

Florin Resource Conservation District  
Comprehensive Annual Financial Report  
For the Years ended June 30, 2014 and 2013



Elk Grove, California



**FLORIN RESOURCE CONSERVATION DISTRICT**

Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 30, 2014 and 2013

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

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FLORIN RESOURCE CONSERVATION DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2014 and 2013

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November 12, 2014

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, 2014. 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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Comprehensive Annual Financial Report is organized into Introductory, Financial, and Statistical sections. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes: Independent Auditor's Report on the District's financial statements; MD&A; June 30, 2014 basic financial statements, including the statement of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the basic financial statements and required supplementary information. The statistical section is the chief source of information regarding the District's economic condition. The financial statements are prepared in accordance with GAAP.

## **DISTRICT PROFILE**

### **History**

The Florin Resource Conservation District (FRCD) was formed in 1953, pursuant to Section 9000 et seq. of the Public Resources Code of the State of California. The District, 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 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 Elk Grove Water District (EGWD) is a medium sized water purveyor near Sacramento, California, serving a population of approximately 36,000 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 FRCD in 1999, and is operated as a department of FRCD. The EGWD service area is divided into two distinct service areas commonly referred to as Service Area 1 and Service Area 2.

Source water for Service Area 1 is provided by four (4) deep wells and three (3) older shallow wells owned and operated by EGWD. 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 a water treatment plant, groundwater wells, storage tanks, groundwater treatment facilities, and water conveyance systems. Water is not shared between the two service areas except in an emergency.

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

## **Accounting System and Budgetary Controls**

The FRCD'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 EGWD 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 30<sup>th</sup> of each year. The budget is used as a management tool for projecting and measuring revenues and expenses.

## **Mission Statement**

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

## **Water Supply**

Source Water – There are currently seven 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. 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. All of the wells are in periodic production.

## **Water Treatment**

The Elk Grove Water District maintains two water treatment facilities:

The Railroad Water Treatment and Storage Facility provides 4.0 million gallons of water storage, 10 booster pumps (rated at 1,500 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



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 12,200 service connections currently and growth projections suggest that the service connections should remain relatively the same in 2015.

On June 26, 2013, the Board of Directors approved a 5-year financial plan and water rates ordinance. The first rate increases occurred on January 1, 2014. The Plan automatically increases water rates on January 1st of each of the following 4 years. This makes the water rates known through December 31, 2018.

### **Local Economy**

*The local economy seems to be improving slightly and the number of connections has remained relatively stable.* Although the service connections remain stable, the volume of water sold has been affected but has slightly increased in the fiscal year ended June 30, 2014.

### **Elk Grove Water District Five Year Water Rate Study**

On January 25, 2012, the Board authorized Staff to hire Willdan Financial Services (Willdan) to develop a five year water rate study (Study) for the EGWD to cover the period of FY 2013-14 through FY 2017-18. EGWD assembled 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 2013-14 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 was completed and presented to the Board on April 24, 2013 for approval. After the 45 day noticing period for the Proposition 218 process, the Board held a Public Hearing on June 26, 2013 and adopted a new water rate structure. The new rate structure provides an opportunity to improve water service for existing and future ratepayers. Financial stability is a high priority for the Board.

The adopted rate structure calls for water rate adjustments designed to yield the following revenue increases:

- January 2014 – 3%
- January 2015 – 3%
- January 2016 – 3%
- January 2017 – 4%
- January 2018 – 5%

On June 26, 2013, the Board approved a five year Capital Improvement Program (CIP) of approximately \$10.7 million to develop a plan to build and replace the necessary infrastructure for the safe operation of the EGWD. The CIP is available on the District's website [www.egwd.org](http://www.egwd.org).

### **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, 2013. 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 Elk Grove Water District Management team.

Respectfully Submitted,

  
\_\_\_\_\_  
Jim Malberg  
Finance Manager/Treasurer

**FLORIN RESOURCE CONSERVATION DISTRICT  
LIST OF OFFICIALS  
JUNE 30, 2014**

**BOARD OF DIRECTORS:**

Barrie Lighfoot <i>Chairman</i>	Chuck Dawson <i>Vice-Chairman</i>	Elliot Mulberg <i>Director</i>	Tom Nelson <i>Director</i>	Donald Menasco <i>Director</i>
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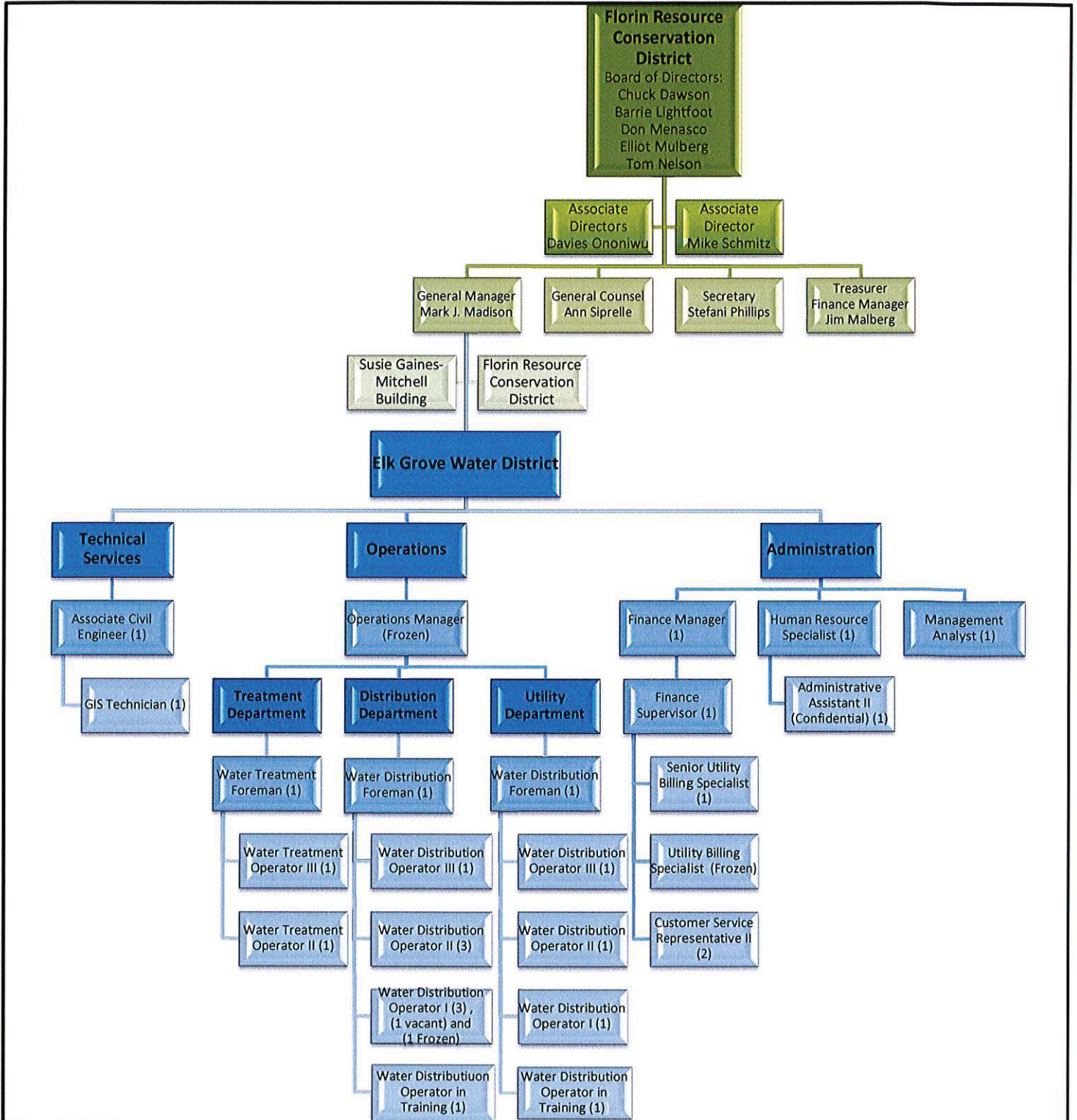
**Staff:**

Mark J. Madison  
*General Manager*

Jim Malberg  
*Treasurer/ Finance Manager*

Stefani Phillips  
*Secretary/HR Specialist*

# Florin Resource Conservation District Organization Chart June 30, 2014





Government Finance Officers Association

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

Presented to

**Florin Resource Conversation  
District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# Richardson & Company, LLP

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Florin Resource Conservation District (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Florin Resource Conservation District as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund for the years then ended

in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's and state regulations governing special districts.

**Correction of Error**

As discussed in Note J to the basic financial statements, the District corrected an error in the Business-type activities and Office Building Fund that understated liabilities and overstated net position as of July 1, 2012. Business-type activities and Office Building Fund liabilities increased and net position decreased by \$1,366,119 as of July 1, 2012 due to the correction of this error. Our opinion is not modified with respect to this matter.

**Emphasis of Matters**

As discussed in Note I 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 I to the basic 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. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress of the other postemployment benefits plan, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

*Richardson & Company, LLP*

November 12, 2014

## FLORIN RESOURCE CONSERVATION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014, 2013 AND 2012

The following narrative overview and analysis of the financial activities of the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2014 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 decreased by \$1.0 million during fiscal 2014 and increased by \$0.5 and \$2.0 million in 2013 and 2012, respectively. This was due to the changes in net position as described below. Total liabilities decreased by \$1.8, \$2.1 and \$1.2 million during fiscals 2014, 2013 and 2012 respectively, due to payments on existing debt and the restatement to record accreted interest on the 2003 Subordinate Lien Refunding Certificates. The net results of this activity are increases in net position of \$0.7, \$2.3 and \$2.6 million in 2014, 2013 and 2012, respectively.
- The District experienced decreases in its deferred outflows of resources, which are deferred amounts on refunding of debt agreements, of \$0.1, \$0.3 and \$0.4 million in 2014, 2013 and 2012, respectively, due to normal amortization. The District has ending balances of deferred outflows of resources of zero, \$0.1 and \$0.4 in 2014, 2013 and 2012, respectively.
- Operating revenue of \$14.6, \$15.6 and \$15.8 million in 2014, 2013 and 2012 respectively, and operating expenses of \$10.0, \$9.6 and \$9.8 million in 2014, 2013 and 2012 respectively, after depreciation resulted in net income from operations of \$4.6, \$6.0 and \$6.0 million in enterprise funds in 2014, 2013 and 2012 respectively. Net non-operating expenses of \$4.0, \$3.7 and \$3.4 million in business-type activities in 2014, 2013 and 2012 respectively, is the result of \$3.5, \$3.8 and \$3.7 million in interest expense for 2014, 2013 and 2012 respectively and \$0.6 million in 2014 from losses on capital asset disposals, offset by non-operating revenue of approximately \$40,000, \$73,000 and \$299,000 in 2014, 2013 and 2012 respectively.
- Capital assets decreased by \$0.8 million during fiscal 2014 and increased by \$0.1 and \$0.4 million in 2013 and 2012 respectively. The District added approximately \$1.7 million in infrastructure, improvements and equipment during 2014, and also disposed of infrastructure assets with a carrying value of \$0.6 million. Annual depreciation for 2014 was approximately \$2.4 million. During 2013 capital assets increased by \$0.1 million. This was the result of approximately \$2.1 million in infrastructure, equipment and improvement assets being added, offset by \$2.0 million in depreciation expense. Also at the end of fiscal 2013, \$7.9 million in infrastructure, improvement, and equipment assets previously classified as "in-progress" were placed into service.
- Restricted cash and investments decreased by \$0.1, \$0.7 and \$0.1 million in 2014, 2013 and 2012 respectively. The decrease in 2014 was a result of activities in the District's Office Building fund, while the decreases in 2013 and 2012 were a result of expenses made to improve the water system.
- Unrestricted net position was \$9.9, \$10.8 and \$10.1 million at June 30, 2014, 2013 and 2012 respectively. Restricted net position was \$2.1, \$2.2 and \$2.4 million at June 30, 2014, 2013 and 2012 respectively, of which \$1.9, \$1.8 and \$2.0 million was restricted for debt service. In addition, \$0.2, \$0.4 and \$0.4 million in 2014, 2013 and 2012 respectively, was restricted for Building Fund administration, operating and maintenance expenses each year.



## FLORIN RESOURCE CONSERVATION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014, 2013 AND 2012

The District had positive cash flow from enterprise fund operations of \$8.0, \$7.1 and \$7.8 million in 2014, 2013 and 2012, respectively. The District spent \$2.2, \$2.1 and \$2.4 million in 2014, 2013 and 2012 respectively, on the acquisition of capital assets and \$5.6, \$5.1 and \$5.0 million in 2014, 2013 and 2012 respectively, on debt principle and interest payments. For 2014, 2013 and 2012, the District experienced increases of \$0.4, \$0.3 and \$0.6 million in its ending cash balances of \$14.2, \$13.8 and \$13.5 million, respectively at June 30, 2014, 2013 and 2012, respectively.

#### SECTIONS OF THE FINANCIAL STATEMENTS

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

##### *Introductory Section*

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

##### *Financial Section*

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

##### *Statistical Section*

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

- ***Provide information on financial trends.*** Information 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, 2014, 2013 AND 2012**

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

**FINANCIAL ANALYSIS OF THE DISTRICT**

**STATEMENT OF NET POSITION – GOVERNMENT-WIDE TOTALS  
AS OF JUNE 30, 2014, 2013 AND 2012**

	Governmental activities			Business-type activities			Total		
	2014	2013	2012	2014	2013	2012 (as Restated)	2014	2013	2012 (as Restated)
Current assets	\$ 143,278	\$ 85,594	\$ 88,227	\$ 14,129,628	\$ 14,312,482	\$ 13,254,508	\$ 14,272,906	\$ 14,398,076	\$ 13,342,735
Capital assets				48,848,910	49,637,401	49,547,805	48,848,910	49,637,401	49,547,805
Other assets				2,640,486	2,768,994	3,418,341	2,640,486	2,768,994	3,418,341
<b>Total Assets</b>	<b>143,278</b>	<b>85,594</b>	<b>88,227</b>	<b>65,619,024</b>	<b>66,718,877</b>	<b>66,220,654</b>	<b>65,762,302</b>	<b>66,804,471</b>	<b>66,308,881</b>
Deferred outflows				-	86,554	373,008	-	86,554	373,008
Current liabilities	11,017	4,667		16,251,836	15,984,784	16,885,669	16,262,853	15,989,451	16,885,669
Long-term liabilities				51,229,066	53,303,852	54,508,617	51,229,066	53,303,852	54,508,617
<b>Total Liabilities</b>	<b>11,017</b>	<b>4,667</b>		<b>67,480,902</b>	<b>69,288,636</b>	<b>71,394,286</b>	<b>67,491,919</b>	<b>69,293,303</b>	<b>71,394,286</b>
<b>Net Position:</b>									
Net investment in capital assets				(13,716,163)	(15,360,450)	(17,230,289)	(13,716,163)	(15,360,450)	(17,230,289)
Restricted				2,067,919	2,201,220	2,387,235	2,067,919	2,201,220	2,387,235
Unrestricted	132,261	80,927	88,227	9,786,366	10,676,025	10,042,430	9,918,627	10,756,952	10,130,657
<b>Total Net Position</b>	<b>\$ 132,261</b>	<b>\$ 80,927</b>	<b>\$ 88,227</b>	<b>\$ (1,861,878)</b>	<b>\$ (2,483,205)</b>	<b>\$ (4,800,624)</b>	<b>\$ (1,729,617)</b>	<b>\$ (2,402,278)</b>	<b>\$ (4,712,397)</b>

**GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS**

There was an increase of \$57,684 in 2014, a decrease of \$2,633 in 2013 and an increase of \$7,467 in 2012 in current assets. Also during the same time period, current liabilities increased \$6,350 and \$4,667, and unrestricted net position increased \$51,334 in 2014, decreased \$7,300 in 2013 and increased \$7,467 in 2012 for the governmental fund. There was an increase of \$74,221 and \$2,918 in total revenues for the fiscal years of 2014 and 2013, respectively and a decrease of \$694 in 2012. The increase in 2014 was due

## FLORIN RESOURCE CONSERVATION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014, 2013 AND 2012

to the gain on the disposal of capital assets. There was an increase in expenditures of \$15,587, \$17,685 and \$2,696 in 2014, 2013 and 2012 respectively. The increases in 2014 is attributable to legal fees associated with the sale of a building while the increases in 2013 was attributable to expenditures for contracted services to perform a survey of the FRCD boundaries, and to demolish old structures on property jointly owned by the FRCD with two other resource conservation districts. The increase in 2012 was due to the District advertising for two associate director positions as well as sponsoring soil conservation programs at a local high school.

#### BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

There was a revenue increase of 3% for the water service rate payers effective January 1, 2014. There was a decrease in operating revenues of \$1.0 million in 2014 due primarily to reduced water sales as a result of increased conservation efforts due to the severe drought. There was a slight decrease in operating revenue in 2013 due to a scheduled reduction in rental income for the Susan B. Gaines Building that started in February 2013. There was an increase in operating revenue in 2012 mainly due to the effect of new accounts being added and changes in billing cycles as more customers became metered.

Current assets decreased by approximately \$0.2 million during 2014. This decrease can mainly be attributable to a decrease in customer accounts receivable at June 30, 2014 of \$0.6 million, offset by an increase in cash and cash equivalents of \$0.5 million. During fiscal 2013, current assets increased almost \$1.1 million, mostly attributable to increases in cash and cash equivalents of \$0.9 million and customer accounts receivable of \$0.3 million. Other changes were noted as other receivables decreased by \$0.3 million and supplies inventories increased by \$0.1 million. Current assets increased by approximately \$1.7 million in 2012 due primarily to an increases of cash and cash equivalents of \$0.6 million, customer accounts receivable of \$0.7 million and other receivables of \$0.3 million.

Capital assets (net of depreciation) decreased by \$0.8 million in 2014. Significant additions in the amount of \$1.7 million were invested in the water treatment and distribution system, and \$0.2 million was made to capital improvements. Also during 2014 the District removed from capital assets \$0.9 million in well costs that were destroyed. Total depreciation expense recognized during the year amounted to \$2.4 million. The increase in depreciation from the prior year is primarily due to \$7.8 million in capital assets being placed into service at the end of fiscal 2013, mainly attributable to \$6.9 million in investments to the water treatment and distribution system.

Capital assets (net of depreciation) increased by \$0.1 million in 2013 due to construction in progress of well modifications and meter program additions. Total depreciation expense recognized by the District during 2013 amounted to \$2.0 million. In 2012 capital assets (net of depreciation) increased by \$0.4 million due primarily to meter program and construction in progress additions of \$2.4 million net of \$2.0 million of depreciation expense.

Current liabilities increased by \$0.3 million in 2014, mainly due to increases in accounts payable of \$0.2 million in the Water District Fund, and \$0.2 million in property taxes payable in the Office Building Fund. These increases were offset by the principal retirement of the Office Building Fund Debt, for the Susan B. Gaines building that was placed in to a current liability due to a technical violation of the debt covenants in 2012. Current liabilities decreased by \$0.9 million in 2013 primarily due to \$0.5 million decreases in accounts payable in the Water District Fund. During 2013 there was also a decrease of \$0.7 million in the Office Building Fund Debt, from scheduled principal retirements. As mentioned above, the

**FLORIN RESOURCE CONSERVATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014, 2013 AND 2012**

debt for the Susan B. Gaines building was placed in to a current liability due to a technical violation of the debt covenants in 2012 which caused an increase that year of \$10.6 million.

Long term debt in the Water District Fund decreased by \$2.1 million during 2014. This was the result of scheduled principal retirements and the early payoff of the note payable for the District's administration building. During 2013, there were \$1.1 million in scheduled principal retirements of the District's long term debt.

**CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
GOVERNMENT-WIDE TOTALS  
FOR THE YEARS ENDED JUNE 30, 2014, 2013 AND 2012**

	Governmental activities			Business-type activities			Total		
	2014	2013	2012	2014	2013	2012 (as Restated)	2014	2013	2012 (as Restated)
<b>Revenues:</b>									
<b>Program Revenues:</b>									
<b>Charges for services:</b>									
General Government	\$ 5,467	\$ 9,533	\$ 11,333				\$ 5,467	\$ 9,533	\$ 11,333
Water District				\$ 13,435,194	\$ 14,312,791	\$ 14,420,788	13,435,194	14,312,791	14,420,788
Office Building				1,121,400	1,292,417	1,414,572	1,121,400	1,292,417	1,414,572
Capital grants				100,000		198,000			198,000
<b>General Revenues:</b>									
Interest earnings	50	17	28	18,188	20,886	21,812	18,238	20,903	21,840
Other	82,983	4,729		22,304	52,452	276,738	105,287	57,181	276,738
<b>Total Revenues</b>	<b>88,500</b>	<b>14,279</b>	<b>11,361</b>	<b>14,697,086</b>	<b>15,678,546</b>	<b>16,331,910</b>	<b>14,685,586</b>	<b>15,692,825</b>	<b>16,343,271</b>
<b>Expenses:</b>									
General Government	37,166	21,579	3,894				37,166	21,579	3,894
Water District				12,434,430	11,607,439	11,946,649	12,434,430	11,607,439	11,946,649
Office Building				1,641,329	1,753,688	1,747,033	1,641,329	1,753,688	1,747,033
<b>Total Expenses</b>	<b>37,166</b>	<b>21,579</b>	<b>3,894</b>	<b>14,075,759</b>	<b>13,361,127</b>	<b>13,693,682</b>	<b>14,112,925</b>	<b>13,382,706</b>	<b>13,697,576</b>
<b>Change in net position</b>	<b>51,334</b>	<b>(7,300)</b>	<b>7,467</b>	<b>621,327</b>	<b>2,317,419</b>	<b>2,638,228</b>	<b>672,661</b>	<b>2,310,119</b>	<b>2,645,695</b>
<b>Net position, beginning of year</b>									
- as previously reported	80,927	88,227	80,760	(2,483,205)	(4,800,624)	(6,267,153)	(2,402,278)	(4,712,397)	(6,186,393)
Restatement						(1,171,699)			(1,171,699)
<b>Net position, beginning of year</b>									
- as restated	80,927	88,227	80,760	(2,483,205)	(4,800,624)	(7,438,852)	(2,402,278)	(4,712,397)	(7,358,092)
<b>NET POSITION, END OF YEAR</b>	<b>\$ 132,261</b>	<b>\$ 80,927</b>	<b>\$ 88,227</b>	<b>\$ (1,861,878)</b>	<b>\$ (2,483,205)</b>	<b>\$ (4,800,624)</b>	<b>\$ (1,729,617)</b>	<b>\$ (2,402,278)</b>	<b>\$ (4,712,397)</b>

**GOVERNMENTAL ACTIVITIES HIGHLIGHTS**

During 2014, there was an increase in net position of \$51,334 mostly from the result of an increase in other revenues from the gain on the disposal of capital assets. Cash and cash equivalents increased from \$80,943 in 2013 to \$143,355 in 2014. Expenses increased in 2014 due to legal fees incurred on the sale of the building and due to the Board authorizing the consideration of new funding sources and projects. There was a reduction of \$7,300 in the governmental net position in 2013 due to increased expenditures for contracted services to perform a survey of the FRCD boundaries, and to demolish old structures on property jointly owned by the FRCD with two other resource conservation districts. In addition, there was a loss in rental income due to the sale of the building. Cash and cash equivalents decreased from \$84,894 in 2012 to \$80,943 in 2013. There was an increase in net position of \$7,467 in 2012 due to a reduction of expenses related to grants, dues, sponsorships and supplies.

**FLORIN RESOURCE CONSERVATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

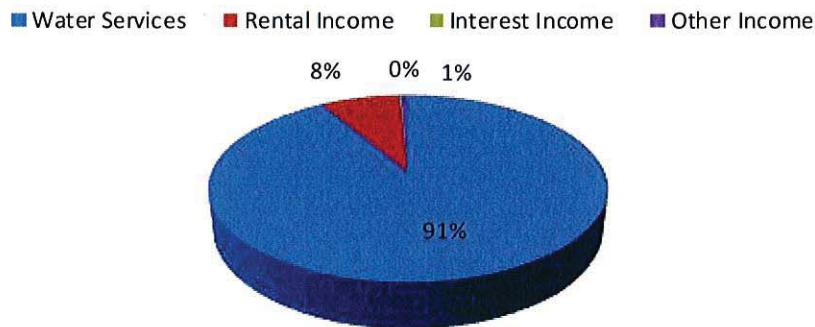
**JUNE 30, 2014, 2013 AND 2012**

**BUSINESS-TYPE ACTIVITIES HIGHLIGHTS**

The change in net position decreased from \$2.3 million in 2013 to \$0.6 million in 2014. This can be attributable to a \$0.9 million decrease in water revenues from a reduction in water use due to the drought, and a \$0.2 million decrease in rental income from the Office Building Fund. Operating expenses also increased during 2014 by \$0.4 million; water purchased increased by \$0.1 million, other production expenses increased by \$0.1 million, and depreciation and amortization increased by \$0.4 million from current year capital asset additions, and the transfer into service of \$7.9 million of construction in progress assets at the end of last year. These increases were offset by an almost \$0.2 million decrease in administration and general, and salaries and benefits expenses. The reduction in benefits is largely due to policy changes for health insurance that has resulted in employees migrating to lower cost plans. Also during 2014, the District recognized approximately \$0.6 million in the statements of revenues, expenses, and changes in net position from the abandonment and disposal of wells no longer in use. At the time of recognition, these abandoned wells had a carrying value of approximately \$0.3 million. Interest expense also decreased by approximately \$0.3 million in 2014 from a reduction in interest bearing liabilities of almost \$2.5 million from the previous year.

During 2013, the change in net position decreased from \$2.6 million in 2012, to \$2.3 million 2013. This can be attributable to a \$0.1 million decrease in water revenues, and a \$0.1 million decrease in rental income from the Office Building Fund. Also adding to the change in net position for 2013 was that during 2012 there was \$0.3 million in settlement revenue classified as non-operating revenues, and \$0.2 million in grant revenue. Total operating expenses decreased from \$9.8 million in 2012, to \$9.6 million in 2013. Administration and general expenses decreased \$0.1 million and other production expenses decreased by \$0.2 million. Salaries and benefits off-set these decrease with an increase of \$0.1 million.

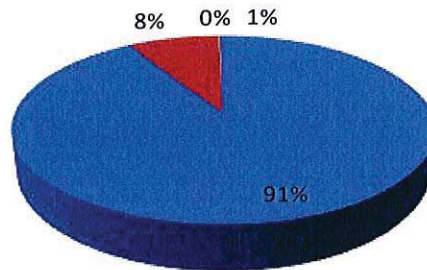
**2014 Program Revenue**



**FLORIN RESOURCE CONSERVATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014, 2013 AND 2012**

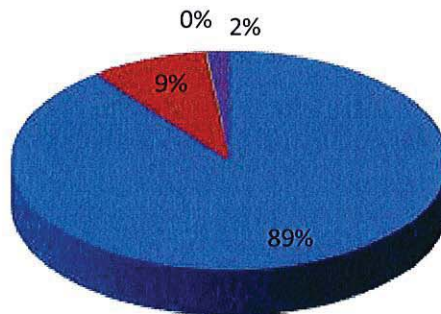
### 2013 Program Revenue

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



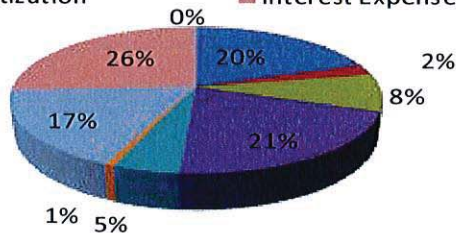
### 2012 Program Revenue

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



### 2014 Program Expenses

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

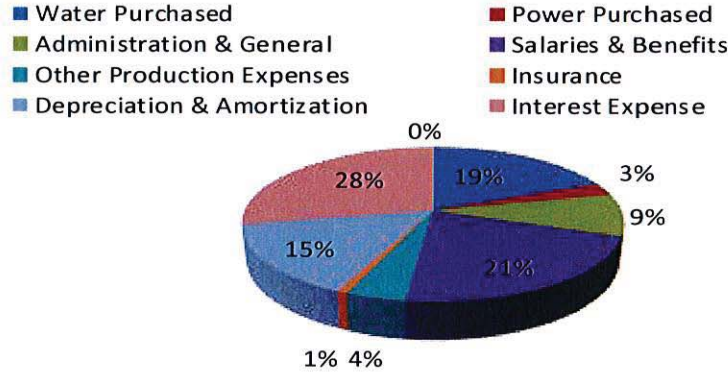


FLORIN RESOURCE CONSERVATION DISTRICT

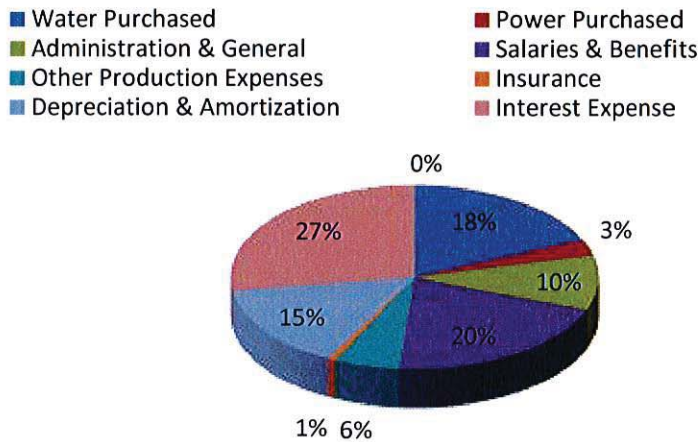
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014, 2013 AND 2012

**2013 Program Expenses**



**2012 Program Expenses**



**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, Sloughouse Resource Conservation District, and Lower Cosumnes Resource Conservation District. Association dues, meeting expenses, and various sponsorships were budgeted based upon those expected revenues. The building was sold during the year and the Board authorized using the proceeds for the consideration of new funding sources and other projects, which resulted in additional legal expenses being incurred. The sale of the building and additional expenses were not budgeted.

**FLORIN RESOURCE CONSERVATION DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014, 2013 AND 2012**

**Capital Asset and Debt Administration**

Capital assets decreased by \$0.8 million in 2014 and increased by \$0.1 million in 2013 respectively, (net of annual depreciation) as a result of expenditures for infrastructure offset by depreciation each year. Depreciation expense for 2014 and 2013 were \$2.4 and \$2.0 million respectively.

Major capital asset projects during 2014 and 2013 were the Meter Retrofit Program, Information Technology Purchases, Well Rehabilitation, Modification and Destruction Projects, and the Railroad Water Treatment Filter Train Replacement Project. See additional information on capital assets in Note C on page 30.

**OUTSTANDING DEBT ISSUES  
AS OF JUNE 30, 2014, 2013 AND 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
2002/3/5 Refunding and Capital Improvements - EGWD	\$ 53,077,145	\$ 55,135,162	\$ 56,270,768
2003 Refunding - Office Building	<u>10,251,994</u>	<u>10,666,994</u>	<u>11,356,994</u>
Total	<u>\$ 63,329,139</u>	<u>\$ 65,802,156</u>	<u>\$ 67,627,762</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 32.

