



FLORIN RESOURCE CONSERVATION DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2012

Prepared by the Finance Department
9257 Elk Grove Boulevard
Elk Grove, California 95624, (916) 685-3556, www.egws.org

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FLORIN RESOURCE CONSERVATION DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2012

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March 18, 2013

Members of the Board of Directors
Florin Resource Conservation District

Directors:

The Florin Resource Conservation District is required by State statute to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to present the Comprehensive Annual Financial Report for the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2012. The information presented in this annual report 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.

This report 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 audited by Richardson & Company, 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, 2012, 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 unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2012, 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 require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and is intended to be read in conjunction with it. The District's MD&A can be located immediately following the independent auditors' report.

The Comprehensive Annual Financial Report is organized into Introductory, Financial, and Statistical sections. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes: Independent Auditor's Report on the District's financial statements; MD&A; June 30, 2012 basic financial statements, including the statement of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows and notes to the basic financial statements and required supplementary information. The statistical section is the chief source of information regarding the District's economic condition. The financial statements are prepared in accordance with GAAP.

DISTRICT PROFILE

History

The Florin Resource Conservation 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 in the west central portion of unincorporated Sacramento County, was formed to address soil degradation issues resulting from poor irrigation and drainage. There currently are approximately 100,000 acres within the District. The Elk Grove Water District (EGWD) is a medium sized water purveyor near Sacramento, California, serving a population of approximately 40,000 persons. Water system operations date back to 1893 when the water service was started by a private interest. The water system was purchased by the Florin Resource Conservation District (FRCD) in 1999, and is operated as a department of FRCD.

The FRCD also provides technical assistance and conservation education to farmers, community members and students. In addition, the FRCD participates in a number of regional environmental activities. 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 2 is provided by the Sacramento County Water Agency (SCWA), a wholesaler of surface and groundwater. SCWA owns and operates groundwater wells, storage tanks, water treatment facilities, and water conveyance systems. SCWA receives some treated surface water from the City of Sacramento. Source water for Service Area 1 is provided by four (4) deep wells and three (3) older shallow wells owned and operated by EGWD. 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 one component unit used to facilitate debt issuances, 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 ability of the District to impose its will on the Corporation and the fact that the sole purpose of the Corporation is to provide financing to the District under the District's debt issuance documents. More information on the Corporation may be found in Note A to the basic financial statements.

Accounting System and Budgetary Controls

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

The District staff works with the Finance Department to develop the annual budget. The Finance Department first provides a copy of the proposed budget to the Finance Committee, making any necessary adjustments arising from that review. Then the Finance Manager presents the proposed budget to the Board of Directors for their review. 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.

Mission Statement

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

Water Supply

Source Water – There are currently four wells that supply groundwater to Service Area 1. The deep aquifer has concentrations of iron and manganese that exceed current federal and state secondary drinking water standards. The deep wells are designed to produce approximately 1,800 gpm each and are conveyed through a small network of raw water mains to the Railroad Water Treatment and Storage Facility to be treated for iron and manganese.

Additional source water is provided from older shallow groundwater wells for emergency or backup water supply. There are three existing shallow wells currently available for emergency purposes. The aquifer for these shallow wells has concentrations of iron, manganese and arsenic that may exceed current federal and state primary and secondary drinking water standards. The three shallow wells are disinfected with 12% liquid chlorine (sodium hypochlorite) prior to being pumped directly in to the water distribution system. These shallow wells are used as needed.

Water Treatment

Elk Grove Water District maintains two water treatment facilities:

The Railroad Water Treatment and Storage Facility provides 4.0 million gallons of water storage, 10 booster pumps (rated at 16,000 gpm capacity each), and water treatment that removes iron, manganese and arsenic. 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 new deep wells. The Railroad Water Treatment and Storage Facility provide most of the water for Service Area 1.

High concentration (12%) sodium hypochlorite is used to oxidize and remove the contaminants. Upgrades and improvements to the plant are ongoing to ensure efficiency and productivity to meet the required demands of its customers and Federal and State regulatory requirements. Chemicals at the plant are stored outside in a locked gated area.

Current Situation

The current and future stability of the EGWD is positive with the existing revenue source remaining stable. Revenues are received entirely through water rates. EGWD provides water to nearly 12,300 service connections currently and growth projections suggest that the service connections should remain relatively the same in 2012.

On April 18, 2007, the Board of Directors approved a 5-year financial plan and water rates ordinance. The first rate increases occurred on April 1, 2007. The Plan automatically increases water rates on July 1st of each of the following 4 years. This makes the water rates known through June 30, 2012. The Board elected to reduce the rate increase effective June 30, 2009, and to forgo the scheduled rate increase for July 1, 2010 and July 1, 2012.

Local Economy

The downturn of the economy caused a great many foreclosures in the area as well as turnover and vacancies in the retail sector. Although the service connections remain stable, the volume of water sold has been affected.

Elk Grove Water District Five Year Plan

On January 25, 2012, the Board authorized Staff to hire Willdan Financial Services (Willdan) to develop a five year financial plan (Plan) for the District to cover the period of FY 2012-13 through FY 2016-17. The General Manager formed a Community Advisory Committee (CAC) to provide input to the Board, Staff and Willdan in the development of the five year plan. 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 2012-13 Five Year Capital Improvement Program
- Update the current Meter Connection Fee and Capacity Charges for new development

The Plan will act as a guide for future needs and be flexible to adjust as needed.

Long-Term Financial Planning

The five year financial plan will be completed by April 2013 and presented to the Board for approval. The 45 day noticing period for the Proposition 218 process will start thereafter. It is anticipated that the Board may adopt a new five year rate structure in June. As of now, the Plan proposes to implement rate adjustments in January 2014, with annual adjustments for the four years following implementation.

The Plan provides an opportunity to improve water service for existing and future ratepayers. Financial stability is a high priority for the Board. Once the existing projects are completed, there will be no additional bonds issued for future projects, as they will be funded on a "pay as you go basis".

During fiscal year ended June 30, 2012, the Board approved a five year Capital Improvement Program (CIP) of approximately \$9.2 million to develop a plan to build and replace the necessary infrastructure for the safe operation of the EGWD.

During the fiscal year ended June 30, 2012, the Board also adopted a Capital Investment and Reserve Policy to designate reserves for operating, capital improvements, capital replacements and special studies.

Awards and Acknowledgements

The Government Finance Officers Association (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, 2011. This was the third year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR that satisfies 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 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 another certificate.

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 District Management team.

Respectfully Submitted,



Dennis M. Coleman
Finance Manager/Treasurer

**LIST OF OFFICIALS
JUNE 30, 2012**

BOARD OF DIRECTORS:

Barrie Lighfoot <i>Chairman</i>	Elliot Mulberg <i>Vice-Chairman</i>	Chuck Dawson <i>Director</i>	Tom Nelson <i>Director</i>	Anthony Perez <i>Director</i>
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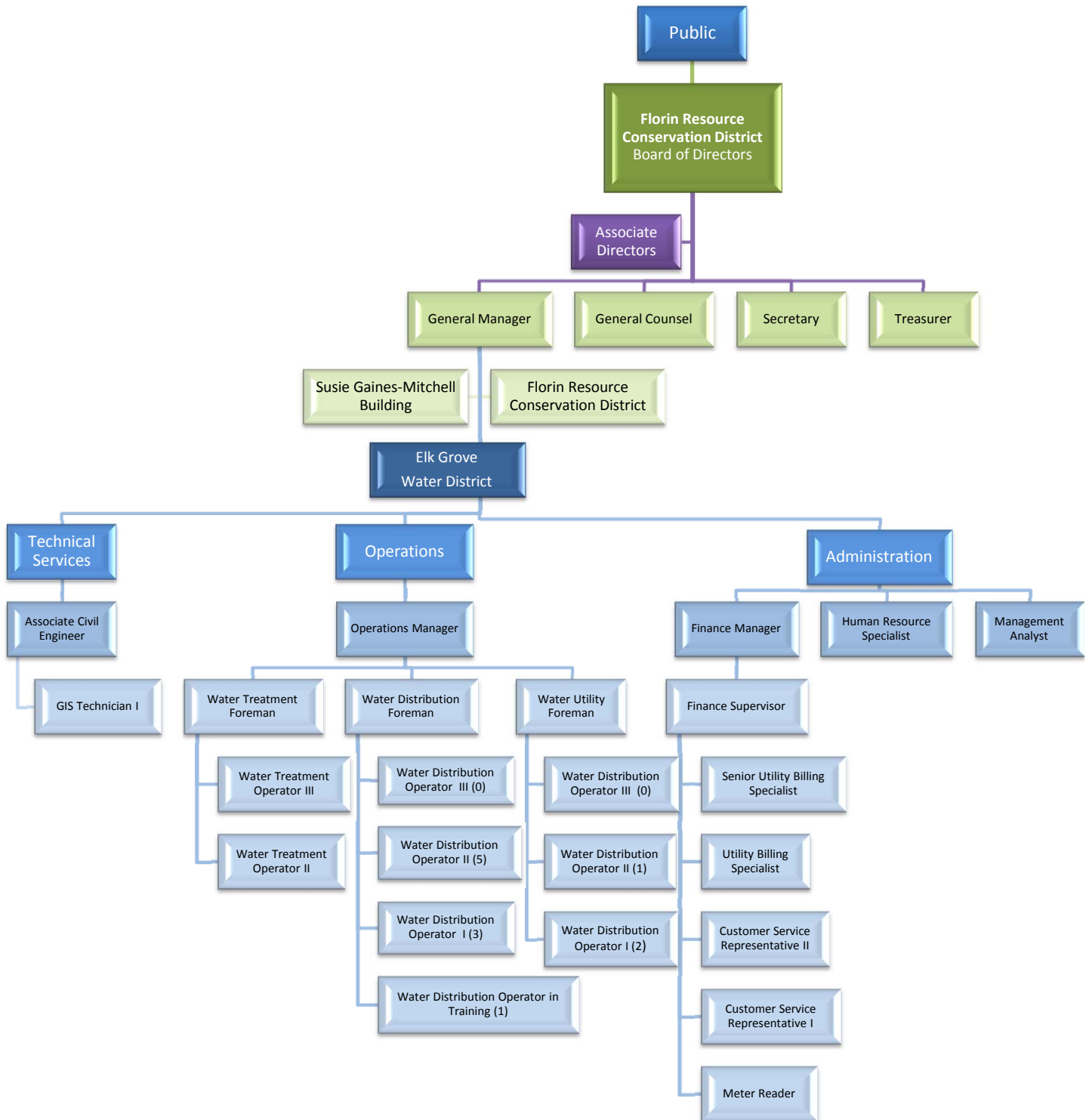
Staff:

Mark J. Madison
General Manager

Dennis M. Coleman
Treasurer/ Finance Manager

Stefani Phillips
Secretary/HR Specialist

Florin Resource Conservation District Organization Chart



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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moine

President

Jeffrey R. Ems

Executive Director

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Florin Resource Conservation District (the District), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

As discussed in Note H to the financial statements, the District believes the Building Fund revenues are not sufficient to make scheduled debt service payments and the District filed a Notice of Listed Event on the related debt. In addition, as discussed in Note H to the financial statements, the District was unable to locate certain accounting records supporting the valuation and recording of the Elk Grove Water Work's assets and records supporting proceeds, discounts and issuance costs of debt issued in 1998 and 1999. The District's management has represented to us that they have no reason to believe the amounts recorded need to be adjusted.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress of the other postemployment benefits plan 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.

Board of Directors
Florin Resource Conservation District

Our audit was for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Richardson & Company

February 19, 2013

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FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

The following narrative overview and analysis of the financial activities of the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2012 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.

FINANCIAL HIGHLIGHTS

- The District's total assets increased by \$1.9 million in 2012 compared to \$0.2 million in 2011 due to the changes in net assets described below. Total liabilities decreased by \$0.8 and \$0.9 million in 2012 and 2011, respectively, due to payments on existing debt. The net result of this activity is a favorable increase in net assets of \$2.7 and \$1.1 million in 2012 and 2011, respectively.
- Operating revenue of \$15.8 and \$15.5 million and operating expenses of \$9.8 and \$10.6 million after depreciation resulted in net income from operations of \$6.0 and \$4.9 million in enterprise funds in 2012 and 2011, respectively. Net non-operating expenses of \$3.5 and \$3.8 million in business-type activities is the result of \$3.9 million interest expense each year, offset by non-operating revenue of approximately \$299,000, and \$128,000 in 2012 and 2011, respectively.
- Capital assets increased by \$.4 million in 2012 and decreased by \$0.4 million in 2011 (net of annual depreciation) as a result of expenditures for infrastructure offset by depreciation each year.
- Restricted cash and investments decreased by \$.1 and \$1.0 million in 2012 and 2011, respectively, as a result of expenses made to improve the water system.
- Restricted net assets were \$2.4 and \$3.0 million at June 30, 2012 and 2011, respectively, of which \$2.0 million was restricted for debt service and \$.4 million each year was restricted for Building Fund administration, operating and maintenance expenses each year. \$0.5 million was also held for capital projects at June 30, 2011, which was spent during 2012.
- The District had positive cash flow from enterprise fund operations of \$7.8 and \$6.8 million in 2012 and 2011, respectively. The District spent \$2.4 and \$1.4 million in 2012 and 2011, respectively, on the construction of capital assets and \$5.0 and \$4.9 million in 2012 and 2011, respectively, on debt principle and interest payments. For 2012 and 2011, the District experienced an overall increase of \$0.6 million in its cash position each year, and an ending cash balance of \$13.5 and \$12.9 million at June 30, 2012 and 2011, respectively.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

SECTIONS OF THE FINANCIAL STATEMENTS

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

Introductory Section

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

Financial Section

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

Statistical Section

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

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

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The government-wide statements include the Statement of Net Assets and the Statement of Activities, the Proprietary Fund Statements and the Statement of Cash Flows. The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 Assets 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 ASSETS – GOVERNMENT-WIDE TOTALS
AS OF JUNE 30, 2012 AND 2011**

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 88,227	\$ 80,760	\$ 13,254,508	\$ 11,559,136	\$ 13,342,735	\$ 11,639,896
Capital assets			49,547,805	49,145,391	49,547,805	49,145,391
Other assets			6,010,856	6,250,310	6,010,856	6,250,310
Total Assets	88,227	80,760	68,813,169	66,954,837	68,901,396	67,035,597
Current liabilities			15,173,532	4,487,209	15,173,532	4,487,209
Long-term liabilities			54,481,627	66,008,322	54,481,627	66,008,322
Total Liabilities	-	-	69,655,159	70,495,531	69,655,159	70,495,531
Net Assets:						
Invested in capital assets, net of related debt			(16,857,281)	(18,033,071)	(16,857,281)	(18,033,071)
Restricted			2,387,235	2,967,929	2,387,235	2,967,929
Unrestricted	88,227	80,760	13,628,056	11,524,448	13,716,283	11,605,208
Total Net Assets	\$ 88,227	\$ 80,760	\$ (841,990)	\$ (3,540,694)	\$ (753,763)	\$ (3,459,934)

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

There was an increase of \$7,467 and \$10,857 in current assets and unrestricted net assets for the governmental fund during 2012 and 2011, respectively. There was a reduction in total revenue of \$694 and \$8,947 from the previous year in 2012 and 2011, respectively. The change in 2011 was due to the receipt of \$8,936 in grant revenues. There was an increase in expenditures of \$2,696 in 2012 due to the District advertising for two associate director positions as well as sponsoring soil conservation programs at a high school, nursery and at the California Association of Reserve Conservationists. There was a reduction of expenditures of \$17,763 in 2011 due to not having expenses associated with the grant revenue and a reduction of insurance, association dues and supplies for the District's governmental fund.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

This was the last year of the 5 year rate plan that was adopted by the Board at the end of the 2006-07 fiscal year. The rate plan had called for a three percent (3%) increase for the 2011-12 and 2010-11 fiscal years, but the increase was not implemented by the Board. The increase in operating revenue in 2012 was mainly due to the effect of new accounts being added and changes in billing cycles as more customers become metered.

