds | | | | | |
| Last Ten Years | | | | | |
| Fiscal Year Ended June 30, | Principal Payments | Interest Payments | Total | Operating Expenses | Ratio of Total Debt Service to Operating Expenses |
| 2008 | 750,000 | 3,408,230 | 4,158,230 | 8,003,616 | 51.95% |
| 2009 | 1,090,000 | 3,383,008 | 4,473,008 | 9,442,594 | 47.37% |
| 2010 | 1,260,000 | 3,349,544 | 4,609,544 | 9,866,695 | 46.72% |
| 2011 | 1,495,000 | 3,305,500 | 4,800,500 | 10,619,531 | 45.20% |
| 2012 | 1,670,000 | 3,247,339 | 4,917,339 | 9,796,569 | 50.19% |
| 2013 | 1,770,000 | 3,180,956 | 4,950,956 | 9,606,919 | 51.54% |
| 2014 | 1,590,000 | 3,109,908 | 4,699,908 | 10,004,498 | 46.98% |
| 2015 | 1,725,000 | 2,587,708 | 4,312,708 | 11,094,376 | 38.87% |
| 2016 | 1,430,000 | 2,463,404 | 3,893,404 | 8,964,414 | 43.43% |
| 2017 | 1,065,000 | 1,749,919 | 2,814,919 | 9,837,521 | 28.61% |

Note: The District has no governmental activities debt.

