



**Florin Resource Conservation District
Comprehensive Annual Financial Report
For the Years ended June 30, 2018 and 2017**



Florin Resource Conservation District
Basic Financial Statements
Table of Contents
For the years ended June 30, 2018 and 2017

	<u>Page</u>
INTRODUCTORY SECTION	
Transmittal Letter	i
List of Board Members and Committees	vi
Organizational Chart.....	vii
GFOA Certificate.....	viii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Comparative Statements of Net Position	15
Comparative Statement of Activities	16
Fund Financial Statements:	
Comparative Balance Sheets – Governmental Fund	18
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	19
Comparative Statements of Net Position – Proprietary Funds	20
Comparative Statements of Revenues, Expenses and Changes in Net Position - Proprietary Funds	21
Comparative Statements of Cash Flows – Proprietary Funds.....	22
Notes to Basic Financial Statements.....	25
Required Supplementary Information:	
Budgetary comparison information	63
Pension Plan	64
OPEB Plan	65

Florin Resource Conservation District
Basic Financial Statements
Table of Contents
For the years ended June 30, 2018 and 2017

STATISTICAL SECTION:

Table of Contents – Statistical Section.....	69
Net Position by Component	71
Changes in Net Position.....	72
Fund Balances of Governmental Funds.....	73
Changes in Fund Balances of Governmental Funds.....	73
Revenue by Source.....	74
Operating Expenses.....	74
Elk Grove Water District Rate Analysis.....	75
Water Sales by Type	79
Sales – Metered vs. Flat Rate	79
Metered Water Sold.....	80
Metered Water Consumption - CCFs.....	80
Historical Service Connections	80
Ten Largest Commercial Customers – Current Year and Five Years Ago	81
Ratio of Debt Service to Operating Expenses – Proprietary Funds	81
Ratio of Outstanding Debt by Type – Proprietary Funds	82
Bond Covenant Ratio Analysis – Water District Fund	82
Pledged-Revenue Coverage – Water District Fund	83
City of Elk Grove Population	83
City of Elk Grove Unemployment Rate	84
City of Elk Grove Per Capita Income	84
Demographic and Economic Information.....	84
Operating Indicators for the Water District Fund.....	85
Capital Assets Statistics by Function.....	85



September 10, 2018

Members of the Florin Resource Conservation District
Board of Directors

Directors:

The Florin Resource Conservation District (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 District for the fiscal years ended June 30, 2018 and 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, 2018, 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, 2018, 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. For comparative purposes, the District has elected a dual year presentation for its financial statements, reporting both the current year and prior year activities, and the MD&A reporting the current year and prior two years activities. The District's MD&A is located immediately following the independent auditors' report.

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.

District 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 District 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 District has historically provided technical assistance and conservation education to farmers, community members and students.

In 1999, the District purchased the privately-owned Elk Grove Water Works which operated and maintained a water system going back to 1893. Since 1999, most of the District'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 District and is classified as a medium sized water purveyor serving approximately 46,000 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 District 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 1(A) to the basic financial statements.

Mission Statement

The EGWD 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 EGWD 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 District is positive with the existing revenue source from the EGWD remaining stable. Revenues are received entirely through water rates. EGWD provides water to nearly 12,600 service connections currently and growth projections suggest that the service connections should increase by approximately 150 in 2019.

On April 7th, 2017 Governor Jerry Brown issued an executive order that ended the drought emergency declaration in most of the state that had been in effect since 2014. Pursuant to that declaration, certain water use restrictions have been lifted. Even with certain restrictions lifted, there has been a decline in water sales attributed to certain conservation efforts, such as installing water efficient appliances and water efficient landscaping, that result in long-term water use reductions. Consequently, the EGWD expects to see continued increasing water sales, but not at the rate experienced prior to California's recent drought.

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.

On June 21, 2017 the Board approved deferring another one and one-half percent of the water revenue adjustment scheduled on January 1, 2018. The overall rate for the water service for FY 2017-18 was increased by only 3.0% rather than the suggested 4.5% adjustment.

In January 2018, the District initiated a review of the EGWD's financial requirements and the preparation of a new five-year water rate study. This study, referred to as the 2018 Water Rate Study, was approved by the Board on July 18, 2018, in compliance with the rate setting process governed under Proposition 218.

The 2018 Water Rate Study recommends rate adjustments over the next 5 years with the first adjustment commencing on January 1, 2019 and subsequent adjustments commencing each January 1 thereafter, through and including January 1, 2023. Water revenue adjustments recommended by the study and approved by the Board are as follows:

- January 2019 – 0%
- January 2020 – 0%
- January 2021 – 3%
- January 2022 – 3%
- January 2023 – 3%

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, 2017. 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, 2018.

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 Florin Resource Conservation District management team.

Respectfully Submitted,



MARK J. MADISON
GENERAL MANAGER



PATRICK LEE
FINANCE
MANAGER/TREASURER

FLORIN RESOURCE CONSERVATION DISTRICT
LIST OF OFFICIALS
JUNE 30, 2018

BOARD OF DIRECTORS:

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

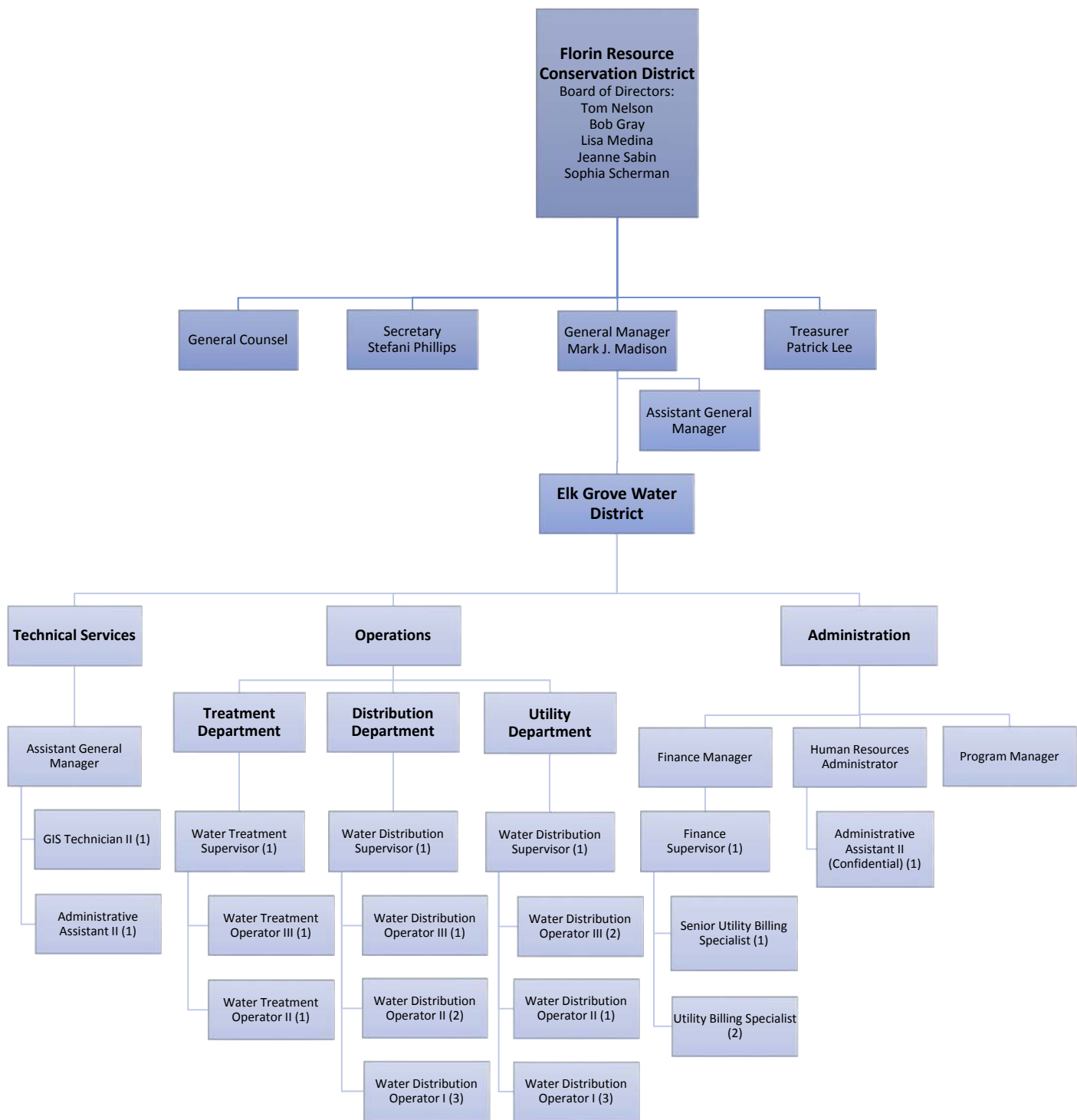
STAFF:

Mark J. Madison
General Manager

Bruce M. Kamilos
Assistant General Manager

Patrick Lee
Treasurer / Finance Manager

Stefani A. Phillips
Secretary / Human Resources Administrator





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, 2017

Christopher P. Morill

Executive Director/CEO



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, 2018 and June 30, 2017, 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.

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, 2018 and June 30, 2017, 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.

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

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement 75 – *Accounting and Reporting for Postemployment Benefit Plans Other Than Pensions*, which became effective for the fiscal year ended June 30, 2018. See Note 11 to the financial statements for disclosure related to the restatement of beginning Net Position. The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

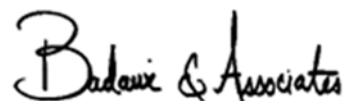
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan schedules, and defined benefit OPEB plan schedules on pages 3 to 13 and pages 63 to 67 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.



Badawi & Associates
Certified Public Accountants
Oakland, California
September 10, 2018

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

The following narrative overview and analysis of the financial activities of the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2018 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 (EGWD), a department of the Florin Resource Conservation District. While both entities are being reported on, the bulk of the financial information is for the EGWD, which has a large revenue base.

FINANCIAL HIGHLIGHTS

- The District's total assets increased by \$0.4 million during fiscal 2018 and increased by \$0.9 million in 2017 compared to the prior year. Total liabilities decreased by \$1.9 million during fiscal 2018 and decreased by \$1.2 million in 2017. The changes in total assets and total liabilities in fiscal 2018 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 \$2.0 million during fiscal year 2018 (net of a prior period adjustment of \$0.6 million related to the implementation of GASB 75, refer to Note 11 for additional information), compared to an increase of \$2.6 million in 2017.
- Operating revenue of \$15.3 million, \$14.2 million and \$13.8 million in 2018, 2017 and 2016, respectively, and operating expenses of \$10.9 million, \$9.8 million and \$9.0 million in 2018, 2017 and 2016, respectively, after depreciation resulted in net income from operations of \$4.4 million, \$4.4 million and \$4.9 million in enterprise funds in 2018, 2017 and 2016, respectively. Net non-operating expenses of \$1.7 million in 2018, \$1.8 million in 2017 and non-operating revenues of \$2.7 million in 2016 for business-type activities is the result of \$1.8 million, \$1.9 million and \$2.1 million in interest expense for 2018, 2017 and 2016, respectively, offset by non-operating revenue of approximately \$0.06 million, \$0.05 million and \$4.8 million in 2018, 2017 and 2016, respectively.
- Fiscal year 2018 operating income, the difference between operating revenues and operating expenses, was \$4.4 million, or 28.7% of operating revenues. This positive result is an increase of \$0.04 million, or 0.8% compared to 2017 operating income. Charges for services increased by \$1.1 million, or 8.0%, however, as customers used 12% more water with the drought officially ending. As the State continues to emerge from the drought and water use restrictions are lifted, the District expects to see steady increases in water consumption, but not at the rate experienced prior to California's drought. Operating expenses increased \$1.1 million, or 11.1% compared to 2017. The significant changes in expenses were:
 - Water purchases, reflecting increased usage, were up \$0.1 million or 5.2%, reflecting higher water usage and higher wholesale water rates from Sacramento County Water Agency;

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

- Administration and general expenses were up \$0.3 million, or 27.5%, due mainly to the cost of the 5-year water rate and connection fee study and increased legal costs;
- Salaries and benefits increased \$0.7 million, or 20.9%, primarily as a result of a 2.73% COLA adjustment in FY 2018 and the recognition of pension expense related to GASB 68 for the District's retirement plan.
- Capital assets net of depreciation decreased \$0.3 million, or 0.4% in fiscal year 2018 and \$0.4 million, or 0.5% in fiscal year 2017. This was primarily a reflection of more capital projects being completed during 2018 and 2017 than construction in progress being added through new capital projects. The District added approximately \$1.4 million and \$2.5 million in infrastructure, improvements and equipment during 2018 and 2017 with annual depreciation for 2018 and 2017 being approximately \$1.7 million in each year. Also, at the end of fiscal years 2018 and 2017, \$0.1 million in infrastructure, improvement, and equipment assets were classified as "construction in-progress".
- Unrestricted net position was \$14.1 million, \$13.9 million and \$12.1 million at June 30, 2018, 2017 and 2016, respectively. Unrestricted net position increased \$0.2 million, or 1.8% in fiscal year 2018 and \$1.9 million, or 15.4% in fiscal year 2017. Restricted net position was \$0 at June 30, 2018 and 2017 and \$0.4 million at June 30 2016, respectively, of which all restricted net position balances were restricted for debt service.
- The District had positive cash flow from enterprise fund operations of \$6.3 million, \$5.7 million and \$5.1 million in 2018, 2017 and 2016, respectively. The District spent \$1.4 million, \$1.4 million and \$1.5 million in 2018, 2017 and 2016, respectively, on the acquisition of capital assets. The District issued \$14.9 million of refunding debt during 2016 and spent \$3.8 million, \$3.2 million and \$29.0 million in 2018, 2017 and 2016, respectively, on debt principal and interest payments. The District experienced an increase of \$1.1 million, \$1.2 million and a decrease of \$1.6 million in its ending cash balances of \$14.0 million, \$12.9 million and \$11.7 million at June 30, 2018, 2017 and 2016, respectively.