Capital assets (net of depreciation) increased by \$.4 million in 2012 due to construction in process additions to well rehabilitation and modifications, and meter program additions of \$2.4 million, net of depreciation of \$2.0 million. Capital assets in 2011 decreased by \$0.4 million primarily due to the depreciation expense of \$1.8 million exceeding the additions in capital assets of \$1.4 million for the meter program, information technology purchases, and the well rehabilitation and modification projects to increase the District's water source capacity.

Current liabilities increased by \$10.6 million on \$0.4 million in 2012 and 2011, respectively. The increase in 2012 was mainly due to reporting the Office Building Fund debt of \$10.8 million as current due to a technical violation of debt covenants. Without this change, 2012 current liabilities would have decreased by \$0.1 million. The 2011 current liabilities increased primarily due to the increase of accounts payable to vendors, due to other government for water purchases and principle amounts on the certificates of participation.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

**CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
GOVERNMENT-WIDE TOTALS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services:						
General government	\$ 11,333	\$ 12,000			\$ 11,333	\$ 12,000
Water services			\$ 14,420,788	\$ 13,981,562	14,420,788	13,981,562
Office building			1,414,572	1,532,453	1,414,572	1,532,453
Capital grants			198,000		198,000	
General Revenues:						
Interest earnings	28	55	21,812	36,642	21,840	36,697
Other			276,738	91,758	276,738	91,758
Total Revenues	11,361	12,055	16,331,910	15,642,415	16,343,271	15,654,470
Expenses:						
General Government	3,894	1,198			3,894	1,198
Water Service			12,050,125	12,869,274	12,050,125	12,869,274
Office building			1,583,081	1,650,037	1,583,081	1,650,037
Total Expenses	3,894	1,198	13,633,206	14,519,311	13,637,100	14,520,509
Change in net assets before transfers	7,467	10,857	2,698,704	1,123,104	2,706,171	1,133,961
Transfers						
Change in net assets	7,467	10,857	2,698,704	1,123,104	2,706,171	1,133,961
Net assets, beginning of year	80,760	69,903	(3,540,694)	(4,663,798)	(3,459,934)	\$ (4,593,895)
NET ASSETS, END OF YEAR	\$ 88,227	\$ 80,760	\$ (841,990)	\$ (3,540,694)	\$ (753,763)	\$ (3,459,934)

GOVERNMENTAL ACTIVITIES HIGHLIGHTS

There was a \$7,467 and \$10,857 increase in governmental activities net assets for the years ended June 30, 2012 and 2011, respectively, primarily due to a reduction of governmental expenses due to grant related expenses, and association dues, various sponsorships, and supplies from the previous period.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

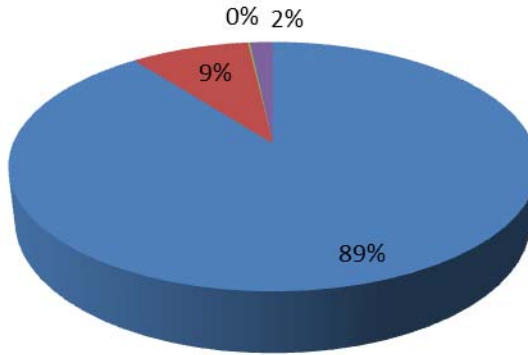
JUNE 30, 2012 AND 2011

BUSINESS-TYPE ACTIVITIES HIGHLIGHTS

As explained above, this was the last year of the 5 year rate plan for the Water Service that was adopted by the Board at the end of the 2006-07 fiscal year. For the 2011-12 and 2010-11 fiscal year, the rates were not increased by the Board. Due to the sluggish economy, gross revenues from water service increased by less than 3% in 2012 and 2011 due to new accounts added and changes in billing cycles as customers become metered.

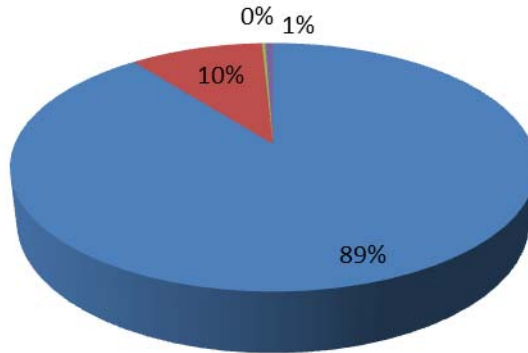
2012 Program Revenue

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



2011 Program Revenue

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



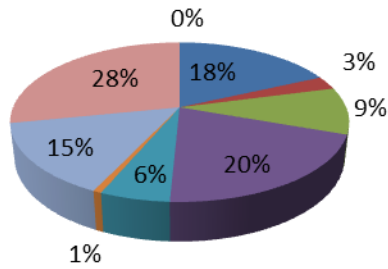
FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

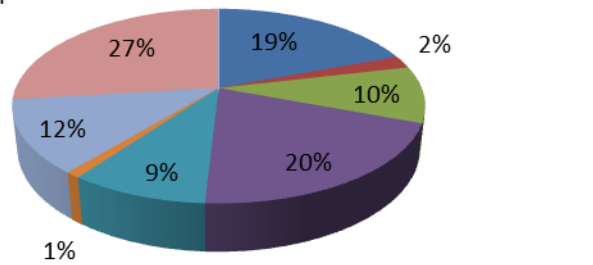
2012 Program Expenses

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



2011 Program 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, 2012 AND 2011

General Fund Budgetary Highlights

The General Fund's rental revenues were budgeted based on the District's share of the rent payments due from the building owned jointly by Florin Resource Conservation District, Sloughhouse Resource Conservation District, and Lower Cosumnes Resource Conservation District. Association dues, meeting expenses, and various sponsorships were budgeted based upon those expected revenues.

Capital Asset and Debt Administration

Capital assets increased by \$0.4 million in 2012 and decreased by \$0.4 million in 2011 (net of annual depreciation), respectively.

Major capital asset projects during 2012 and 2011 included the following:

- Meter Retrofit Program
- Information Technology Purchases
- Well Rehabilitation and Modification Projects

See additional information on capital assets in Note C at page 30.

**OUTSTANDING DEBT ISSUES
AS OF JUNE 30, 2012 AND 2011**

	2012	2011
2003 Refunding – Office Building	\$11,356,994	\$12,021,994
2002/3/5 Refunding and Capital Improvements – EGWS	<u>56,270,768</u>	<u>57,327,890</u>
Total	<u>\$67,627,762</u>	<u>\$69,349,884</u>

The Florin Resource Conservation District did not issue any additional debt during the year. See additional information on debt in Note D at page 31.

On October 26, 2011, The Florin Resource Conservation District issued a Notice of Listed Event to the Electronic Municipal Marketplace Access (EMMA) regarding the 2003 Refunding Bond Issue for the Susan B. Gaines Office Building. The Notice of Listed Event disclosed the possibility that the District would use administrative expense funds to pay future debt service payments. Because the District was in technical default of the debt agreement, the debt was reclassified as a current liability in 2012. See additional information in Note H at page 41.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County of Sacramento area surrounding the Florin Resource Conservation District was 9.9% and 11.1% as of November 1, 2012 and 2011, respectively.
- The downturn of the economy has caused a great many foreclosures in the area. While this does not reduce the number of connections for the water service, the vacant homes reduce the overall volume of water sales.
- The rates for the water service for Fiscal Year (FY) 2011-12 were not increased. The District is currently in the process of completing a rate study and future rate increases are pending the outcome of the study.

All of these factors were considered in preparing the Florin Resource Conservation District's budget for the fiscal year ending June 30, 2013. The District believes that the rates are sufficient to meet the operational, debt service and capital needs for FY 2012-13. The District will continue its Meter Retrofit Program which is budgeted at \$1,320,000, including labor.

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 Dennis M. Coleman, Finance Manager, 9257 Elk Grove Blvd, Elk Grove, CA 95624 or please call (916) 685-3556.

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 84,894	\$ 10,646,036	\$ 10,730,930	\$ 78,760	\$ 9,951,793	\$ 10,030,553
Receivables:						
Customer accounts receivable		2,273,269	2,273,269	2,000	1,544,636	1,546,636
Other receivables	1,333	313,000	314,333			
Interest receivable		2,497	2,497		4,928	4,928
Due from other funds	2,000		2,000			
Inventories		19,706	19,706		19,709	19,709
Prepaid expenses					38,070	38,070
TOTAL CURRENT ASSETS	88,227	13,254,508	13,342,735	80,760	11,559,136	11,639,896
NONCURRENT ASSETS						
Restricted cash and cash equivalents		2,856,146	2,856,146		2,967,929	2,967,929
OPEB asset		562,195	562,195		555,922	555,922
Deferred charges		2,592,515	2,592,515		2,726,459	2,726,459
Capital assets:						
Not being depreciated		8,823,559	8,823,559		7,642,163	7,642,163
Being depreciated, net		40,724,246	40,724,246		41,503,228	41,503,228
TOTAL NONCURRENT ASSETS		55,558,661	55,558,661		55,395,701	55,395,701
TOTAL ASSETS	88,227	68,813,169	68,901,396	80,760	66,954,837	67,035,597
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable		1,544,487	1,544,487		734,858	734,858
Due to other governments		466,173	466,173		784,819	784,819
Interest payable		1,112,004	1,112,004		1,135,743	1,135,743
Due to other funds		2,000	2,000			
Unearned revenue		3,188	3,188		3,188	3,188
Debt in technical default		10,806,891	10,806,891			
Noncurrent liabilities, due within one year		1,238,789	1,238,789		1,828,601	1,828,601
		15,173,532	15,173,532		4,487,209	4,487,209
NONCURRENT LIABILITIES						
Noncurrent liabilities, due in more than one year		54,481,627	54,481,627		66,008,322	66,008,322
TOTAL NONCURRENT LIABILITIES		54,481,627	54,481,627		66,008,322	66,008,322
TOTAL LIABILITIES		69,655,159	69,655,159		70,495,531	70,495,531
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt		(16,857,281)	(16,857,281)		(18,033,071)	(18,033,071)
Restricted for debt service		1,965,930	1,965,930		1,953,435	1,953,435
Restricted for capital projects		1,321	1,321		533,691	533,691
Restricted for administrative, operating and maintenance expenses		419,984	419,984		480,803	480,803
Unrestricted	88,227	13,628,056	13,716,283	80,760	11,524,448	11,605,208
TOTAL NET ASSETS (DEFICIT)	\$ 88,227	\$ (841,990)	\$ (753,763)	\$ 80,760	\$ (3,540,694)	\$ (3,459,934)

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Change in Net Assets		
		Charges for Services	Capital Grants	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	\$ 3,894	\$ 11,333		\$ 7,439		\$ 7,439
TOTAL GOVERNMENTAL ACTIVITIES	3,894	11,333		7,439		7,439
BUSINESS-TYPE ACTIVITIES:						
Water District	12,050,125	14,420,788	\$ 198,000		\$ 2,568,663	2,568,663
Office Building	1,583,081	1,414,572			(168,509)	(168,509)
TOTAL BUSINESS-TYPE ACTIVITIES	13,633,206	15,835,360	198,000		2,400,154	2,400,154
TOTAL PRIMARY GOVERNMENT	\$ 13,637,100	\$ 15,846,693	\$ 198,000	7,439	2,400,154	2,407,593
GENERAL REVENUES:						
Interest and investment earnings				28	21,812	21,840
Settlement revenue					255,000	255,000
Gain on sale of capital assets					10,429	10,429
Other revenues					11,309	11,309
				Total general revenues	28	298,578
				Change in net assets	7,467	2,698,704
				Net assets (deficit), beginning of year	80,760	(3,540,694)
				NET ASSETS (DEFICIT), END OF YEAR	\$ 88,227	\$ (841,990)
						\$ (753,763)

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program	Change in Net Assets		
		Revenues	Governmental	Business-	Total
		Charges for	Activities	type	
		Services		Activities	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,198	\$ 12,000	\$ 10,802		\$ 10,802
TOTAL GOVERNMENTAL ACTIVITIES	1,198	12,000	10,802		10,802
BUSINESS-TYPE ACTIVITIES:					
Water District	12,869,274	13,981,562		\$ 1,112,288	1,112,288
Office Building	1,650,037	1,532,453		(117,584)	(117,584)
TOTAL BUSINESS-TYPE ACTIVITIES	14,519,311	15,514,015		994,704	994,704
TOTAL PRIMARY GOVERNMENT	\$ 14,520,509	\$ 15,526,015	10,802	994,704	1,005,506
GENERAL REVENUES:					
Interest and investment earnings			55	36,642	36,697
Settlement revenue				80,000	80,000
Other revenues				11,758	11,758
			Total general revenues	55	128,455
			Change in net assets	10,857	1,123,104
			Net assets (deficit), beginning of year	69,903	(4,663,798)
			NET ASSETS (DEFICIT), END OF YEAR	\$ 80,760	\$(3,540,694)