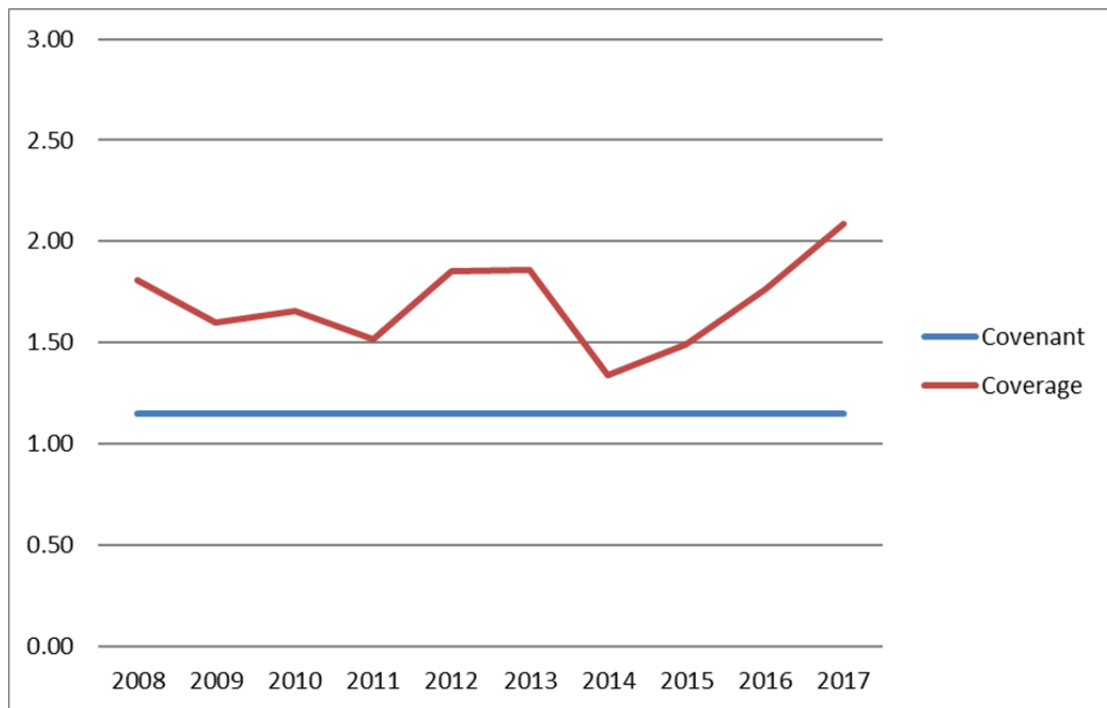
*Interest Payments on the Cash Basis

Source: Finance Department

| Florin Resource Conservation District | | | | | | |
|---|------------------------|------------------|-----------|------------|-------------------------------|-----------------------------|
| Ratio of Outstanding Debt by Type - Proprietary Funds | | | | | | |
| Last Ten Years | | | | | | |
| Fiscal Year Ended June 30, | COP's - Water Services | COP's - Building | Loans | Total | Percentage of Personal Income | Outstanding Debt per Capita |
| 2008 | 58,307,145 | 13,896,994 | - | 72,204,139 | 1.331% | 519.01 |
| 2009 | 57,822,145 | 13,291,994 | 1,085,386 | 72,199,525 | 1.713% | 510.50 |
| 2010 | 57,187,145 | 12,666,994 | 1,039,602 | 70,893,741 | 1.822% | 492.71 |
| 2011 | 56,337,145 | 12,021,994 | 990,745 | 69,349,884 | 1.712% | 453.22 |
| 2012 | 55,332,145 | 11,356,994 | 938,623 | 67,627,762 | 1.642% | 433.69 |
| 2013 | 54,252,145 | 10,666,994 | 883,017 | 65,802,156 | 1.539% | 413.66 |
| 2014 | 53,077,145 | 10,251,994 | - | 63,329,139 | 1.424% | 394.11 |
| 2015 | 50,492,145 | 9,816,994 | - | 60,309,139 | 1.325% | 359.06 |
| 2016 | 47,575,000 | - | - | 47,575,000 | Not Available | Not Available |
| 2017 | 46,135,000 | - | - | 46,135,000 | Not Available | Not Available |

Source: Finance Department

Florin Resource Conservation District Bond Covenant Ratio Analysis – Water District Fund Last Ten Years