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 includes discussion on items that had a significant impact on the financial statements.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) required supplementary information. The District's Proprietary Fund Statements include those Water System activities funded primarily through user charges to customers. The District's governmental funds include activities related to resource conservation efforts not funded from user charges.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

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.

FINANCIAL ANALYSIS OF THE DISTRICT

STATEMENT OF NET POSITION – GOVERNMENT-WIDE TOTALS AS OF JUNE 30, 2018, 2017 AND 2016

	Governmental activities			Business-type activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Current assets	\$ 22,562	\$ 47,068	\$ 95,044	\$ 16,264,907	\$ 15,104,312	\$ 13,394,711	\$ 16,287,469	\$ 15,151,380	\$ 13,489,755
Capital assets, net of depreciation	-	-	-	70,163,980	70,430,326	70,812,095	70,163,980	70,430,326	70,812,095
Other assets	-	-	-	141,278	579,879	991,627	141,278	579,879	991,627
Total Assets	22,562	47,068	95,044	86,570,165	86,114,517	85,198,433	86,592,727	86,161,585	85,293,477
Deferred outflows	-	-	-	2,255,963	2,309,325	1,978,933	2,255,963	2,309,325	1,978,933
Current liabilities	4,859	4,667	6,210	3,387,447	3,329,671	2,646,770	3,392,306	3,334,338	2,652,980
Long-term liabilities	-	-	-	45,641,361	47,606,115	49,520,679	45,641,361	47,606,115	49,520,679
Total Liabilities	4,859	4,667	6,210	49,028,808	50,935,786	52,167,449	49,033,667	50,940,453	52,173,659
Deferred inflows	-	-	-	494,249	205,877	332,887	494,249	205,877	332,887
Net Position:									
Net Investment in Capital Assets	-	-	-	25,163,739	23,387,996	22,281,403	25,163,739	23,387,996	22,281,403
Restricted	-	-	-	-	10	412,862	-	10	412,862
Unrestricted	17,703	42,401	88,834	14,139,332	13,894,173	11,982,765	14,157,035	13,936,574	12,071,599
Total Net Position	\$ 17,703	\$ 42,401	\$ 88,834	\$ 39,303,071	\$ 37,282,179	\$ 34,677,030	\$ 39,320,774	\$ 37,324,580	\$ 34,765,864

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

There was a decrease in current assets of \$24,506 in 2018, \$47,976 in 2017 and \$32,842 in 2016. Also, during the same time period, there was an increase in liabilities of \$192 in 2018, a decrease of \$1,543 in 2017 and an increase of \$1,543 in 2016. Unrestricted net position decreased \$24,698

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

in 2018, \$46,433 in 2017 and \$34,385 in 2016, respectively. Although there are no ongoing revenue sources for District resource conservation programs, in 2018, the District receive a reimbursement grant from the Department of Conservation which reimbursed the District for expenditures in the amount of \$23,542. There were no significant revenues in 2017 or 2016. There was an increase of expenditures of \$239 in 2018, \$13,170 in 2017 and \$12,984 in 2016, respectively. The increase in 2018 was attributable to the reimbursement grant received from the Department of Conservation, 2017 is attributable to election costs and 2016 is attributable to expenditures for contracted services to perform a needs assessment.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

There was a revenue rate increase of 3.0% for the water service rate payers effective January 1, 2018. There was an increase in revenues of \$1.1 million in 2018, \$0.7 million in 2017 and \$0.3 million in 2016, respectively. The increases in revenue for all years is attributable to the annual rate increases that were effective each January 1, as well as increased water consumption due to the State emerging from the drought and certain water use restrictions being lifted. There was no rental revenue in 2017 due to sale and disposal of the Susie Gaines Mitchell Office Building (Office Building) on October 29, 2015. The sale of the building allows the District to focus its efforts on its core water operations.

Current assets increased by \$1.1 million in 2018, \$1.7 million in 2017, and remained relatively unchanged in 2016. The increases in 2018 and 2017 were due to an increase in cash and cash equivalents as a result of positive operating income.

Capital assets (net of depreciation) decreased approximately \$0.3 million in 2018, \$0.4 million in 2017 and \$7.6 million in 2016, respectively. The decreases in 2018 and 2017 were primarily due to depreciation expense exceeding the amount of capitalized 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 2018, \$1.7 million in 2017 and \$1.6 million in 2016, respectively.

Current liabilities increased by \$0.06 million in 2018, \$0.7 million in 2017 and decreased by \$12.6 million in 2016, respectively. The increase in 2018 and 2017 was due primarily to principal debt payments coming due within the year. The decrease in 2016 was due primarily to the sale and disposal of the Office Building which eliminated \$11.7 million of debt that was in technical default.

Long term debt in the Water District Fund decreased by \$2.2 million in 2018 and \$2.1 million in 2017, both 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.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – GOVERNMENT-WIDE TOTALS FOR THE YEARS ENDED JUNE 30, 2018, 2017 AND 2016

	Governmental activities			Business-type activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water services	-	-	-	15,343,124	14,210,971	13,475,325	15,343,124	14,210,971	13,475,325
Office building	-	-	-	-	-	373,800	-	-	373,800
Capital contribution/grants	-	-	-	-	-	-	-	-	-
General Revenues:									
Interest earnings	-	4	93	38,008	46,228	20,002	38,008	46,232	20,095
Other	23,542	1,564	353	23,344	54,451	4,777,152	46,886	56,015	4,777,505
Total Revenues	\$ 23,542	\$ 1,568	\$ 446	\$ 15,404,476	\$ 14,311,650	\$ 18,646,279	\$ 15,428,018	\$ 14,313,218	\$ 18,646,725
Expenses:									
General Government	\$ 48,240	\$ 48,001	\$ 34,831	\$ -	\$ -	\$ -	\$ 48,240	\$ 48,001	\$ 34,831
Water Service	-	-	-	12,689,245	11,706,501	10,754,181	12,689,245	11,706,501	10,754,181
Office building	-	-	-	-	-	320,016	-	-	320,016
Total Expenses	48,240	48,001	34,831	12,689,245	11,706,501	11,074,197	12,689,245	11,754,502	11,109,028
Change in net position	(24,698)	(46,433)	(34,385)	2,715,231	2,605,149	7,572,082	2,690,533	2,558,716	7,537,697
Net position, beginning of year, as restated	42,401	88,834	123,219	36,587,840	34,677,030	27,104,948	36,630,241	34,765,864	27,228,167
NET POSITION, END OF YEAR	\$ 17,703	\$ 42,401	\$ 88,834	\$ 39,303,071	\$ 37,282,179	\$ 34,677,030	\$ 39,320,774	\$ 37,324,580	\$ 34,765,864

GOVERNMENTAL ACTIVITIES HIGHLIGHTS

For the District's resource conservation programs during 2018, 2017 and 2016, there was a decrease in net position of \$24,698, \$46,433 and \$34,385, respectively. This resulted from conservation related expenditures without ongoing revenues, as the District is drawing down its cash balances to fund resource conservation efforts. Although the District received a reimbursement grant from the Department of Conservation in 2018, the grant only reimbursed the cost of grant related activities totaling \$23,542. The Board is considering the strategic direction of the conservation side of the District's operations. Cash and cash equivalents decreased from \$95,044 to \$47,068 to \$19,819 in 2016, 2017 and 2018. Total expenditures remained consistent in 2018, increased in 2017 due to election costs and increased in 2016 due to the needs assessment that was performed during the fiscal year.

BUSINESS-TYPE ACTIVITIES HIGHLIGHTS

Total net position of business type activities was \$39.3 million in 2018, \$37.3 million in 2017 and \$34.7 million in 2016, respectively. While the change in net position was positive in 2018 and 2017, it decreased from \$7.6 million in 2016 to \$2.6 million in 2017 and \$2.7 million in 2018 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 \$1.1 million in 2018 due mainly to costs related to

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

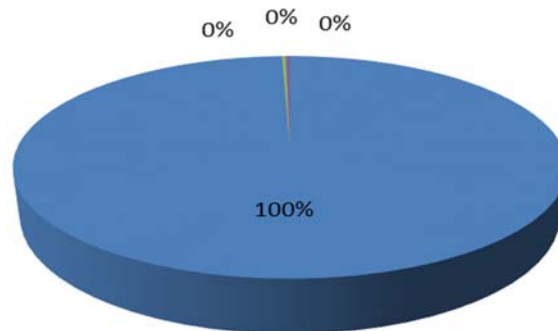
JUNE 30, 2018, 2017 AND 2016

the 5-year water rate and connection fee studies, increased legal costs and the recognition of pension expenses related to GASB 68 and the Districts retirement plan. Operating expenses increased \$1.0 million in 2017, due mainly to a \$0.3 million increase to purchased water as a result of increased water consumption 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. Interest expense also decreased by approximately \$0.9 million in 2016 primarily due to the bond refinancing's in fiscal years 2015 and 2016.

The breakdown of business-type activities revenues by type for the years ended June 30, 2018, 2017 and 2016 were as follows:

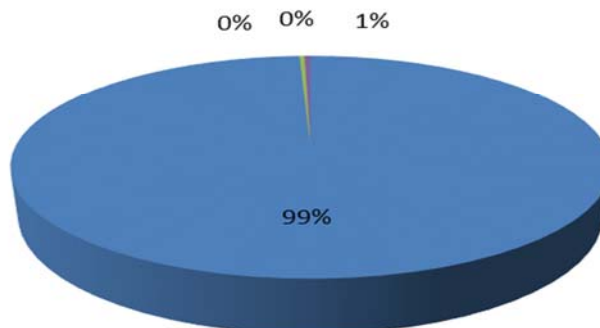
2018 Revenue

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



2017 Revenue

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



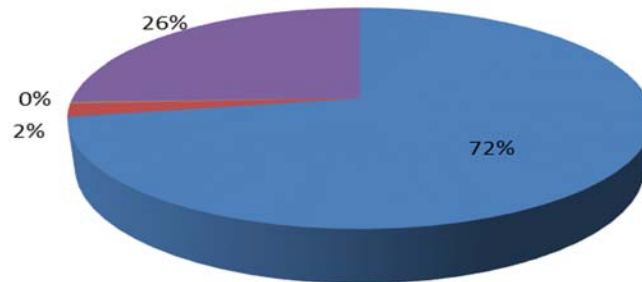
FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

2016 Revenue

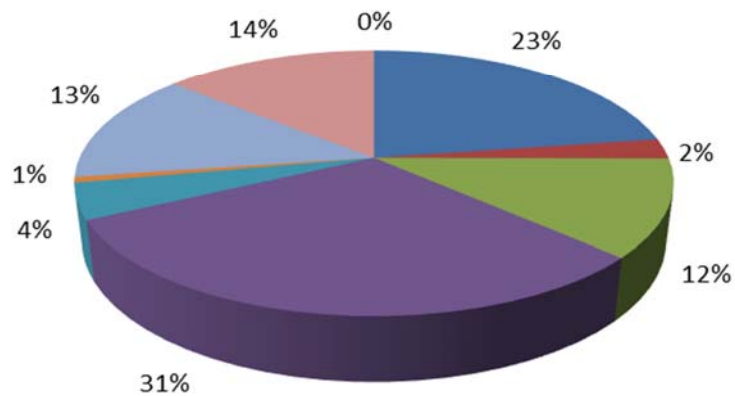
■ Water Services ■ Rental Income ■ Interest Income ■ Other Income



The breakdown of business-type activities expenses by type for the years ended June 30, 2018, 2017 and 2016 were as follows:

2018 Expenses

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

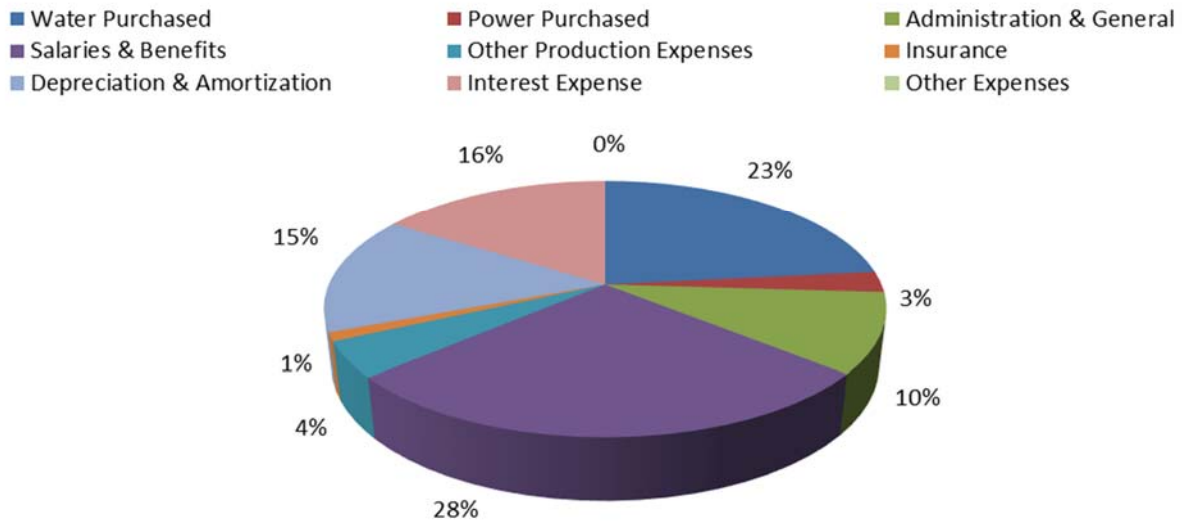


FLORIN RESOURCE CONSERVATION DISTRICT

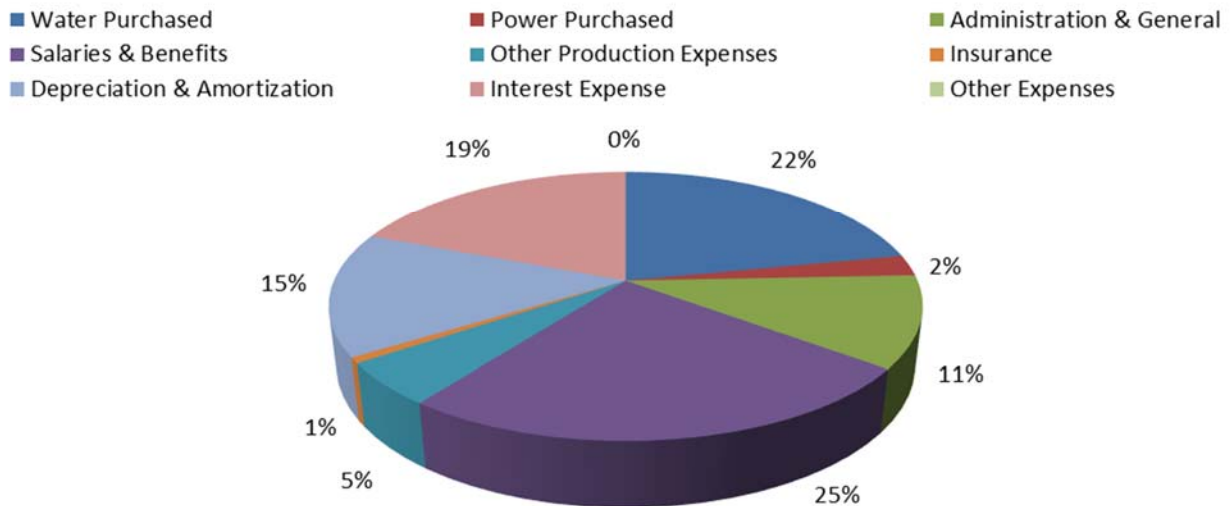
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

2017 Expenses



2016 Expenses



General Fund Budgetary Highlights

Other than a reimbursement grant through the California Department of Conservation, the General Fund, which reports the District's resource conservation efforts, has no ongoing sources of revenue. Association dues, meeting expense and contracted services were budgeted and paid almost entirely from reserves.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

Capital Asset and Debt Administration

The changes in capital assets in 2018, 2017 and 2016 were primarily a result of expenditures for infrastructure offset by depreciation each year. Depreciation expense for 2018, 2017 and 2016, was \$1.7 million, \$1.7 million and \$1.6 million, respectively.

Major capital asset projects during 2018 and 2017 included the Railroad Water Treatment Facility Modular Meeting Room/IT Center, Service Line Replacements, Kent Street Water Main Replacement, Railroad Corridor Water Line, 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, 2018, 2017 AND 2016**

	2018	2017	2016
2014/16 Refunding and Capital Improvements-EGWD	\$ 44,145,000	\$ 46,135,000	\$ 47,575,000
Total	<u>\$ 44,145,000</u>	<u>\$ 46,135,000</u>	<u>\$ 47,575,000</u>

Refer to Note 4 on page 42 for additional information on long-term debt activity.

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 July 2018, the local unemployment rate was 3.9%, compared to 5.3% and 5.7% in August 2016 and 2015 respectively. The California Department of Transportation forecasts that Sacramento County will experience positive job growth of 5.4% in 2017, compared to actual growth of 3.9% in 2016 and 3.2% overall in Northern California.
- 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.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018, 2017 AND 2016

On June 21, 2017 the Board approved deferring one and one-half percent of the water revenue adjustment scheduled on January 1, 2018. The overall rate for the water service for FY 2017-18 was increased by only 3.0% rather than the suggested 4.5% adjustment.

All of these factors were considered in preparing the Florin Resource Conservation District's budget for the fiscal year ending June 30, 2019. The District adopted an operating budget of \$14.8 million for FY 2018-19. In addition, the District approved \$1.3 million in capital expenditures for FY 2018-19, as part of the five-year Capital Improvement Program totaling \$6.7 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 Finance Manager/Treasurer, Florin Resource Conservation District, 9257 Elk Grove Blvd, Elk Grove, CA 95624.

This page intentionally left blank

Florin Resource Conservation District
Comparative Statement of Net Position
June 30, 2018 and 2017

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 19,819	\$ 13,981,775	\$ 14,001,594	\$ 47,068	\$ 12,871,285	\$ 12,918,353
Receivables:						
Customer accounts receivable	-	2,045,987	2,045,987	-	2,038,529	2,038,529
Other receivables	2,743	14,201	16,944	-	-	-
Interest receivable	-	3,410	3,410	-	3,439	3,439
Inventories	-	44,518	44,518	-	65,658	65,658
Prepaid expenses	-	175,016	175,016	-	125,401	125,401
Total current assets	22,562	16,264,907	16,287,469	47,068	15,104,312	15,151,380
Noncurrent assets:						
Restricted cash and cash and cash equivalents	-	-	-	-	10	10
Net OPEB asset	-	141,278	141,278	-	579,869	579,869
Capital assets:						
Not being depreciated	-	800,865	800,865	-	789,541	789,541
Being depreciated, net	-	69,363,115	69,363,115	-	69,640,785	69,640,785
Total capital assets	-	70,163,980	70,163,980	-	70,430,326	70,430,326
Total noncurrent assets	-	70,305,258	70,305,258	-	71,010,205	71,010,205
Total assets	22,562	86,570,165	86,592,727	47,068	86,114,517	86,161,585
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding of debt	-	1,034,991	1,034,991	-	1,108,918	1,108,918
Deferred outflows of resources - pension	-	1,065,643	1,065,643	-	1,200,407	302,911
Deferred outflows of resources - OPEB	-	155,329	155,329	-	-	897,496
Total deferred outflows of resources	-	2,255,963	2,255,963	-	2,309,325	2,309,325
LIABILITIES						
Current liabilities:						
Accounts payable	-	322,251	322,251	-	284,073	284,073
Due to other governments	4,859	285,469	290,328	4,667	293,247	297,914
Interest payable	-	598,193	598,193	-	624,040	624,040
Unearned revenue	-	16,848	16,848	-	16,848	16,848
Noncurrent liabilities, due within one year	-	2,164,686	2,164,686	-	2,111,463	2,111,463
Total current liabilities	4,859	3,387,447	3,392,306	4,667	3,329,671	3,334,338
Noncurrent liabilities:						
Net pension liability	-	1,568,286	1,568,286	-	1,381,275	1,381,275
Noncurrent liabilities, due in more than one year	-	44,073,075	44,073,075	-	46,224,840	46,224,840
Total noncurrent liabilities	-	45,641,361	45,641,361	-	47,606,115	47,606,115
Total liabilities	4,859	49,028,808	49,033,667	4,667	50,935,786	50,940,453
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - pension	-	103,790	103,790	-	205,877	205,877
Deferred inflows of resources - OPEB	-	390,459	390,459	-	-	-
Total deferred inflows of resources	-	494,249	494,249	-	205,877	205,877
NET POSITION						
Net investment in capital assets	-	25,163,739	25,163,739	-	23,387,996	23,387,996
Restricted for debt service	-	-	-	-	10	10
Unrestricted	17,703	14,139,332	14,157,035	42,401	13,894,173	13,936,574
Total net position	\$ 17,703	\$ 39,303,071	\$ 39,320,774	\$ 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
For the year ended June 30, 2018

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	\$ 48,240	\$ -	\$ 23,542	\$ (24,698)	\$ -	\$ (24,698)
TOTAL GOVERNMENTAL ACTIVITIES	48,240	-	23,542	(24,698)	-	(24,698)
BUSINESS-TYPE ACTIVITIES:						
Water District	12,689,245	15,343,124	-	-	2,653,879	2,653,879
TOTAL BUSINESS-TYPE ACTIVITIES	12,689,245	15,343,124	-	-	2,653,879	2,653,879
TOTAL PRIMARY GOVERNMENT	\$ 12,737,485	\$ 15,343,124	\$ 23,542	\$ (24,698)	\$ 2,653,879	\$ 2,629,181
GENERAL REVENUES:						
Interest and investment earnings				\$ -	\$ 38,008	\$ 38,008
Other revenues				-	23,344	23,344
Gain on sale of capital assets				-	-	-
Total general revenues				-	61,352	61,352
Change in net position				(24,698)	2,715,231	2,690,533
Net position - beginning of year, as restated				42,401	36,587,840	36,630,241
Net position - end of year				\$ 17,703	\$ 39,303,071	\$ 39,320,774

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
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 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
Comparative Balance Sheet
Governmental Fund
June 30, 2018 and 2017

		General Fund	
		2018	2017
ASSETS			
Cash and investments		\$ 19,819	\$ 47,068
Receivables:		2,743	-
Total assets		\$ 22,562	\$ 47,068
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other governments		\$ 4,859	\$ 4,667
Total liabilities		4,859	4,667
Fund Balances:			
Unassigned		17,703	42,401
Total fund balances		17,703	42,401
Total liabilities and fund balances		\$ 22,562	\$ 47,068
Total fund balance, governmental fund		\$ 17,703	\$ 42,401
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		\$ 17,703	\$ 42,401

Florin Resource Conservation District
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
June 30, 2018 and 2017

	General Fund	
	2018	2017
REVENUES:		
Use of money and property	\$ -	\$ 4
Grant revenue	23,542	-
Miscellaneous	-	1,564
Total revenues	23,542	1,568
EXPENDITURES:		
Current:		
General government	48,240	48,001
Total expenditures	48,240	48,001
Net change in fund balances	(24,698)	(46,433)
FUND BALANCES:		
Beginning of year	42,401	88,834
End of year	\$ 17,703	\$ 42,401
Net change in fund balance, governmental fund	\$ (24,698)	\$ (46,433)
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	\$ (24,698)	\$ (46,433)

Florin Resource Conservation District
Comparative Statement of Net Position
Proprietary Fund - Water Enterprise
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,981,775	\$ 12,871,285
Receivables:		
Customer accounts receivable	2,045,987	2,038,529
Other receivables	14,201	-
Interest receivable	3,410	3,439
Inventories	44,518	65,658
Prepaid expense	175,016	125,401
Total current assets	16,264,907	15,104,312
Noncurrent assets:		
Restricted cash and cash equivalents	-	10
Net OPEB asset	141,278	579,869
Capital assets:		
Not being depreciated	800,865	789,541
Being depreciated, net	69,363,115	69,640,785
Total capital assets	70,163,980	70,430,326
Total noncurrent assets	70,305,258	71,010,205
Total assets	86,570,165	86,114,517
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of debt	1,034,991	1,108,918
Deferred outflows of resources - pension	1,065,643	1,200,407
Deferred outflows of resources - OPEB	155,329	-
Total deferred outflows of resources	2,255,963	2,309,325
LIABILITIES		
Current liabilities:		
Accounts payable	322,251	284,073
Due to other governments	285,469	293,247
Interest payable	598,193	624,040
Unearned revenue	16,848	16,848
Noncurrent liabilities, due within one year	2,164,686	2,111,463
Total current liabilities	3,387,447	3,329,671
Noncurrent liabilities:		
Net pension liability	1,568,286	1,381,275
Noncurrent liabilities, due in more than one year	44,073,075	46,224,840
Total noncurrent liabilities	45,641,361	47,606,115
Total liabilities	49,028,808	50,935,786
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension	103,790	205,877
Deferred inflows of resources - OPEB	390,459	-
Total deferred inflows of resources	494,249	205,877
NET POSITION		
Net investment in capital assets	25,163,739	23,387,996
Restricted for debt service	-	10
Unrestricted (deficit)	14,139,332	13,894,173
Total net position	\$ 39,303,071	\$ 37,282,179