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

FLORIN RESOURCE CONSERVATION DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2012 and 2011

	<u>General Fund</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and investments	\$ 84,894	\$ 78,760
Receivables:		
Other receivables	1,333	2,000
Due from other funds	<u>2,000</u>	
TOTAL ASSETS	<u>\$ 88,227</u>	<u>\$ 80,760</u>
LIABILITIES AND FUND BALANCE		
FUND BALANCE		
Unassigned	<u>\$ 88,227</u>	<u>\$ 80,760</u>
TOTAL FUND BALANCE	<u>88,227</u>	<u>80,760</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 88,227</u>	<u>\$ 80,760</u>

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

FLORIN RESOURCE CONSERVATION DISTRICT
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE – GOVERNMENTAL FUND

For the Years Ended June 30, 2012 and 2011

		General Fund	
		2012	2011
REVENUES			
Use of money and property		\$ 11,361	\$ 12,055
	TOTAL REVENUES	11,361	12,055
EXPENDITURES			
General government		3,894	1,198
	TOTAL EXPENDITURES	3,894	1,198
	NET CHANGE IN FUND BALANCE	7,467	10,857
Fund balance, beginning of year		80,760	69,903
	FUND BALANCE, END OF YEAR	\$ 88,227	\$ 80,760

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Years Ended June 30, 2012 and 2011

	2012				2011			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Use of money and property	\$ 12,050	\$ 12,050	\$ 11,361	\$ (689)	\$ 12,050	\$ 12,050	\$ 12,055	\$ 5
TOTAL REVENUES	12,050	12,050	11,361	(689)	12,050	12,050	12,055	5
EXPENDITURES								
General government	8,500	8,500	3,894	4,606	16,500	16,500	1,198	15,302
TOTAL EXPENDITURES	8,500	8,500	3,894	4,606	16,500	16,500	1,198	15,302
NET CHANGE IN FUND BALANCE	3,550	3,550	7,467	3,917	(4,450)	(4,450)	10,857	15,307
Fund balance, beginning of year	80,760	80,760	80,760		69,903	69,903	69,903	
FUND BALANCE, END OF YEAR	\$ 84,310	\$ 84,310	\$ 88,227	\$ 3,917	\$ 65,453	\$ 65,453	\$ 80,760	\$ 15,307

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012 and 2011

	Enterprise Funds			Enterprise Funds		
	2012			2011		
	Water District	Office Building	Total Proprietary Funds	Water District	Office Building	Total Proprietary Funds
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 10,646,036		\$ 10,646,036	\$ 9,951,793		\$ 9,951,793
Receivables:						
Customer accounts receivable	2,273,269		2,273,269	1,544,636		1,544,636
Other receivables	313,000		313,000			
Interest receivable	2,497		2,497	4,928		4,928
Inventories	19,706		19,706	19,709		19,709
Prepaid expenses				38,070		38,070
TOTAL CURRENT ASSETS	13,254,508		13,254,508	11,559,136		11,559,136
NONCURRENT ASSETS						
Restricted cash and cash equivalents	1,442,015	\$ 1,414,131	2,856,146	1,505,474	\$ 1,462,455	2,967,929
OPEB asset	562,195		562,195	555,922		555,922
Deferred charges	2,400,635	191,880	2,592,515	2,504,111	222,348	2,726,459
Capital assets:						
Not being depreciated	8,217,752	605,807	8,823,559	7,036,356	605,807	7,642,163
Being depreciated, net	33,016,858	7,707,388	40,724,246	33,487,548	8,015,680	41,503,228
TOTAL NONCURRENT ASSETS	45,639,455	9,919,206	55,558,661	45,089,411	10,306,290	55,395,701
TOTAL ASSETS	58,893,963	9,919,206	68,813,169	56,648,547	10,306,290	66,954,837
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	1,064,129	480,358	1,544,487	432,774	302,084	734,858
Due to other governments	466,173		466,173	784,819		784,819
Interest payable	882,938	229,066	1,112,004	894,760	240,983	1,135,743
Due to other funds	2,000		2,000			
Unearned revenue	3,188		3,188	3,188		3,188
Debt in technical default		10,806,891	10,806,891			
Noncurrent liabilities, due within one year	1,238,789		1,238,789	1,163,601	665,000	1,828,601
TOTAL CURRENT LIABILITIES	3,657,217	11,516,315	15,173,532	3,279,142	1,208,067	4,487,209
NONCURRENT LIABILITIES						
Noncurrent liabilities, due in more than one year	54,481,627		54,481,627	55,481,499	10,526,823	66,008,322
TOTAL NONCURRENT LIABILITIES	54,481,627		54,481,627	55,481,499	10,526,823	66,008,322
TOTAL LIABILITIES	58,138,844	11,516,315	69,655,159	58,760,641	11,734,890	70,495,531
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	(14,363,585)	(2,493,696)	(16,857,281)	(15,462,735)	(2,570,336)	(18,033,071)
Restricted for debt service	971,783	994,147	1,965,930	971,783	981,652	1,953,435
Restricted for capital projects	1,321		1,321	533,691		533,691
Restricted for administrative, operating and maintenance expenses		419,984	419,984		480,803	480,803
Unrestricted (deficit)	14,145,600	(517,544)	13,628,056	11,845,167	(320,719)	11,524,448
TOTAL NET ASSETS (DEFICIT)	\$ 755,119	\$ (1,597,109)	\$ (841,990)	\$ (2,112,094)	\$ (1,428,600)	\$ (3,540,694)

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the Years Ended June 30, 2012 and 2011

	Enterprise Funds			Enterprise Funds		
	2012			2011		
	Water District	Office Building	Total Proprietary Funds	Water District	Office Building	Total Proprietary Funds
OPERATING REVENUES						
Charges for services	\$ 14,420,788		\$ 14,420,788	\$ 13,981,562		\$ 13,981,562
Rental income		\$ 1,414,572	1,414,572		\$ 1,532,453	1,532,453
TOTAL OPERATING REVENUES	14,420,788	1,414,572	15,835,360	13,981,562	1,532,453	15,514,015
OPERATING EXPENSES						
Water purchased	2,474,725		2,474,725	2,788,561		2,788,561
Power purchased	371,475		371,475	304,650		304,650
Administration and general	1,098,238	199,646	1,297,884	1,113,405	253,056	1,366,461
Salaries and benefits	2,777,271		2,777,271	2,927,357		2,927,357
Other production expenses	580,055	187,042	767,097	1,160,949	164,640	1,325,589
Insurance	74,105	18,055	92,160	117,247	26,152	143,399
Depreciation and amortization	1,705,720	308,292	2,014,012	1,455,222	308,292	1,763,514
Miscellaneous expenses	1,945		1,945			
TOTAL OPERATING EXPENSES	9,083,534	713,035	9,796,569	9,867,391	752,140	10,619,531
OPERATING INCOME	5,337,254	701,537	6,038,791	4,114,171	780,313	4,894,484
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	21,812		21,812	36,642		36,642
Settlement revenue	255,000		255,000	80,000		80,000
Interest expense	(2,966,591)	(870,046)	(3,836,637)	(3,001,883)	(897,897)	(3,899,780)
Gain on sale of capital assets	10,429		10,429			
Reimbursements and other	11,309		11,309	11,758		11,758
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,668,041)	(870,046)	(3,538,087)	(2,873,483)	(897,897)	(3,771,380)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,669,213	(168,509)	2,500,704	1,240,688	(117,584)	1,123,104
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Capital contributions	198,000		198,000			
TOTAL CAPITAL CONTRIBUTIONS	198,000		198,000			
CHANGE IN NET ASSETS	2,867,213	(168,509)	2,698,704	1,240,688	(117,584)	1,123,104
Deficit, beginning of year	(2,112,094)	(1,428,600)	(3,540,694)	(3,352,782)	(1,311,016)	(4,663,798)
NET ASSETS (DEFICIT), END OF YEAR	\$ 755,119	\$ (1,597,109)	\$ (841,990)	\$ (2,112,094)	\$ (1,428,600)	\$ (3,540,694)

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS

For the Years Ended June 30, 2012 and 2011

	Enterprise Funds			Enterprise Funds		
	2012			2011		
	Water District	Office Building	Total Proprietary Funds	Water District	Office Building	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 13,692,155	\$ 1,414,572	\$ 15,106,727	\$ 13,799,033	\$ 1,532,453	\$ 15,331,486
Payments to suppliers	(4,254,034)	(226,469)	(4,480,503)	(5,383,866)	(238,090)	(5,621,956)
Payments to employees	(2,781,141)		(2,781,141)	(2,909,182)		(2,909,182)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,656,980	1,188,103	7,845,083	5,505,985	1,294,363	6,800,348
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants and reimbursements	151,309		151,309	91,758		91,758
NONCAPITAL FINANCING ACTIVITIES	151,309		151,309	91,758		91,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal paid on noncurrent liabilities	(1,057,122)	(665,000)	(1,722,122)	(898,850)	(645,000)	(1,543,850)
Interest paid on noncurrent liabilities	(2,738,629)	(571,427)	(3,310,056)	(2,771,018)	(598,248)	(3,369,266)
Proceeds from notes payable						
Purchase of capital assets	(2,405,997)		(2,405,997)	(1,376,691)		(1,376,691)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,201,748)	(1,236,427)	(7,438,175)	(5,046,559)	(1,243,248)	(6,289,807)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	24,243		24,243	36,907		36,907
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,243		24,243	36,907		36,907
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	630,784	(48,324)	582,460	588,091	51,115	639,206
Cash and cash equivalents, beginning of year	11,457,267	1,462,455	12,919,722	10,869,176	1,411,340	12,280,516
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,088,051	\$ 1,414,131	\$ 13,502,182	\$ 11,457,267	\$ 1,462,455	\$ 12,919,722
CASH EQUIVALENTS TO THE						
Cash and cash equivalents	\$ 10,646,036		\$ 10,646,036	\$ 9,951,793		\$ 9,951,793
Restricted cash and cash equivalents	1,442,015	\$ 1,414,131	2,856,146	1,505,474	\$ 1,462,455	2,967,929
CASH AND CASH EQUIVALENTS	\$ 12,088,051	\$ 1,414,131	\$ 13,502,182	\$ 11,457,267	\$ 1,462,455	\$ 12,919,722

(Continued)

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

For the Years Ended June 30, 2012 and 2011

	Enterprise Funds			Enterprise Funds		
	2012			2011		
	Water District	Office Building	Total Proprietary Funds	Water District	Office Building	Total Proprietary Funds
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 5,337,254	\$ 701,537	\$ 6,038,791	\$ 4,114,171	\$ 780,313	\$ 4,894,484
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	1,705,720	308,292	2,014,012	1,455,222	308,292	1,763,514
Changes in operating assets and liabilities:						
Customer accounts receivable	(728,633)		(728,633)	(182,529)		(182,529)
Inventory	3		3	51,801		51,801
Prepaid expenses	38,070		38,070	3,000	21,555	24,555
OPEB asset	(6,273)		(6,273)	(7,107)		(7,107)
Accounts payable	631,355	178,274	809,629	(234,703)	302,084	67,381
Due to other governments	(318,646)		(318,646)	287,955		287,955
Due to other funds	2,000		2,000			
Unearned revenue					(117,881)	(117,881)
Compensated absences	(3,870)		(3,870)	18,175		18,175
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,656,980	\$ 1,188,103	\$ 7,845,083	\$ 5,505,985	\$ 1,294,363	\$ 6,800,348
Noncash Investing, Capital and Financial Activities:						
Trade-in of vehicle	\$ 22,000		\$ 22,000			
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$ 22,000	\$ -	\$ 22,000	\$ -	\$ -	\$ -

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

FLORIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background: 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 in the west central portion of unincorporated Sacramento County, was formed to address soil degradation issues resulting from poor irrigation and drainage. There currently are approximately 100,000 acres within the District.

The District provides technical assistance 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 a clearinghouse for soil 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 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. In addition, the District applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

Reporting Entity: The financial reporting entity consists of (a) the primary government, the District, (b) organizations 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 organization or (b) there is a potential for the organization 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 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.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements are met. Water lines are constructed by private developers and are contributed to the District, which then become the responsibility of the District to maintain. These assets are recorded as capital contributions when they are accepted by the District and are included as part of the water system.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the District.

The District reports the following major fund types:

GOVERNMENTAL FUNDS

General Fund – This fund is used to account for all financial resources not accounted for in other funds. Soil conservation activities that are not paid though other funds are paid from the General Fund.

PROPRIETARY FUNDS

Water District Fund – The Water District Fund is used to account for all activities related to the Elk Grove Water District, which provides water to commercial and residential customers in the District’s service area.

Building Fund – The Building Fund is used to account for activities related to a building owned by the District on Florin Road and leased to the County of Sacramento Department of Human Assistance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise funds are charges to customers for sales and services and rent revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: 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).

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets because their use is limited by applicable bond covenants. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service. Certain unspent debt proceeds are also restricted to specific capital projects by the debt covenant.

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 \$27,615 and \$50,227 was recorded in the Water Fund by the District as of June 30, 2012 and 2011, respectively.

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water system and is valued at weighted average cost. The cost of inventory is recorded as an expense when consumed, rather than when purchased.

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 capital assets are recorded at the estimated fair market value at the date of donation. Property and equipment 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. Capital assets are depreciated using the straight-line method over the following useful lives:

Description	Estimated Life
Buildings	35 – 39 years
Improvements	25 years
Equipment	5 – 20 years
Water treatment and distribution system	25 – 50 years

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

Bond Discounts, Premiums, Deferred Amount on Refunding and Deferred Charges: In the government-wide financial statements and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums, discounts, the deferred amount on refunding and issuance costs were deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums, discounts and deferred amount on refunding. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

Due to Other Governments: Due to other governments consisted of amounts payable to the County of Sacramento for water purchases of \$466,173 and \$734,836 at June 30, 2012 and 2011, respectively, and amounts due to other governments for various other activities.