On October 2, 2013, 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 that the District needed to use funds from the Operations and Maintenance Reserve Fund for repairs to the Buildings, HVAC, Parking lot, flooring and painting for the building. The disclosure also noted 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 I at page 41.

**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 6.9 % in September 2014 and 8.5% and 10.1% as of September, 2013 and 2012, respectively.
- Overall, the rates for the water service for Fiscal Year (FY) 2013-14 were increased by 3% as approved in the five year rate schedule. The District is has completed a rate study and the Board has adopted a five year rate structure which called for a revenue adjustment of 3% in January 2014, and further adjustments as follows:
  - 3% January 2015
  - 3% January 2016



**FLORIN RESOURCE CONSERVATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014, 2013 AND 2012**

- 4% January 2017
- 5% January 2018

All of these factors were considered in preparing the Florin Resource Conservation District's budget for the fiscal year ending June 30, 2015. The District adopted an operating budget of \$14.5 million for FY 2014-15. In addition the District approved \$2.8 in capital expenditures for FY 2014-15, as part of the five-year Capital Improvement Program totaling \$10.7 million.

**Requests for Information**

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



Mark J. Madison, General Manager



Jim Malberg, Finance Manager

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	2014			2013 (as Restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 143,355	\$ 12,042,857	\$ 12,186,212	\$ 80,943	\$ 11,563,965	\$ 11,644,908
Receivables:						
Customer accounts receivable		1,987,395	1,987,395		2,556,795	2,556,795
Other receivables		28,000	28,000	4,729	50,570	55,299
Interest receivable		1,559	1,559		1,713	1,713
Internal balances	(77)	77		(78)	78	
Inventories		69,740	69,740		139,361	139,361
<b>TOTAL CURRENT ASSETS</b>	<b>143,278</b>	<b>14,129,628</b>	<b>14,272,906</b>	<b>85,594</b>	<b>14,312,482</b>	<b>14,398,076</b>
<b>NONCURRENT ASSETS</b>						
Restricted cash and cash equivalents		2,067,919	2,067,919		2,201,220	2,201,220
OPEB asset		572,567	572,567		567,774	567,774
Capital assets:						
Not being depreciated		2,082,221	2,082,221		1,966,499	1,966,499
Being depreciated, net		46,766,689	46,766,689		47,670,902	47,670,902
<b>TOTAL NONCURRENT ASSETS</b>		<b>51,489,396</b>	<b>51,489,396</b>		<b>52,406,395</b>	<b>52,406,395</b>
<b>TOTAL ASSETS</b>	<b>143,278</b>	<b>65,619,024</b>	<b>65,762,302</b>	<b>85,594</b>	<b>66,718,877</b>	<b>66,804,471</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on refunding of debt					86,554	86,554
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>					<b>86,554</b>	<b>86,554</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued payroll	3,817	560,287	564,104		343,948	343,948
Due to other governments	7,200	1,341,149	1,348,349	4,667	1,151,730	1,156,397
Interest payable		1,060,802	1,060,802		1,085,304	1,085,304
Unearned revenue		4,124	4,124		7,312	7,312
Debt in technical default		11,875,956	11,875,956		12,054,801	12,054,801
Noncurrent liabilities, due within one year		1,409,518	1,409,518		1,341,689	1,341,689
	11,017	16,251,836	16,262,853	4,667	15,984,784	15,989,451
<b>NONCURRENT LIABILITIES</b>						
Noncurrent liabilities, due in more than one year		51,229,066	51,229,066		53,303,852	53,303,852
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>51,229,066</b>	<b>51,229,066</b>		<b>53,303,852</b>	<b>53,303,852</b>
<b>TOTAL LIABILITIES</b>	<b>11,017</b>	<b>67,480,902</b>	<b>67,491,919</b>	<b>4,667</b>	<b>69,288,636</b>	<b>69,293,303</b>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets		(13,716,163)	(13,716,163)		(15,360,450)	(15,360,450)
Restricted for debt service		1,863,744	1,863,744		1,834,869	1,834,869
Restricted for capital projects		1,321	1,321		1,321	1,321
Restricted for administrative, operating and maintenance expenses		202,854	202,854		365,030	365,030
Unrestricted	132,261	9,786,366	9,918,627	80,927	10,676,025	10,756,952
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 132,261</b>	<b>\$ (1,861,878)</b>	<b>\$ (1,729,617)</b>	<b>\$ 80,927</b>	<b>\$ (2,483,205)</b>	<b>\$ (2,402,278)</b>

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Change in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	\$ 37,166	\$ 5,467		\$ (31,699)		\$ (31,699)
TOTAL GOVERNMENTAL ACTIVITIES	37,166	5,467		(31,699)		(31,699)
BUSINESS-TYPE ACTIVITIES:						
Water District	11,855,162	13,435,194	\$ 100,000		\$ 1,680,032	1,680,032
Office Building	1,641,329	1,121,400			(519,929)	(519,929)
TOTAL BUSINESS-TYPE ACTIVITIES	13,496,491	14,556,594	100,000		1,160,103	1,160,103
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,533,657</u>	<u>\$ 14,562,061</u>	<u>\$ 100,000</u>	(31,699)	1,160,103	1,128,404
GENERAL REVENUES:						
Interest and investment earnings				50	18,188	18,238
Other revenues					22,304	22,304
Gain (loss) on disposal of capital assets				82,983	(579,268)	(496,285)
Total general revenues				<u>83,033</u>	<u>(538,776)</u>	<u>(455,743)</u>
Change in net position				51,334	621,327	672,661
Net position (deficit), beginning of year				<u>80,927</u>	<u>(2,483,205)</u>	<u>(2,402,278)</u>
NET POSITION (DEFICIT), END OF YEAR				<u>\$ 132,261</u>	<u>\$ (1,861,878)</u>	<u>\$ (1,729,617)</u>

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, 2013

FUNCTIONS/PROGRAMS	Expenses	Program	Change in Net Position		
		Revenues	Governmental	Business-	Total
		Charges for	Activities	type	
		Services		Activities	
<b>GOVERNMENTAL ACTIVITIES:</b>					
General government	\$ 21,579	\$ 9,533	\$ (12,046)		\$ (12,046)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>21,579</b>	<b>9,533</b>	<b>(12,046)</b>		<b>(12,046)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Water District	11,607,439	14,312,791		\$ 2,705,352	2,705,352
Office Building	1,753,688	1,292,417		(461,271)	(461,271)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>13,361,127</b>	<b>15,605,208</b>		<b>2,244,081</b>	<b>2,244,081</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 13,382,706</b>	<b>\$ 15,614,741</b>	<b>(12,046)</b>	<b>2,244,081</b>	<b>2,232,035</b>
<b>GENERAL REVENUES:</b>					
Interest and investment earnings			17	20,886	20,903
Other revenues			4,729	52,452	57,181
		<b>Total general revenues</b>	<b>4,746</b>	<b>73,338</b>	<b>78,084</b>
		<b>Change in net position</b>	<b>(7,300)</b>	<b>2,317,419</b>	<b>2,310,119</b>
Net position (deficit), beginning of year, as previously reported			88,227	(3,434,505)	(3,346,278)
		<b>Restatement</b>		<b>(1,366,119)</b>	<b>(1,366,119)</b>
Net position (deficit), beginning of year, as restated			<b>88,227</b>	<b>(4,800,624)</b>	<b>(4,712,397)</b>
<b>NET POSITION (DEFICIT), END OF YEAR</b>			<b>\$ 80,927</b>	<b>\$(2,483,205)</b>	<b>\$(2,402,278)</b>

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

FLORIN RESOURCE CONSERVATION DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2014 and 2013

	<u>General Fund</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and investments	\$ 143,355	\$ 80,943
Receivables:		
Other receivables		<u>4,729</u>
<b>TOTAL ASSETS</b>	<u>\$ 143,355</u>	<u>\$ 85,672</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 3,817	
Due to other governments	7,200	\$ 4,667
Due to other funds	77	<u>78</u>
<b>TOTAL LIABILITIES</b>	<u>11,094</u>	<u>4,745</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue		<u>4,729</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<u>4,729</u>
<b>FUND BALANCE</b>		
Unassigned	<u>132,261</u>	<u>76,198</u>
<b>TOTAL FUND BALANCE</b>	<u>132,261</u>	<u>76,198</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 143,355</u>	<u>\$ 85,672</u>
 Total fund balance, governmental fund	 \$ 132,261	 \$ 76,198
 Amounts reported for governmental activities in the statement of net position are different because:		
Some receivables are deferred in the governmental fund because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. This amount represents deferred inflows recognized.		<u>4,729</u>
Total net position, governmental activities	<u>\$ 132,261</u>	<u>\$ 80,927</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, 2014 and 2013

		General Fund	
		2014	2013
REVENUES			
Use of money and property		\$ 5,517	\$ 9,550
Miscellaneous		4,729	
	TOTAL REVENUES	10,246	9,550
EXPENDITURES			
General government		37,166	21,579
	TOTAL EXPENDITURES	37,166	21,579
	DEFICIENCY OF REVENUES OVER EXPENDITURES	(26,920)	(12,029)
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets		82,983	
	NET CHANGE IN FUND BALANCE	56,063	(12,029)
Fund balance, beginning of year		76,198	88,227
	FUND BALANCE, END OF YEAR	\$ 132,261	\$ 76,198
	Net change in fund balance, governmental fund	\$ 56,063	\$ (12,029)
Amounts reported for governmental activities in the statement of net position are different because:			
Some receivables are deferred in the governmental fund because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. This amount represents deferred inflows recognized.		(4,729)	4,729
	Change in net position, governmental activities	\$ 51,334	\$ (7,300)

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, 2014 and 2013

	2014				2013			
	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	\$ 7,010	\$ 7,010	\$ 5,517	\$ (1,493)	\$ 12,000	\$ 12,000	\$ 9,550	\$ (2,450)
Miscellaneous			4,729	4,729				
TOTAL REVENUES	<u>7,010</u>	<u>7,010</u>	<u>10,246</u>	<u>3,236</u>	<u>12,000</u>	<u>12,000</u>	<u>9,550</u>	<u>(2,450)</u>
EXPENDITURES								
General government	<u>6,885</u>	<u>6,885</u>	<u>37,166</u>	<u>(30,281)</u>	<u>17,150</u>	<u>17,150</u>	<u>21,579</u>	<u>(4,429)</u>
TOTAL EXPENDITURES	<u>6,885</u>	<u>6,885</u>	<u>37,166</u>	<u>(30,281)</u>	<u>17,150</u>	<u>17,150</u>	<u>21,579</u>	<u>(4,429)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125	125	(26,920)	(27,045)	(5,150)	(5,150)	(12,029)	(6,879)
OTHER FINANCING SOURCES								
Proceeds from disposal of capital assets			82,983	82,983				
NET CHANGE IN FUND BALANCE	125	125	56,063	55,938	(5,150)	(5,150)	(12,029)	(6,879)
Fund balance, beginning of year	<u>76,198</u>	<u>76,198</u>	<u>76,198</u>		<u>88,227</u>	<u>88,227</u>	<u>88,227</u>	
FUND BALANCE, END OF YEAR	<u>\$ 76,323</u>	<u>\$ 76,323</u>	<u>\$ 132,261</u>	<u>\$ 55,938</u>	<u>\$ 83,077</u>	<u>\$ 83,077</u>	<u>\$ 76,198</u>	<u>\$ (6,879)</u>

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

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2014 and 2013

	Enterprise Funds			Enterprise Funds		
	2014			2013 (as Restated)		
	Water District Fund	Office Building Fund	Total Proprietary Funds	Water District Fund	Office Building Fund	Total Proprietary Funds
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 12,042,857		\$ 12,042,857	\$ 11,563,965		\$ 11,563,965
Receivables:						
Customer accounts receivable	1,987,395		1,987,395	2,556,795		2,556,795
Other receivables	28,000		28,000	50,570		50,570
Interest receivable	1,559		1,559	1,713		1,713
Due from other funds	15,077		15,077	78		78
Inventories	69,740		69,740	139,361		139,361
<b>TOTAL CURRENT ASSETS</b>	<b>14,144,628</b>		<b>14,144,628</b>	<b>14,312,482</b>		<b>14,312,482</b>
<b>NONCURRENT ASSETS</b>						
Restricted cash and cash equivalents	973,103	\$ 1,094,816	2,067,919	973,104	\$ 1,228,116	2,201,220
OPEB asset	572,567		572,567	567,774		567,774
Capital assets:						
Not being depreciated	1,476,414	605,807	2,082,221	1,360,692	605,807	1,966,499
Being depreciated, net	39,675,885	7,090,804	46,766,689	40,271,806	7,399,096	47,670,902
<b>TOTAL NONCURRENT ASSETS</b>	<b>42,697,969</b>	<b>8,791,427</b>	<b>51,489,396</b>	<b>43,173,376</b>	<b>9,233,019</b>	<b>52,406,395</b>
<b>TOTAL ASSETS</b>	<b>56,842,597</b>	<b>8,791,427</b>	<b>65,634,024</b>	<b>57,485,858</b>	<b>9,233,019</b>	<b>66,718,877</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on refunding of debt					86,554	86,554
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>					<b>86,554</b>	<b>86,554</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued payroll	560,287		560,287	343,948		343,948
Due to other governments	511,994	829,155	1,341,149	486,849	664,881	1,151,730
Interest payable	853,178	207,624	1,060,802	869,034	216,270	1,085,304
Due to other funds		15,000	15,000			
Unearned revenue	4,124		4,124	7,312		7,312
Debt in technical default		11,875,956	11,875,956		12,054,801	12,054,801
Noncurrent liabilities, due within one year	1,409,518		1,409,518	1,341,689		1,341,689
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,339,101</b>	<b>12,927,735</b>	<b>16,266,836</b>	<b>3,048,832</b>	<b>12,935,952</b>	<b>15,984,784</b>
<b>NONCURRENT LIABILITIES</b>						
Noncurrent liabilities, due in more than one year	51,229,066		51,229,066	53,303,852		53,303,852
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>51,229,066</b>		<b>51,229,066</b>	<b>53,303,852</b>		<b>53,303,852</b>
<b>TOTAL LIABILITIES</b>	<b>54,568,167</b>	<b>12,927,735</b>	<b>67,495,902</b>	<b>56,352,684</b>	<b>12,935,952</b>	<b>69,288,636</b>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(11,335,836)	(2,380,327)	(13,716,163)	(12,885,425)	(2,475,025)	(15,360,450)
Restricted for debt service	971,782	891,962	1,863,744	971,783	863,086	1,834,869
Restricted for capital projects	1,321		1,321	1,321		1,321
Restricted for administrative, operating and maintenance expenses		202,854	202,854		365,030	365,030
Unrestricted (deficit)	12,637,163	(2,850,797)	9,786,366	13,045,495	(2,369,470)	10,676,025
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 2,274,430</b>	<b>\$ (4,136,308)</b>	<b>\$ (1,861,878)</b>	<b>\$ 1,133,174</b>	<b>\$ (3,616,379)</b>	<b>\$ (2,483,205)</b>