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 Fund - Water Enterprise
June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Charges for services	\$ 15,343,124	\$ 14,210,971
Total operating revenues	15,343,124	14,210,971
OPERATING EXPENSES:		
Water purchased	2,873,292	2,732,016
Power purchased	311,787	307,612
Administration and general	1,494,913	1,172,524
Salaries and benefits	3,902,805	3,228,235
Other production expenses	552,824	525,951
Insurance	86,006	125,199
Depreciation and amortization	1,712,203	1,745,984
Total operating expenses	10,933,830	9,837,521
OPERATING INCOME	4,409,294	4,373,450
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	38,008	46,228
Interest expense	(1,755,415)	(1,868,980)
Gain on sale of capital assets	-	22,117
Other nonoperating revenue	23,344	32,334
Total nonoperating revenues (expenses)	(1,694,063)	(1,768,301)
CHANGE IN NET POSITION	2,715,231	2,605,149
NET POSITION		
Beginning of year, as restated	36,587,840	34,677,030
End of year	\$ 39,303,071	\$ 37,282,179

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

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Fund - Water Enterprise
June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 15,321,465	\$ 14,118,161
Payments to suppliers	(5,316,897)	(4,936,045)
Payments to employees	(3,686,261)	(3,504,194)
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	<u>6,318,307</u>	<u>5,677,922</u>
CASH FLOWS FROM NONCAPITAL		
FINANCING ACTIVITIES:		
Operating grants and reimbursements	<u>23,344</u>	<u>32,334</u>
NET CASH PROVIDED BY NONCAPITAL		
FINANCING ACTIVITIES	<u>23,344</u>	<u>32,334</u>
CASH FLOWS FROM CAPITAL		
AND RELATED FINANCING ACTIVITIES:		
Principal paid on noncurrent liabilities	(1,990,000)	(1,737,957)
Interest paid on noncurrent liabilities	(1,833,351)	(1,509,565)
Proceeds from sale of capital assets	-	97,762
Purchase of capital assets	(1,445,857)	(1,448,974)
NET CASH USED BY CAPITAL AND RELATED		
FINANCING ACTIVITIES	<u>(5,269,208)</u>	<u>(4,598,734)</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Interest received	<u>38,037</u>	<u>51,139</u>
NET CASH PROVIDED BY		
INVESTING ACTIVITIES	<u>38,037</u>	<u>51,139</u>
 NET INCREASE (DECREASE) IN		
CASH AND CASH EQUIVALENTS	<u>1,110,480</u>	<u>1,162,661</u>
 CASH AND CASH EQUIVALENTS - Beginning of year	<u>12,871,295</u>	<u>11,708,634</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 13,981,775</u>	<u>\$ 12,871,295</u>
 RECONCILIATION OF CASH AND		
CASH EQUIVALENTS TO THE		
STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 13,981,775	\$ 12,871,285
Restricted cash and cash equivalents	-	10
CASH AND CASH EQUIVALENTS	<u>\$ 13,981,775</u>	<u>\$ 12,871,295</u>

(Continued)

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Fund - Water Enterprise
June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,409,294	\$ 4,373,450
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,712,203	1,745,984
Changes in operating assets and liabilities:		
Customer accounts receivable	(21,659)	(109,658)
Inventory	21,140	13,354
Prepaid expenses	(49,615)	(42,695)
Net OPEB asset	438,591	(1,104)
Deferred outflows of resources - pension	134,764	(4,354)
Deferred outflows of resources - OPEB	(849,668)	(399,967)
Accounts payable	38,178	(90,846)
Due to other governments	(7,778)	47,444
Unearned revenue	-	16,848
Net pension liability	187,011	219,932
Deferred inflows of resources - pension	(102,087)	(127,010)
Deferred inflows of resources - OPEB	390,459	-
Compensated absences	17,474	36,544
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,318,307	\$ 5,677,922

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

This page intentionally left blank

Florin Resource Conservation District
Notes to Basic Financial Statements
For the years ended June 30, 2018 and 2017

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, 2018 and 2017

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 2018 and 2017.

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, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund 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, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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.

C. 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).

D. 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.

E. 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 was recorded in the Water District Fund by the District as of June 30, 2018 and 2017.

F. 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).

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. 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.

H. 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.

I. 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. 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.

J. Due to Other Governments

Due to other governments in the Water District Fund mainly consisted of \$285,469 and \$293,247 payable to the County of Sacramento for water purchases at June 30, 2018 and 2017, respectively.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. *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, 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.

L. *Unearned Revenue*

Unearned revenue is recognized for transactions for which revenue has not yet been earned. The District recorded \$16,848 at June 30, 2018 and 2017, respectively.

M. *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.

N. *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.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. 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 through the District's participation in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA or JPIA) as described in Note 6. The insurance is subject to a deductible. No significant claims occurred during the years ended June 30, 2018 and 2017. 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.

P. 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 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.

Q. 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.

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	March 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

5. New Pronouncements

In 2018, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The District restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the District for the current fiscal year.

T. Future Implementation of GASB Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for the District's year ending June 30, 2019.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

T. Future Implementation of GASB Pronouncements, Continued

- GASB Statement No. 84, *Fiduciary Activities* – The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for the District's year ending June 30, 2020.
- GASB Statement No. 87, *Leases* – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for the District's year ending June 30, 2021.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for the District's year ending June 30, 2019.
- GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objective of this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for the District's year end June 30, 2021.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

Cash and investments are classified in the accompanying financial statements as of June 30, 2018 and 2017 as follows:

As of June 30, 2018			
Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 19,819	\$ 13,981,775	\$ 14,001,594
Total cash and investments	\$ 19,819	\$ 13,981,775	\$ 14,001,594

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

Cash and investments were classified according to GASB Statement No. 40 as follows as of June 30, 2018 and 2017:

	2018	2017
Cash on hand	\$ 300	\$ 1,000
Deposits with financial institution	2,232,976	2,179,752
Total Cash on hand and deposits	2,233,276	2,180,752
Money Market F&M	2,000,000	-
Local Agency Investment funds	508,443	501,972
CalTrust	1,276,260	2,273,241
Investments held by custodian	7,983,612	7,962,388
Total investments	11,768,315	10,737,601
Total District Treasury	14,001,591	12,918,353
Cash with fiscal agent	2	10
Total cash and investments	\$ 14,001,593	\$ 12,918,363

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the District's cash deposit was \$2,232,976 and \$2,179,752 at June 30 2018 and 2017, respectively. Balance before reconciling amounts were a positive amount of \$2,693,467 and \$2,635,262 at June 30, 2018 and 2017, 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, 2018 and 2017

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 as of June 30, 2018 and 2017:

	2018	2017
Interest income	\$ 105,884	\$ 129,602
Unrealized gain/(loss) in change in fair value of investment	(67,877)	(86,809)
Total investment income	\$ 38,008	\$ 42,793

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.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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, 2018 and 2017, 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, 2018, the District had \$508,443 invested in LAIF, which had invested 2.67% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

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.

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, 2018 and 2017

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, 2018 and 2017:

2018

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	\$ 1,946,120	\$ -	\$ 974,520	\$ -	\$ 971,600	\$ -
Federal Home Loan Banks	1,475,515	497,755	-	977,760	-	-
Federal Home Loan Mortg Corp Notes	994,820	994,820	-	-	-	-
Federal National Mortg Assoc Notes	3,416,060	-	2,936,700	479,360	-	-
Money Market F&M	2,000,000	2,000,000	-	-	-	-
Money Market Union Bank	151,097	151,097	-	-	-	-
CalTrust	1,276,260	1,276,260	-	-	-	-
Local Agency Investment Fund	508,443	508,443	-	-	-	-
Total	\$ 11,768,316	\$ 5,428,376	\$ 3,911,220	\$ 1,457,120	\$ 971,600	\$ -

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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, 2018 the District's deposits and investments were rated as follows:

	Credit Quality Ratings	
	Moody's	S&P
Federal Farm Credit Bank Bonds	Aaa	AA+
Federal Home Loan Banks	Aaa	AA+
Federal Home Loan Mortg Corp Notes	Aaa	AA+
Federal National Mortg Association Notes	Aaa	AA+
Local Agency Investment Funds	Unrated	Unrated
CalTrust	Unrated	A+f/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, 2018 and 2017 are described on the following page:

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, Continued

2018:

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	\$ 1,946,120	\$ -	\$ 1,946,120	\$ -	
Federal Home Loan Banks	1,475,515	-	1,475,515	-	
Federal Home Loan Mortg Corp Notes	994,820	-	994,820	-	
Federal National Mortg Assoc Notes	3,416,060	-	3,416,060	-	
<i>Total Securities of U.S. Government</i>	<u><u>\$ 7,832,515</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,832,515</u></u>	<u><u>\$ -</u></u>	
<i>Investments not subject to levelling:</i>					
Money Market F&M	2,000,000				
Money Market Union Bank	151,097				
CalTrust Investment Pool	1,276,260				
Local Agency Investment Fund	<u>508,443</u>				
Total	<u><u>\$ 11,768,316</u></u>				

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><u>\$ 7,911,105</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,911,105</u></u>	<u><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	\$ 10,737,601			

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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, 2018 and 2017.

Business-type activities capital asset activity for the years ended June 30, 2018 and 2017 were as follows:

	Balance June 30, 2016	2017		Balance June 30, 2017	2018		Balance June 30, 2018
		Additions	Reductions		Additions	Reductions	
Capital assets not being depreciated:							
Land	\$ 638,075	\$ 48,503	\$ -	\$ 686,578	\$ -	\$ -	\$ 686,578
Construction in progress	1,311,081	98,093	(1,306,211)	102,963	114,287	(102,963)	114,287
Total capital assets not being depreciated	1,949,156	146,596	(1,306,211)	789,541	114,287	(102,963)	800,865
Capital assets being depreciated:							
Buildings	1,138,982	199,758	-	1,338,740	646,010	-	1,984,750
Wells	8,431,114	149,348	-	8,580,462	200,752	-	8,781,214
Treatment Plants	12,798,741	644,557	-	13,443,298	70,875	-	13,514,173
Water mains	74,129,352	1,438,045	-	75,567,397	409,288	-	75,976,685
Equipment	2,289,550	92,123	(152,521)	2,229,152	107,608	-	2,336,760
Total assets being depreciated	98,787,739	2,523,831	(152,521)	101,159,049	1,434,533	-	102,593,582
Less accumulated depreciation for:							
Buildings	(330,499)	(24,922)	-	(355,421)	(29,917)	-	(385,338)
Wells	(4,461,616)	(315,164)	-	(4,776,780)	(311,439)	-	(5,088,219)
Treatment Plants	(5,340,138)	(412,799)	-	(5,752,937)	(347,167)	-	(6,100,104)
Water mains	(17,756,631)	(926,617)	-	(18,683,248)	(944,592)	-	(19,627,840)
Equipment	(2,035,916)	(66,483)	152,521	(1,949,878)	(79,088)	-	(2,028,966)
Total accumulated depreciation	(29,924,800)	(1,745,985)	152,521	(31,518,264)	(1,712,203)	-	(33,230,467)
Total capital assets being depreciated, net	68,862,939	777,846	-	69,640,785	(277,670)	-	69,363,115
Total capital assets, net	\$ 70,812,095	\$ 924,442	\$ (1,306,211)	\$ 70,430,326	\$ (163,383)	\$ (102,963)	\$ 70,163,980

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

4. LONG-TERM DEBT

The following is a summary of long-term liability activity for the years ended June 30, 2018 and 2017:

	Balance	2018		Balance	Due Within
	June 30, 2017	Additions	Reductions	June 30, 2018	One Year
Business-type activities:					
Water District Fund					
Certificates of Participation					
2014 Refunding, Series A	\$ 31610,000	\$ -	\$ (1475,000)	\$ 30,135,000	\$ 1,705,000
2016 Refunding, Series A	14,525,000	-	(515,000)	14,010,000	365,000
Total Water District Fund debt	46,135,000	-	(1,990,000)	44,145,000	2,070,000
Compensated absences	185,055	202,529	(185,055)	202,529	94,686
Total Water District Fund	\$ 46,320,055	\$ 202,529	\$ (2,175,055)	\$ 44,347,529	\$ 2,164,686
Unamortized bond discounts & premiums	2,016,248	-	(126,016)	1,890,232	
Less: Due within one year	(2,111,463)			(2,164,686)	
Due in more than one year	\$ 46,224,840			\$ 44,073,075	

	Balance	2017		Balance	Due Within
	July 1, 2016	Additions	Reductions	June 30, 2017	One Year
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, 2018 and 2017

4. LONG-TERM DEBT, Continued

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

	2018	2017
<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, 2018 was \$623,354. The aggregate difference between the debt service requirements of the refunding bonds and remaining debt service of the refunded bonds was \$4,893,871.	\$ 30,135,000	\$ 31,610,000
<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 \$261,450 are due March 1 and September 1, 2016 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, 2018 was \$411,638. 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.	\$14,010,000	\$14,525,000

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

4. LONG TERM DEBT, Continued

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2018 are as follows:

Year Ending June 30,	Water District Fund		
	2014 Refunding, Series A and 2016 Refunding, Series A Bonds		
	Principal	Interest	Total
2019	\$ 2,070,000	\$ 1,753,909	\$ 3,823,909
2020	2,165,000	1,661,739	3,826,739
2021	2,300,000	1,555,469	3,855,469
2022	2,440,000	1,442,499	3,882,499
2023	2,560,000	1,323,204	3,883,204
2024-2028	14,645,000	5,029,782	19,674,782
2029-2033	17,965,000	1,938,686	19,903,686
	<u>\$ 44,145,000</u>	<u>\$ 14,705,287</u>	<u>\$ 58,850,287</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, 2018 and 2017:

	2018	2017
Covenant:		
Net revenues before adjustments (operating income)	\$ 4,409,294	\$ 4,373,450
Add: Depreciation and amortization	1,712,203	1,745,984
Net revenues, not including rate stabilization fund, accrual basis	6,121,497	6,119,434
Interest and principal payments, cash basis (as defined)	3,823,349	3,247,522
Coverage ratio computed	<u>1.60</u>	<u>1.88</u>

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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 5th year anniversary of the 2014 Series A Bonds is December 2019, at which time the District will conduct the necessary Arbitrage Rebate calculations.