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

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Unearned revenue consists of exchange revenue received from private developers prior to the exchange taking place. Unearned revenue consisted of unearned plan check fees at June 30, 2012 and 2011.

Net Assets and Fund Balance: The government-wide financial statements present net assets. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of the restriction is reported on the face of the statement of net assets.

Unrestricted Net Assets – This category represents net assets of the District not restricted for any project or other purpose.

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

Deficit Net Assets Balances: The deficit net assets balance of the Water District fund is expected to be eliminated with future water sales. It is uncertain whether the deficit net assets balance of the Building Fund will be eliminated due to the shortfall in rents from the building discussed in the Immanent Default of Debt section of Note H.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management: The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The commercial insurance is subject to a deductible. No significant claims resulting in the need for a claims liability for insurance deductibles occurred during the years ended June 30, 2012 and 2011. 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.

Budgetary Information: The District adopts an annual budget for the General Fund each year by June 30 on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is maintained at the fund level. Annual appropriations lapse each year. All supplemental appropriations are approved by the Board of Directors. No significant supplemental appropriations were approved during the years ended June 30, 2012 and 2011.

Reclassifications: Net assets restricted for administrative, operating and maintenance expenses was reclassified from net assets restricted for debt service and settlement revenue was reclassified from reimbursements and other revenue in the 2011 financial statements to conform to the current presentation. These reclassifications had no effect on previously reported total assets, liabilities, net assets or the change in net assets.

New Pronouncements: In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the American Institute

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of Certified Public Accountants (AICPA) Committee on Accounting Procedure. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net assets reporting requirements of Statement No. 34 and other pronouncements by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for periods beginning after December 15, 2012.

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

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

	<u>2012</u>	<u>2011</u>
Government-wide Statement of Net Assets		
Governmental Activities		
Cash and investments	\$ 84,894	\$ 78,760
Business-type Activities		
Cash and cash equivalents	10,646,036	9,951,793
Restricted cash and cash equivalents	<u>2,856,146</u>	<u>2,967,929</u>
Total cash and investments	<u>\$ 13,587,076</u>	<u>\$ 12,998,482</u>

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE B – CASH AND INVESTMENTS (Continued)

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

	2012	2011
Cash on hand	\$ 1,000	\$ 1,000
Deposits with financial institutions	7,918,804	7,229,770
Total cash and deposits	7,919,804	7,230,770
Money market mutual funds	2,856,146	2,967,929
Investment in Local Agency Investment Fund (LAIF)	2,811,126	2,799,783
Total investments	5,667,272	5,767,712
Total cash and investments	\$ 13,587,076	\$ 12,998,482

Investment policy: 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 restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This 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:

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 debt	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates and time deposits	5 years	None	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	N/A	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.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE B – CASH AND INVESTMENTS (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes, in market interest rates. One of the ways 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.

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, 2012:

	Remaining Maturity (in Months)	
	Total	12 Months Or less
LAIF	\$ 2,811,126	\$ 2,811,126
Held by bond trustee:		
Money market mutual funds	2,856,146	2,856,146
	<u>\$ 5,667,272</u>	<u>\$ 5,667,272</u>

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or debt agreements and the actual rating for each investment type at June 30, 2012.

	Minimum Legal Rating	Total	Ratings as of Year End	
			Aaa/AAA	Unrated
LAIF	Unrated	\$ 2,811,126		\$ 2,811,126
Held by bond trustee:				
Money market mutual funds	AAA	2,856,146	\$ 2,856,146	
Total		<u>\$ 5,667,272</u>	<u>\$ 2,856,146</u>	<u>\$ 2,811,126</u>

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 of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE B – CASH AND INVESTMENTS (Continued)

collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2012 and 2011, the carrying amount of the District's deposits was \$7,918,804 and \$7,229,770 and the balance in financial institutions was \$8,153,981 and \$7,401,195. At June 30, 2012 and 2011, of the balance in financial institutions, \$250,000 and \$4,500,000 was covered by federal depository insurance and \$7,903,981 and \$2,901,195, respectively, was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District. As of June 30, 2012 and 2011, District's investment in money market mutual funds were held by the same broker-dealer (counterparty) that was used by the District to buy the securities. Money market mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$60,514,457,551 managed by the State Treasurer. Of that amount, 3.47% is invested in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

FLORIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE C – CAPITAL ASSETS

There were no governmental capital assets for the years ended June 30, 2012 and 2011.

Business-type capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	\$ 1,118,402				\$ 1,118,402
Construction in progress	6,523,761	\$ 1,181,396			7,705,157
Total capital assets not being depreciated	<u>7,642,163</u>	<u>1,181,396</u>			<u>8,823,559</u>
Capital assets being depreciated:					
Buildings	16,462,152				16,462,152
Improvements	20,319,980				20,319,980
Equipment	3,866,503	39,944	\$ (28,927)		3,877,520
Water treatment and distribution system	<u>16,517,394</u>	<u>1,206,657</u>			<u>17,724,051</u>
Total capital assets being depreciated	57,166,029	1,246,601	(28,927)		58,383,703
Less accumulated depreciation for:					
Buildings	(4,838,904)	(454,845)			(5,293,749)
Improvements	(4,785,386)	(812,799)			(5,598,185)
Equipment	(2,189,475)	(328,919)	17,356		(2,501,038)
Water treatment and distribution system	<u>(3,849,036)</u>	<u>(417,449)</u>			<u>(4,266,485)</u>
Total accumulated depreciation	<u>(15,662,801)</u>	<u>(2,014,012)</u>	<u>17,356</u>		<u>(17,659,457)</u>
Total capital assets being depreciated	<u>41,503,228</u>	<u>(767,411)</u>	<u>(11,571)</u>		<u>40,724,246</u>
Capital assets, net	<u>\$ 49,145,391</u>	<u>\$ 413,985</u>	<u>\$ (11,571)</u>	<u>\$ -</u>	<u>\$ 49,547,805</u>

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE C – CAPITAL ASSETS (Continued)

	Balance at July 1, 2010	Additions	Deletions	Transfers	Balance at June 30, 2011
Capital assets not being depreciated:					
Land	\$ 1,118,402				\$ 1,118,402
Construction in progress	10,116,324	\$ 683,672		\$ (4,276,235)	6,523,761
Total capital assets not being depreciated	<u>11,234,726</u>	<u>683,672</u>		<u>(4,276,235)</u>	<u>7,642,163</u>
Capital assets being depreciated:					
Buildings	15,358,668			1,103,484	16,462,152
Improvements	19,424,620			895,360	20,319,980
Equipment	3,680,458	186,045			3,866,503
Water treatment and distribution system	<u>13,733,029</u>	<u>506,974</u>		<u>2,277,391</u>	<u>16,517,394</u>
Total capital assets being depreciated	<u>52,196,775</u>	<u>693,019</u>		<u>4,276,235</u>	<u>57,166,029</u>
Less accumulated depreciation for:					
Buildings	(4,415,587)	(423,317)			(4,838,904)
Improvements	(4,008,401)	(776,985)			(4,785,386)
Equipment	(1,964,261)	(225,214)			(2,189,475)
Water treatment and distribution system	<u>(3,511,038)</u>	<u>(337,998)</u>			<u>(3,849,036)</u>
Total accumulated depreciation	<u>(13,899,287)</u>	<u>(1,763,514)</u>			<u>(15,662,801)</u>
Total capital assets being depreciated	<u>38,297,488</u>	<u>(1,070,495)</u>		<u>4,276,235</u>	<u>41,503,228</u>
Capital assets, net	<u>\$ 49,532,214</u>	<u>\$ (386,823)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,145,391</u>

Depreciation expense of \$1,705,720 and \$1,455,222 was allocated to the Water District activities and \$308,292 was allocated to the Office Building activities during the years ended June 30, 2012 and 2011, respectively.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2012:

	Balance at July 1, 2011	Incurred	Retired	Balance at June 30, 2012	Due within One Year
Business-type activities:					
Water Fund					
Certificates of Participation:					
2002 Refunding, Series A	\$ 22,350,000		\$ (490,000)	\$ 21,860,000	\$ 565,000
2002 Capital Improvement, Series B	9,335,000		(255,000)	9,080,000	265,000
2003 Capital Improvement, Series A	11,655,000		(190,000)	11,465,000	190,000
2005 Capital Improvement, Series A	12,997,145		(70,000)	12,927,145	60,000
Note Payable - Administration Building	990,745		(52,122)	938,623	55,613
Total Water Fund debt	<u>57,327,890</u>		<u>(1,057,122)</u>	<u>56,270,768</u>	<u>1,135,613</u>
Compensated absences	124,770	\$ 153,442	(157,312)	120,900	103,176
Total Water Fund	57,452,660	<u>\$ 153,442</u>	<u>\$ (1,214,434)</u>	56,391,668	<u>\$ 1,238,789</u>
Unamortized bond discounts	(672,606)			(644,262)	
Deferred amount on refunding	(134,954)			(26,990)	
Less: Due within one year	<u>(1,163,601)</u>			<u>(1,238,789)</u>	
Due in more than one year	<u>\$ 55,481,499</u>			<u>\$ 54,481,627</u>	
	Balance at July 1, 2011	Incurred	Retired	Balance at June 30, 2012	Due within One Year
Business-type activities:					
Building Fund					
Series A	\$ 1,355,000		\$ (665,000)	\$ 690,000	\$ 690,000
2003 Subordinate Lien Refunding, Series B	<u>10,666,994</u>			<u>10,666,994</u>	<u>10,666,994</u>
Total Building Fund Debt	12,021,994	<u>\$ -</u>	<u>\$ (665,000)</u>	11,356,994	11,356,994
Unamortized bond discounts	(224,689)			(204,085)	(204,085)
Deferred amount on refunding	(605,482)			(346,018)	(346,018)
Less: Due within one year	<u>(665,000)</u>			<u>(10,806,891)</u>	<u>\$ 10,806,891</u>
Due in more than one year	<u>\$ 10,526,823</u>			<u>\$ -</u>	

The Building Fund debt was reclassified as a current liability during the year ended June 30, 2012 because the District is in technical default as the administration expense reserve fund required by the debt agreement could not be fully funded at June 30, 2012. See Note H for more information about the status of the Building Fund debt.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

The following is a summary of long-term liability activity for the year ended June 30, 2011:

	Balance at July 1, 2010	Incurred	Retired	Balance at June 30, 2011	Due within One Year
Business-type activities:					
Water Fund					
Certificates of Participation:					
2002 Refunding, Series A	\$ 22,725,000		\$ (375,000)	\$ 22,350,000	\$ 490,000
2002 Capital Improvement, Series B	9,570,000		(235,000)	9,335,000	255,000
2003 Capital Improvement, Series A	11,805,000		(150,000)	11,655,000	190,000
2005 Capital Improvement, Series A	13,087,145		(90,000)	12,997,145	70,000
Note Payable - Administration Building	1,039,595		(48,850)	990,745	52,122
Total Water Fund debt	<u>58,226,740</u>		<u>(898,850)</u>	<u>57,327,890</u>	<u>1,057,122</u>
Compensated absences	106,595	\$ 165,172	(146,997)	124,770	106,479
 Total Water Fund	 58,333,335	 <u>\$ 165,172</u>	 <u>\$ (1,045,847)</u>	 57,452,660	 <u>\$ 1,163,601</u>
 Unamortized bond discounts	 (700,950)			 (672,606)	
Deferred amount on refunding	(242,918)			(134,954)	
Less: Due within one year	<u>(989,814)</u>			<u>(1,163,601)</u>	
 Due in more than one year	 <u>\$ 56,399,653</u>			 <u>\$ 55,481,499</u>	
	Balance at July 1, 2010	Incurred	Retired	Balance at June 30, 2011	Due within One Year
Business-type activities:					
Building Fund					
Series A	\$ 2,000,000		\$ (645,000)	\$ 1,355,000	\$ 665,000
2003 Subordinate Lien Refunding, Series B	10,666,994			10,666,994	
 Total Building Fund debt	 12,666,994	 <u>\$ -</u>	 <u>\$ (645,000)</u>	 12,021,994	 <u>\$ 665,000</u>
 Unamortized bond discounts	 (245,293)			 (224,689)	
Deferred amount on refunding	(864,946)			(605,482)	
Less: Due within one year	<u>(645,000)</u>			<u>(665,000)</u>	
 Due in more than one year	 <u>\$ 10,911,755</u>			 <u>\$ 10,526,823</u>	

FLORIN RESOURCE CONSERVATION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

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

<u>Water District Fund:</u>	2012	2011
 <u>2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A:</u>		
<p>On August 16, 2002, the District issued the 2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A in the amount of \$23,675,000. The proceeds were used to refund the 1999 Certificates of Participation, Elk Grove Water Service Acquisition, Series A and B and 1999 Subordinate Lien Capital Appreciation Certificates of Participation, Elk Grove Water Service Acquisition, Series C. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$280,000 to \$825,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$20,625 to \$525,809 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 3.65% to 5.00%.</p>	\$ 21,860,000	\$ 22,350,000
 <u>2002 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series B:</u>		
<p>On August 16, 2002, the District issued the 2002 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series B in the amount of \$10,170,000. The proceeds were used for certain improvements to the water system. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$130,000 to \$340,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$8,500 to \$218,128 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 3.65% to 5.00%.</p>	9,080,000	9,335,000
 <u>2003 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A:</u>		
<p>On October 9, 2003, the District issued the 2003 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A in the amount of \$11,910,000. The proceeds were used for certain improvements to the water system. The net revenues of the water system are pledged under the installment sale agreement. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$95,000 to \$470,000 are due on March 1 and September 1 through September 1, 2033. Semi-annual interest payments of \$11,750 to \$276,940 are due March 1 and September 1 through September 1, 2033. Interest rates range from 3.40% to 5.00%.</p>	11,465,000	11,655,000

FLORIN RESOURCE CONSERVATION DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

