

**Florin Resource Conservation District
Comprehensive Annual Financial Report
For the Years ended June 30, 2016 and 2015**



Florin Resource Conservation District
Basic Financial Statements
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For the years ended June 30, 2016 and 2015

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October 26, 2016

Members of the Board of Directors
Florin Resource Conservation District

Directors:

The Florin Resource Conservation District is required by State statute to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). These statements must also be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In meeting those requirements, we are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2016.

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

The District's financial statements have been independently audited by Badawi & Associates, a firm of licensed certified public accountants with which the District contracts for these services. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2016, 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, 2016 basic financial statements, including the statement of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the basic financial statements and required supplementary information. The statistical section is the chief source of information regarding the District's economic condition. The financial statements are prepared in accordance with GAAP.

Accounting System and Budgetary Controls

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

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

DISTRICT PROFILE

History

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

District, 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 EGWD is a medium sized water purveyor near Sacramento, California, serving a population of approximately 44,000 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 four (4) 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 water 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.

Mission Statement

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

Water Supply

Source Water – There are currently eight wells that supply groundwater to Service Area 1. 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 gallons per minute (gpm) each. The water from the deep wells is conveyed to the Railroad Water Treatment and Storage Facility where it is disinfected with sodium hypochlorite and treated for iron and manganese removal. The treated water is held in two large storage tanks before it is pumped into the water distribution system.

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

Water Treatment

The Elk Grove Water District maintains two water treatment facilities:

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

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

Financial Stability and Planning

The current and future stability of the EGWD is positive with the existing revenue source remaining stable. Revenues are received entirely through water rates. EGWD provides water to nearly 12,200 service connections currently and growth projections suggest that the service connections should increase by approximately 150 in 2017.

The local economy continues to improve slightly and the number of connections has remained relatively stable. Although the service connections have remained stable, the volume of water sold has been affected by the continuing drought and has decreased in the fiscal year ended June 30, 2016.

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

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

On June 26, 2013, the Board of Directors approved the 5-year financial plan and associated amendments to the District's water rate ordinance. The first revenue adjustment occurred on January 1, 2014 and the plan requires water revenue adjustments on January 1st of each year as follows:

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

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

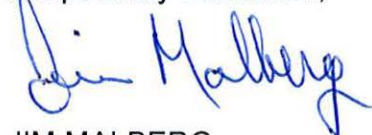
Awards and Acknowledgements

The Government Finance Officers Association (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, 2015. 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 the fiscal year ended June 30, 2016.

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, 2016**

BOARD OF DIRECTORS:

Chuck Dawson Chairman	Tom Nelson Vice-Chairman	Elliot Mulberg Director	Bob Gray Director	Jeanne Sabine Director
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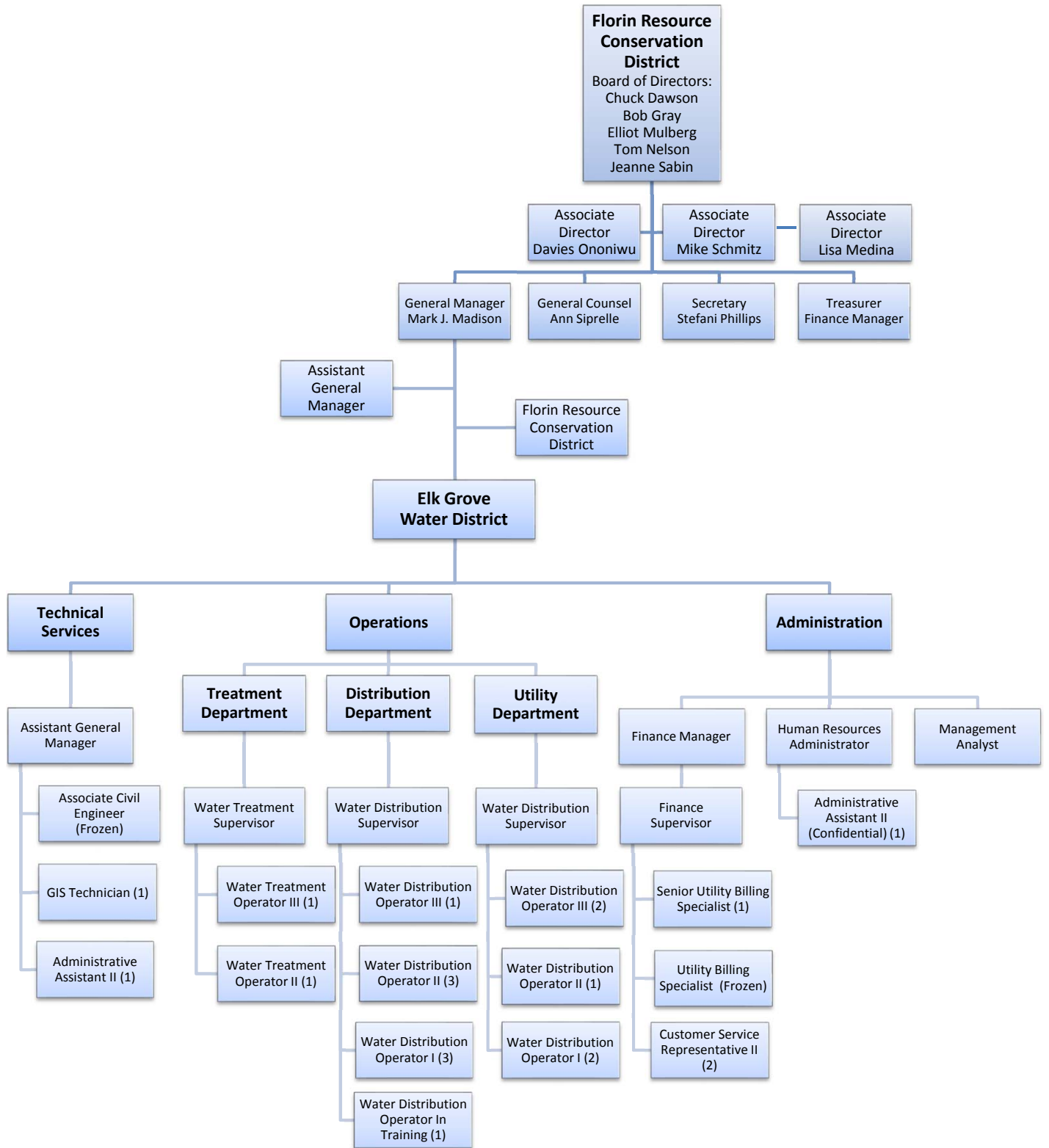
STAFF:

Mark J. Madison
General Manager

Jim Malberg
Treasurer / Finance Manager

Stefani Phillips
Secretary / Human Resources Administrator

Florin Resource Conservation District Organization Chart





Government Finance Officers Association

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

Presented to

**Florin Resource Conservation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Florin Resource Conservation District (District) as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the governmental activities, business-type activities, and each major fund of District, as of June 30, 2016 and June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, defined benefit pension plan, and schedule of funding progress for OPEB plans on pages 3 to 13 and pages 63 to 65 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory section, and Statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Badawi & Associates
Certified Public Accountants
Oakland, California
October 24, 2016