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, 2018 and 2017:

	Description	2018	2017
Operating fund	120 days of annual operations and maintenance budget	\$ 4,869,967	\$ 4,182,889
Future capital improvement fund	75% of unrestricted funds not allocated to other reserve funds	5,854,024	5,109,297
Capital improvement fund	Annual capital improvement budget	440,000	1,130,000
Future capital replacement fund	25% of unrestricted funds not allocated to other reserve funds	1,951,341	1,703,099
Capital replacement fund	Annual capital replacement budget	874,000	626,000
Elections and special studies	Amount specified by Board of Directors	150,000	120,000
Total net position commitments		<u>\$ 14,139,332</u>	<u>\$ 12,871,285</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 coverage. The District's 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 are as follows:

Coverage	Amount	Deductible
Liability (including errors and omissions)	\$ 60,000,000	None
Cyber Liability	\$ 3,000,000/occurrence	\$ 25,000
Property	\$ 2,500,000 - 500,000,000	\$ 500-250,000
Crime	\$ 1,000,000	\$ 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, 2018 and 2017

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, 2018 and 2017 are summarized as follows:

	Miscellaneous - Classic	Miscellaneous - PEPR
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 (2017)	8.377%	6.555%
Required unfunded liability payment (2017)	\$ 123,375	\$ -
Required employer contribution rates (2018)	8.418%	6.533%
Required unfunded liability payment (2018)	\$ 136,504	\$ 34

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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, 2017 and 2016 were \$302,911 and \$298,557, respectively.

As of June 30, 2018, and 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,568,286 and \$1,381,275, 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 2018 is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. 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 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, 2015, 2016, and 2017 was as follows:

Proportion - June 30, 2015	0.016920%	Proportion - June 30, 2016	0.015960%
Proportion - June 30, 2016	<u>0.015960%</u>	Proportion - June 30, 2017	<u>0.015810%</u>
Change - Increase (Decrease)	-0.000960%	Change - Increase (Decrease)	-0.000150%

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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, 2018 and 2017, the District recognized pension expense(income) of \$537,500 and \$(8,270), respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 317,812	\$ -	\$ 302,911	\$ -
Changes in employer's proportion	227,506	51,166	168,760	108,085
Differences between the employer's contribution and the employer's proportionate share of contributions	181,549	-	221,704	-
Changes of assumptions	274,486	20,930	-	95,480
Differences between expected and actual experiences	2,213	31,694	10,092	2,312
Net differences between projected and actual earnings on plan investments	62,077	-	496,940	-
Total	\$ 1,065,643	\$ 103,790	\$ 1,200,407	\$ 205,877

\$317,812 and \$302,911 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, 2019 and 2018, 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:	2018	2017
2018	-	184,397
2019	267,204	149,704
2020	250,054	228,805
2021	163,639	128,713
2022	(36,856)	-

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

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, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

	2018	2017
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	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⁾	7.15%	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, 2016 and 2015 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. 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 7.15 percent for the Plan for the measurement date June 30, 2017 and 7.65 percent for the Plan for the measurement date June 30, 2016. 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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, 2018 and 2017

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 considered 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	2018			2017		
	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	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.80%	2.27%	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.60%	1.39%	6.00%	0.45%	3.36%
Private Equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real Estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-2.20%	-2.70%	1.00%	-0.55%	-1.05%
Total	<u>100%</u>			<u>100%</u>		

(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, 2018 and 2017

7. RETIREMENT PLANS, Continued

D. 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:

	2018	2017
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 2,473,069	\$ 2,138,582
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 1,568,286	\$ 1,381,275
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 818,929	\$ 755,399

E. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

At June 30, 2018 and 2017 the District reported a payable of \$0 for outstanding amount of required contributions to the pension plan required.

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The District has established an Other Postemployment Benefit plan (OPEB Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. CalPERS invests the plan's assets as part of the California Employer's Retiree Benefit Trust (CERBT). The OPEB Plan provides employees who retire directly from the District, at a minimum age of 55 and with a minimum of fifteen years of continuous service with the District, a lifetime cash subsidy for monthly medical, dental and vision insurance premiums for each eligible employee and spouse or registered domestic partner retiring within 120 days of separation from the District. Benefits from the District continue to surviving spouses 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, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

B. Employees Covered

As of the March 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	29
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Total	31

C. Contributions

The OPEB Plan and its contribution requirements are established by and may be amended by the District. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District's cash contributions were \$26,301 in pay-as-you-go premiums, payment to the trust of \$125,380 and the estimated implied subsidy was \$3,648 resulting in total payments of \$155,329.

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated March 1, 2017 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	2.26%
Salary Increases	3.25% per annum, in aggregate
Investment Rate of Return	7.28%
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	7.70% decreasing to 5.00%

Notes: ⁽¹⁾ Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

D. Net OPEB Liability, Continued

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<i>Investment Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
<i>Global Equity</i>	57.00%	7.75%
<i>Fixed Income</i>	27.00%	4.29%
<i>Treasury Inflation-Protected Securities (TIPS)</i>	5.00%	3.50%
<i>Commodities</i>	3.00%	2.84%
<i>Real Estate Investment Trusts</i>	8.00%	5.75%
<i>Liquidity</i>	0.00%	0.00%
<i>TOTAL</i>	100.00%	

E. Discount Rate

The discount rate used to measure the total OPEB liability was 7.28 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

F. Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		Net OPEB
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Measurement Date June 30, 2016)	\$ 2,156,074	\$ 1,927,589	\$ 228,485
Changes recognized for the measurement period:			
Service cost	148,138	-	148,138
Interest	166,580	-	166,580
Difference between expected and actual experience	(216,413)	-	(216,413)
Changes in Assumption	(151,557)	-	(151,557)
Contributions - employer	-	114,015	(114,015)
Net investment income	-	203,487	(203,487)
Benefit payment	(32,629)	(32,629)	-
Administrative expenses	-	(991)	991
Net Changes	(85,881)	283,882	(369,763)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 2,070,193	\$ 2,211,471	\$ (141,278)

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (6.28%)	Current Discount Rate (7.28%)	1% Increase (8.28%)
Net OPEB Liability	\$ 182,881	\$ (141,278)	\$ (407,821)

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1 % Decrease (6.28%)	Current Discount Rate (7.28%)	1 % Increase (8.28%)
Net OPEB Liability	\$ (458,943)	\$ (141,278)	\$ 50,134

I. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

J. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$134,710. For the fiscal year ended June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of TOL	\$ -	\$ 201,276
Changes in assumptions	-	140,956
Net difference between projected and actual earnings of OPEB plan investments	-	48,227
Contributions to OPEB plan after measurement date	155,329	-
TOTAL	\$ 155,329	\$ 390,459

The \$155,329 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	(37,795)
2020	(37,795)
2021	(37,795)
2022	(37,794)
2023	(25,738)
Thereafter	(213,542)

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

K. Plan Provision Changes

The Plan was amended on September 20, 2017 to provide coverage to surviving spouses effective 2017-2018. This amendment was not reflected in the June 30, 2017 measurement date valuation. Had this amendment been reflected in the June 30, 2017 measurement date valuation, the estimated June 30, 2017 TOL would increase by \$166,740.

L. Annual OPEB Cost and Net OPEB Obligation/Assets (GASB 45 information for 2017)

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.

	2017
Annual required contribution (ARC)	\$ 162,762
Interest on net OPEB obligation	(39,941)
Adjustment to annual required contribution	38,837
Annual OPEB cost (expense)	161,658
Contribution	(162,762)
(Increase) decrease in net OPEB asset	(1,104)
Net OPEB obligation (asset) - beginning of year	(578,765)
Net OPEB obligation (asset) - end of year	\$ (579,869)

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, 2018 and 2017

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

L. Annual OPEB Cost and Net OPEB Obligation/Assets, Continued

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

	<u>7/1/2015</u>
Actuarial accrued liability (AAL)	\$ 1,893,606
Actuarial value of plan assets	<u>1,834,047</u>
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.

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

A. 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.

B. District Conservation Operation Financial Issues

For many years, with the exception of revenue relating to its water service operations, the District has experienced insufficient revenues and declining reserves. The insufficient revenues and declining

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

9. COMMITMENTS AND CONTINGENCIES, CONTINUED

B. District Conservation Operation Financial Issues, Continued

reserves are attributable to a reduction in revenue generating operations by the District's conservation operations and a reduction in grant funding available for conservation activities. Although some grant funding is available, the majority of the grants require matching cash funds anywhere from 10-35% of the total grant amount. With declining cash balances, this grant requirement often results in the District not having the financial capacity to apply for such grants with non-water service operation funds.

Significant effort has been expended to resolve this financial issue and to address the strategic direction of the conservation operations of the District. On March 23, 2016, a Final Needs Assessment was accepted and filed by the Board, which concluded that, although certain needs may exist, there were no identifiable activities that the District could undertake that would generate a long-term source of revenue for the District's conservation operations.

On September 6, 2017, six options were presented to the Board for their consideration in addressing the financial issues with the District's conservation operations. Staff and the Board also took into consideration the requirements of Proposition 218 and related laws regarding the proper use of fees and other revenues. Consistent with Proposition 218, fees and revenues related to the water service operations of the District must be dedicated to the EGWD and such matters that benefit EGWD and its ratepayers. The fees and revenues generated by water service operations are prohibited from use to support or benefit the District's conservation operations. After several public meetings and discussions, the District's Board of Directors approved a resolution on April 18, 2018 declaring that all future activities performed by the District be limited to water related activities that provide a benefit to the EGWD ratepayers. This resolution is effective July 1, 2018.

This resolution provides a solution to the financial issues of the District's conservation operations, as the District's conservation operations are now restricted to only water related conservation activities that provide a benefit to EGWD ratepayers.

10. EXCESS EXPENDITURES OVER BUDGET

The General Fund's actual expenditures exceeded budget by \$6,180 for fiscal year 2017.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2018 and 2017

11. RESTATEMENT

The District recorded a prior period adjustment to recognize deferred outflows of resources and net OPEB liability as of June 30, 2017.

	Net Position, as Previously Reported at June 30, 2017	Prior Period Adjustments		Net Position, as Restated at June 30, 2017
		Deferred Employer OPEB Contributions	Net OPEB Liability	
Government-Wide Statements				
Business-type activities	\$ 37,282,179	\$ 114,015	\$ (808,354)	\$ 36,587,840
Proprietary Fund				
Water Enterprise	\$ 37,282,179	\$ 114,015	\$ (808,354)	\$ 36,587,840

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2018 and 2017

1. BUDGETARY COMPARISON INFORMATION -GENERAL FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 25	\$ 25	\$ -	\$ (25)
Miscellaneous	46,209	46,209	23,542	(22,667)
Total revenues	<u>46,234</u>	<u>46,234</u>	<u>23,542</u>	<u>(22,692)</u>
EXPENDITURES:				
General government	60,383	60,383	48,240	12,143
Total expenditures	<u>60,383</u>	<u>60,383</u>	<u>48,240</u>	<u>12,143</u>
REVENUES OVER (UNDER) EXPENDITURE	<u>(14,149)</u>	<u>(14,149)</u>	<u>(24,698)</u>	<u>(10,549)</u>
Net change in fund balance	<u>\$ (14,149)</u>	<u>\$ (14,149)</u>	<u>(24,698)</u>	<u>\$ (10,549)</u>
FUND BALANCE:				
Beginning of year			42,401	
End of year			<u>\$ 17,703</u>	

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>
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>	

Note: The basis of budgeting is the same as GAAP.