	2012	2011
<u>2005 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A (Current Interest Certificates and Capital Appreciation Certificates):</u>		
On March 8, 2005, the District issued the 2005 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A (Current Interest Certificates and Capital Appreciation Certificates) in the amount of \$13,267,145. The proceeds were used for certain improvements to the water system. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$30,000 to \$390,000 are due on March 1 and September 1 through September 1, 2045. Semi-annual interest payments of \$9,500 to \$303,529 are due March 1 and September 1 through September 1, 2045. Interest rates range from 3.65% to 4.75%.	\$ 12,927,145	\$ 12,997,145
<u>Note Payable – Administration Building:</u>		
On February 13, 2009 the District issued a note payable in the amount of \$1,100,000, which bears an interest rate of 6.5%. The proceeds were used for the purchase of the District’s administration building and the loan is secured by a lien on the building. Combined monthly principal and interest payments of \$9,582 are due on the first day of each month through March 1, 2024.	938,623	990,745
<u>Office Building Fund:</u>		
<u>2003 Senior Lien Refunding Certificates of Participation, Office Building, Series A:</u>		
On March 13, 2003, the Florin Resource Conservation District Economic Development Corporation issued the 2003 Senior Lien Refunding Certificates of Participation, Office Building, Series A in the amount of \$5,700,000. Proceeds were used to refund the 1998 Certificates of Participation Senior Lien and Subordinate Lien Current Interest Certificates and the 1998 Certificates of Participation Subordinate Lien Capital Appreciation Certificates originally issued to finance the purchase of an office building. The Certificates are secured by the gross rental revenues of the building financed under a lease agreement with the County of Sacramento Department of Human Assistance. Semi-annual principal payments of \$340,000 to \$350,000 are due on August 1 and February 1 through February 1, 2013. Semi-annual interest payments of \$7,875 to \$15,355 are due August 1 and February 1 through February 1, 2013. Interest rates range from 4.20% to 4.50%.	690,000	1,355,000

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

	2011	2010
<u>2003 Subordinate Lien Refunding Certificates of Participation, Office Building, Series B (Current Interest Certificates and Capital Appreciation Certificates):</u>		
On March 13, 2003, the Florin Resource Conservation District Economic Development Corporation issued the 2003 Subordinate Lien Refunding Certificates of Participation, Office Building, Series B (Current Interest Certificates and Capital Appreciation Certificates) in the amount of \$10,666,994. Proceeds were used to refund the 1998 Certificates of Participation Senior Lien and Subordinate Lien Current Interest Certificates and the 1998 Certificates of Participation Subordinate Lien Capital Appreciation Certificates originally issued to finance the purchase of an office building. The Certificates are secured by the gross rental revenues of the building financed under a lease agreement with the County of Sacramento Department of Human Assistance. Semi-annual principal payments of \$205,000 to \$523,608 are due on August 1 and February 1 beginning August 1, 2013 through February 1, 2029. Semi-annual interest payments of \$13,200 to \$699,570 are due August 1 and February 1 through February 1, 2029. Interest rates range from 5.00% to 7.50%.	\$ 10,666,994	\$ 10,666,994

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2012 are as follows:

Year Ending June 30,	Water District					
	2002 Series A and B, 2003 Series A and 2005 Series A Certificates		Note Payable - Administration Building		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,080,000	\$ 2,638,678	\$ 55,613	\$ 59,374	\$ 1,135,613	\$ 2,698,052
2014	1,175,000	2,595,984	59,337	55,649	1,234,337	2,651,633
2015	1,290,000	2,546,800	63,311	51,675	1,353,311	2,598,475
2016	1,430,000	2,491,218	67,551	47,435	1,497,551	2,538,653
2017	1,555,000	2,429,613	72,075	42,911	1,627,075	2,472,524
2018-2022	9,180,000	10,994,191	439,579	135,351	9,619,579	11,129,542
2023-2027	12,075,000	8,478,526	181,157	10,480	12,256,157	8,489,006
2028-2032	15,795,000	5,081,272			15,795,000	5,081,272
2033-2037	6,110,000	1,836,070			6,110,000	1,836,070
2038-2042	3,070,000	1,037,638			3,070,000	1,037,638
2043-2046	2,572,145	254,600			2,572,145	254,600
	\$ 55,332,145	\$ 40,384,590	\$ 938,623	\$ 402,875	\$ 56,270,768	\$ 40,787,465

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

The Office Building debt has been reclassified as a current liability due to the District being in technical default of the debt agreement. The following future debt service payment schedule is provided to demonstrate the inability of the future lease revenue under the lease agreement to fund both future debt service payments and future operating costs:

Year Ending June 30,	Office Building			2	2
	2003 Series A and B			Scheduled	Available
	Certificates			Lease	for
	Principal	Interest	Total	Payment	Operating
				Revenue	Costs
2013	\$ 690,000	\$ 542,281	\$ 1,232,281	\$ 1,267,986	\$ 35,705
2014	415,000	513,923	928,923	1,121,400	192,477
2015	435,000	492,923	927,923	1,121,400	193,477
2016	450,000	470,717	920,717	1,121,400	200,683
2017	470,000	447,036	917,036	1,121,400	204,364
2018-2022	2,695,000	1,825,153	4,520,153	5,607,000	1,086,847
2023-2027	4,295,142	5,594,391	9,889,533	560,700	(9,328,833)
2028-2029	1,906,852	1,414,899	3,321,751		(3,321,751)
	<u>\$ 11,356,994</u>	<u>\$ 11,301,323</u>	<u>\$ 22,658,317</u>	<u>\$ 11,921,286</u>	<u>\$ (10,737,031)</u>

2 - The lease payments, net of debt service, are not expected to be sufficient to fund future operating costs, which were \$404,743 and \$443,848 (excluding depreciation) during the years ended June 30, 2012 and 2011, respectively. The lease expires in 2023. See Note H for more information.

Pledged Revenues: The District has pledged future water system revenues, net of specified operating expenses, to repay its 2002 Series A and B, 2003 Series A and 2005 Series A Certificates of Participation, Elk Grove Water Service, in the original amount of \$23,675,000, \$10,170,000, \$11,910,000 and \$13,267,145, respectively. Proceeds of the Certificates were used to refund certain debt issuances as described above and to fund improvements to the water system. The Certificates are payable solely from water system revenues and are payable through September 2045. Annual principal and interest payments on the Certificates are expected to require approximately 85% of net revenues. Total principal and interest remaining to be paid on the Certificates were \$95,716,735 and \$99,397,646 at June 30, 2012 and 2011 respectively. Cash basis principal and interest paid on the Certificates were \$3,680,913 and \$3,557,252 and total water system net revenues calculated in accordance with the covenants were \$7,064,786 and \$5,606,035 at June 30, 2012 and 2011, respectively.

The Certificates of Participation above contain the requirement to collect rates and charges from its water system that will be sufficient to yield net revenues equal to a minimum ratio under two separate debt covenants.

Covenant 1: The net revenues (as defined) plus the rate stabilization fund are required to be at least 1.25 times the sum of the cash basis installment payments of interest and principal on the outstanding Certificates and any parity debt. Net revenues are accrual basis operating income plus interest and depreciation. The note payable for the administration building is not considered parity debt, resulting in the interest and principal payments on the note payable not being included as interest and principal payments in the calculation of this covenant.

Covenant 2: The net revenues in Covenant 1, less the rate stabilization fund, are required to be at least 1.15 times the sum of the cash basis installment principal and interest payments on the outstanding Certificates and any other obligation payable from water system revenues (i.e. the note payable). The prefunded interest on the Series B Certificates was excluded from the calculation through June 30, 2009 as defined in the agreement.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE D – LONG-TERM LIABILITIES (Continued)

According to the terms of the Certificates of Participation, the District must retain an independent rate consultant to advise the District on the operation of the water system and the adjustment of rates and charges in order to achieve compliance with the foregoing covenants for the current and subsequent fiscal years. In addition, if the rate covenant is not attained, all net revenues remaining after paying the current principal and interest with respect to the Certificates will be held in the rate stabilization fund until such time that an independent Certified Public Accountant certifies that the rate covenant has been met on an audited basis.

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

	2012	2011
Covenant 1:		
Net revenues before adjustments (operating income plus interest)	\$ 5,359,066	\$ 4,150,813
Add: Depreciation and amortization	1,705,720	1,455,222
Add: Rate stabilization fund	971,782	971,782
Net revenues plus rate stabilization fund, accrual basis	8,036,568	6,577,817
Interest and principal payments, cash basis (as defined)	3,680,913	3,557,252
Coverage ratio computed	2.18	1.85
Required ratio	1.25	1.25
Covenant 2:		
Net revenues before adjustments (operating income plus interest)	\$ 5,359,066	\$ 4,150,813
Add: Depreciation and amortization	1,705,720	1,455,222
Net revenues, not including rate stabilization fund, accrual basis	7,064,786	5,606,035
Interest and principal payments, cash basis (as defined)	3,795,751	3,669,868
Coverage ratio computed	1.86	1.53
Required ratio	1.15	1.15

The District appears to be in compliance with the required debt coverage ratios at June 30, 2012 and 2011.

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to the bondholders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The District performed calculations of excess investments earnings on various investments and financings and determined there was no arbitrage liability at June 30, 2012 or 2011.

NOTE E – NET ASSET COMMITMENTS

The District’s Board of Directors approved a reserve policy during the year ended June 30, 2012 that authorized commitments of unrestricted net assets in the Water District Fund of certain percentages of the change in net assets reported in the audited financial statements up to a specified dollar amount as follows as of June 30:

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE E – NET ASSET COMMITMENTS (Continued)

	Description	June 30, 2012
Future capital improvement fund	75% of unrestricted funds not allocated to other reserve funds	\$ 5,426,265
Operating fund	120 days of annual operations and maintenance budget	4,563,580
Future capital replacement fund	25% of unrestricted funds not allocated to other reserve funds	1,808,755
Fiscal year 2012/2013 capital improvement fund	Annual capital improvement budget	1,621,000
Fiscal year 2012/2013 capital replacement fund	Annual capital replacement budget	606,000
Elections and special studies	Amount specified by Board of Directors	120,000
		<u>\$ 14,145,600</u>
Total net asset commitments		<u>\$ 14,145,600</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit provisions as well as other requirements is established by State statutes. The Plan selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through District resolution. PERS requires agencies with less than 100 active members in the plan to participate in the risk pool. The District is a member of the Miscellaneous 2% at 55 risk pool. Copies of the PERS annual financial report and pertinent past trend information may be obtained from the PERS Executive Offices at 400 P Street, Sacramento, California 95814.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The District contributes 5% of the 7% contribution required of District employees on their behalf and the employees contribute the remaining 2%. Contributions made by the District on behalf of the employees were \$84,498 and \$130,050 for the years ended June 30, 2012 and 2011, respectively. The District is required to contribute at an actuarially determined rate, which was 14.286% and 13.014% for the years ended June 30, 2012 and 2011, respectively. The contribution requirements of the plan members and the District are established and may be amended by PERS. The District's share of the contributions for the years ended June 30, 2012, 2011, and 2010 were \$325,765, \$374,162, and \$364,976, respectively, which were equal to the required contributions each year.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's other postemployment benefits plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides lifetime healthcare insurance coverage for eligible retirees and their dependents through the District's group medical insurance plan, which covers both active and retired participants. Employees are eligible to participate in the Plan if they are enrolled in the District's health plan, have five years of continuous service, attain age 55 and retire directly from the District under CalPERS. Since premiums are determined for active employees and retirees on a combined basis, an implied subsidy must be reflected under GASB 45. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District and its employees. The Plan does not issue a financial report.

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

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation/Asset: 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 following table 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, 2012 and 2011.

	2012	2011
Annual required contribution (ARC)	\$ 91,170	\$ 141,747
Interest on net OPEB obligation	(42,306)	(42,533)
Adjustment to annual required contribution	36,033	35,426
Annual OPEB cost (expense)	84,897	134,640
Contributions made	(91,170)	(141,747)
(Increase) decrease in net asset	(6,273)	(7,107)
Net OPEB obligation (asset) - beginning of year	(555,922)	(548,815)
Net OPEB obligation (asset) - end of year	<u>\$ (562,195)</u>	<u>\$ (555,922)</u>

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)
6/30/2010	\$ 110,480	107%	\$ (548,815)
6/30/2011	134,640	105%	(555,922)
6/30/2012	84,897	107%	(562,195)

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 961,832
Actuarial value of plan assets	<u>1,345,909</u>
Unfunded actuarial accrued (liability) asset (UAAL)	<u>\$ 384,077</u>
Funded ratio (actuarial value of plan assets/AAL)	139.9%
Covered payroll (active plan members)	\$ 1,849,000
UAAL as a percentage of covered payroll	N/A

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 accrued liabilities for benefits.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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

For the July 1, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.61% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.3% initially, reduced by decrements to an annual rate of 5.5%, 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, 2012 was 27 years.

NOTE H – COMMITMENTS AND CONTINGENCIES

Immanent Default of Debt: The 2003 Senior Lien Refunding Certificates of Participation, Office Building, Series 2003 A and Subordinate Lien Refunding Certificates of Participation, Office Building, Series 2003 B (Current Interest Certificates and Capital Appreciation Certificates) (the Certificates) are collateralized by an office building at 2450 Florin Road, Sacramento owned by the District and leased by the County of Sacramento Department of Human Assistance (the County). The lease payments received from the County that are the sole source of repayment of the Certificates are not adequate to make the scheduled debt service payments as well as to maintain administrative, operations and maintenance expense reserve funds required under the debt agreement. Although the District believes sufficient funds will be available to make debt service payments on the Senior Lien Certificates, the District used a portion of the administration expense reserve fund to make the February 2012 and August 2012 scheduled payments on the Subordinate Lien Certificates. The use of reserve funds to make debt service payments on the Subordinate Lien Certificates resulted in the District being in technical default of the debt agreement and resulted in the requirement to file a Notice of Listed Event with the Trustee under the Trust Agreement. The District filed a Notice of Listed Event with the Bank of New York Mellon Trust Company, N.A. on October 26, 2011. The Notice may be accessed on the continuing disclosures tab of the Electronic Municipal Market Access Website at www.emma.msrb.org by searching for Florin Resource Conservation District and the Certificates above.

In addition to the shortfall of available funds to make the scheduled debt service payments while maintaining required reserve funds, the District was unable to make certain property tax payments to the County of Sacramento totaling approximately \$473,493 as of June 30, 2012 due to the lack of available funds. The property taxes are delinquent and are subject to penalties and interest. Another property tax payment of approximately \$61,000 due in December 2012 was not paid and is subject to additional penalties and interest. Payment of the delinquent taxes, penalties and interest could result in the District not having sufficient funds to make the debt service payments of the Subordinate Lien Certificates, even if reserve funds were used.