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

The following narrative overview and analysis of the financial activities of the Florin Resource Conservation District (District) for the fiscal year ended June 30, 2016 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 \$9.0 million during fiscal 2016, decreased by \$1.0 in 2015 and increased by \$1.0 million in 2014. Total liabilities decreased by \$15.8 million during fiscal 2016, increased by \$0.5 million in 2015 and decreased by \$1.8 million in 2014. The changes in total assets and total liabilities in fiscal 2016 are due primarily to the sale and disposal of the Office Building in October 2015. The net results of this activity are an increase in net position of \$7.5 million during fiscal 2016, a decrease of \$0.6 in 2015 and an increase of \$0.6 million in 2014.
- Operating revenue of \$13.8, \$14.3 and \$14.6 million in 2016, 2015 and 2014 respectively, and operating expenses of \$9.0, \$11.1 and \$10.0 million in 2016, 2015 and 2014 respectively, after depreciation resulted in net income from operations of \$4.9, \$3.2 and \$4.6 million in enterprise funds in 2016, 2015 and 2014 respectively. Net non-operating expenses of \$2.7, \$2.7 and \$4.0 million in business-type activities in 2016, 2015 and 2014 respectively, is the result of \$2.1, \$3.0 and \$3.5 million in interest expense for 2016, 2015 and 2014 respectively, offset by non-operating revenue of approximately \$4.8 million related to the sale and disposal of the office building in fiscal 2016, \$290,000, and \$40,000 in 2015 and 2014 respectively.
- Capital assets decreased \$7.6 million in fiscal year 2016, remained stable in 2015 and decreased by \$0.8 million during fiscal 2014. The District added approximately \$1.5 million in infrastructure, improvements and equipment during 2016 while disposing of approximately \$12.1 million (\$6.8 million net of depreciation). Annual depreciation for 2016 was approximately \$1.6 million. Also at the end of fiscal 2016, \$1.3 million in infrastructure, improvement, and equipment assets were classified as "in-progress".
- Restricted cash and investments decreased by \$1.4, \$0.2, and \$0.1 million in 2016, 2015 and 2014 respectively. The decrease in 2016 was a result of liquidating restricted cash balances associated with the office building that are no longer required. The decrease in 2015 was a result of liquidating the water rate stabilization fund that is was no longer required and the decrease in 2014 was a result of activities in the District's Office Building fund.
- Unrestricted net position was \$12.1, \$8.3 and \$9.9 million at June 30, 2016, 2015 and 2014 respectively. Restricted net position was \$0.4, \$1.9 and \$2.1 million at June 30, 2016, 2015 and 2014 respectively, of which \$0.4, \$1.9 and \$1.9 million

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

was restricted for debt service. In addition, \$0.2 million in 2014 was restricted for Building Fund administration, operating and maintenance expenses.

- The District had positive cash flow from enterprise fund operations of \$5.1, \$5.0 and \$8.0 million in 2016, 2015 and 2014, respectively. The District spent \$1.5, \$2.0 and \$2.2 million in 2016, 2015 and 2014 respectively, on the acquisition of capital assets. The District issued \$14.9 million of refunding debt during 2016 and spent \$29.0, \$38.6 and \$5.6 million in 2016, 2015 and 2014 respectively, on debt principle and interest payments. The District experienced decreases of \$1.6, \$0.8 and \$0.3 million in its ending cash balances of \$ 11.7, \$13.3, and \$14.1 million, respectively at June 30, 2016, 2015 and 2014, 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 needed to help users understand how a government's financial position has changed over time.
- ***Provide information on revenue capacity.*** Information needed to help the users understand and assess a government's ability to generate revenues.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The 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.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

FINANCIAL ANALYSIS OF THE DISTRICT

**STATEMENT OF NET POSITION – GOVERNMENT-WIDE TOTALS
AS OF JUNE 30, 2016, 2015 AND 2014**

	Governmental activities			Business-type activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Current assets	\$95,044	\$ 127,886	\$ 143,278	\$ 13,394,711	\$ 13,384,512	\$ 14,129,628	\$ 13,489,755	\$ 13,512,398	\$ 14,272,906
Capital assets, net of depreciation				70,812,095	78,424,992	78,425,917	70,812,095	78,424,992	78,425,917
Other assets				991,627	2,390,213	2,640,486	991,627	2,390,213	2,640,486
Total Assets	95,044	127,886	143,278	85,198,433	94,199,717	95,196,031	85,293,477	94,327,603	95,339,309
Deferred outflows			-	1,978,933	1,197,255	-	1,978,933	1,197,255	-
Current liabilities	6,210	4,667	11017	2,646,770	15,621,910	16,251,836	2,652,980	15,626,577	16,262,853
Long-term liabilities				49,520,679	52,350,288	51,229,066	49,520,679	52,350,288	51,229,066
Total Liabilities	6,210	4,667	11,017	52,167,449	67,972,198	67,480,902	52,173,659	67,976,865	67,491,919
Deferred inflows				332,887	319,826	-	332,887	319,826	
Net Position:									
Net Investment in Capital Assets				22,281,403	17,009,265	15,860,844	22,281,403	17,009,265	15,860,844
Restricted				412,862	1,875,557	2,067,919	412,862	1,875,557	2,067,919
Unrestricted	88,834	123,219	132,261	11,982,765	8,220,126	9,786,366	12,071,599	8,343,345	9,918,627
Total Net Position	\$ 88,834	\$ 123,219	\$ 132,261	\$ 34,677,030	\$ 27,104,948	\$ 27,715,129	\$ 34,765,864	\$ 27,228,167	\$ 27,847,390