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2018 and 2017

2. DEFINED BENEFIT PENSION PLAN

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

Fiscal Year	2018	2017	2016	2015
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.01581%	0.01596%	0.01692%	0.01956%
Proportionate share of the net pension liability	\$ 1,568,286	\$ 1,381,275	\$ 1,161,703	\$ 1,217,268
Covered payroll	\$ 2,272,435	\$ 2,375,112	\$ 2,055,396	\$ 2,094,592
Proportionate Share of the net pension liability as percentage of covered payroll	69.01%	58.16%	56.52%	62.00%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	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*

Fiscal Year	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 317,812	\$ 302,911	\$ 298,556	\$ 291,670
Contribution in relation to the actuarially determined contributions	(317,812)	(302,911)	(298,556)	(291,670)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,359,233	\$ 2,272,435	\$ 2,375,112	\$ 2,055,396
Contributions as a percentage of covered payroll	13.47%	13.33%	12.57%	14.19%

Note to Schedule

Valuation date:	6/30/2015	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, 2018 and 2017

3. OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Schedule of Changes in the Net OPEB Liability and Related Ratios

<i>Measurement Period</i>	2017
Total OPEB Liability	
Service Cost	\$ 148,138
Interest on the total OPEB liability	166,580
Differences between expected and actual experience	(216,413)
Changes of assumptions	(151,557)
Benefit payments, including refunds of employee contributions	(32,629)
Net change in total OPEB liability	(85,881)
Total OPEB liability - beginning	2,156,074
Total OPEB liability - ending (a)	\$ 2,070,193
Plan Fiduciary Net Position	
Contributions - employer	\$ 114,015
Net investment income	203,487
Benefit payments, including refunds of employee contributions	(32,629)
Administrative expense	(991)
Net change in plan fiduciary net position	283,882
Plan fiduciary net position - beginning	1,927,589
Plan fiduciary net position - ending (b)	\$ 2,211,471
Net OPEB liability/(asset) - ending (a) - (b)	\$ (141,278)
Plan fiduciary net position as a percentage of the total OPEB liability	107%
Covered-employee payroll	2,272,435
Net OPEB liability as a percentage of covered-employee payroll	-6.22%

Notes to Schedule:

Changes in assumptions. Average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality table was updated to reflect the most recent CalPERS studies.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2018 and 2017

3. OTHER POSTEMPLOYMENT BENEFIT PLAN, Continued

B. Schedule of Contributions Last Ten Fiscal Years

Fiscal Year Ended June 30	2018
Actuarially Determined Contribution (ADC)	\$ 155,329
Contributions in relation to the ADC	(155,329)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	2,359,233
Contributions as a percentage of covered-employee payroll	6.58%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straightline Amortization
Asset Valuation Method	Market value
Inflation	2.25%
Payroll Growth	3.25% annual increases
Investment Rate of Return	7.28%
Healthcare cost-trend rates	7.70% decreasing to 5.00%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2018 and 2017

3. OTHER POSTEMPLOYMENT BENEFIT PLAN, Continued

C. 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%

This page intentionally left blank

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.

CONTENTS

Financial Trends Data

These schedules contain financial trend information to help the reader assess the District's most significant own-source revenue, water sales.

❖ Net Position by Component	71
❖ Changes in Net Position.....	72
❖ Fund Balances of Governmental Funds.....	73
❖ Changes in Fund Balances of Governmental Funds	73
❖ Revenues by Source	74
❖ Operating Expenses	74

Revenue Capacity Data

These schedules present revenue capacity information to assess the District's ability to generate revenues. Water sales are the District's most significant revenue source.

❖ Elk Grove Water District Rate Analysis.....	75
❖ Water Sales by Type	79
❖ Sales - Metered vs. Flat Rate	79
❖ Metered Water Sold	80
❖ Metered Water Consumption - CCFs	80
❖ Historical Service Connections	80
❖ Ten Largest Commercial Customers - Current Year and Five Years Ago	81

Debt Capacity Data

The District has outstanding Certificates of Participation relating to the purchase of the Water District, Capital Improvements, and a Commercial Building.

❖ Ratio of Debt Service to Operating Expenses.....	81
❖ Ratios of Outstanding Debt by Type - Proprietary Funds	82
❖ Bond Covenant Ratio Analysis - Water District Fund	82
❖ Pledged-Revenue Coverage - Water District Fund	83

Demographic and Economic Information

These schedules provide information on the demographic and economic environment in which the District conducts business, Elk Grove, California.

❖ City of Elk Grove Population	83
❖ City of Elk Grove Unemployment Rate	84
❖ City of Elk Grove Per Capita Income	84
❖ Area Demographic and Economic Statistical Information	84
❖ Operating Indicators for the Water District Fund	85
❖ Capital Asset Statistics by Function	85

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant years.

Florin Resource Conservation District
Net Position by Component
Last Ten Years

Fiscal Year ended June 30,	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Unreserved	\$ 67,862	\$ 69,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	80,760	88,227	80,927	132,261	123,219	88,834	42,401	17,703
Total governmental activities net position	67,862	69,903	80,760	88,227	80,927	132,261	123,219	88,834	42,401	17,703
Business-Type										
Invested in capital assets (net of debt)	(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	25,163,739
Restricted for Debt Services	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	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	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	14,139,332
Total business-type net position	(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	39,303,071
Primary Government										
Net investment in capital assets	(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	25,163,739
Restricted	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	5,509,663	9,122,678	9,619,185	10,130,657	10,756,952	9,918,627	8,343,344	12,071,599	13,936,574	14,157,035
Total Primary government net position	\$ (5,975,017)	\$ (4,663,798)	\$ (6,186,393)	\$ (4,712,397)	\$ (2,402,278)	\$ 27,847,390	\$ 27,228,166	\$ 34,765,864	\$ 37,324,580	\$ 39,320,774

Note:

* In accordance with the Districts implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011, unreserved net position for governmental funds is now classified as unassigned.

Source: Finance Department

Florin Resource Conservation District
Changes in Net Position
Last Ten Years

Fiscal Year ended June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 116,712	\$ 18,961	\$ 1,198	\$ 3,894	\$ 21,579	\$ 37,166	\$ 21,847	\$ 34,831	\$ 48,001	\$ 48,240
Business-type activities:										
Water	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	12,689,245
Office Building	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	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	12,689,245
Total primary government expenses	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	12,737,485
Governmental Activities:										
Program Revenues										
Charges for Services	12,000	12,000	12,000	11,333	9,533	5,467	-	-	-	-
Operating Grants	-	8,936	-	-	-	-	-	-	-	23,542
Total governmental activities	12,000	20,936	12,000	11,333	9,533	5,467	-	-	-	23,542
Business-type activities:										
Charges for Services										
Water	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	15,343,124
Office Building	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	198,000	-	100,000	-	-	-	-
Total business-type activities	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	15,343,124
Total primary government program revenues	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	15,366,666
Net revenues (expenses)										
Governmental activities	(104,712)	1,975	10,802	7,439	(12,046)	(31,699)	(21,847)	(34,831)	(48,001)	(24,698)
Business-Type	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	2,653,879
Total net revenues (expenses)	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	2,629,181
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Interest and investment earnings	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	189	66	55	28	4,746	83,033	12,805	446	1,568	-
Business-type activities:										
Interest and investment earnings	126,485	42,170	36,642	21,812	20,886	18,188	19,970	20,002	46,228	38,008
Other revenues	51,650	28,217	91,758	276,738	52,452	22,304	290,069	4,777,152	54,451	23,344
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	178,135	70,387	128,400	298,550	73,338	40,492	310,039	4,797,154	100,679	61,352
Total primary government	178,324	70,453	128,455	298,578	78,084	123,525	322,844	4,797,600	102,247	61,352
Change in net position:										
Governmental activities	(104,523)	2,041	10,857	7,467	(7,300)	51,334	(9,042)	(34,385)	(46,433)	(24,698)
Business-type activities	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	2,715,231
Total primary government	\$ 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	\$ 2,690,533

Source: Finance Department

Florin Resource Conservation District
Fund Balances of Governmental Funds
Last Ten Years

Fiscal Year ended June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 76,198	\$ 132,261	\$ 123,219	\$ 88,834	\$ 42,401	\$ 17,703
Unreserved	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 76,198	\$ 132,261	\$ 123,219	\$ 88,834	\$ 42,401	\$ 17,703
Total General Fund										

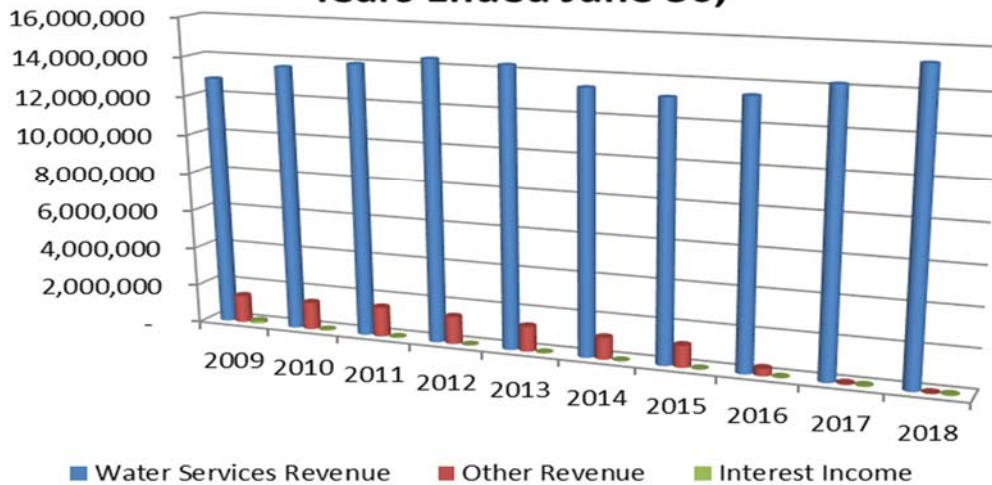
Florin Resource Conservation District
Changes in Fund Balances of Governmental Funds
Last Ten Years

Fiscal Year ended June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Use of money and property	\$ 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	23,542
Total Revenues	14,189	21,002	12,055	11,361	9,550	10,246	12,805	446	1,568	23,542
Expenditures										
General and administrative	116,712	18,961	1,198	3,894	21,579	37,166	21,847	34,831	48,001	48,240
Total expenditures	116,712	18,961	1,198	3,894	21,579	37,166	21,847	34,831	48,001	48,240
Other Financing Sources										
Transfers	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	-	-	-	82,983	-	-	-	-
Total other financing sources	-	-	-	-	-	82,983	-	-	-	-
Net change in fund balance	(102,523)	2,041	10,857	7,467	(12,029)	56,063	(9,042)	(34,385)	(46,433)	(24,698)
Fund balance, beginning of the year	170,385	67,862	69,903	80,760	88,227	76,198	132,261	123,219	88,834	42,401
Fund balance, end of the year	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 76,198	\$ 132,261	\$ 123,219	\$ 88,834	\$ 42,401	\$ 17,703

Source: Finance Department

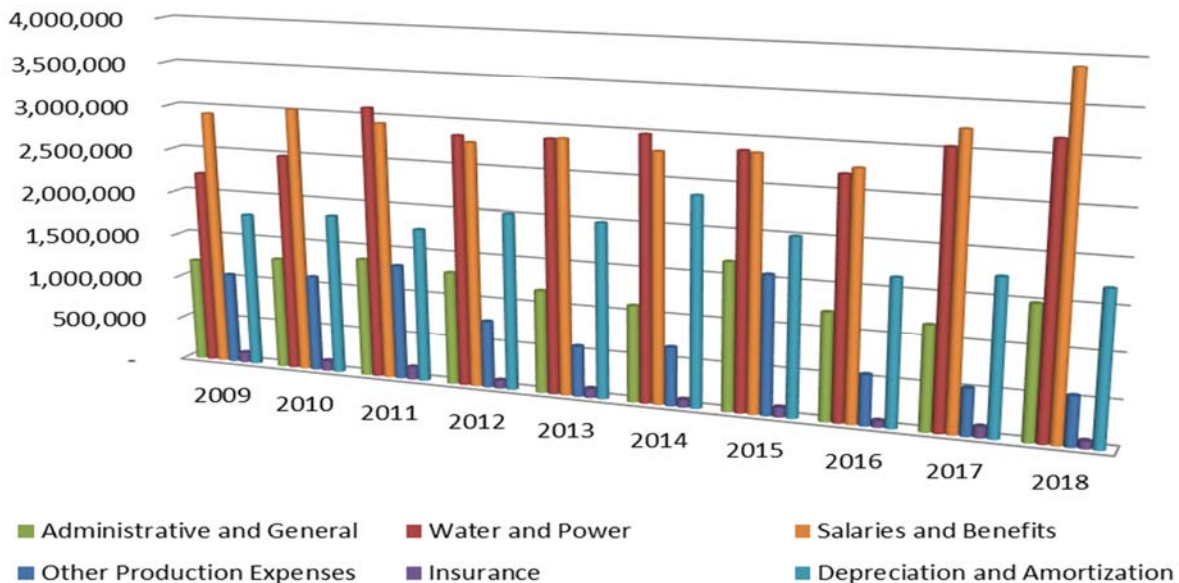
Florin Resource Conservation District Financial Trends

Florin Resources Conservation District Revenues by Source Years Ended June 30,



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.