The District is waiting for notification from the Trustee of the remedies that will be pursued on behalf of the Certificate Owners under the Installment Sale Agreement and Trust Agreement for the Certificates. Due to the immanent default of the debt, all outstanding principal amounts due under the Certificates are reported as a current liability on the statement of net assets at June 30, 2012.

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.

Construction Commitments: The District had construction project commitments at June 30 totaling \$779,142. Projects in progress include multiple well projects and improvements to the water treatment plant.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2012

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments: On May 1, 1998, the District entered into a lease agreement effective January 16, 1998 with the County of Sacramento Department of Human Assistance for the lease of the building owned by the District located at 2450 Florin Road, Sacramento. The lease payments are paid in arrears and were subject to scheduled rent increases every five years for the fifteen-year term of the lease agreement. The County had two successive five-year options to renew the lease at \$93,450 per month for each of the two option periods beginning January 2013, which were exercised in October 2011.

The future minimum lease payment revenues under the lease agreement were as follows as of June 30, 2012:

Year Ending June 30:	Florin Road Lease
2013	\$ 1,267,986
2014	1,121,400
2015	1,121,400
2016	1,121,400
2017	1,121,400
2018-2022	5,607,000
2023	<u>560,700</u>
	<u><u>\$ 11,921,286</u></u>

The future minimum lease payment schedule above includes the future minimum lease payments for the two option periods exercised by the County of Sacramento in October 2011.

Missing Accounting Records: The District is unable to locate accounting records related to the purchase of the Elk Grove Water Works (EGWW) in 1999, including a valuation performed for the purpose of allocating the purchase price of the EGWW's assets recorded in the District's general ledger. The District was also unable to locate accounting records supporting the original debt proceeds, discounts and issuance costs recorded in the District's fiscal agent cash accounts and general ledger for debt issued in 1998 and 1999 as described in Note D. These transactions were recorded by the District's former management and were audited in the past. The District's current management has no reason to believe the amounts recorded require adjustment.

FLORIN RESOURCE CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

SCHEDULE OF FUNDING PROGRESS OF THE
OTHER POSTEMPLOYMENT BENEFITS PLAN (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued (Liability) Asset (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ 854,356	\$ 673,760	\$ 180,596	126.8%	\$ 3,102,000	N/A
6/30/2011	\$ 1,057,449	\$ 569,124	\$ 188,325	185.8%	\$ 2,900,000	N/A
6/30/2012	\$ 1,345,909	\$ 961,832	\$ 384,077	139.9%	\$ 1,849,000	N/A

STATISTICAL SECTION

Table of Contents

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

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

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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 Assets by Component

Last Six Years

	2007	2008	2009	2010	2011	2012
Fiscal Year ended June 30,						
Governmental Activities						
Invested in capital assets (net of debt)						
Restricted						
Unrestricted	\$ 168,419	\$ 170,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227
Total governmental activities net assets	168,419	170,385	67,862	69,903	80,760	88,227
Business-Type Activities						
Invested in capital assets (net of debt)	(15,919,943)	(16,229,391)	(17,480,931)	(17,738,507)	(18,033,071)	(16,857,281)
Restricted for Debt Services	2,455,387	2,348,094	2,224,971	2,383,125	1,953,435	1,965,930
Restricted for Capital Projects	7,989,292	6,336,442	3,771,280	1,568,906	533,691	1,321
maintenance					480,803	419,984
expenses						
Unrestricted	(3,457,192)	337,661	5,509,663	9,122,678	11,524,448	13,628,056
Total business-type activities net assets	\$ (8,932,456)	\$ (7,207,194)	\$ (5,975,017)	\$ (4,663,798)	\$ (3,540,694)	\$ (841,990)
Primary Government						
Invested in capital assets (net of debt)	\$ (15,919,943)	\$ (16,229,391)	\$ (17,480,931)	\$ (17,738,507)	\$ (18,033,071)	\$ (16,857,281)
Restricted	10,444,679	8,684,536	5,996,251	3,952,031	2,967,929	2,387,235
Unrestricted	(3,288,773)	508,046	5,577,525	9,192,581	11,605,208	13,716,283
Total primary government net assets	\$ (8,764,037)	\$ (7,036,809)	\$ (5,907,155)	\$ (4,593,895)	\$ (3,459,934)	\$ (753,763)

Data for periods prior to Fiscal Year 2007 were not readily available.

Source: Finance Department

Florin Resource Conservation District
Changes in Net Assets
Last Six Years

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012
Expenses						
Governmental activities:						
General Government	\$ 17,030	\$ 16,253	\$ 116,712	\$ 18,961	\$ 1,198	\$ 3,894
Business-type activities:						
Water	9,561,923	10,377,324	11,741,844	12,442,411	12,869,274	12,050,125
Office Building	1,412,270	1,703,967	1,495,043	1,377,430	1,650,037	1,583,081
Total business-type activities	10,974,193	12,081,291	13,236,887	13,819,841	14,519,311	13,633,206
Total primary government expenses	10,991,223	12,097,544	13,353,599	13,838,802	14,520,509	13,637,100
Program Revenues						
Governmental Activities:						
Charges for Services	9,833	11,900	12,000	12,000	12,000	11,333
Operating Grants				8,936		
Total governmental activities	9,833	11,900	12,000	20,936	12,000	11,333
Business-type activities:						
Charges for Services						
Water	8,358,765	11,922,374	12,865,774	13,642,267	13,981,562	14,420,788
Office Building	1,421,381	1,346,210	1,414,636	1,414,572	1,532,453	1,414,572
Capital Grants						198,000
Total business-type activities	9,780,146	13,268,584	14,280,410	15,056,839	15,514,015	16,033,360
Total primary government program revenues	9,789,979	13,280,484	14,292,410	15,077,775	15,526,015	16,044,693
Net revenues (expenses)						
Governmental activities	(7,197)	(4,353)	(104,712)	1,975	10,802	7,439
Business-Type	(1,194,047)	1,187,293	1,043,523	1,236,998	994,704	2,400,154
Total net revenues (expenses)	(1,201,244)	1,182,940	938,811	1,238,973	1,005,506	2,407,593
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Interest and investment earnings	501	361	189	66	55	28
Other revenues	2,558					
Transfers	7,173					
Total governmental activities	10,232	361	189	66	55	28
Business-type activities:						
Interest and investment earnings	709,971	349,606	126,485	42,170	36,642	21,812
Other revenues		188,363	51,650	28,217	91,758	276,738
Transfers	(7,173)					
Total business-type activities	702,798	537,969	178,135	70,387	128,400	298,550
Total primary government	713,030	538,330	178,324	70,453	128,455	298,578
Change in net assets:						
Governmental activities	3,035	(3,992)	(104,523)	2,041	10,857	7,467
Business-type activities	(422,174)	1,725,262	1,232,177	1,311,219	1,123,104	2,698,704
Total primary government	\$ (419,139)	\$ 1,721,270	\$ 1,127,654	\$ 1,313,260	\$ 1,133,961	\$ 2,706,171

Data for periods prior to Fiscal Year 2007 were not readily available.

Source: Finance Department

**Florin Resource Conservation District
Fund Balances of Governmental Funds
Last Six Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012
General Fund						
Unassigned	\$ 168,419	\$ 172,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227
Total General Fund	<u>\$ 168,419</u>	<u>\$ 172,385</u>	<u>\$ 67,862</u>	<u>\$ 69,903</u>	<u>\$ 80,760</u>	<u>\$ 88,227</u>

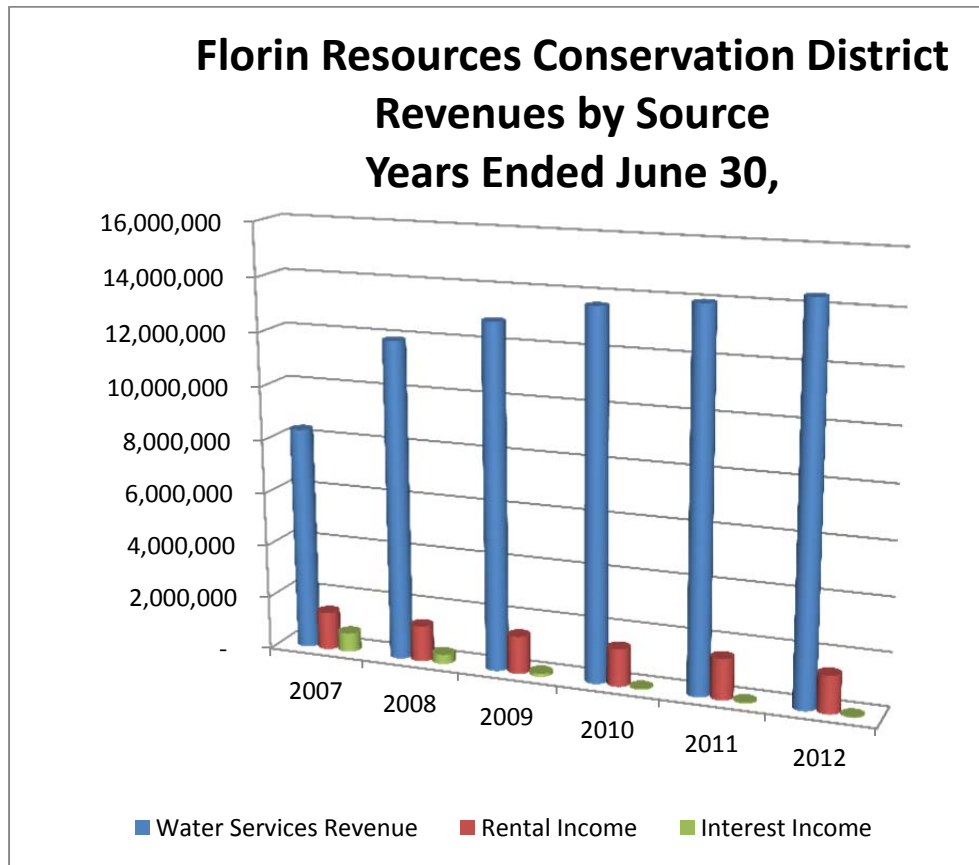
Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

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

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012
Revenues						
Use of money and property	\$ 10,334	\$ 10,261	\$ 14,189	\$ 12,066	\$ 12,055	\$ 11,361
Other	2,558			8,936		
Total Revenues	12,892	10,261	14,189	21,002	12,055	11,361
Expenditures						
General and administrative	17,030	8,295	116,712	18,961	1,198	3,894
Total expenditures	17,030	8,295	116,712	18,961	1,198	3,894
Other Financing Sources						
Transfers	7,173					
Total other financing sources	7,173					
Net change in fund balance	3,035	1,966	(102,523)	2,041	10,857	7,467
Fund balance, beginning of the year	165,384	168,419	170,385	67,862	69,903	80,760
Fund balance, end of the year	\$ 168,419	\$ 170,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

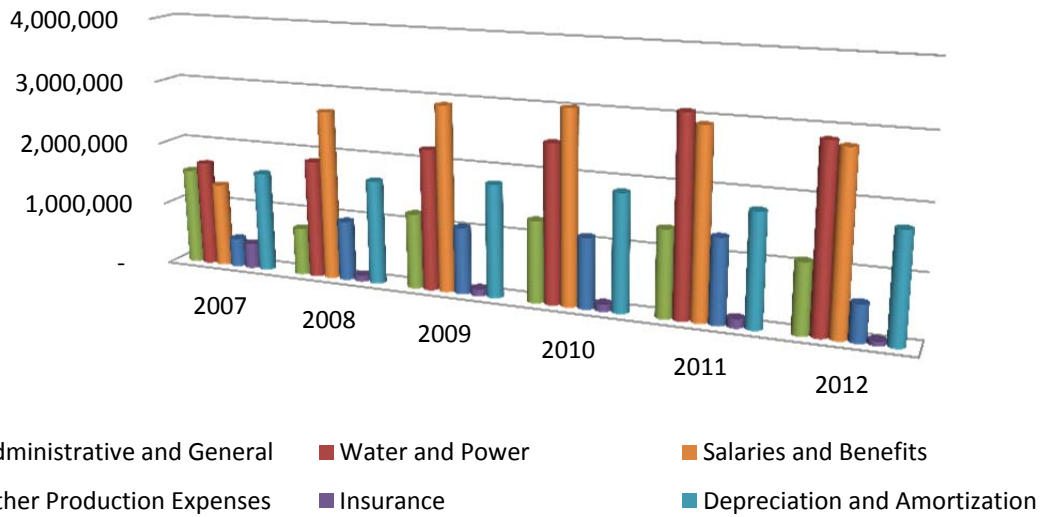
Florin Resource Conservation District Financial Trends



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

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

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



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

Revenue Capacity

Florin Resource Conservation District Elk Grove Water District Rate Analysis Last Six Years