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



FLORIN RESOURCE CONSERVATION DISTRICT

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

For the Years Ended June 30, 2014 and 2013

	Enterprise Funds			Enterprise Funds		
	2014			2013 (as Restated)		
	Water District Fund	Office Building Fund	Total Proprietary Funds	Water District Fund	Office Building Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 13,433,371		\$ 13,433,371	\$ 14,311,107		\$ 14,311,107
Rental income	1,823	\$ 1,121,400	1,123,223	1,684	\$ 1,292,417	1,294,101
<b>TOTAL OPERATING REVENUES</b>	<b>13,435,194</b>	<b>1,121,400</b>	<b>14,556,594</b>	<b>14,312,791</b>	<b>1,292,417</b>	<b>15,605,208</b>
<b>OPERATING EXPENSES</b>						
Water purchased	2,656,509		2,656,509	2,517,816		2,517,816
Power purchased	326,237		326,237	354,289		354,289
Administration and general	865,681	234,855	1,100,536	977,491	201,697	1,179,188
Salaries and benefits	2,808,085		2,808,085	2,882,423		2,882,423
Other production expenses	411,116	251,720	662,836	365,502	208,915	574,417
Insurance	68,815	18,476	87,291	83,098	20,065	103,163
Depreciation and amortization	2,054,712	308,292	2,363,004	1,687,331	308,292	1,995,623
<b>TOTAL OPERATING EXPENSES</b>	<b>9,191,155</b>	<b>813,343</b>	<b>10,004,498</b>	<b>8,867,950</b>	<b>738,969</b>	<b>9,606,919</b>
<b>OPERATING INCOME</b>	<b>4,244,039</b>	<b>308,057</b>	<b>4,552,096</b>	<b>5,444,841</b>	<b>553,448</b>	<b>5,998,289</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest revenue	18,188		18,188	20,886		20,886
Interest expense	(2,664,007)	(827,986)	(3,491,993)	(2,739,489)	(1,014,719)	(3,754,208)
Loss on disposal of capital assets	(579,268)		(579,268)			
Other nonoperating revenue	22,304		22,304	52,452		52,452
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(3,202,783)</b>	<b>(827,986)</b>	<b>(4,030,769)</b>	<b>(2,666,151)</b>	<b>(1,014,719)</b>	<b>(3,680,870)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>1,041,256</b>	<b>(519,929)</b>	<b>521,327</b>	<b>2,778,690</b>	<b>(461,271)</b>	<b>2,317,419</b>
<b>CAPITAL CONTRIBUTIONS</b>						
Capital contributions	100,000		100,000			
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>100,000</b>		<b>100,000</b>			
<b>CHANGE IN NET POSITION</b>	<b>1,141,256</b>	<b>(519,929)</b>	<b>621,327</b>	<b>2,778,690</b>	<b>(461,271)</b>	<b>2,317,419</b>
Net position (deficit), beginning of year, as previously reported	1,133,174	(3,616,379)	(2,483,205)	(1,645,516)	(1,788,989)	(3,434,505)
Restatement					(1,366,119)	(1,366,119)
Net position (deficit), beginning of year, as restated	1,133,174	(3,616,379)	(2,483,205)	(1,645,516)	(3,155,108)	(4,800,624)
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$ 2,274,430</b>	<b>\$ (4,136,308)</b>	<b>\$ (1,861,878)</b>	<b>\$ 1,133,174</b>	<b>\$ (3,616,379)</b>	<b>\$ (2,483,205)</b>

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, 2014 and 2013

	Enterprise Funds			Enterprise Funds		
	2014			2013 (as Restated)		
	Water District Fund	Office Building Fund	Total Proprietary Funds	Water District Fund	Office Building Fund	Total Proprietary Funds
CASH FLOWS FROM □						
OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 14,001,406	\$ 1,121,400	\$ 15,122,806	\$ 14,033,389	\$ 1,292,417	\$ 15,325,806
Payments to suppliers	(3,980,602)	(325,777)	(4,306,379)	(5,125,013)	(246,154)	(5,371,167)
Payments to employees	(2,841,697)		(2,841,697)	(2,877,026)		(2,877,026)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,179,107	795,623	7,974,730	6,031,350	1,046,263	7,077,613
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants and reimbursements	54,874		54,874	116,882		116,882
NONCAPITAL FINANCING ACTIVITIES	54,874		54,874	116,882		116,882
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal paid on noncurrent liabilities	(2,058,017)	(415,000)	(2,473,017)	(1,135,606)	(690,000)	(1,825,606)
Interest paid on noncurrent liabilities	(2,651,634)	(513,923)	(3,165,557)	(2,698,059)	(542,278)	(3,240,337)
Purchase of capital assets	(2,153,781)		(2,153,781)	(2,085,219)		(2,085,219)
Capital contributions received	90,000		90,000	198,000		198,000
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,773,432)	(928,923)	(7,702,355)	(5,720,884)	(1,232,278)	(6,953,162)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	18,342		18,342	21,670		21,670
NET CASH PROVIDED BY INVESTING ACTIVITIES	18,342		18,342	21,670		21,670
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	478,891	(133,300)	345,591	449,018	(186,015)	263,003
Cash and cash equivalents, beginning of year	12,537,069	1,228,116	13,765,185	12,088,051	1,414,131	13,502,182
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,015,960</u>	<u>\$ 1,094,816</u>	<u>\$ 14,110,776</u>	<u>\$ 12,537,069</u>	<u>\$ 1,228,116</u>	<u>\$ 13,765,185</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSTION						
Cash and cash equivalents	\$ 12,042,857		\$ 12,042,857	\$ 11,563,965		\$ 11,563,965
Restricted cash and cash equivalents	973,103	\$ 1,094,816	2,067,919	973,104	\$ 1,228,116	2,201,220
CASH AND CASH EQUIVALENTS	<u>\$ 13,015,960</u>	<u>\$ 1,094,816</u>	<u>\$ 14,110,776</u>	<u>\$ 12,537,069</u>	<u>\$ 1,228,116</u>	<u>\$ 13,765,185</u>

(Continued)

FLORIN RESOURCE CONSERVATION DISTRICT

STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS (Continued)

For the Years Ended June 30, 2014 and 2013

	Enterprise Funds			Enterprise Funds		
	2014			2013 (as Restated)		
	Water District	Office Building	Total Proprietary Funds	Water District	Office Building	Total Proprietary Funds
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 4,244,039	\$ 308,057	\$ 4,552,096	\$ 5,444,841	\$ 553,448	\$ 5,998,289
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	2,054,712	308,292	2,363,004	1,687,331	308,292	1,995,623
Changes in operating assets and liabilities:						
Customer accounts receivable	569,400		569,400	(283,526)		(283,526)
Due from other funds	(14,999)		(14,999)	(78)		(78)
Inventory	69,621		69,621	(119,655)		(119,655)
OPEB asset	(4,793)		(4,793)	(5,579)		(5,579)
Accounts payable	216,339		216,339	(720,181)		(720,181)
Due to other governments	25,145	164,274	189,419	20,676	184,523	205,199
Due to other funds		15,000	15,000	(2,000)		(2,000)
Unearned revenue	(3,188)		(3,188)	4,124		4,124
Compensated absences	22,831		22,831	5,397		5,397
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 7,179,107</b>	<b>\$ 795,623</b>	<b>\$ 7,974,730</b>	<b>\$ 6,031,350</b>	<b>\$ 1,046,263</b>	<b>\$ 7,077,613</b>

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

FLORIN RESOURCE CONSERVATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

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. Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (“FASB”) prior to December 1, 1989 are followed in the District’s financial statements to the extent that those standards do not conflict with or contradict GASB statements. 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, because the Corporation is financially dependent on the District and the fact that the sole purpose of the Corporation is to provide financing to the District under the District’s debt issuance documents. The Corporation does not issue separate financial statements.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position 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, 2014 and 2013

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 year. 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.

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

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, 2014 and 2013

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 position because their use is limited by applicable bond covenants. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service. Certain unspent debt proceeds are also restricted to specific capital projects or administrative, operating and maintenance expenses in the Office Building Fund by the related debt covenants.

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 \$13,661 was recorded in the Water District Fund by the District as of June 30, 2014 and 2013.

Interfund Transactions: Borrowing between funds outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). The \$15,000 due to/from other funds reported between the Water District Fund and Office Building Fund at June 30, 2014 was for audit fees paid by the Water District Fund on behalf of the Building Fund that was reimbursed after year-end.

Inventory: Inventory consists primarily of materials used in the construction and maintenance of the water system and is valued using the specific identification method. The cost of 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. Capital assets owned by the proprietary funds are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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 position in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Bond Discounts, Premiums and Deferred Amount on Refunding: In the government-wide financial statements and in proprietary funds, 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 position. Bond premiums, discounts and the deferred amount on refunding are 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 and discounts. Deferred amounts on refunding are reported as deferred outflows or deferred inflows of resources. Debt issuance costs are expensed as incurred.

Due to Other Governments: Due to other governments in the General Fund consisted of rents collected by the District on property jointly owned with two other resource conservation districts that had not been remitted to the other districts at year-end. Due to other governments in the Water District Fund mainly consisted of \$479,204 and \$486,849 payable to the County of Sacramento for water purchases at June 30, 2014 and 2013, respectively.

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,

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

June 30, 2014 and 2013

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

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.

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, 2014 and 2013.

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

Net investment in Capital Assets – This category groups all capital assets into one component of net position. 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 – 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 position.

Unrestricted – This category represents net position 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 Position Balances: It is uncertain whether the deficit net position balance of the Office Building Fund will be eliminated due to the shortfall in rents from the building discussed in the Immanent Default of Debt section of Note I.

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 and through the District's participation in the Special District Risk Management Authority as described in Note F. The 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, 2014 and 2013. 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, 2014 and 2013.

The General Fund had expenditures in excess of the final appropriation for the fiscal year ended June 30, 2014 and 2013. Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. These excess expenditures were funded by available fund balance and the proceeds from the sale of land.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

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

New Pronouncements: In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions* and related Statement No. 71, *Pension Transition for Contributions Made after the Measurement Date*. GASB 68 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 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. GASB 7 relates to payments made or adjustments to benefits made after the measurement date of the valuation through the report date and requires that such amounts be reported as deferred inflows or outflows of resources. The provisions of these Statements are effective for periods beginning after June 15, 2014. We will work with the District to implement this Statement during the fiscal year ending June 30, 2015.

In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires a local government employer to recognize a net pension liability measured as of a date (measurement date) no earlier than the end of its prior fiscal year. This Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. This Statement will be implemented simultaneously with Statement No. 68.

NOTE B – CASH AND INVESTMENTS

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

	2014	2013
Government-wide Statement of Net Position		
Governmental Activities		
Cash and investments	\$ 143,355	\$ 80,943
Business-type Activities		
Cash and cash equivalents	12,042,857	11,563,965
Restricted cash and cash equivalents	2,067,919	2,201,220
Total cash and investments	<u>\$ 14,254,131</u>	<u>\$ 13,846,128</u>

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

	2014	2013
Cash on hand	\$ 1,000	\$ 1,000
Deposits with financial institutions	9,357,867	8,823,526
Total cash and deposits	<u>9,358,867</u>	<u>8,824,526</u>
Money market mutual funds	2,067,919	2,201,220
Investment in Local Agency Investment Fund (LAIF)	2,827,345	2,820,382
Total investments	<u>4,895,264</u>	<u>5,021,602</u>
Total cash and investments	<u>\$ 14,254,131</u>	<u>\$ 13,846,128</u>



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

June 30, 2014 and 2013

NOTE B – CASH AND INVESTMENTS (Continued)

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term corporate notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
Financial futures and option contracts	1	1	1
Investment pools, including LAIF	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.

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.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE B – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2014:

	Remaining Maturity (in Months)	
	Total	12 Months Or less
LAIF	\$ 2,827,345	\$ 2,827,345
Held by bond trustee:		
Money market mutual funds	<u>2,067,919</u>	<u>2,067,919</u>
	<u>\$ 4,895,264</u>	<u>\$ 4,895,264</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, 2014.

	Minimum Legal Rating	Total	Ratings as of Year End	
			Aaa/AAA	Unrated
LAIF	Unrated	\$ 2,827,345		\$ 2,827,345
Held by bond trustee:				
Money market mutual funds	AAA	<u>2,067,919</u>	<u>\$ 2,067,919</u>	
Total		<u>\$ 4,895,264</u>	<u>\$ 2,067,919</u>	<u>\$ 2,827,345</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 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, 2014 and 2013, the carrying amount of the District’s deposits was \$9,357,867 and \$8,823,526 and the balance in financial institutions was \$9,464,219 and \$8,960,737. At June 30, 2014 and 2013, of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$9,214,219 and \$8,710,737,

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2014 and 2013, 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 \$64,870,214,443, which is managed by the State Treasurer. Of that amount, 1.86% 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.

NOTE C – CAPITAL ASSETS

There were no governmental activity capital assets for the years ended June 30, 2014 and 2013.

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

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	\$ 1,118,402	\$ 125,480			\$ 1,243,882
Construction in progress	848,097		\$ (9,758)		838,339
Total capital assets not being depreciated	<u>1,966,499</u>	<u>125,480</u>	<u>(9,758)</u>		<u>2,082,221</u>
Capital assets being depreciated:					
Buildings	16,786,263	1,569			16,787,832
Improvements	20,751,230	219,762			20,970,992
Equipment	4,125,469	85,493			4,210,962
Water treatment and distribution system	25,663,020	1,721,477	(929,875)		26,454,622
Total capital assets being depreciated	<u>67,325,982</u>	<u>2,028,301</u>	<u>(929,875)</u>		<u>68,424,408</u>
Less accumulated depreciation for:					
Buildings	(5,748,594)	(510,776)			(6,259,370)
Improvements	(6,410,984)	(838,840)			(7,249,824)
Equipment	(2,777,091)	(312,015)			(3,089,106)
Water treatment and distribution system	(4,718,411)	(701,373)	360,365		(5,059,419)
Total accumulated depreciation	<u>(19,655,080)</u>	<u>(2,363,004)</u>	<u>360,365</u>		<u>(21,657,719)</u>
Total capital assets being depreciated	<u>47,670,902</u>	<u>(334,703)</u>	<u>(569,510)</u>		<u>46,766,689</u>
Capital assets, net	<u>\$ 49,637,401</u>	<u>\$ (209,223)</u>	<u>\$ (579,268)</u>	<u>\$ -</u>	<u>\$ 48,848,910</u>

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE C – CAPITAL ASSETS (Continued)

	Balance at July 1, 2012	Additions	Deletions	Transfers	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$ 1,118,402				\$ 1,118,402
Construction in progress	7,705,157	\$ 1,024,153		\$ (7,881,213)	848,097
Total capital assets not being depreciated	8,823,559	1,024,153		(7,881,213)	1,966,499
Capital assets being depreciated:					
Buildings	16,462,152			324,111	16,786,263
Improvements	20,319,980			431,250	20,751,230
Equipment	3,877,520	7,386		240,563	4,125,469
Water treatment and distribution system	17,724,051	1,053,680		6,885,289	25,663,020
Total capital assets being depreciated	58,383,703	1,061,066		7,881,213	67,325,982
Less accumulated depreciation for:					
Buildings	(5,293,749)	(454,845)			(5,748,594)
Improvements	(5,598,185)	(812,799)			(6,410,984)
Equipment	(2,501,038)	(276,053)			(2,777,091)
Water treatment and distribution system	(4,266,485)	(451,926)			(4,718,411)
Total accumulated depreciation	(17,659,457)	(1,995,623)			(19,655,080)
Total capital assets being depreciated	40,724,246	(934,557)		7,881,213	47,670,902
Capital assets, net	\$ 49,547,805	\$ 89,596	\$ -	\$ -	\$ 49,637,401

Depreciation expense of \$2,054,712 and \$1,687,331 was allocated to the Water District activities and \$308,292 was allocated to the Office Building activities in the government-wide statement of activities during the years ended June 30, 2014 and 2013, respectively.

The District incurred an impairment loss of \$579,268 on disposal of a number of wells that were capped during the year ended June 30, 2014.