Florin Resources Conservation District Operating Expenses For the Years Ended June 30



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**

	2008/09		2009/10		2010/11		2011/12		2012/13	
	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	\$ 50.47	\$ 69.91	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30
Monthly Consumption Rates										
1st tier: 0-30 ccf	1.31		1.46		1.46		1.46		1.46	
2nd tier: over 30 ccf	1.61		1.80		1.80		1.80		1.80	
Each sq. ft. of premises over 4,000 sf.		0.00218		0.00244		0.00244		0.00244		0.00244
Non-residential	N/A		N/A		N/A		N/A		N/A	
Irrigation	N/A		N/A		N/A		N/A		N/A	
Fixed Charge										
5/8" meter	50.47		56.53		56.53		56.53		56.53	
3/4" meter	50.47		56.53		56.53		56.53		56.53	
1" meter	50.47		56.53		56.53		56.53		56.53	
1 1/2" meter	65.61		73.48		73.48		73.48		73.48	
2" meter	105.99		118.71		118.71		118.71		118.71	
3" meter	398.73		446.56		446.56		446.56		446.56	
4" meter	504.72		565.29		565.29		565.29		565.29	
6" meter	757.08		847.93		847.93		847.93		847.93	
8" meter	1,044.77		1,170.14		1,170.14		1,170.14		1,170.14	

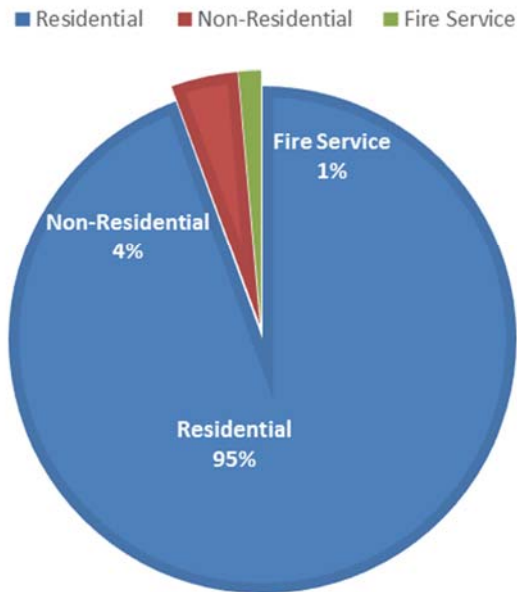
	2013/14		2014/15		2015/16		2016/17		2017/18	
	Metered		Metered		Metered		Metered		Metered	
	Rate	Flat Rate	Rate	Flat Rate	Rate	Flat Rate	Rate	Flat Rate	Rate	Flat Rate
Monthly Fixed Rate										
1 inch meter	\$ 59.23	\$ 70.22	\$ 61.01	\$ 72.00	\$ 62.84	N/A	\$ 64.73	N/A	\$ 66.67	N/A
Monthly Consumption Rates										
1st tier: 0-30 ccf	1.39		1.44		1.48		1.52		1.57	
2nd tier: over 30 ccf	2.76		2.85		2.93		3.02		3.11	
Each sq. ft. of premises over 4,000 sf.		0.00244		0.00244				N/A		N/A
Non-residential	1.57		1.62		1.67		1.72		1.77	
Irrigation	1.70		1.75		1.80		1.85		1.91	
Fixed Charge										
5/8" meter	59.23		61.01		62.84		64.73		66.67	
3/4" meter	59.23		61.01		62.84		64.73		66.67	
1" meter	59.23		61.01		62.84		64.73		66.67	
1 1/2" meter	83.37		85.87		88.45		91.10		93.84	
2" meter	112.34		115.71		119.18		122.76		126.44	
3" meter	179.93		185.33		190.89		196.62		202.52	
4" meter	276.49		284.79		293.33		302.13		311.19	
6" meter	517.89		533.43		549.43		565.91		582.89	
8" meter	807.57		831.80		856.75		882.45		908.93	
10" meter	1,145.53		1,179.90		1,215.29		1,251.75		1,289.30	

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
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	55.93	62.64	62.64	62.64	62.64	N/A	N/A	N/A	N/A	N/A
1" service	69.91	78.30	78.30	78.3	78.3	70.22	72.00	N/A	N/A	N/A
1 1/4" service	83.89	93.96	93.96	93.96	93.96	N/A	N/A	N/A	N/A	N/A
1 1/2" service	90.89	109.83	109.83	109.83	109.83	94.36	96.86	N/A	N/A	N/A
2" service	146.82	164.44	164.44	164.44	164.44	123.33	126.7	N/A	N/A	N/A
3" service	552.30	618.58	618.58	618.58	618.58	190.92	196.32	N/A	N/A	N/A
4" service	699.12	783.02	783.02	783.02	783.02	N/A	N/A	N/A	N/A	N/A
6" service	1,048.68	1,174.53	1,174.53	1,174.53	1,174.53	N/A	N/A	N/A	N/A	N/A
8" service	1,410.13	1,579.35	1,579.35	1,579.35	1,579.35	N/A	N/A	N/A	N/A	N/A
1x3/4" + 1x2" service	202.74	227.07	227.07	227.07	227.07	N/A	N/A	N/A	N/A	N/A
2x3/4" service	111.86	125.29	125.29	125.29	125.29	N/A	N/A	N/A	N/A	N/A
3x3/4" service	167.79	187.93	187.93	187.93	187.93	N/A	N/A	N/A	N/A	N/A
10x3/4" service	559.30	626.42	626.42	626.42	626.42	N/A	N/A	N/A	N/A	N/A
33x3/4" service	1,845.68	2,067.17	2,067.17	2,067.17	2,067.17	N/A	N/A	N/A	N/A	N/A
68x3/4" service	3,803.21	4,259.60	4,259.60	4,259.6	4,259.6	N/A	N/A	N/A	N/A	N/A
2x1" service	139.82	156.60	156.60	156.6	156.6	N/A	N/A	N/A	N/A	N/A
6x1" + 1x2" service	566.29	634.25	634.25	634.25	634.25	N/A	N/A	N/A	N/A	N/A
6x1" service	419.47	469.81	469.81	469.81	469.81	N/A	N/A	N/A	N/A	N/A
16x1" service	118.59	132.83	132.83	132.83	132.83	N/A	N/A	N/A	N/A	N/A
21x1" service	1,468.15	1,644.33	1,644.33	1,644.33	1,644.33	N/A	N/A	N/A	N/A	N/A
49x1" service	3,425.69	3,836.78	3,836.78	3,836.78	3,836.78	N/A	N/A	N/A	N/A	N/A
72x1" service	5,033.66	5,637.70	5,637.70	5,637.7	5,637.7	N/A	N/A	N/A	N/A	N/A
100x1" service	6,991.20	7,830.15	7,830.15	7,830.15	7,830.15	N/A	N/A	N/A	N/A	N/A
2x2" service	293.63	328.87	328.87	328.87	328.87	N/A	N/A	N/A	N/A	N/A

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate	Flat Rate
Fire Protection Service										
2" connection	21.20	23.74	23.74	23.74	23.74	2.71	2.79	2.87	2.96	3.04
3" connection	79.75	89.32	89.32	89.32	89.32	7.87	8.11	8.35	8.60	8.86
4" connection	100.94	113.05	113.05	113.05	113.05	16.78	17.28	17.80	18.33	18.88
6" connection	151.41	169.58	169.58	169.58	169.58	48.73	50.19	51.70	53.25	54.85
8" connection	208.95	234.02	234.02	234.02	234.02	103.85	106.96	110.17	113.48	116.88
10" connection						186.75	192.35	198.12	204.06	210.19
12" connection						301.65	310.70	320.02	329.62	339.51

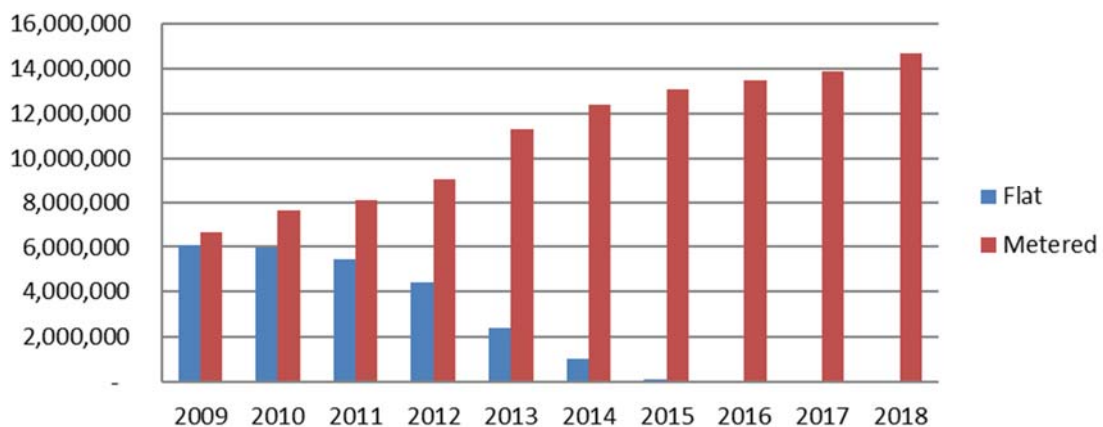
In April 2013 a new 5 year Rate Plan was adopted
Source: Finance Department

FLORIN RESOURCE CONSERVATION DISTRICT WATER SALES BY TYPE



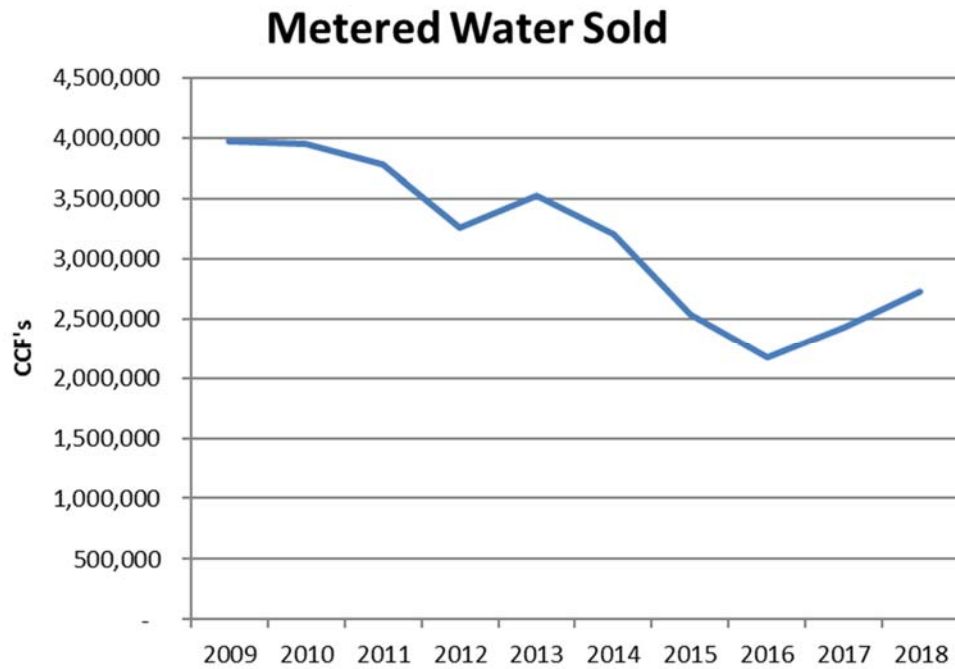
Sales by Type – This graph shows the percentages of the three major components of water sales by the Elk Grove Water District.