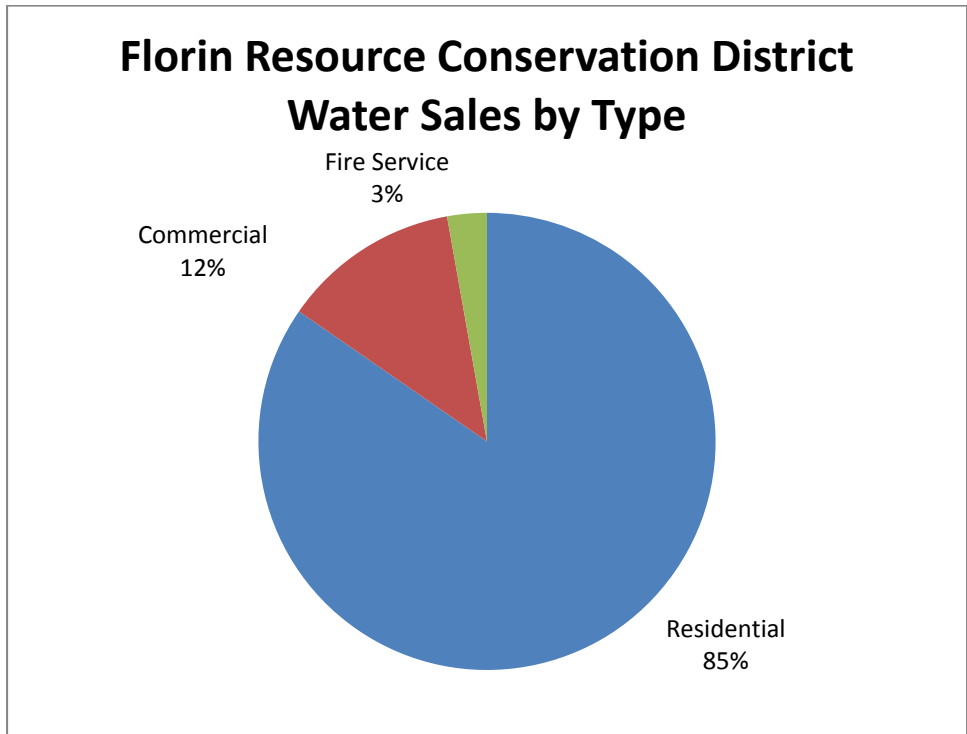
	2006/07		2007/08		2008/09		2009/10		2010/11		2011/12	
	Metered	Metered	Flat	Metered	Flat	Metered	Flat	Metered	Flat	Metered	Flat	Metered
	Rate	Area 1	Rate	Rate ⁽¹⁾	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Monthly Meter/Service												
1-inch meter/service	\$ 30.41	\$ 40.06	\$ 39.10	\$ 42.06	\$ 58.26	\$ 50.47	\$ 69.91	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30	\$ 56.53
Monthly Consumption Rates												
1st tier: 0-30 ccf	0.445	1.09		1.09		1.31		1.46		1.46		1.46
2nd tier: over 30 ccf	0.445	1.34		1.34		1.61		1.80		1.80		1.80
For each sq. ft. of premises over 4000 sf			0.00122		0.00182		0.00218		0.00244		0.00244	
Average Bill	50.03			66.04		79.25		88.76		88.76		88.76
Meter Charge												
For 5/8 x 3/4-inch meter	21.89	31.08		42.06		50.47		56.53		56.53		56.53
For 3/4-inch meter	24.25	34.06		42.06		50.47		56.53		56.53		56.53
For 1-inch meter	30.41	40.06		42.06		50.47		56.53		56.53		56.53
For 1-1/2 inch meter	46.25	55.07		54.68		65.61		73.48		73.48		73.48
For 2-inch meter	63.87	73.47		88.33		105.99		118.71		118.71		118.71
For 3-inch meter	106.44	115.08		332.27		398.73		446.56		446.56		446.56
For 4-inch meter	167.68	175.17		420.60		504.72		565.29		565.29		565.29
For 6-inch meter	320.21	327.25		630.90		757.08		847.93		847.93		847.93
For 8-inch meter	503.27			870.64		1,044.77		1,170.14		1,170.14		1,170.14

	2006/07		2007/08		2008/09		2009/10		2010/11		2011/12	
	Metered	Metered	Flat	Metered	Flat	Metered	Flat	Metered	Flat	Metered	Flat	Metered
	Rate Area	Rate Area	Rate	Rate ⁽¹⁾	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
	1	2										
Flat Rate												
For 3/4-inch service			28.77		46.61		55.93		62.64		62.64	
For 1-inch service			39.10		58.26		69.91		78.30		78.30	
For 1-1/4 inch service			50.43		69.91		83.89		93.96		93.96	
For 1-1/2 inch service			62.86		81.72		90.89		109.83		109.83	
For 2-inch service			92.71		122.35		146.82		164.44		164.44	
For 3-inch service			198.28		460.25		552.30		618.58		618.58	
For 4-inch service					582.60		699.12		783.02		783.02	
For 6-inch service					873.90		1,048.68		1,174.53		1,174.53	
For 8-inch service					1,205.98		1,410.13		1,579.35		1,579.35	
1 x 3/4" + 1 x 2"			106.33		168.95		202.74		227.07		227.07	
2 x 3/4"			42.40		93.22		111.86		125.29		125.29	
3 x 3/4"			56.04		139.82		167.79		187.93		187.93	
10 x 3/4"			151.46		466.08		559.30		626.42		626.42	
33 x 3/4"			465.04		1,538.06		1,845.68		2,067.17		2,067.17	
68 x 3/4"			942.20		3,169.34		3,803.21		4,259.60		4,259.60	
2 x 1"			63.06		116.52		139.82		156.60		156.60	
6 x 1" + 1 x 2"			236.53		471.91		566.29		634.25		634.25	
6 x 1"			158.97		349.56		419.47		469.81		469.81	
16 x 1"			398.69		932.16		118.59		132.83		132.83	
21 x 1"			518.55		1,223.46		1,468.15		1,644.33		1,644.33	
49x 1"			1,189.79		2,854.74		3,425.69		3,836.78		3,836.78	
72 x 1"			1,741.17		4,194.72		5,033.66		5,637.70		5,637.70	
100 x 1"			2,412.39		5,826.00		6,991.20		7,830.15		7,830.15	
2 x 2"			170.27		244.69		293.63		328.87		328.87	

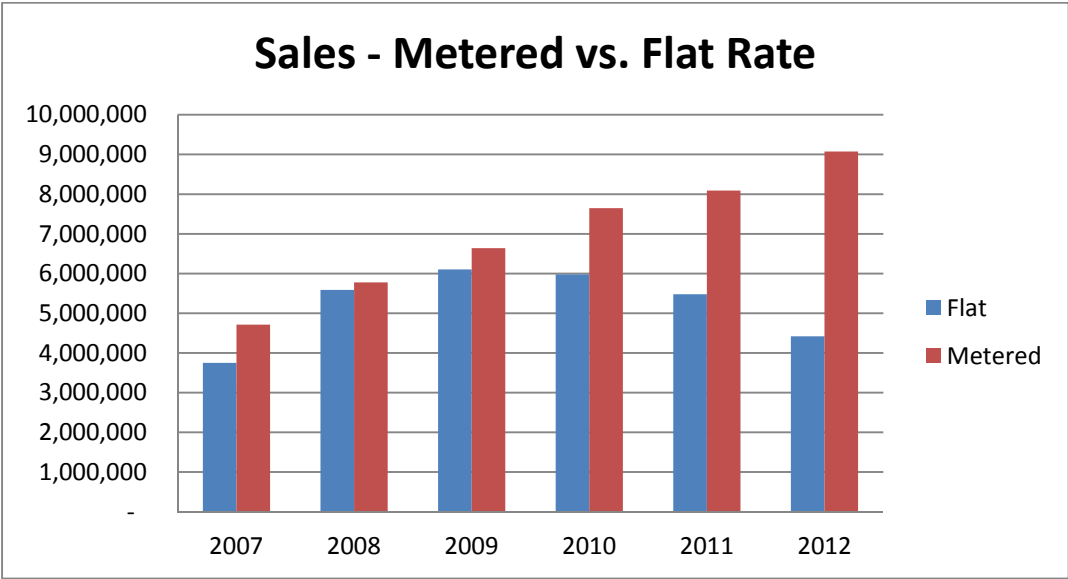
	2006/07		2007/08		2008/09		2009/10		2010/11		2011/12	
	Metered	Metered Rate Area 2	Flat Rate	Metered Rate *	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate
For each additional single family residential unit			5.09		7.58		9.10		10.20		10.20	
For each sq. ft. of premises, over 4000 sq. ft.			0.00122		0.00182		0.00218		0.00244		0.00244	
Fire Protection Service												
2-inch connection				44.17		21.20		23.74		23.74		23.74
3-inch connection		23.20		166.14		79.75		89.32		89.32		89.32
4-inch connection		27.22		210.30		100.94		113.05		113.05		113.05
6-inch connection		39.24		315.45		151.41		169.58		169.58		169.58
8-inch connection		50.31		435.32		208.95		234.02		234.02		234.02
Usage												
First 3000 Cu Ft. Per 100 Cu. Ft.		0.83		1.09		1.31		1.46		1.46		1.46
Over 3000 Cu. Ft.		1.02		1.34		1.61		1.80		1.80		1.80

* In April of 2007, a new 5 year Rate Plan was adopted. The discrepancy between the rates for the two areas was eliminated. Data for periods prior to Fiscal Year 2007 were not readily available.

Source: Finance Department

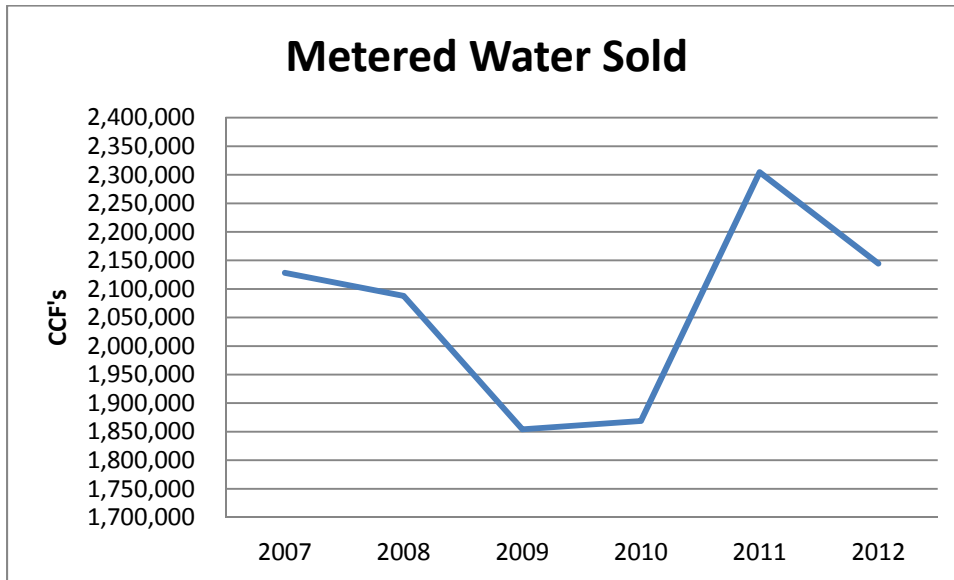


Sales by Type – This graph shows the percentages of the three major components of water sales by the Elk Grove Water District.



Metered vs. Flat Rate Sales – This chart shows the growth in meter sales primarily due to the conversion of accounts from flat rate to meters. Overall sale increases in the first three years were due to rate increases.

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department



Metered Water Consumption – CCFs – This graph shows the consumption of metered water over the six 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
6/30/02	6,059	3,415	9,474	8,974	500
6/30/03	6,029	4,363	10,392	9,942	450
6/30/04	6,047	4,930	10,977	10,508	469
6/30/05	6,028	5,341	11,369	10,866	503
6/30/06	6,028	5,688	11,716	11,167	549
6/30/07	6,033	5,855	11,888	11,327	561
6/30/08	6,020	5,999	12,019	11,453	566
6/30/09	5,849	6,272	12,121	11,530	618
6/30/10	5,328	6,834	12,162	11,509	653
6/30/11	4,681	7,409	12,090	11,474	616
6/30/12	3,377	8,923	12,300	11,679	621

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

FLORIN RESOURCE CONSERVATION DISTRICT
Five Largest Commercial Customers
Current Year and Two Years Ago

	<u>June 2010</u>	<u>June 2012</u>
Consumnes Community Service District	\$ 374,372	\$ 384,790
Elk Grove Unified School District	\$ 282,377	\$ 366,582
Realty Round Up		\$ 152,446
City of Elk Grove		\$ 58,623
Emerald Park Company		\$ 55,770
Emerald Vista Apartments	\$ 65,986	
Oak Grove Apartments	\$ 46,041	
Vintage Creek Apartments	\$ 31,484	

Data for periods prior to Fiscal Year 2010 were not readily available.
Source: Finance Department

Debt Capacity

Florin Resource Conservation District Ratio of Debt Service to Operating Expenses Last Six Years

Fiscal Year Ended June 30,	Principal Payments	Interest Payments *	Total	Operating Expenses	Ratio of Total Debt Service to Operating Expenses
2007	\$ 695,000	\$ 3,427,970	\$ 4,122,970	\$ 7,007,955	58.83%
2008	750,000	3,408,230	4,158,230	8,003,616	51.95%
2009	1,090,000	3,383,008	4,473,008	9,442,594	47.37%
2010	1,260,000	3,349,544	4,609,544	9,866,695	46.72%
2011	1,495,000	3,305,500	4,800,500	10,619,531	45.20%
2012	1,670,000	3,247,339	4,917,339	9,796,569	50.19%

Note: The District has no governmental activities debt.

*Interest Payments on the Cash Basis

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

Florin Resource Conservation District
Ratios of Outstanding Debt by Type- Proprietary Funds
Last Six Years

Fiscal Year Ended June 30,	COPs- Water Services	COPs- Office Building	Loans	Total	Percentage of Personal Income*	Outstanding Debt per Registered Voter**
2007	\$ 58,567,145	\$ 14,386,994		\$ 72,954,139	1.443%	Not Available
2008	58,307,145	13,896,994		72,204,139	1.331%	\$ 575.66
2009	57,822,145	13,291,994	1,085,386	72,199,525	1.713%	Not Available
2010	57,187,145	12,666,994	1,039,602	70,893,741	1.782%	\$ 543.46
2011	56,337,145	12,021,994	990,745	69,349,884	1.712%	Not Available
2012	55,332,145	11,356,994	938,623	67,627,762	1.642%	\$ 492.83

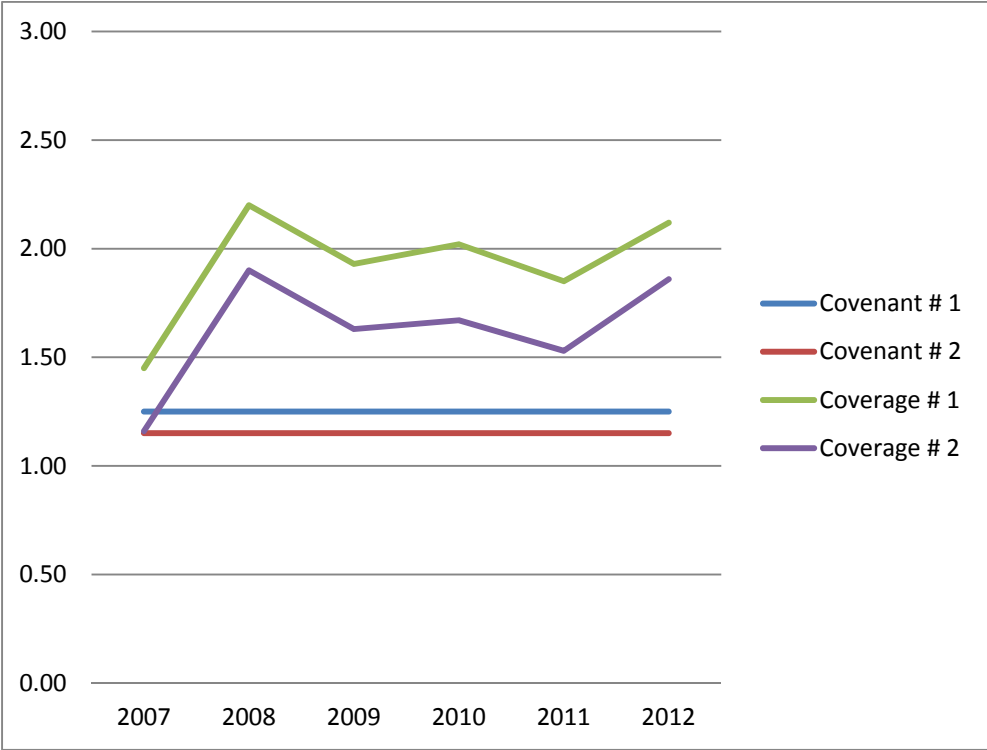
Note: Details regarding the District's outstanding debt can be found in the footnotes to the financial statements.