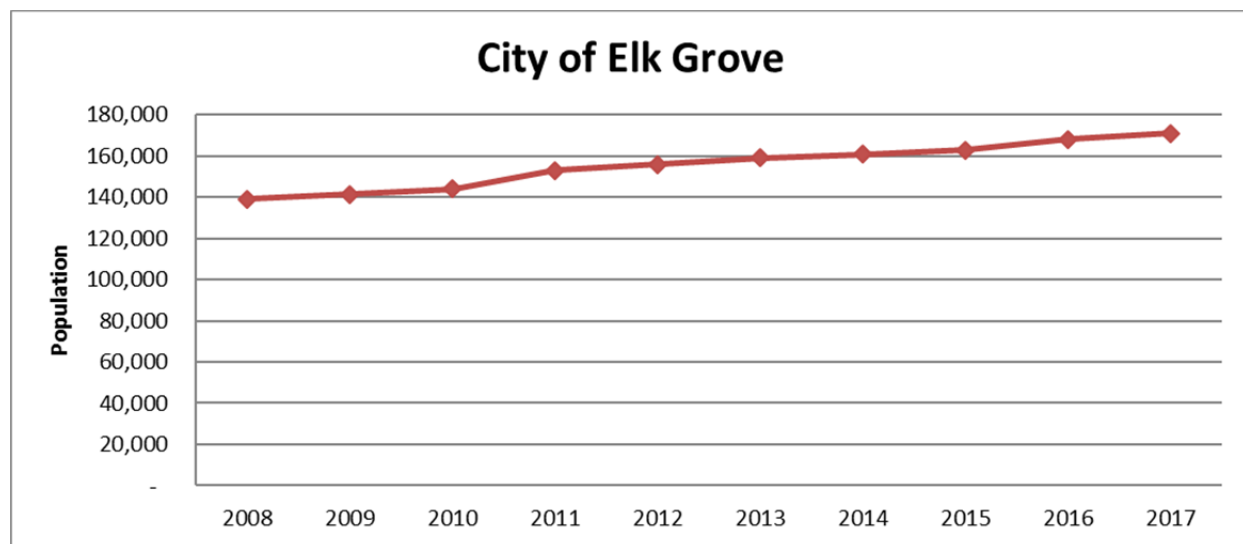


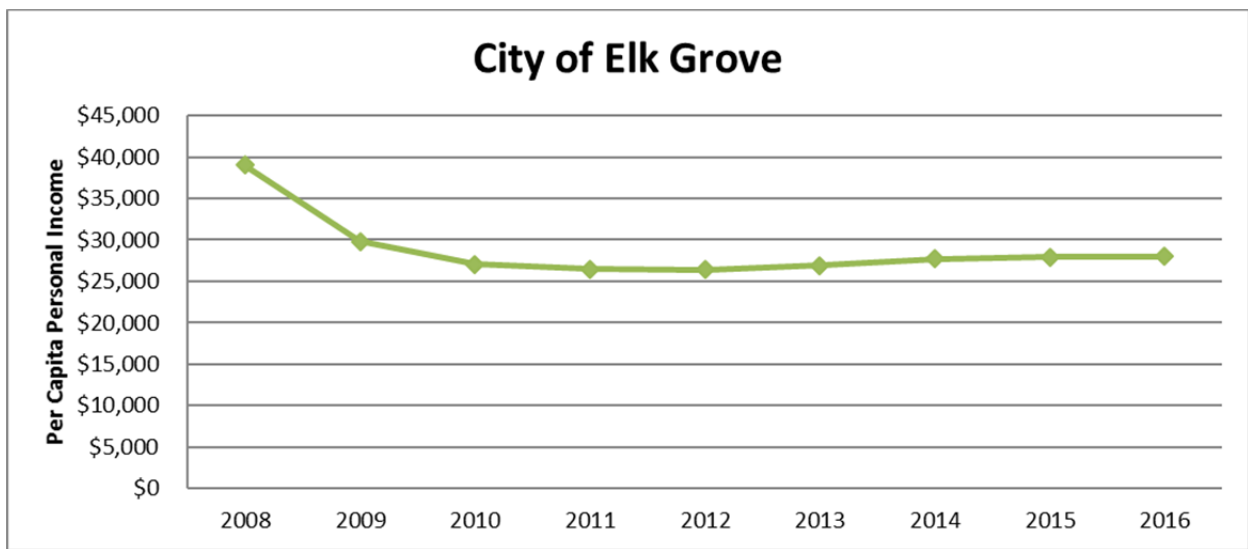
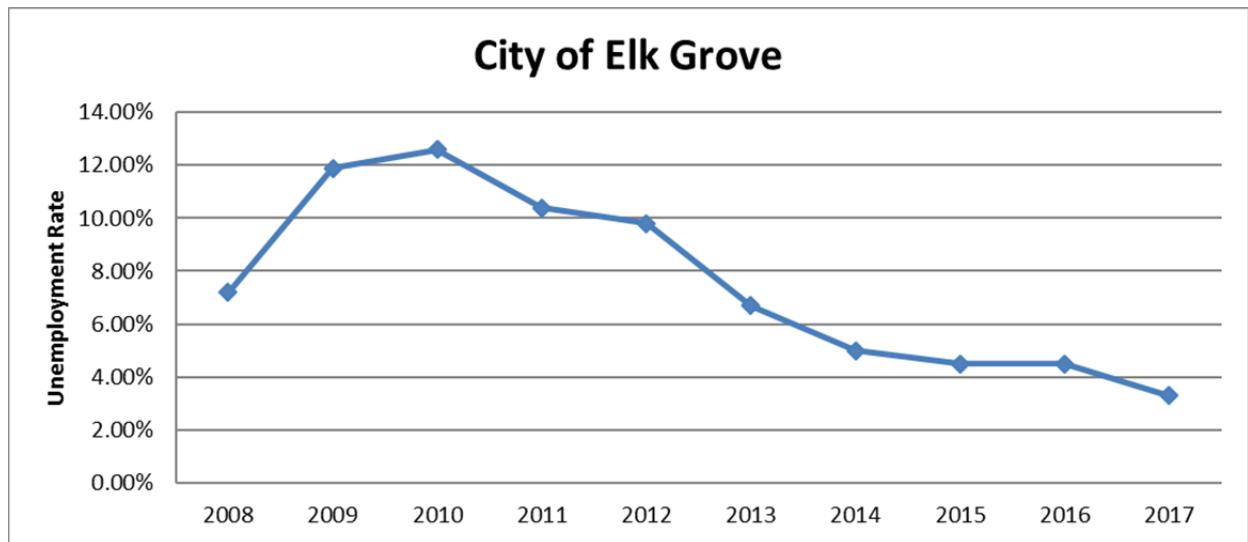
Source: Finance Department