Sales - Metered vs. Flat Rate



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
6/30/09	5,849	6,272	12,121	11,530	618
6/30/10	5,207	6,955	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	-	12,291	12,291	11,779	512
6/30/16	-	12,174	12,174	11,662	512
6/30/17	-	12,506	12,506	11,978	528
6/30/18	-	12,330	12,330	11,799	531

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 2013-14		Customer	FY 2017-18	
	Amount Billed	% of Total Billed		Amount Billed	% of Total Billed
Cosumnes CSD	\$ 388,788	2.89%	Cosumnes CSD	\$ 332,578	2.27%
Elk Grove Unified School District	351,021	2.61%	Elk Grove Unified School District	300,389	2.05%
Realty Roundup	115,611	0.86%	City Of Elk Grove-Public Works	90,795	0.62%
City Of Elk Grove	58,397	0.43%	Emerald Park Company	63,580	0.43%
Emerald Park Company	56,986	0.42%	Emerald Vista Apts	51,806	0.35%
N/A	N/A	0.00%	JJD-Hov Elk Grove LLC	32,133	0.22%
N/A	N/A	0.00%	The Oaks Mobile Home Park	26,558	0.18%
N/A	N/A	0.00%	Ferguson & Brewer Mgmt	25,122	0.17%
N/A	N/A	0.00%	Elk Grove Village, LLC	23,392	0.16%
N/A	N/A	0.00%	Waterman Square Apts	21,534	0.15%
	<u>\$ 970,803</u>	<u>7.21%</u>		<u>\$ 967,887</u>	<u>6.60%</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
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%
2018	1,990,000	1,833,349	3,823,349	10,933,830	34.97%

Note: The District has no governmental activities debt.

*Interest Payments on the Cash Basis

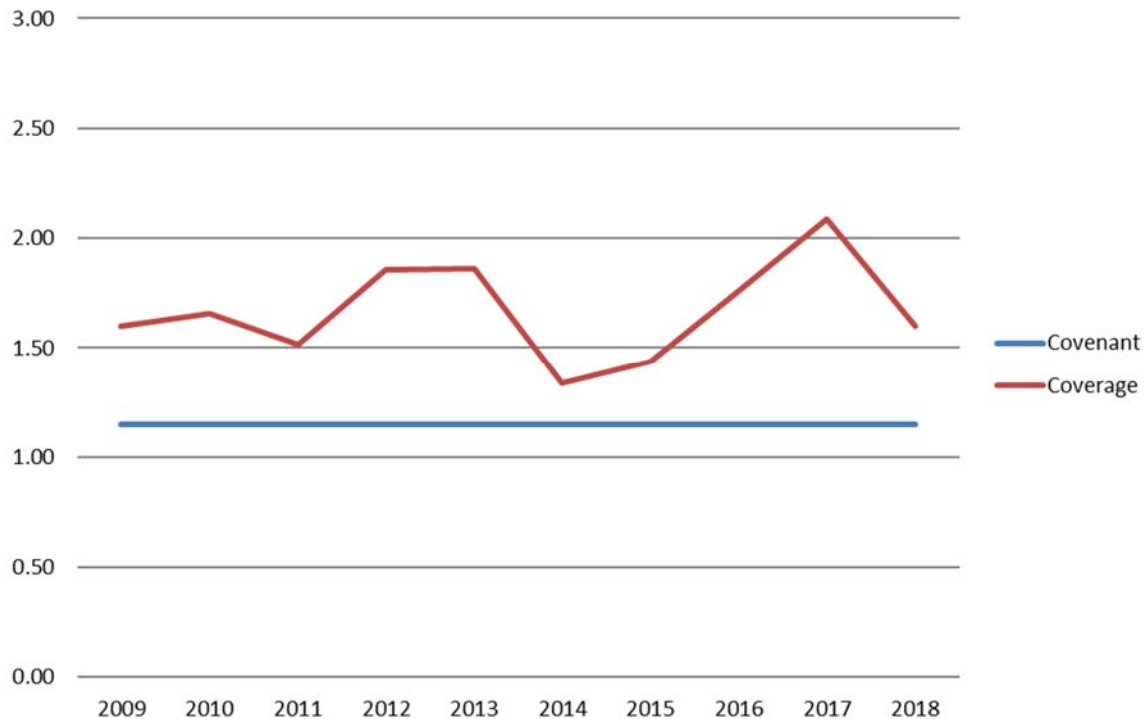
Source: Finance Department

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
2009	57,822,145	13,291,994	1,085,386	72,199,525	1.331%	510.50
2010	57,187,145	12,666,994	1,039,602	70,893,741	1.682%	492.71
2011	56,337,145	12,021,994	990,745	69,349,884	1.782%	453.22
2012	55,332,145	11,356,994	938,623	67,627,762	1.669%	433.69
2013	54,252,145	10,666,994	883,017	65,802,156	1.598%	413.66
2014	53,077,145	10,251,994	-	63,329,139	1.481%	394.11
2015	50,492,145	9,816,994	-	60,309,139	1.356%	370.22
2016	47,575,000	-	-	47,575,000	1.046%	283.24
2017	46,135,000	-	-	46,135,000	Not Available	269.70
2018	44,145,000	-	-	44,145,000	Not Available	256.48

Source: Finance Department

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



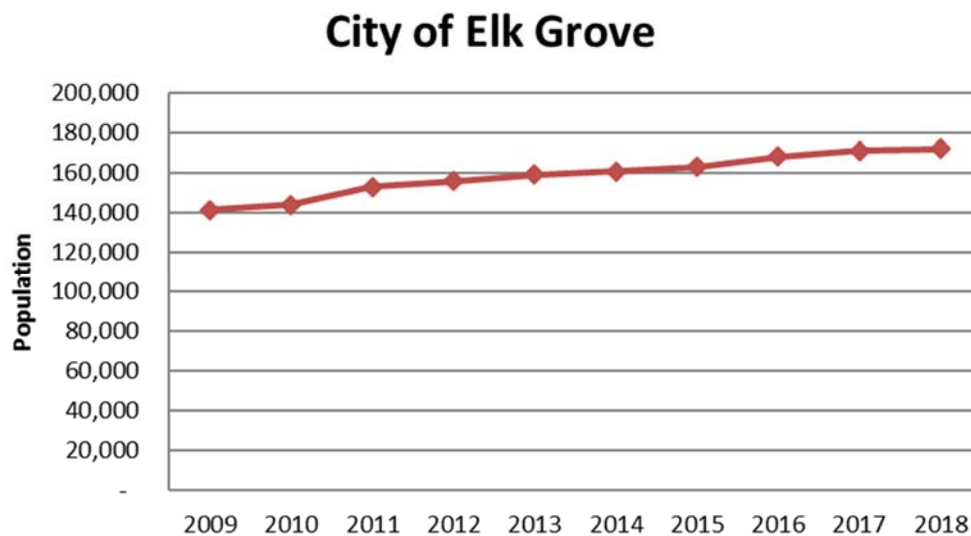
Source: Finance Department

Florin Resource Conservation District
Pledged-Revenue Coverage - Water Service Fund
Last Ten Years

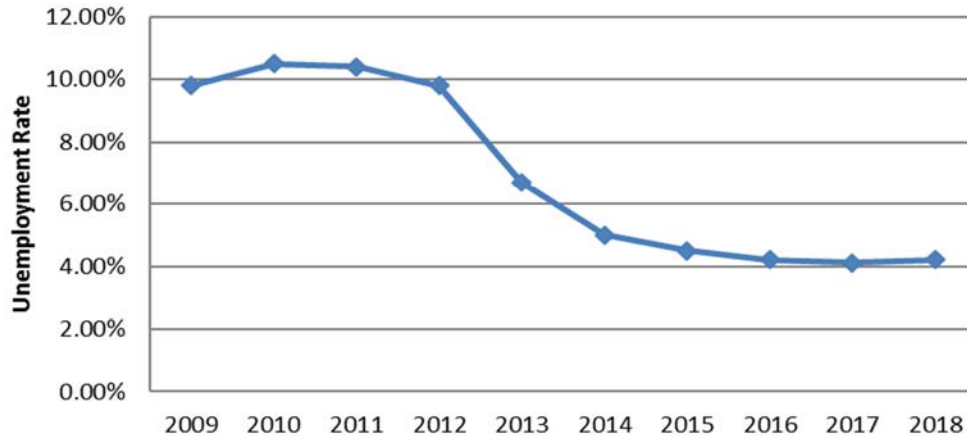
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues:										
Charges for Services	\$ 12,865,774	\$ 13,642,267	\$ 13,981,562	\$ 14,420,788	\$ 14,312,791	\$ 13,435,194	\$ 13,185,839	\$ 13,475,325	\$ 14,210,971	\$ 15,343,124
Operating Expenses:										
Water & Power	\$ 2,221,925	\$ 2,487,961	\$ 3,093,211	\$ 2,846,200	\$ 2,872,105	\$ 2,982,746	\$ 2,872,999	\$ 2,694,476	\$ 3,039,628	\$ 3,185,079
Other Production Expenses	984,362	1,047,545	1,160,949	582,000	365,502	411,116	1,437,329	524,769	525,951	552,824
Payroll & Related Taxes	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	3,902,805
Insurance	97,418	111,455	117,247	74,105	83,098	68,815	76,462	74,280	125,199	86,006
Administration & General	1,042,542	1,207,200	1,113,405	1,098,238	977,491	865,681	1,218,888	977,466	1,172,524	1,494,913
Operating Expenses, Less Debt Service:	\$ 7,269,277	\$ 7,879,116	\$ 8,412,169	\$ 7,377,814	\$ 7,180,619	\$ 7,136,443	\$ 8,461,211	\$ 7,034,797	\$ 8,091,537	\$ 9,221,627
Net Income From Operations	\$ 5,596,497	\$ 5,763,151	\$ 5,569,393	\$ 7,042,974	\$ 7,132,172	\$ 6,298,751	\$ 4,724,628	\$ 6,440,528	\$ 6,119,434	\$ 6,121,497
Covenant										
Income From Operations	\$ 5,596,497	\$ 5,763,151	\$ 5,569,393	\$ 7,042,974	\$ 7,132,172	\$ 6,298,751	\$ 4,724,628	\$ 6,440,528	\$ 6,119,434	\$ 6,121,497
Interest & Principal Payments	\$ 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	\$ 3,823,349
Coverage Ratio (1.15 Minimum Req.)	1.60	1.66	1.52	1.86	1.86	1.34	1.44	1.76	2.09	1.60

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

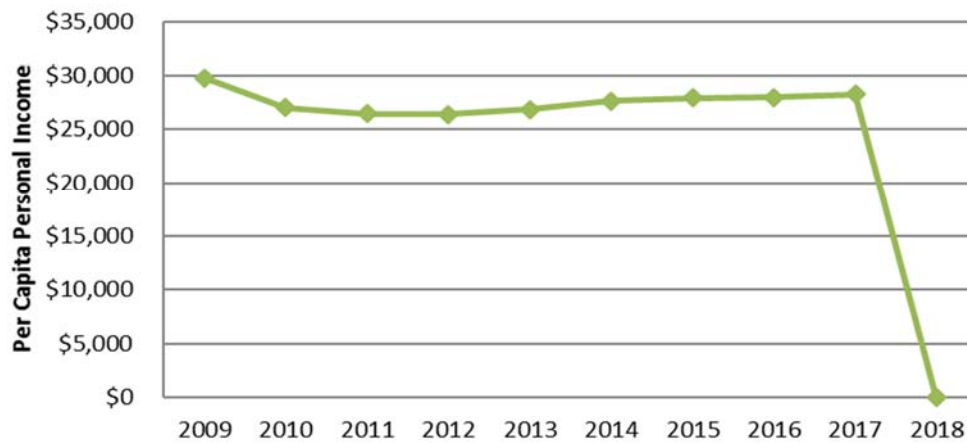
Demographic and Economic Information Florin Resource Conservation District



City of Elk Grove



City of Elk Grove



Data for 2018 unavailable from the City of Elk Grove.

Population Last Ten Fiscal Years

Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽²⁾
2009	141,430	\$29,797	9.80%
2010	143,885	\$27,043	10.50%
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	4.20%
2017	171,059	\$28,288	4.10%
2018	172,116	Not Available	4.20%

Source: (1) California Department of Finance

(2) US Census, 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,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water sold:										
Purchased water (CCFs)	1,854,139	1,868,738	2,304,632	1,069,886	1,128,430	1,145,719	942,941	806,785	899,099	1,001,381
Treated water (CCFs)	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	1,725,297
Total	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	2,726,678
Number of Accounts										
Non-metered	5,849	5,328	4,681	3,259	1,193	240	-	-	-	-
Metered	6,272	6,834	7,409	9,041	10,955	12,109	12,291	12,174	12,506	12,330
Total	12,121	12,162	12,090	12,300	12,148	12,349	12,291	12,174	12,506	12,330
Average annual CCFs used per account	327.38	324.62	312.34	264.97	290.22	259.27	205.73	178.44	194.06	221.14
Average daily consumption per account (CCFs)	0.8969	0.8894	0.8557	0.7259	0.7951	0.7103	0.5637	0.4889	0.5317	0.6059
Number of Employees:	24	32	32	30	29	29	29	28	31	29

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,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Capital Asset Statistics										
Water:										
Water main miles	124.0	124.0	124.0	124.0	124.0	131.0	131.0	131.0	145.0	145.0
Maximum daily capacity (thousands of gallons)	14,000	14,000	14,000	14,000	14,000	12,800	12,800	12,800	14,000	14,000
Maximum daily treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	10,000	10,000	10,000	10,000	11,000	11,000
Buildings owned	1	1	1	1	1	2	2	2	2	3

Source: Finance Department