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

June 30, 2014 and 2013

NOTE D – LONG-TERM LIABILITIES

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

	Balance at July 1, 2013 (as Restated)	Incurred	Retired	Balance at June 30, 2014	Due within One Year
<b>Business-type activities:</b>					
<b>Water District Fund</b>					
Certificates of Participation:					
2002 Refunding, Series A	\$ 21,295,000		\$ (595,000)	\$ 20,700,000	\$ 655,000
2002 Capital Improvement, Series B	8,815,000		(275,000)	8,540,000	285,000
2003 Capital Improvement, Series A	11,275,000		(245,000)	11,030,000	290,000
2005 Capital Improvement, Series A	12,867,145		(60,000)	12,807,145	60,000
Note Payable - Administration Building	883,017		(883,017)		
Total Water District Fund debt	<u>55,135,162</u>		<u>(2,058,017)</u>	<u>53,077,145</u>	<u>1,290,000</u>
Compensated absences	126,297	\$ 101,220	(78,389)	149,128	119,518
Total Water District Fund	<u>55,261,459</u>	<u>\$ 101,220</u>	<u>\$ (2,136,406)</u>	<u>53,226,273</u>	<u>\$ 1,409,518</u>
Unamortized bond discounts	(615,918)			(587,689)	
Less: Due within one year	<u>(1,341,689)</u>			<u>(1,409,518)</u>	
Due in more than one year	<u>\$ 53,303,852</u>			<u>\$ 51,229,066</u>	
<b>Office Building Fund</b>					
2003 Subordinate Lien Refunding, Series B capital appreciation certificates	\$ 10,666,994		\$ (415,000)	\$ 10,251,994	\$ 10,251,994
Accreted interest on capital appreciation certificates	<u>1,574,873</u>	\$ 224,145		<u>1,799,018</u>	<u>1,799,018</u>
Total Office Building Fund Debt	<u>12,241,867</u>	<u>\$ 224,145</u>	<u>\$ (415,000)</u>	<u>12,051,012</u>	<u>12,051,012</u>
Unamortized bond discounts	(187,066)			(175,056)	(175,056)
Less: Due within one year	<u>(12,054,801)</u>			<u>(11,875,956)</u>	<u>\$ 11,875,956</u>
Due in more than one year	<u>\$ -</u>			<u>\$ -</u>	

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

June 30, 2014 and 2013

NOTE D – LONG-TERM LIABILITIES (Continued)

	Balance at July 1, 2012 (as Restated)	Incurred	Retired	Balance at June 30, 2013 (as Restated)	Due within One Year
Business-type activities:					
<b>Water District Fund</b>					
Certificates of Participation:					
2002 Refunding, Series A	\$ 21,860,000		\$ (565,000)	\$ 21,295,000	\$ 595,000
2002 Capital Improvement, Series B	9,080,000		(265,000)	8,815,000	275,000
2003 Capital Improvement, Series A	11,465,000		(190,000)	11,275,000	245,000
2005 Capital Improvement, Series A	12,927,145		(60,000)	12,867,145	60,000
Note Payable - Administration Building	938,623		(55,606)	883,017	59,337
Total Water District Fund debt	56,270,768		(1,135,606)	55,135,162	1,234,337
Compensated absences	120,900	\$ 5,397		126,297	107,352
Total Water District Fund	56,391,668	\$ 5,397	\$ (1,135,606)	55,261,459	\$ 1,341,689
Unamortized bond discounts	(644,262)			(615,918)	
Less: Due within one year	(1,238,789)			(1,341,689)	
Due in more than one year	\$ 54,508,617			\$ 53,303,852	
<b>Office Building Fund</b>					
2003 Senior Lien Refunding, Series A	\$ 690,000		\$ (690,000)		
2003 Subordinate Lien Refunding, Series B capital appreciation certificates	10,666,994			\$ 10,666,994	\$ 10,666,994
Accreted interest on capital appreciation certificates	1,366,119	\$ 208,754		1,574,873	1,574,873
Total Office Building Fund Debt	12,723,113	\$ 208,754	\$ (690,000)	12,241,867	12,241,867
Unamortized bond discounts	(204,085)			(187,066)	(187,066)
Less: Due within one year	(12,519,028)			(12,054,801)	\$ 12,054,801
Due in more than one year	\$ -			\$ -	

The Office Building Fund debt was reclassified as a current liability 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, 2014 or 2013. See Note I for more information about the status of the Office Building Fund debt.

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

June 30, 2014 and 2013

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>	2014	2013
 <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 \$305,000 to \$825,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$20,625 to \$502,444 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 4.25% to 5.00%.</p>	\$ 20,700,000	\$ 21,295,000
 <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 \$140,000 to \$340,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$8,500 to \$207,225 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 4.25% to 5.00%.</p>	8,540,000	8,815,000
 <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 \$140,000 to \$470,000 are due on March 1 and September 1 through September 1, 2033. Semi-annual interest payments of \$11,750 to \$268,751 are due March 1 and September 1 through September 1, 2033. Interest rates range from 3.90% to 5.00%.</p>	11,030,000	11,275,000

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

June 30, 2014 and 2013

NOTE D – LONG-TERM LIABILITIES (Continued)

	2014	2013
<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 \$301,346 are due March 1 and September 1 through September 1, 2045. Interest rates range from 3.80% to 4.75%.	\$ 12,807,145	\$ 12,867,145
<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 were due on the first day of each month through March 1, 2024. The District paid off the note on June 21, 2014.		883,017
<u>Office Building Fund:</u>		
<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 \$215,000 to \$523,609 are due on August 1 and February 1, through February 1, 2029. Semi-annual interest payments of \$13,205 to \$249,149 are due August 1 and February 1 through February 1, 2029. Interest rates range from 5.00% to 7.50%.	10,251,994	10,666,994



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

June 30, 2014 and 2013

NOTE D – LONG-TERM LIABILITIES (Continued)

	<u>2014</u>	<u>2013</u>
<p>The Capital Appreciation Certificates will be repaid in the amount of \$5,863,007 beginning August 1, 2023. Payments of \$508,511 to \$646,392 will be made on the Certificates each August 1 and February 1 from August 1, 2023 to February 1, 2046 at interest rates of 7.00% to 7.50%. Interest on these Certificates will be accreted over the life of the Certificates in the amount of \$37,307 to \$240,672 per year. The accreted interest is reported as part of long-term liabilities.</p>	\$ 1,799,018	\$ 1,574,873

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2014 are as follows:

Year Ending June 30,	Water District Fund		
	2002 Series A and B, 2003 Series A and 2005 Series A Certificates		
	Principal	Interest	Total
2015	\$ 1,290,000	\$ 2,546,800	\$ 3,836,800
2016	1,430,000	2,491,218	3,921,218
2017	1,555,000	2,429,613	3,984,613
2018	1,650,000	2,362,598	4,012,598
2019	1,730,000	2,286,346	4,016,346
2020-2024	10,225,000	10,084,645	20,309,645
2025-2029	13,505,000	7,231,044	20,736,044
2030-2034	14,525,000	3,485,282	18,010,282
2035-2039	2,665,000	1,440,913	4,105,913
2040-2044	3,375,000	735,300	4,110,300
2045-2046	1,127,145	56,169	1,183,314
	\$ 53,077,145	\$ 35,149,928	\$ 88,227,073

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

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 Fund				2 Scheduled Lease Payment Revenue	2 Available for Operating Costs
	2003 Series B					
	Capital Appreciation Certificates					
	Principal	Interest Accretion	Interest	Total		
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	495,000		421,979	916,979	1,121,400	204,421
2019	515,000		395,238	910,238	1,121,400	211,162
2020-2024	3,162,348	\$ 1,022,652	1,516,614	5,701,614	4,018,350	(1,683,264)
2025-2029	4,724,646	4,840,355	637,611	10,202,612		(10,202,612)
	10,251,994	5,863,007	4,382,118	\$ 20,497,119	\$ 9,625,350	\$ (10,871,769)
Less: unaccreted interest		(4,063,989)				
	<u>\$ 10,251,994</u>	<u>\$ 1,799,018</u>	<u>\$ 4,382,118</u>			

2 - The lease payments, net of debt service, are not expected to be sufficient to fund future operating costs, which were \$505,051 and \$430,667 (excluding depreciation) during the years ended June 30, 2014 and 2013, respectively. The lease expires in 2023. See Note I 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 \$88,227,073 and \$91,998,057 at June 30, 2014 and 2013, respectively. Cash basis principal and interest paid on the Certificates were \$3,770,985 and \$3,718,678 and total water system net revenues calculated in accordance with the covenants were \$6,316,939 and \$7,153,058 at June 30, 2014 and 2013, 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, 2014 and 2013

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:

	2014	2013
Covenant 1:		
Net revenues before adjustments (operating income plus interest)	\$ 4,262,227	\$ 5,465,727
Add: Depreciation and amortization	2,054,712	1,687,331
Add: Rate stabilization fund	971,782	971,782
Net revenues plus rate stabilization fund, accrual basis	7,288,721	8,124,840
Interest and principal payments, cash basis (as defined)	3,770,985	3,718,678
Coverage ratio computed	1.93	2.18
Required ratio	1.25	1.25
Covenant 2:		
Net revenues before adjustments (operating income plus interest)	\$ 4,262,227	\$ 5,465,727
Add: Depreciation and amortization	2,054,712	1,687,331
Net revenues, not including rate stabilization fund, accrual basis	6,316,939	7,153,058
Interest and principal payments, cash basis (as defined)	4,709,651	3,833,665
Coverage ratio computed	1.34	1.87
Required ratio	1.15	1.15

The District appears to be in compliance with the required debt coverage ratios at June 30, 2014 and 2013.

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, 2014 and 2013.

NOTE E – NET POSITION COMMITMENTS

The District’s Board of Directors approved a reserve policy that authorized commitments of unrestricted net position in the Water District Fund of certain percentages of the change in net position reported in the audited financial statements or budget 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, 2014 and 2013

NOTE E – NET POSITION COMMITMENTS (Continued)

	Description	2014	2013
Operating fund	120 days of annual operations and maintenance budget	\$ 4,820,410	\$ 4,756,295
Future capital improvement fund	75% of unrestricted funds not allocated to other reserve funds	4,092,565	3,792,900
Capital improvement fund	Annual capital improvement budget	1,799,000	2,645,000
Future capital replacement fund	25% of unrestricted funds not allocated to other reserve funds	1,364,188	1,264,300
Capital replacement fund	Annual capital replacement budget	441,000	467,000
Elections and special studies	Amount specified by Board of Directors	120,000	120,000
Total net position commitments		<u>\$ 12,637,163</u>	<u>\$ 13,045,495</u>

NOTE F – INSURANCE

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA is a risk-pooling self-insurance authority, created under the provisions of the California Government Code Sections 6500 et. seq. Its purpose is to provide a full risk management program for California local governments. The District pays an annual premium to SDRMA for general and auto liability, errors and omissions, property, boiler and machinery and employee dishonesty insurance coverage. The District annual premium is based on its pro-rata share of charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the SDRMA. Aviation insurance continues to be covered through a commercial insurer. The District's coverage and corresponding deductibles follow. Note that the high deductibles below are used only in limited circumstances, such as in the case of a terrorist attack.

Coverage	Amount	Deductible
General and auto liability (includes errors and omissions)	\$ 10,000,000	\$ 500 to \$20,000
Property damage	1,000,000,000	1,000 to 500,000
Uninsured motorist	750,000	1,000
Boiler and machinery	100,000,000	1,000 to 350,000
Employee dishonesty	400,000	None
Worker's compensation	5,000,000	None
Board member liability	500,000	500

NOTE G – DEFINED BENEFIT PENSION PLAN

Plan Description: The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS. Under CalPERS, 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 CalPERS and adopts those benefits through District resolution. CalPERS requires agencies with less than 100 active members in the plan to participate in the risk pool. The District employees that were members of CalPERS as of January 1, 2013 participate in the 2% at 55 risk pool. Employees who were not members of CalPERS as January 1, 2013 participate in the 2% at 62 risk pool. Copies of the CalPERS annual financial report and pertinent past trend information may be obtained from the CalPERS Executive Offices at 400 P Street, Sacramento, California 95814.

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE G – DEFINED BENEFIT PENSION PLAN (Continued)

**Funding Policy:** Participants are required to contribute 7% of their annual covered salary. The District contributed 1% and 3% of the 7% contribution required of District employees on their behalf and the employees contributed the remaining 6% and 4% during the year ended June 30, 2014 and 2013, respectively. Contributions made by the District on behalf of the employees were \$17,443 and \$57,843 for the years ended June 30, 2014 and 2013, respectively. The District is required to contribute at an actuarially determined rate, which was 14.427% and 13.930% for the years ended June 30, 2014 and 2013, respectively. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's share of the contributions for the years ended June 30, 2014, 2013, and 2012 were \$297,413, \$326,205 and \$325,765, respectively, which were equal to the required contributions each year.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN

**Plan Description:** The District's other postemployment benefits plan (the Plan) is an agent defined benefit healthcare plan administered by the District. CalPERS invests the Plan's assets as part of the California Employer's Retiree Benefit Trust (CERBT), resulting in its classification as an agent plan. The Plan provides lifetime healthcare insurance coverage for eligible retirees and their dependents through the District's group medical insurance plan, which covers both active and retired participants. 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 and contributes the annual OPEB cost each year.

**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, 2014 and 2013.

	2014	2013
Annual required contribution (ARC)	\$ 73,148	\$ 95,930
Interest on net OPEB obligation	(43,208)	(42,783)
Adjustment to annual required contribution	38,415	37,204
Annual OPEB cost (expense)	68,355	90,351
Contributions made	(73,148)	(95,930)
(Increase) decrease in net asset	(4,793)	(5,579)
Net OPEB obligation (asset) - beginning of year	(567,774)	(562,195)
Net OPEB obligation (asset) - end of year	\$ (572,567)	\$ (567,774)

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:

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

June 30, 2014 and 2013

NOTE H – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 84,897	107%	\$ (562,195)
6/30/2013	90,351	107%	(567,774)
6/30/2014	68,355	107%	(572,567)

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

	2014	2013
Actuarial accrued liability (AAL)	\$ 1,239,231	\$ 1,085,281
Actuarial value of plan assets	1,634,503	1,474,536
Unfunded actuarial accrued (liability) asset (UAAL)	<u>\$ 395,272</u>	<u>\$ 389,255</u>
Funded ratio (actuarial value of plan assets/AAL)	131.9%	135.9%
Covered payroll (active plan members)	\$ 1,961,000	\$ 1,944,000
UAAL as a percentage of covered payroll	N/A	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.

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, 2013 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 7.0% initially, reduced by decrements to an annual rate of 5.0%, 3.25% annual payroll increases and a 5.00% general inflation assumption. The initial UAAL was amortized as a level percentage of projected payroll over a closed 30-year period. The remaining amortization period at June 30, 2013 was 25 years.

NOTE I – COMMITMENTS AND CONTINGENCIES

Immanent Default of Debt: The 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 along with administrative, operating and maintenance expenses while maintaining administrative, operations and maintenance expense reserve funds required under the debt agreement. No other District revenues may be legally used to make

FLORIN RESOURCE CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE I – COMMITMENTS AND CONTINGENCIES (Continued)

up the shortfall of lease revenues. The District also previously used a portion of the administration expense reserve fund to make certain payments on the Certificates and was not able to maintain the required reserve funds. The use of reserve funds to make debt service payments on the Certificates and not being able to maintain required reserve funds resulted in the District being in technical default of the debt agreement. The technical default resulted in the requirement to file a Notice of Listed Event with the Trustee under the Trust Agreement. The District initially filed a Notice of Listed Event with the Bank of New York Mellon Trust Company, N.A. on October 26, 2011 and updates that filing annually. The Notices may be accessed on the continuing disclosures tab of the Electronic Municipal Market Access Website at [www.emma.msrb.org](http://www.emma.msrb.org) by searching for Florin Resource Conservation District and the Certificates above.