| Florin Resource Conservation District | | | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| Pledged-Revenue Coverage - Water Service Fund | | | | | | | | | | | |
| Last Ten Years | | | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Operating Revenues: | | | | | | | | | | | |
| Charges for Services | \$ 11,922,374 | \$ 12,865,774 | \$ 13,642,267 | \$ 13,981,562 | \$ 14,420,788 | \$ 14,312,791 | \$ 13,435,194 | \$ 13,185,839 | \$ 13,475,325 | \$ 14,210,971 | |
| Operating Expenses: | | | | | | | | | | | |
| Water & Power | \$ 1,864,314 | \$ 2,221,925 | \$ 2,487,961 | \$ 3,093,211 | \$ 2,846,200 | \$ 2,872,105 | \$ 2,982,746 | \$ 2,694,476 | \$ 2,694,476 | \$ 3,039,628 | |
| Other Production Expenses | 896,218 | 984,362 | 1,047,545 | 1,160,949 | 582,000 | 365,502 | 411,116 | 1,437,329 | 524,769 | 525,951 | |
| Payroll & Related Taxes | 2,679,183 | 2,923,030 | 3,024,955 | 2,927,357 | 2,777,271 | 2,882,423 | 2,808,085 | 2,855,533 | 2,763,806 | 3,228,235 | |
| Insurance | 102,585 | 97,418 | 111,455 | 117,247 | 74,105 | 83,098 | 68,815 | 76,462 | 74,280 | 125,199 | |
| Administration & General | 511,054 | 1,042,542 | 1,207,200 | 1,113,405 | 1,098,238 | 977,491 | 865,681 | 1,218,888 | 977,466 | 1,172,524 | |
| Operating Expenses, Less Debt Service: | \$ 6,053,354 | \$ 7,269,277 | \$ 7,879,116 | \$ 8,412,169 | \$ 7,377,814 | \$ 7,180,619 | \$ 7,136,443 | \$ 8,282,688 | \$ 7,034,797 | \$ 8,091,537 | |
| Net Income From Operations | \$ 5,869,020 | \$ 5,596,497 | \$ 5,763,151 | \$ 5,569,393 | \$ 7,042,974 | \$ 7,132,172 | \$ 6,298,751 | \$ 4,903,151 | \$ 6,440,528 | \$ 6,119,434 | |
| Covenant | | | | | | | | | | | |
| Income From Operations | \$ 5,869,020 | \$ 5,596,497 | \$ 5,763,151 | \$ 5,569,393 | \$ 7,042,974 | \$ 7,132,172 | \$ 6,298,751 | \$ 4,903,151 | \$ 6,440,528 | \$ 6,119,434 | |
| Interest & Principal Payments | \$ 3,247,444 | \$ 3,505,180 | \$ 3,477,026 | \$ 3,669,868 | \$ 3,795,751 | \$ 3,833,665 | \$ 4,709,651 | \$ 3,290,466 | \$ 3,655,240 | \$ 2,933,980 | |
| Coverage Ratio (1.15 Minimum Req.) | 1.81 | 1.60 | 1.66 | 1.52 | 1.86 | 1.86 | 1.34 | 1.49 | 1.76 | 2.09 | |

Note: Details regarding the required covenant can be found in Note D of the financial statements.