*See the Per Capita Income schedule in the Statistical Section, Demographic and Economic Information.

**Sacramento County Voter Registration.

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

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



Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

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

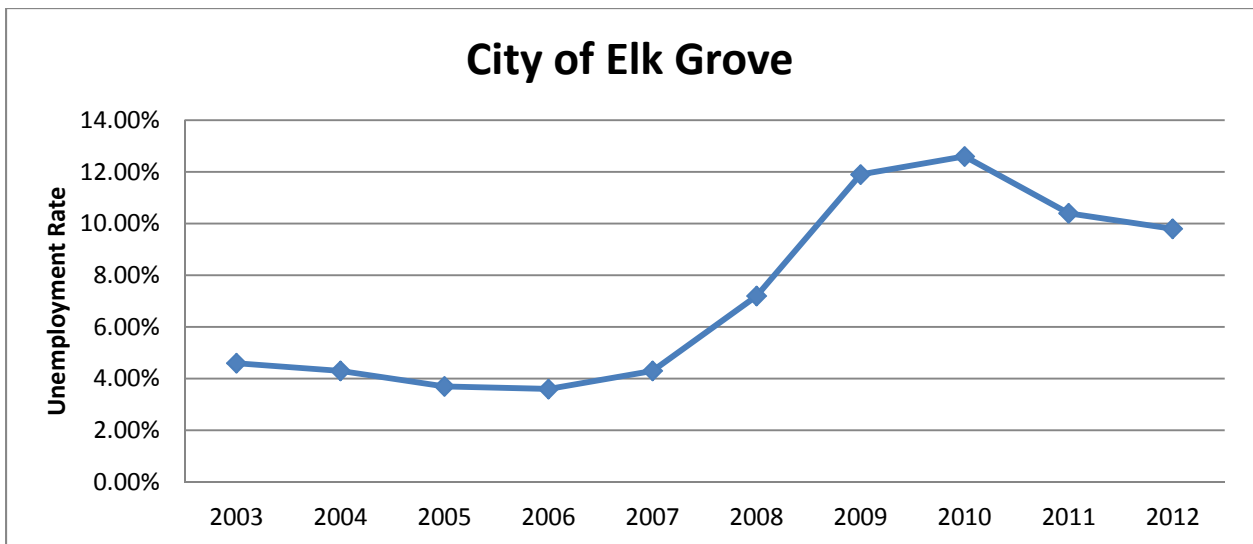
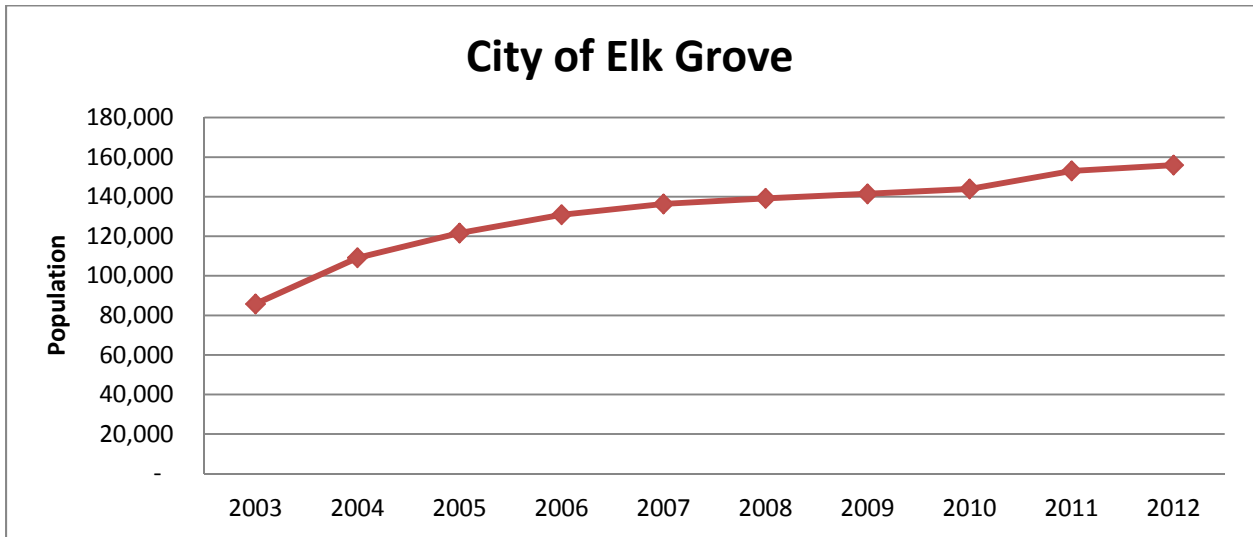
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Operating Revenues:						
Charges for Services	\$ 8,358,765	\$ 11,922,374	\$ 12,865,774	\$ 13,642,267	\$ 13,981,562	\$ 14,420,788
Operating Expenses:						
Water & Power	\$ 1,670,825	\$ 1,864,314	\$ 2,221,925	\$ 2,487,961	3,093,211	2,846,200
Other Production Expenses	\$ 460,657	\$ 896,218	\$ 984,362	\$ 1,047,545	1,160,949	582,000
Payroll & Related Taxes	\$ 1,331,705	\$ 2,679,183	\$ 2,923,030	\$ 3,024,955	2,927,357	2,777,271
Insurance	\$ 404,737	\$ 102,585	\$ 97,418	\$ 111,455	117,247	74,105
Administration & General	\$ 1,413,691	\$ 511,054	\$ 1,042,542	\$ 1,207,200	1,113,405	1,098,238
Depreciation & Amortization	\$ 1,282,640	\$ 1,339,001	\$ 1,471,072	\$ 1,533,295	1,455,222	1,705,720
Total Operating Expenses	\$ 6,564,255	\$ 7,392,355	\$ 8,740,349	\$ 9,412,411	\$ 9,867,391	\$ 9,083,534
Income From Operations	\$ 1,794,510	\$ 4,530,019	\$ 4,125,425	\$ 4,229,856	\$ 4,114,171	\$ 5,337,254
Covenant Number 1						
Income From Operations	\$ 1,794,510	\$ 4,530,019	\$ 4,125,425	\$ 4,229,856	\$ 4,114,171	\$ 5,337,254
Add: Interest Income	\$ 645,856	\$ 311,768	\$ 122,221	\$ 42,170	\$ 36,642	\$ 21,812
Add: Depreciation & Amortization Expenses	\$ 1,282,640	\$ 1,339,001	\$ 1,471,072	\$ 1,533,295	\$ 1,455,222	\$ 1,705,720
Add: Rate Stabilization Fund	\$ 934,853	\$ 966,824	\$ 971,782	\$ 971,782	\$ 971,782	\$ 971,782
Total	\$ 4,657,859	\$ 7,147,612	\$ 6,690,500	\$ 6,777,103	\$ 6,577,817	\$ 8,036,568
Interest & Principal Payments	\$ 3,209,484	\$ 3,247,444	\$ 3,466,851	\$ 3,362,040	3,557,252	3,680,913
Coverage Ratio (1.25 Minimum Req.)	1.45	2.20	1.93	2.02	1.85	2.18
Covenant Number 2						
Income From Operations	\$ 1,794,510	\$ 4,530,019	\$ 4,125,425	\$ 4,229,856	\$ 4,114,171	\$ 5,337,254
Add: Interest Income	\$ 645,856	\$ 311,768	\$ 122,221	\$ 42,170	\$ 36,642	\$ 21,812
Add: Depreciation & Amortization Expenses	\$ 1,282,640	\$ 1,339,001	\$ 1,471,072	\$ 1,533,295	\$ 1,455,222	\$ 1,705,720
Total	\$ 3,723,006	\$ 6,180,788	\$ 5,718,718	\$ 5,805,321	\$ 5,606,035	\$ 7,064,786
Interest & Principal Payments	\$ 3,209,484	\$ 3,247,444	\$ 3,505,180	\$ 3,477,026	\$ 3,669,868	3,795,751
Coverage Ratio (1.15 Minimum Req.)	1.16	1.90	1.63	1.67	1.53	1.86

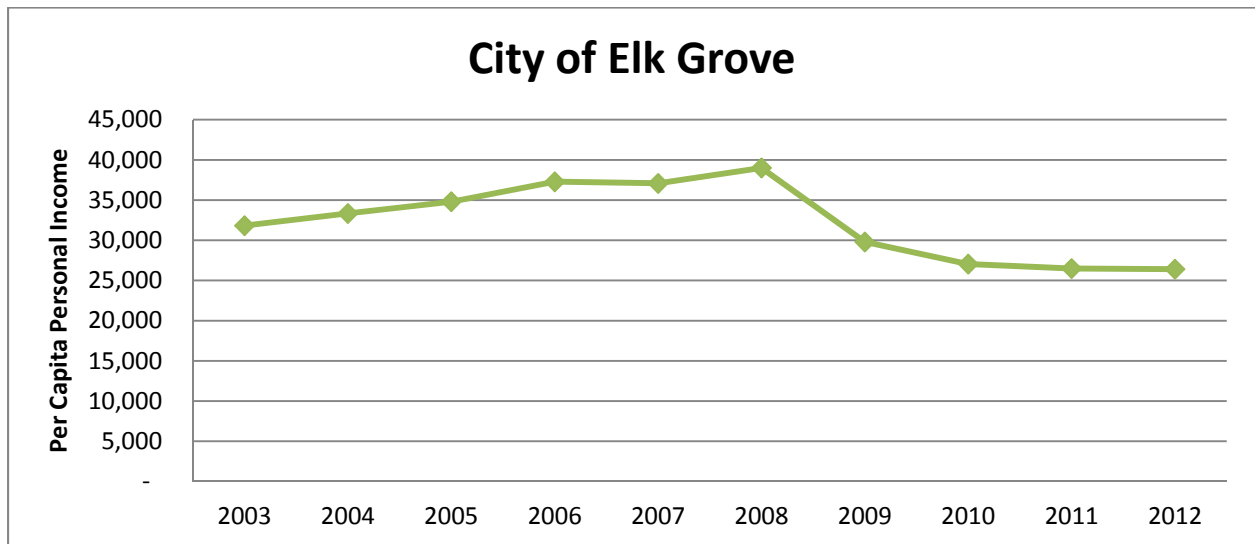
Note: Details regarding the requires of the two covenants can be found in Note E of the financial statements.

Data for periods prior to Fiscal Year 2007 were not readily available.

Source: Finance Department

Demographic and Economic Information Florin Resource Conservation District





Year	Population*	Personal Income (in thousands)	Per Capita Personal Income**	Unemployment Rate***
2002	81,400	\$ 2,524,214	\$ 31,010	4.20%
2003	85,786	2,730,483	31,829	4.60%
2004	109,116	3,637,709	33,338	4.30%
2005	121,609	4,232,601	34,805	3.70%
2006	130,874	4,878,590	37,277	3.60%
2007	136,318	5,054,399	37,078	4.30%
2008	139,119	5,425,919	39,002	7.20%
2009	141,430	4,214,190	29,797	11.90%
2010	143,885	3,891,082	27,043	12.60%
2011	153,015	4,051,684	26,479	10.40%
2012	155,937	4,117,828	26,407	9.80%

Source: * California Department of Finance
 ** Bureau of Economic Analysis – Sacramento Area
 *** www.labormarketinfo.edd.ca.gov

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

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

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012
Acre-feet water sold:						
Purchased water (CCFs)	2,128,280	2,087,803	1,854,139	1,868,738	2,304,632	1,069,886
Treated water (CCFs)	2,973,199	2,781,990	2,114,031	2,079,311	1,471,518	2,189,232
Total	5,101,479	4,869,793	3,968,170	3,948,049	3,776,150	3,259,118
Number of Accounts:						
Non-metered	6,033	6,020	5,849	5,328	4,681	3,377
Metered	5,855	5,999	6,272	6,834	7,409	8,923
Total	11,888	12,019	12,121	12,162	12,090	12,300
Average annual CCFs used per account	429.13	405.17	327.38	324.62	312.34	264.97
Average daily consumption per account (CCFs)	1.1757	1.1101	0.8969	0.8894	0.8557	0.7259
Number of Employees:						
General Government						
Water	23	24	24	32	32	30
Office Building						

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

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department

**Florin Resource Conservation District
Capital Assets Statistics by Function
Last Six Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012
Capital Asset Statistics						
Water:						
Water main miles	121	121	124	124	124	124
Maximum daily capacity (thousands of gallons)	14,000	14,000	14,000	14,000	14,000	14,000
Maximum treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	7,000	7,000
Building:						
Buildings owned	1	1	1	1	1	1

Data for periods prior to Fiscal Year 2007 were not readily available.
Source: Finance Department