In addition to the inability to maintain the required reserve funds described above, the District was unable to make property tax payments to the County of Sacramento for fiscal years 2009/10 to 2013/14 totaling approximately \$829,155 as of June 30, 2014 due to the lack of available funds. The property taxes are delinquent and are subject to penalties and interest that accrue continually. The District will not be able to pay another property tax payment of approximately \$67,000 due in February 2015 and will be subject to additional penalties and interest. Payment of the delinquent taxes, penalties and interest would result in the District not having sufficient funds to make the debt service payments of the Certificates, even if reserve funds were used. Also, after 5 years of delinquency the County has the right to sell the property to satisfy the tax lien. The County may sell the building to satisfy the tax lien on July 1, 2015 under California Revenue and Taxation Code Section 3361 and must attempt to sell the building to satisfy the tax lien by July 1, 2019 under California Revenue and Taxation Code Section 3692.

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 technical default of the debt, all outstanding principal amounts due under the Certificates are reported as a current liability on the statement of net position at June 30, 2014 and 2013.

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.

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, 2014:

Year Ending June 30:	Florin Road Lease
2015	\$ 1,121,400
2016	1,121,400
2017	1,121,400
2018	1,121,400
2019	1,121,400
2020-2023	4,018,350
	<u>\$ 9,625,350</u>

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

June 30, 2014 and 2013

NOTE I – COMMITMENTS AND CONTINGENCIES (Continued)

Lease revenue earned under the lease agreement was \$1,121,400 and \$1,292,417 during the years ended June 30, 2014 and 2013, respectively.

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.

NOTE J – RESTATEMENT

Management discovered an error in the financial statements during 2014 that requires a restatement the Building Fund long-term liabilities to record accreted interest on the 2003 Subordinate Lien Refunding Certificates of Participation, Office Building Series B Capital Appreciation Certificates. \$5,863,007 of the Capital Appreciation Certificates will be payable in semi-annual payments of \$508,511 to \$646,392 from August 1, 2023 through February 1, 2028. This amount was incorrectly reported as future interest payments in Note D to the June 30, 2013 financial statements. GASB Statement No. 62 requires interest on discounted debt to be imputed at the market rate of the debt at the issuance date, requires interest to be accreted over the life of the related debt and requires the accreted interest to be reported as part of long-term liabilities. The June 30, 2013 financial statements were restated to record a liability for the accreted interest and to increase interest expense by the related accretion for the year then ended. See Note D for more information about the capital appreciation bonds outstanding. The effects of the restatement on the June 30, 2013 financial statements were as follows:

	Office Building Fund	Business- type Activities
Net position as of July 1, 2012, as previously reported	\$ (1,788,989)	\$ (3,434,505)
Liability for accreted interest on capital appreciation bonds	(1,366,119)	(1,366,119)
Net position as of July 1, 2012, as restated	\$ (3,155,108)	\$ (4,800,624)
Change in net position for the year ended June 30, 2013, as previously reported	\$ (252,517)	\$ 2,526,173
Accretion on capital appreciation bonds	(208,754)	(208,754)
Change in net position for the year ended June 30, 2013, as restated	\$ (461,271)	\$ 2,317,419

This restatement had no effect on the total future principal and interest payments or the timing of the payments disclosed in Note D on page 35 of the June 30, 2013 financial statements. However, the accreted interest is now reported separately from interest payments.



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

June 30, 2014 and 2013

NOTE K – SUBSEQUENT EVENT

In October 2014, the District's Board of Directors approved the issuance of 2014 Water Revenue Refunding Bonds, Series A, in an amount up to \$32.5 million to advance refund all or a portion of outstanding 2002, 2003 and 2005 Refunding and Capital Improvement Certificates of Participation, Series A and B, which are reported in the Water District Fund. The assumptions approved at the October 22, 2014 Board Meeting, which are subject to change, included refunding \$29.2 million of the \$52.5 million of outstanding Certificates of Participation by issuing \$27.6 million of Water Revenue Refunding Bonds. Based on current assumptions, the Water Revenue Refunding Bonds will be repaid through September 1, 2029 at interest rates ranging from 2.0% to 5.0%, which will result in a reduction in total debt service payments of approximately \$2.5 million over the life of the debt and a net present value savings of approximately \$1.77 million, or 6.04% of the bonds refunded. The transaction is expected to close in December 2014 and the terms discussed above are subject to change until the transaction closes.

FLORIN RESOURCE CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014 and 2013

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 (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2012	\$ 1,345,909	\$ 961,832	\$ 384,077	139.9%	\$ 1,849,000	N/A
6/30/2013	\$ 1,474,536	\$ 1,085,281	\$ 389,255	135.9%	\$ 1,944,000	N/A
6/30/2014	\$ 1,634,503	\$ 1,239,231	\$ 395,272	131.9%	\$ 1,961,000	N/A

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

- ❖ City of Elk Grove Population.....68
- ❖ City of Elk Grove Unemployment Rate.....68
- ❖ City of Elk Grove Per Capita Personal Income.....69
- ❖ Area Demographic and Economic Statistical Information.....69
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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 Position by Component**  
**Last Eight Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>								
Unrestricted	\$ 168,419	\$ 170,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 80,927	\$ 132,261
Total governmental activities net position	168,419	170,385	67,862	69,903	80,760	88,227	80,927	132,261
<b>Business-Type Activities</b>								
Net Investment in capital assets	(15,919,943)	(16,229,391)	(17,480,931)	(17,738,507)	(18,773,507)	(17,230,289)	(15,360,450)	(13,716,163)
Restricted for debt service	2,455,387	2,348,094	2,224,971	2,383,125	1,953,435	1,965,930	1,834,869	1,863,744
Restricted for capital projects	7,989,292	6,336,442	3,771,280	1,568,906	533,691	1,321	1,321	1,321
Restricted for administrative, operating and maintenance expenses					480,803	419,984	365,030	202,854
Unrestricted	(3,457,192)	337,661	5,509,663	9,122,678	9,538,425	10,042,430	10,676,025	9,786,366
Total business-type activities net position	(8,932,456)	(7,207,194)	(5,975,017)	(4,663,798)	(6,267,153)	(4,800,624)	(2,483,205)	(1,861,878)
<b>Primary Government</b>								
Net investment in capital assets	(15,919,943)	(16,229,391)	(17,480,931)	(17,738,507)	(18,773,507)	(17,230,289)	(15,360,450)	(13,716,163)
Restricted	10,444,679	8,684,536	5,996,251	3,952,031	2,967,929	2,387,235	2,201,220	2,067,919
Unrestricted	(3,288,773)	508,046	5,577,525	9,192,581	9,619,185	10,130,657	10,756,952	9,918,627
Total primary government net position	\$ (8,764,037)	\$ (7,036,809)	\$ (5,907,155)	\$ (4,593,895)	\$ (6,186,393)	\$ (4,712,397)	\$ (2,402,278)	\$ (1,729,617)

The net position was restated to record accreted interest on the 2003 Subordinate Lien Refunding Certificates of Participation and reflected in year 2012 through 2014. Information to restate years prior to 2012 was not available. Data for periods prior to Fiscal Year 2007 were not readily available.  
Source: Finance Department

**Florin Resource Conservation District**  
**Changes in Net Position**  
**Last Eight Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>								
<b>Governmental Activities:</b>								
General Government	\$ 17,030	\$ 16,253	\$ 116,712	\$ 18,961	\$ 1,198	\$ 3,894	\$ 21,579	\$ 37,166
<b>Business-type activities:</b>								
Water District	9,561,923	10,377,324	11,741,844	12,442,411	12,765,798	11,946,649	11,607,439	11,855,162
Office Building	1,412,270	1,703,967	1,495,043	1,377,430	1,619,569	1,747,033	1,544,934	1,641,329
Total business-type activities	10,974,193	12,081,291	13,236,887	13,819,841	14,385,367	13,693,682	13,152,373	13,496,491
Total primary government expenses	10,991,223	12,097,544	13,353,599	13,838,802	14,386,565	13,697,576	13,173,952	13,533,657
<b>Program Revenues</b>								
<b>Governmental Activities:</b>								
Charges for Services	9,833	11,900	12,000	12,000	12,000	11,333	9,533	5,467
Operating Grants				8,936				
Total governmental activities	9,833	11,900	12,000	20,936	12,000	11,333	9,533	5,467
<b>Business-type activities:</b>								
<b>Charges for Services</b>								
Water District	8,358,765	11,922,374	12,865,774	13,642,267	13,981,562	14,420,788	14,312,791	13,435,194
Office Building	1,421,381	1,346,210	1,414,636	1,414,572	1,532,453	1,414,572	1,292,417	1,121,400
Operating Grants	69,075		10,519	3,834				
Capital Grants						198,000		100,000
Total business-type activities	9,849,221	13,268,584	14,290,929	15,060,673	15,514,015	16,033,360	15,605,208	14,656,594
Total primary government program revenues	9,859,054	13,280,484	14,302,929	15,081,609	15,526,015	16,044,693	15,614,741	14,662,061
<b>Net revenues (expenses)</b>								
<b>Governmental activities</b>								
Governmental activities	(7,197)	(4,353)	(104,712)	1,975	10,802	7,439	(12,046)	(31,699)
<b>Business-Type</b>								
Business-Type	(1,124,972)	1,187,293	1,054,042	1,240,832	1,128,648	2,339,678	2,244,081	543,669
Total net revenues (expenses)	(1,132,169)	1,182,940	949,330	1,242,807	1,139,450	2,347,117	2,232,035	511,970
<b>General Revenues and Other Changes in Net Assets</b>								
<b>Governmental Activities:</b>								
Interest and investment earnings	501	361	189	66	55	28	17	50
Other revenues	2,558						4,729	82,983
Transfers	7,173							
Total governmental activities	10,232	361	189	66	55	28	4,746	83,033
<b>Business-type activities:</b>								
<b>Interest and investment earnings</b>								
Interest and investment earnings	709,971	349,606	126,485	42,170	36,642	21,812	20,886	18,188
Other revenues		188,363	51,650	28,217	91,758	276,738	52,452	22,304
Transfers	(7,173)							
Total business-type activities	702,798	537,969	178,135	70,387	128,400	298,550	73,338	40,492
Total primary government	713,030	538,330	178,324	70,453	128,455	298,578	78,084	123,525
<b>Change in net position:</b>								
<b>Governmental activities</b>								
Governmental activities	3,035	(3,992)	(104,523)	2,041	10,857	7,467	(7,300)	51,334
<b>Business-type activities</b>								
Business-type activities	(422,174)	1,725,262	1,232,177	1,311,219	1,257,048	2,638,228	2,317,419	621,327
Total primary government	\$ (419,139)	\$ 1,721,270	\$ 1,127,654	\$ 1,313,260	\$ 1,267,905	\$ 2,645,695	\$ 2,310,119	\$ 672,661

The net position was restated to record accreted interest on the 2003 Subordinate Lien Refunding Certificates of Participation and reflected in year 2012 through 2014. Information to restate years prior to 2012 was not available.

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 Eight Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
General Fund								
Unreserved	\$ 168,419	\$ 172,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 76,198	\$ 132,261
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>	<u>\$ 76,198</u>	<u>\$ 132,261</u>

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

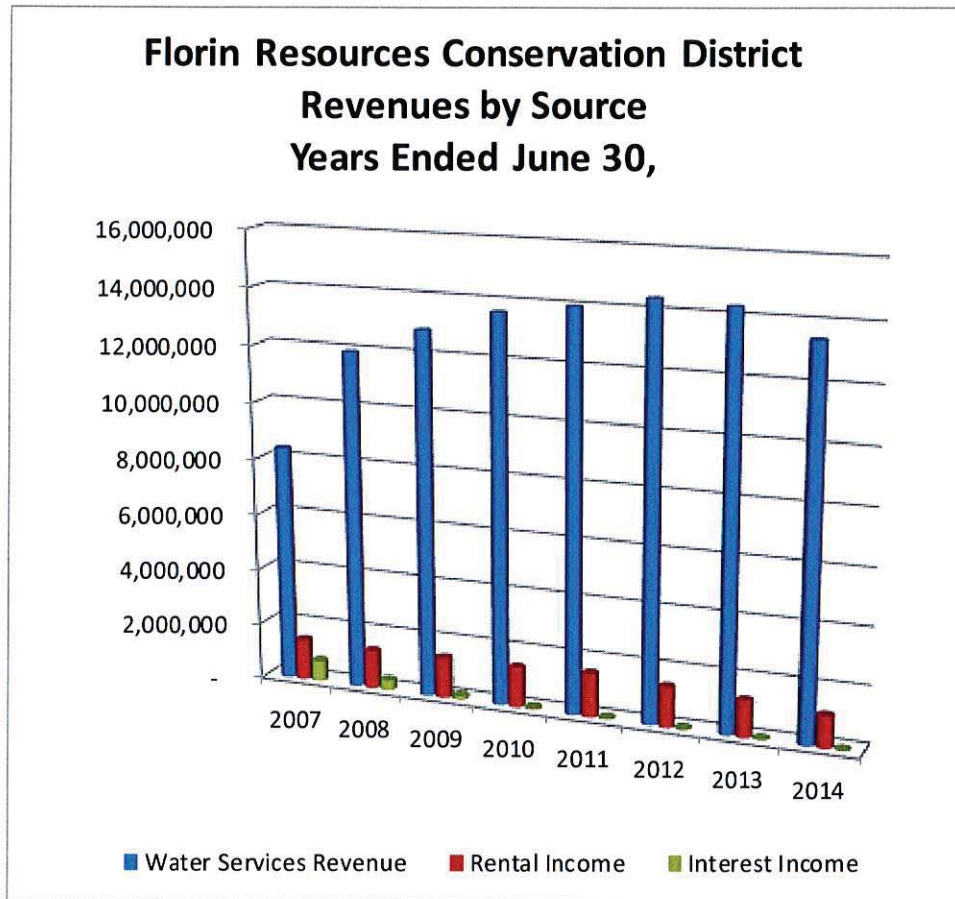


**Florin Resource Conservation District  
Changes in Fund Balances of Governmental Funds  
Last Eight Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>								
Use of money and property	\$ 10,334	\$ 10,261	\$ 14,189	\$ 12,066	\$ 12,055	\$ 11,361	\$ 9,550	\$ 5,517
Other	2,558			8,936				4,729
Total Revenues	12,892	10,261	14,189	21,002	12,055	11,361	9,550	10,246
<b>Expenditures</b>								
General and administrative	17,030	8,295	116,712	18,961	1,198	3,894	21,579	37,166
Total expenditures	17,030	8,295	116,712	18,961	1,198	3,894	21,579	37,166
<b>Other Financing Sources</b>								
Transfers	7,173							
Gain (loss) on disposal of capital assets								82,983
Total other financing sources	7,173							82,983
<b>Net change in fund balance</b>	3,035	1,966	(102,523)	2,041	10,857	7,467	(12,029)	56,063
Fund balance, beginning of the year	165,384	168,419	170,385	67,862	69,903	80,760	88,227	76,198
<b>Fund balance, end of the year</b>	<u>\$ 168,419</u>	<u>\$ 170,385</u>	<u>\$ 67,862</u>	<u>\$ 69,903</u>	<u>\$ 80,760</u>	<u>\$ 88,227</u>	<u>\$ 76,198</u>	<u>\$ 132,261</u>