Demographic and Economic Information Florin Resource Conservation District





Data for 2017 unavailable from the City of Elk Grove.

| Year | Population ⁽¹⁾ | Per Capita Personal Income ⁽²⁾ | Unemployment Rate (3) |
|------|---------------------------|---|-----------------------|
| 2008 | 139,119 | \$39,002 | 7.20% |
| 2009 | 141,430 | \$29,797 | 11.90% |
| 2010 | 143,885 | \$27,043 | 12.60% |
| 2011 | 153,015 | \$26,479 | 10.40% |
| 2012 | 155,937 | \$26,407 | 9.80% |
| 2013 | 159,074 | \$26,887 | 6.70% |
| 2014 | 160,688 | \$27,680 | 5.00% |
| 2015 | 162,899 | \$27,932 | 4.50% |
| 2016 | 167,965 | \$28,014 | 4.50% |
| 2017 | 171,059 | Not Available | 3.30% |

Source: (1) California Department of Finance

(2) City of Elk Grove

The largest employers in the District's service area are not known.

Florin Resource Conservation District
Operating Indicators for the Water Service
Last Ten Years

| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water sold: | | | | | | | | | | |
| Purchased water (CCFs) | 2,087,803 | 1,854,139 | 1,868,738 | 2,304,632 | 1,069,886 | 1,128,430 | 1,145,719 | 942,941 | 806,785 | 899,099 |
| Treated water (CCFs) | 2,781,990 | 2,114,031 | 2,079,311 | 1,471,518 | 2,189,232 | 2,397,179 | 2,055,947 | 1,585,736 | 1,365,572 | 1,527,797 |
| Total | 4,869,793 | 3,968,170 | 3,948,049 | 3,776,150 | 3,259,118 | 3,525,609 | 3,201,666 | 2,528,677 | 2,172,357 | 2,426,896 |
| Number of Accounts | | | | | | | | | | |
| Non-metered | 6,020 | 5,849 | 5,328 | 4,681 | 3,259 | 1,193 | 240 | | | |
| Metered | 5,999 | 6,272 | 6,834 | 7,409 | 9,041 | 10,955 | 12,109 | 12,291 | 12,174 | 12,506 |
| Total | 12,019 | 12,121 | 12,162 | 12,090 | 12,300 | 12,148 | 12,349 | 12,291 | 12,174 | 12,506 |
| Average annual CCFs used per account | 405.17 | 327.38 | 324.62 | 312.34 | 264.97 | 290.22 | 259.27 | 205.73 | 178.44 | 194.06 |
| Average daily consumption per account (CCFs) | 1.1101 | 0.8969 | 0.8894 | 0.8557 | 0.7259 | 0.7951 | 0.7103 | 0.5637 | 0.4889 | 0.5317 |
| Number of Employees: | 24 | 24 | 32 | 32 | 30 | 29 | 29 | 29 | 28 | 31 |

Note: Each one hundred cubic foot (1 CCF) equals 748 gallons

Source: Finance Department

Florin Resource Conservation District
Capital Assets Statistics by Function
Current Year and Ten Years Ago

| Fiscal Year ended June 30, | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Capital Asset Statistics | | | | | | | | | | |
| Water: | | | | | | | | | | |
| Water main miles | 121.0 | 124.0 | 124.0 | 124.0 | 124.0 | 124.0 | 131.0 | 131.0 | 131.0 | 131.0 |
| Maximum daily capacity (thousands of gallons) | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 |
| Maximum daily treatment capacity (thousands of gallons) | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Buildings owned | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |

Source: Finance Department