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

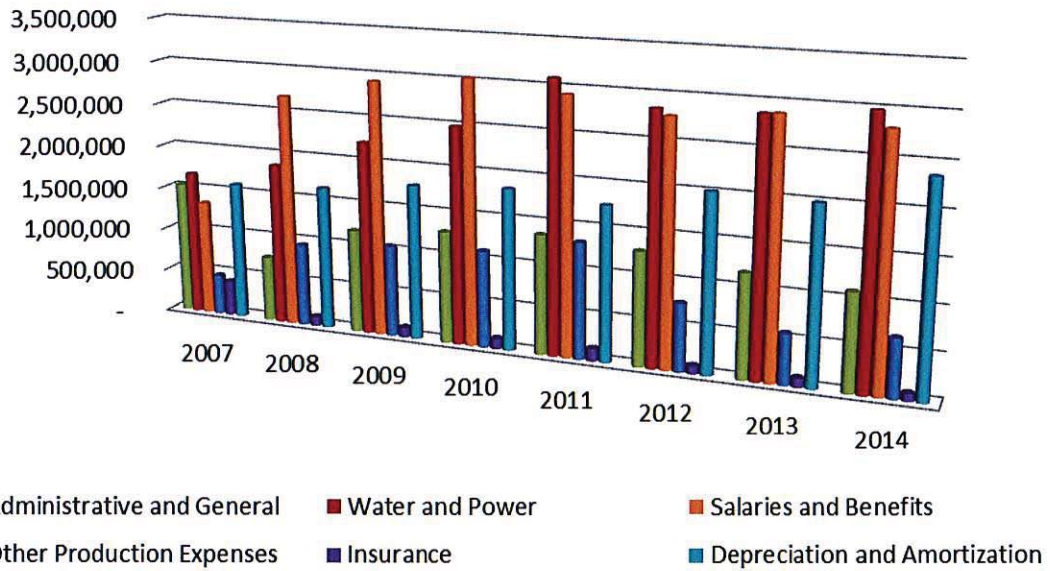
## Florin Resource Conservation District Financial Trends



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 Eight Years

	2006/07		2007/08		2008/09		2009/10		2010/11		
	Metered Rate Area 1	Metered Rate Area 2	Flat Rate	Metered Rate <sup>(1)</sup>	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate	
<b>Monthly Meter/Service</b>											
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
Monthly Consumption Rates											
1st tier: 0-30 ccf	0.445	1.09		1.09		1.31		1.46		1.46	
2nd tier: over 30 ccf	0.445	1.34		1.34		1.61		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	
<b>Meter Charge</b>											
For 5/8 x 3/4-inch meter	21.89	31.08		42.06		50.47		56.53		56.53	
For 3/4-inch meter	24.25	34.06		42.06		50.47		56.53		56.53	
For 1-inch meter	30.41	40.06		42.06		50.47		56.53		56.53	
For 1-1/2 inch meter	46.25	55.07		54.68		65.61		73.48		73.48	
For 2-inch meter	63.87	73.47		88.33		105.99		118.71		118.71	
For 3-inch meter	106.44	115.08		332.27		398.73		446.56		446.56	
For 4-inch meter	167.68	175.17		420.60		504.72		565.29		565.29	
For 6-inch meter	320.21	327.25		630.90		757.08		847.93		847.93	
For 8-inch meter	503.27			870.64		1,044.77		1,170.14		1,170.14	

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

	2011/12		2012/13		2013/14	
	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate
1-inch meter/service	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30	\$ 59.23	\$ 70.22
<b>Monthly Consumption Rates</b>						
1st tier: 0-30 ccf						
2nd tier: over 30 ccf	1.46		1.46		1.39	
For each sq. ft. of premises over 4000 sf	1.80	0.00244	1.80	0.00244	2.76	0.00244
Average Bill	88.76		88.76		89.91	
<b>Meter Charge</b>						
For 5/8 x 3/4-inch meter						
For 3/4-inch meter	56.53		56.53		59.23	
For 1-inch meter	56.53		56.53		59.23	
For 1-1/2 inch meter	73.48		73.48		83.37	
For 2-inch meter	118.71		118.71		112.34	
For 3-inch meter	446.56		446.56		179.93	
For 4-inch meter	565.29		565.29		276.49	
For 6-inch meter	847.93		847.93		517.89	
For 8-inch meter	1,170.14		1,170.14		807.57	
					1,145.53	

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

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

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

	2011/12		2012/13		2013/14	
	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate
<b>Flat Rate</b>						
For 3/4-inch service		62.64		62.64		
For 1-inch service		78.30		78.30		70.22
For 1-1/4 inch service		93.96		93.96		
For 1-1/2 inch service		109.83		109.83		94.36
For 2-inch service		164.44		164.44		123.33
For 3-inch service		618.58		618.58		190.92
For 4-inch service		783.02		783.02		
For 6-inch service		1,174.53		1,174.53		
For 8-inch service		1,579.35		1,579.35		
1 x 3/4" + 1 x 2"		227.07		227.07		
2 x 3/4"		125.29		125.29		
3 x 3/4"		187.93		187.93		
10 x 3/4"		626.42		626.42		
33 x 3/4"		2,067.17		2,067.17		
68 x 3/4"		4,259.60		4,259.60		
2 x 1"		156.60		156.60		
6 x 1" + 1 x 2"		634.25		634.25		
6 x 1"		469.81		469.81		
16 x 1"		132.83		132.83		
21 x 1"		1,644.33		1,644.33		
49x 1"		3,836.78		3,836.78		
72 x 1"		5,637.70		5,637.70		
100 x 1"		7,830.15		7,830.15		
2 x 2"		328.87		328.87		

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

	2006/07		2007/08		2008/09		2009/10		2010/11		
	Metered Rate Area 1	Metered Rate Area 2	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
<b>Fire Protection Service</b>											
2-inch connection				44.17		21.20		23.74		23.74	
3-inch connection		23.20		166.14		79.75		89.32		89.32	
4-inch connection		27.22		210.30		100.94		113.05		113.05	
6-inch connection		39.24		315.45		151.41		169.58		169.58	
8-inch connection		50.31		435.32		208.95		234.02		234.02	
<b>Usage</b>											
First 3000 Cu Ft. Per 100 Cu. Ft.		0.83		1.09		1.31		1.46		1.46	
Over 3000 Cu. Ft.		1.02		1.34		1.61		1.80		1.80	

\* In April of 2013, a new 5 year Rate Plan was adopted.  
Data for periods prior to Fiscal Year 2007 were not readily available.  
Source: Finance Department



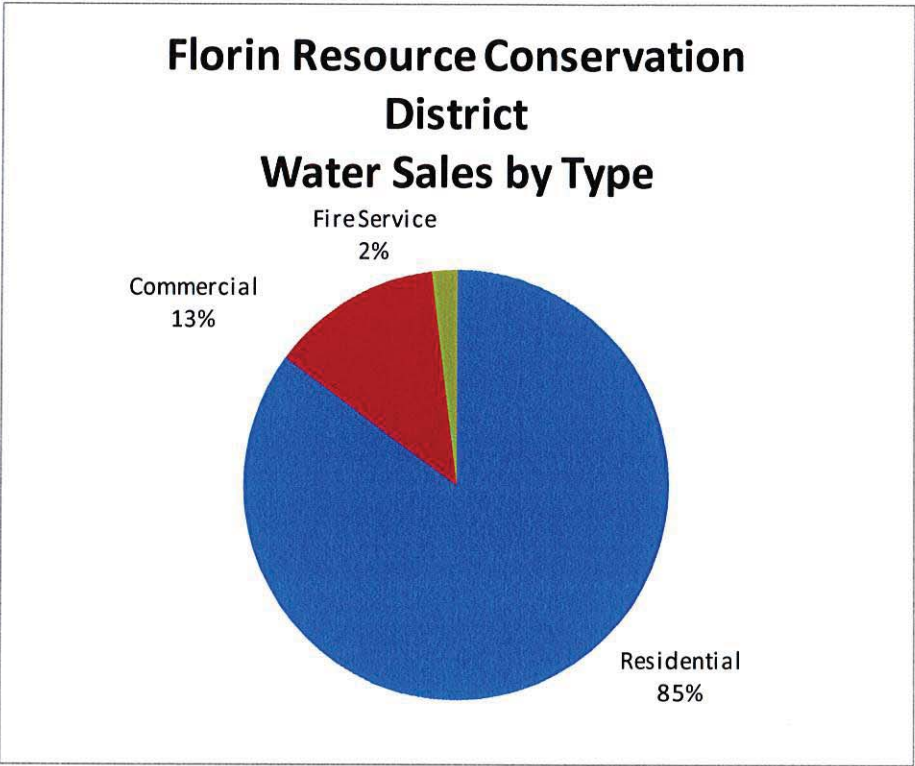
**Florin Resource Conservation District  
Elk Grove Water District Rate Analysis  
Last Eight Years**

	2011/12		2012/13		2013/14	
	Metered Rate	Flat Rate	Metered Rate	Flat Rate	Metered Rate	Flat Rate
For each additional single family residential unit		10.20		10.20		10.19
For each sq. ft. of premises, over 4000 sq. ft.		0.00244		0.00244		0.00244
<b>Fire Protection Service</b>						
2-inch connection	23.74		23.74		2.71	
3-inch connection	89.32		89.32		7.87	
4-inch connection	113.05		113.05		16.78	
6-inch connection	169.58		169.58		48.73	
8-inch connection	234.02		234.02		103.85	
					186.75	
					301.65	

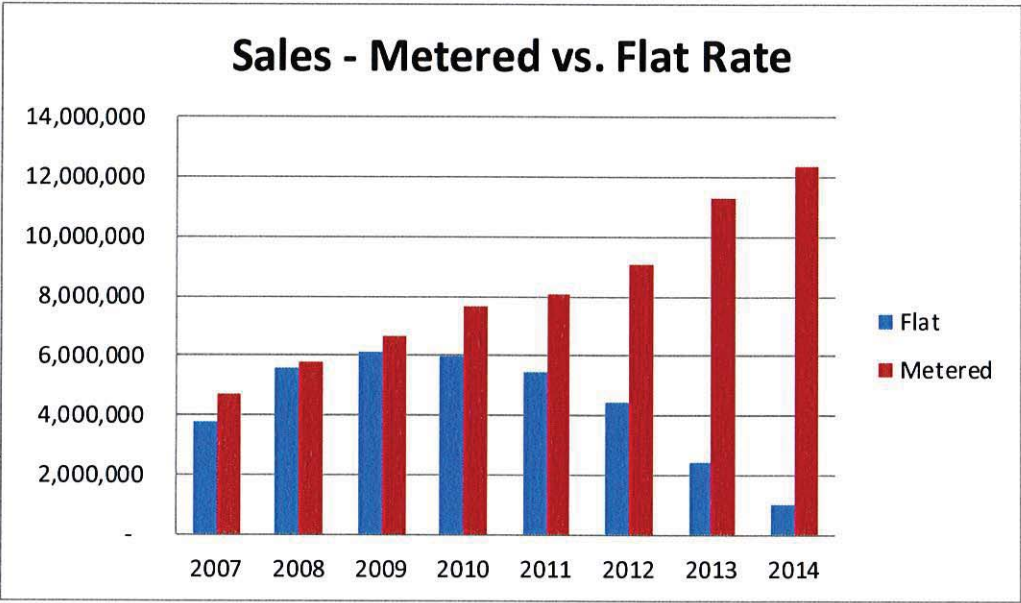
**Usage**

First 3000 Cu Ft. Per 100 Cu. Ft.	1.46
Over 3000 Cu. Ft.	1.80

\* In April of 2013, a new 5 year Rate Plan was adopted. Data for periods prior to Fiscal Year 2007 were not readily available.  
Source: Finance Department

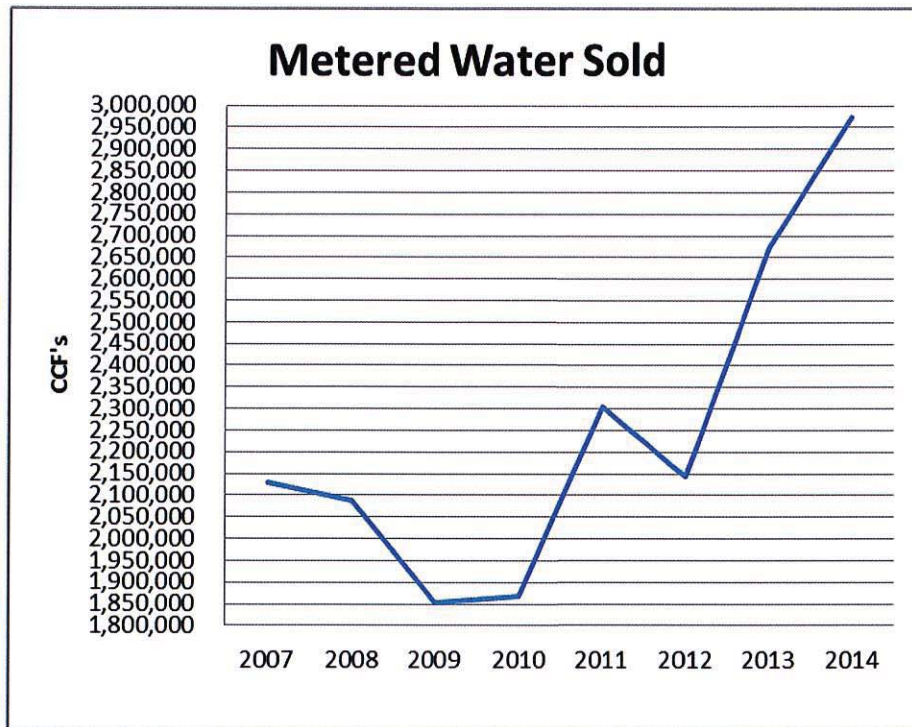


**Sales by Type** – This graph shows the percentages of the three major components of water sales by the Elk Grove Water District.



**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



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

**Metered Water Consumption – CCFs** – This graph shows the consumption of metered water over the four 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	3,259	9,041	12,300	11,679	621
6/30/13	1,193	10,955	12,148	11,523	625
6/30/14	240	12,109	12,349	11,784	565

Source: Finance Department

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

	<u>2009-10</u>	<u>2013-14</u>
Consumnes Community Services District	\$ 374,372	\$ 388,788
Elk Grove Unified School District	282,377	351,021
Realty Round Up		115,611
City of Elk Grove	60,299	58,397
Emerald Park Company		56,986
Emerald Vista Apartments	65,986	
Oak Grove Apartments	46,041	

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 - Proprietary Funds Last Eight 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%
2013	1,770,000	3,180,956	4,950,956	9,606,919	51.54%
2014	1,590,000	3,109,908	4,699,908	10,004,498	46.98%

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 Eight 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	1.711%	Not Available
2012	55,332,145	11,356,994	938,623	67,627,762	1.641%	\$ 492.83
2013	54,252,145	10,666,994	883,017	65,802,156	Not Available	Not Available
2014	53,077,145	10,251,994		63,329,139	Not Available	Not Available

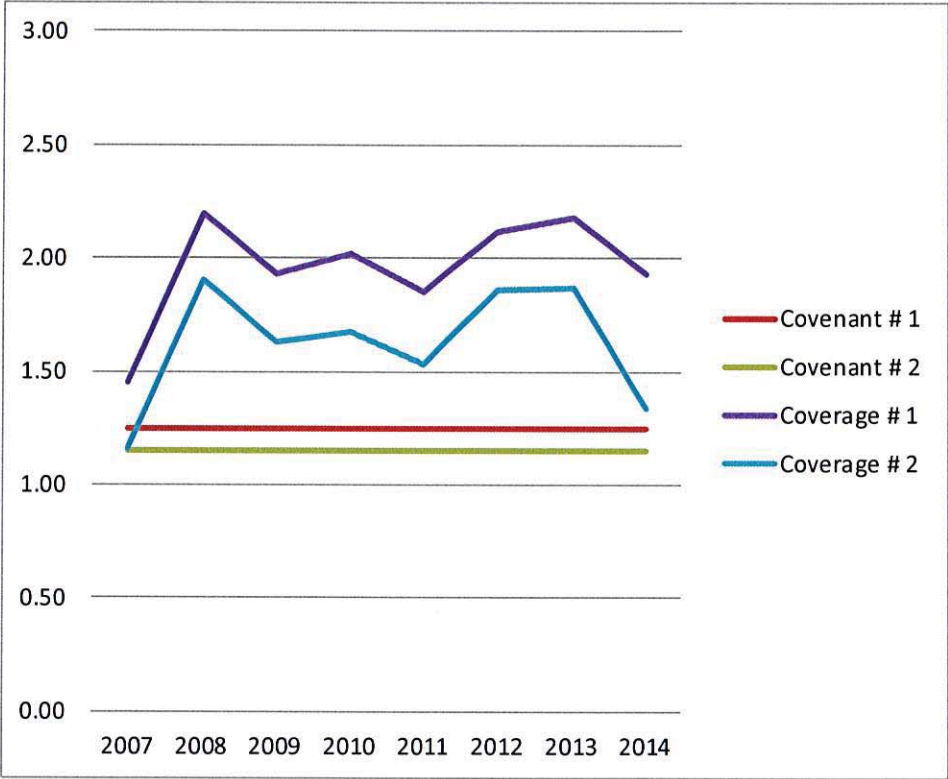
Note: Details regarding the District's outstanding debt can be found in the footnotes to the financial statements.

\*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 Eight Years**



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

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Operating Revenues:</b>								
Charges for Services	\$ 8,358,765	\$ 11,922,374	\$ 12,865,774	\$ 13,642,267	\$ 13,981,562	\$ 14,420,788	\$ 14,312,791	\$ 13,435,194
<b>Operating Expenses:</b>								
Water & Power	\$ 1,670,825	\$ 1,864,314	\$ 2,221,925	\$ 2,487,961	\$ 3,093,211	\$ 2,846,200	\$ 2,872,105	\$ 2,982,746
Other Production Expenses	460,657	896,218	984,362	1,047,545	1,160,949	582,000	365,502	411,116
Payroll & Related Taxes	1,331,705	2,679,183	2,923,030	3,024,955	2,927,357	2,777,271	2,882,423	2,808,085
Insurance	404,737	102,585	97,418	111,455	117,247	74,105	83,098	68,815
Administration & General	1,413,691	511,054	1,042,542	1,207,200	1,113,405	1,098,238	977,491	865,681
Depreciation & Amortization	1,282,640	1,339,001	1,471,072	1,533,295	1,455,222	1,705,720	1,687,331	2,054,712
<b>Total Operating Expenses</b>	<b>\$ 6,564,255</b>	<b>\$ 7,392,355</b>	<b>\$ 8,740,349</b>	<b>\$ 9,412,411</b>	<b>\$ 9,867,391</b>	<b>\$ 9,083,534</b>	<b>\$ 8,867,950</b>	<b>\$ 9,191,155</b>
<b>Income From Operations</b>	<b>\$ 1,794,510</b>	<b>\$ 4,530,019</b>	<b>\$ 4,125,425</b>	<b>\$ 4,229,856</b>	<b>\$ 4,114,171</b>	<b>\$ 5,337,254</b>	<b>\$ 5,444,841</b>	<b>\$ 4,244,039</b>
<b>Covenant Number 1</b>								
Income From Operations	\$ 1,794,510	\$ 4,530,019	\$ 4,125,425	\$ 4,229,856	\$ 4,114,171	\$ 5,337,254	\$ 5,444,841	\$ 4,244,039
Add: Interest Income	645,856	311,768	122,221	42,170	36,642	21,812	20,886	18,188
Add: Deprec. & Amortization	1,282,640	1,339,001	1,471,072	1,533,295	1,455,222	1,705,720	1,687,331	2,054,712
Add: Rate Stabilization Fund	934,853	966,824	971,782	971,782	971,782	971,782	971,782	971,782
<b>Total</b>	<b>\$ 4,657,859</b>	<b>\$ 7,147,612</b>	<b>\$ 6,690,500</b>	<b>\$ 6,777,103</b>	<b>\$ 6,577,817</b>	<b>\$ 8,036,568</b>	<b>\$ 8,124,840</b>	<b>\$ 7,288,721</b>
Interest & Principal Payments	\$ 3,209,484	\$ 3,247,444	\$ 3,466,851	\$ 3,362,040	\$ 3,557,252	\$ 3,680,913	\$ 3,718,678	\$ 3,770,985
<b>Coverage Ratio (1.25 Min. Req.)</b>	<b>1.45</b>	<b>2.20</b>	<b>1.93</b>	<b>2.02</b>	<b>1.85</b>	<b>2.18</b>	<b>2.18</b>	<b>1.93</b>



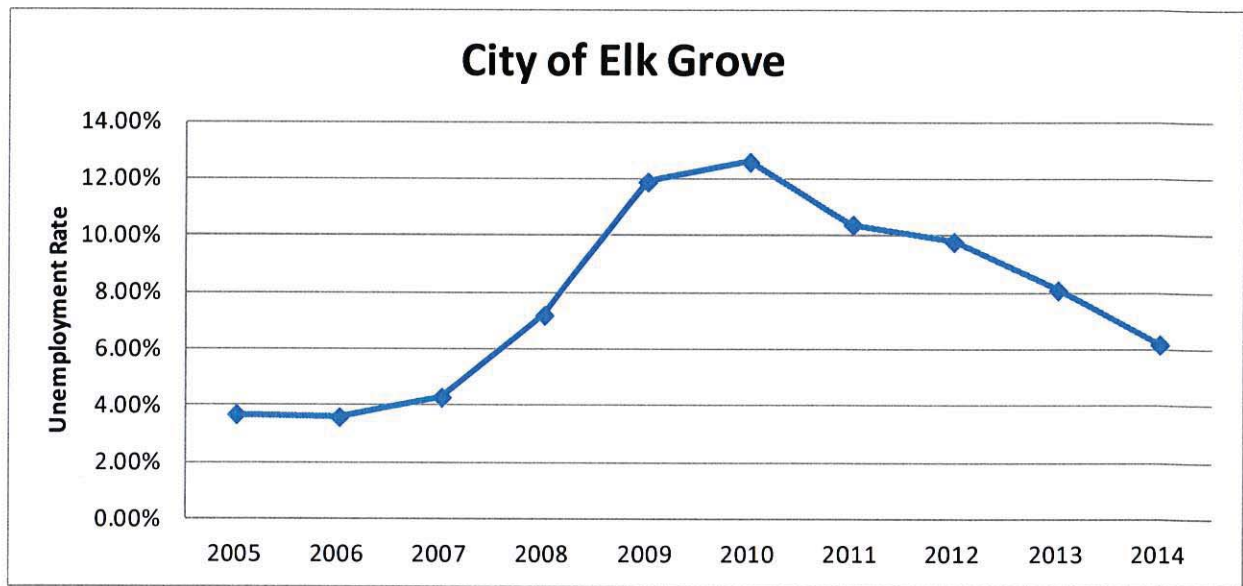
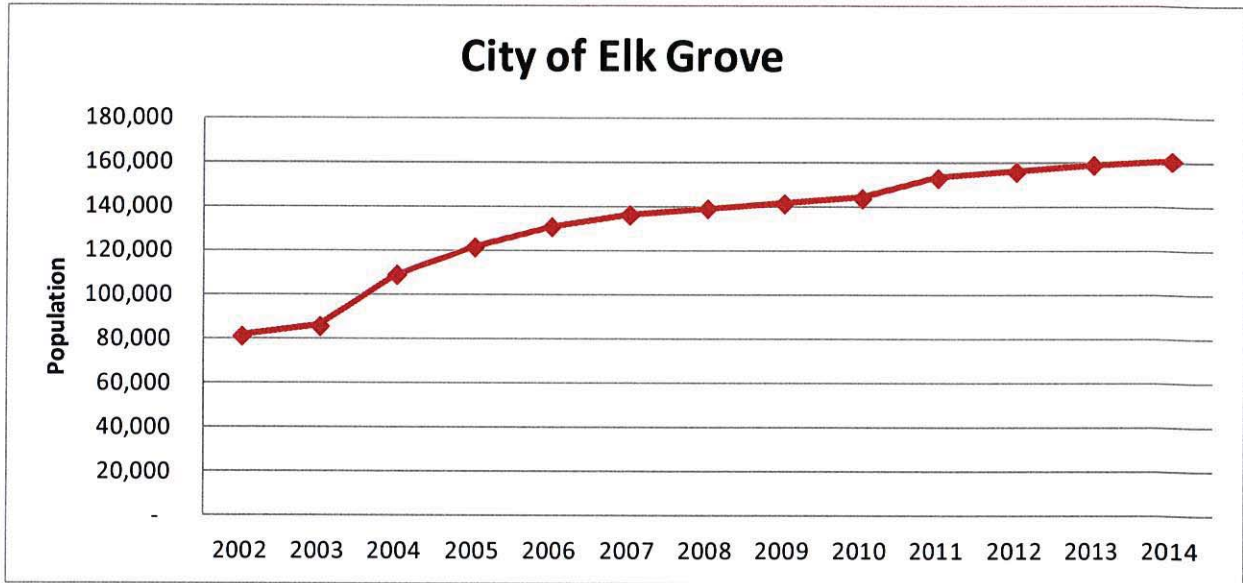
Florin Resource Conservation District  
Pledged-Revenue Coverage - Water District Fund  
Last Eight Years

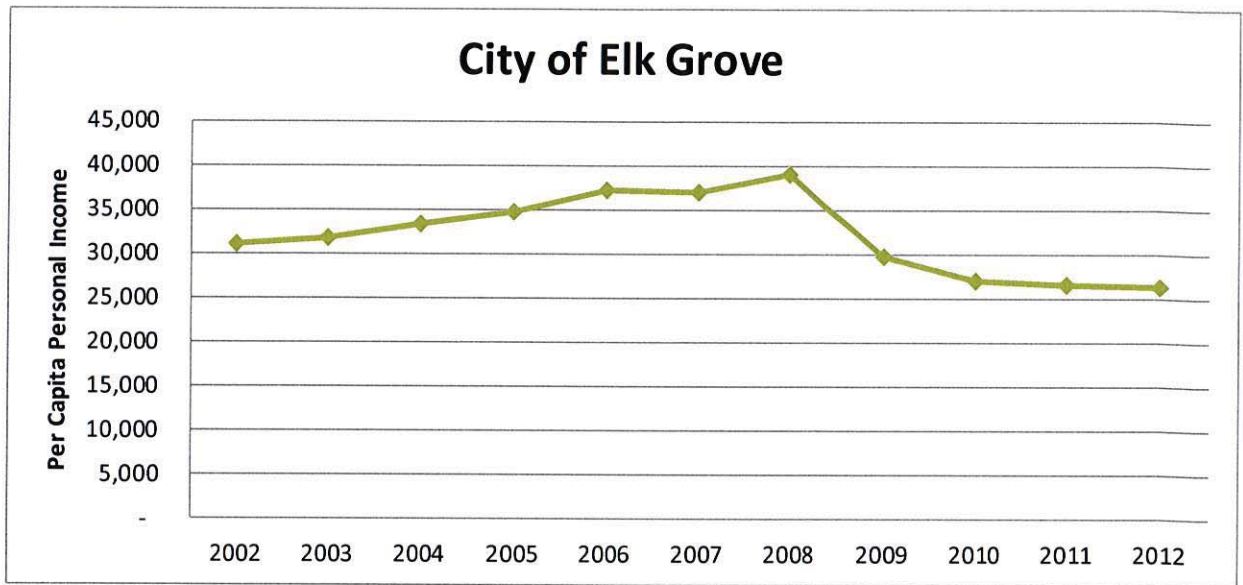
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Covenant Number 2</b>								
Income From Operations	\$ 1,794,510	\$ 4,530,019	\$ 4,125,425	\$ 4,229,856	\$ 4,114,171	\$ 5,337,254	\$ 5,444,841	\$ 4,244,039
Add: Interest Income	645,856	311,768	122,221	42,170	36,642	21,812	20,886	18,188
Add: Deprec.& Amort. Expenses	1,282,640	1,339,001	1,471,072	1,533,295	1,455,222	1,705,720	1,687,331	2,054,712
Total	\$ 3,723,006	\$ 6,180,788	\$ 5,718,718	\$ 5,805,321	\$ 5,606,035	\$ 7,064,786	\$ 7,153,058	\$ 6,316,939
Interest & Principal Payments	\$ 3,209,484	\$ 3,247,444	\$ 3,505,180	\$ 3,477,026	\$ 3,669,868	\$ 3,795,751	\$ 3,833,665	\$ 4,709,651
<b>Coverage Ratio (1.15 Min. Req.)</b>	<b>1.16</b>	<b>1.90</b>	<b>1.63</b>	<b>1.67</b>	<b>1.53</b>	<b>1.86</b>	<b>1.87</b>	<b>1.34</b>

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





Data for 2013 and 2014 is unavailable from the US Bureau of Economic Analysis.

Year	Population*	Personal Income (in thousands)	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	4,117,829	26,407	9.80%
2013	159,074	Not Available	Not Available	8.10%
2014	160,688	Not Available	Not Available	6.20%

Source: \* California Department of Finance  
 \*\* US Bureau of Economic Analysis – Sacramento Area  
 \*\*\* [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

The largest employers in the District’s service area are not known.  
 Data for 2013 is unavailable from the US Bureau of Economic Analysis.

**Florin Resource Conservation District**  
**Operating Indicators for the Water District Fund**  
**Last Eight Years**

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
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	1,128,430	1,145,719
Treated water (CCFs)	2,973,199	2,781,990	2,114,031	2,079,311	1,471,518	2,189,232	2,397,179	2,055,947
<b>Total</b>	<b>5,101,479</b>	<b>4,869,793</b>	<b>3,968,170</b>	<b>3,948,049</b>	<b>3,776,150</b>	<b>3,259,118</b>	<b>3,525,609</b>	<b>3,201,666</b>
Number of Accounts:								
Non-metered	6,033	6,020	6,272	6,955	4,681	3,259	1,193	240
Metered	5,855	5,999	5,849	5,207	7,409	9,041	10,955	12,109
<b>Total</b>	<b>11,888</b>	<b>12,019</b>	<b>12,121</b>	<b>12,162</b>	<b>12,090</b>	<b>12,300</b>	<b>12,148</b>	<b>12,349</b>
Average annual CCFs used per account	429.13	405.17	327.38	324.62	312.34	264.97	290.22	259.27
Average daily consumption per account (CCFs)	1.1757	1.1101	0.8969	0.8894	0.8557	0.7259	0.7951	0.7103
Number of Employees:								
General Government								
Water	23	24	24	32	32	30	29	29

Note: Each one hundred cubic foot (1 CCF) equals 748 gallons  
Data for periods prior to 2007 were not readily available

Source: Finance Department

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

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014
Capital Asset Statistics								
Water:								
Water main miles	121.0	121.0	124.0	124.0	124.0	124.0	124.0	131.0
Maximum daily capacity (thousands of gallons)	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Maximum daily treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	7,000	7,000	7,000	10,000
Building:								
Buildings owned	1	1	1	1	1	1	1	2

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