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

There was a decrease of \$32,842 in 2016, a decrease of \$15,392 in 2015, and an increase of \$57,684 in 2014 in current assets. Also during the same time period, current liabilities increased \$1,543, decreased \$6,350 and increased \$6,350, and unrestricted net position decreased \$34,385 in 2016, decreased \$9,042 in 2015, and increased \$51,334 in 2014 for the governmental fund. There were not any significant revenues in 2016 or 2015, and for fiscal year 2014 revenues were \$5,467. There was an increase of expenditures of \$12,984 in 2016, a decrease of \$15,319 in 2015, and an increase in expenditures of \$15,587 in 2014. The increase in 2016 is attributable to expenditures for contracted services to perform a needs assessment while the increases in 2014 were attributable to legal fees associated with the sale of the building that was jointly owned with two other Resource Conservation Districts.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

There was a revenue increase of 3% for the water service rate payers effective January 1, 2016. There was an increase of \$0.3 million in revenues in 2016 while there were decreases in operating revenues of \$0.3 and \$1.0 million in 2015 and 2014,

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

respectively, due primarily to reduced water sales as a result of increased conservation efforts. There was a decrease in operating revenue in 2016 due to sale and disposal of the Susie Gaines Mitchell Office Building on October 29, 2015.

Current assets remained relatively unchanged in fiscal 2016 following decreases of \$0.8 and \$0.2 million in 2015 and 2014, respectively. The decrease in 2015 was primarily due to a decrease in cash and cash equivalents of \$0.5 million and a decrease of \$0.3 million in customer accounts receivable. During 2014, current assets decreased by \$0.2 million which 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.

Capital assets (net of depreciation) decreased approximately \$7.6 million in 2016, remained relatively flat in 2015, and decreased by \$0.8 million in 2014. The decrease in 2016 is primarily due to the sale and disposal of the Office Building which more than offset the \$1.5 million of capital assets placed into service during the year. Total depreciation expense recognized during the year amounted to \$1.6 million. The decrease in depreciation from the prior year is primarily due to the restatement of capital assets in fiscal 2015 and reclassification into proper asset classes.

While capital assets (net of depreciation) remained relatively flat in 2015, they decreased by \$0.8 million in 2014 due to the removal of \$0.9 million of well costs for wells that were destroyed and taken out of service. Total depreciation expense recognized by the District during 2015 and 2014 amounted to \$2.0 million each year.

Current liabilities decreased by \$12.6 million in 2016 primarily due to the sale and disposal of the office building which eliminated \$11.7 million of debt that was in technical default. There was a decrease of \$0.6 million in 2015 due to a decrease in due to other governments \$1.1 million offset by an increase to accounts payable of \$0.7 million and decreases to interest payable and debt in technical default. 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 Susie Gaines Mitchell Building that was placed in to a current liability due to a technical violation of the debt covenants in 2012.

Long term debt in the Water District Fund decreased by \$2.9 million during 2016. This was the result of the bond refunding, which included a capital contribution by the District of \$1.5 million, and scheduled principal retirements totaling \$17.8 million offset by the issuance of \$14.9 million of debt. During 2015 there was a decrease of \$2.6 million during as a result of the refunding and scheduled principal retirements totaling \$34.9 million offset by the issuance of \$32.3 million of refunding debt. During 2014, there

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

were \$2.1 million in scheduled principal retirements and the early payoff of the note payable for the District's administration building.

**CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
GOVERNMENT-WIDE TOTALS
FOR THE YEARS ENDED JUNE 30, 2016, 2015 AND 2014**

	Governmental activities			Business-type activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Revenues:									
Program Revenues:									
Charges for services:									
General government	\$ -	\$ -	\$ 5,467				\$ -	\$ -	\$ 5,467
Water services				\$ 13,475,325	\$ 13,185,838	\$ 13,435,194	13,475,325	13,185,838	13,435,194
Office building				373,800	1,121,400	1,121,400	373,800	1,121,400	1,121,400
Capital contribution/grants				-	28,500	100,000	-	28,500.00	100,000
General Revenues:									
Interest earnings	93	2,643	50	20,002	19,970	18,188	20,095	22,613	18,238
Other	353	10,162	82,983	4,777,152	290,069	22,304	4,777,505	300,231	105,287
Total Revenues	\$ 446	\$ 12,805	\$ 88,500	18,646,279	14,645,777	14,697,086	18,646,725	14,658,582	14,785,586
Expenses:									
General Government	\$ 34,831	\$ 21,847	\$ 37,166				\$ 34,831	\$ 21,847	\$ 37,166
Water Service				10,754,181	12,447,446	12,434,430	10,754,181	12,447,446	12,434,430
Office building				320,016	1,672,932	1,641,329	320,016	1,672,932	1,641,329
Total Expenses	34,831	21,847	37,166	11,074,197	14,120,378	14,075,759	11,074,197	14,142,225	14,112,925
Change in net position	(34,385)	(9,042)	51,334	7,572,082	525,399	621,327	7,537,697	516,357	672,661
Change in net position	(34,385)	(9,042)	51,334	7,572,082	525,399	621,327	7,537,697	516,357	672,661
Net position, beginning of year	123,219	132,261	80,927	27,104,948	26,579,549	27,093,802	27,228,167	26,711,810	27,174,729
GASB 68 Adjustment									
NET POSITION, END OF YEAR	\$ 88,834	\$ 123,219	\$ 132,261	\$ 34,677,030	\$ 27,104,948	\$ 27,715,129	\$ 34,765,864	\$ 27,228,167	\$ 27,847,390

GOVERNMENTAL ACTIVITIES HIGHLIGHTS

During 2016, there was a decrease in net position of \$34,385 which is a result of increased expenditures and the lack of revenues. Cash and cash equivalents decreased from \$127,886 in 2015 to \$95,044 in 2016. Expenses increased in 2016 due to the needs assessment that was performed during the fiscal year. There was a decrease of \$9,042 in the governmental net position in 2015 as a result of the loss in rental income due to the sale of the rental property in 2014. Cash and cash equivalents decreased from \$143,355 in 2014 to \$127,886 in 2015. There was an increase in net position of \$51,334 in 2014 due to sale of the rental property that was jointly owned by the FRCD with two other resource conservation districts.

FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

BUSINESS-TYPE ACTIVITIES HIGHLIGHTS

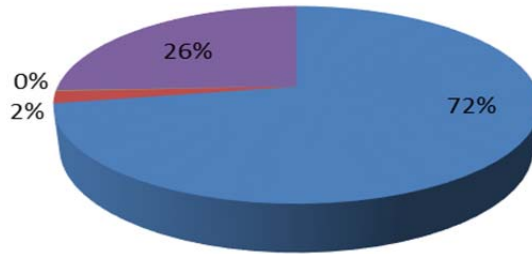
The change in net position increased from \$0.5 million in 2015 to \$7.6 million in 2016 for a total Net Position of \$34.7 million at June 30, 2016. This is attributable to stable revenues and decreased expenditures in the water fund as well as the sale and disposal of the office building. Operating expenses decreased in 2016 by \$2.1 million as follows: purchased water decreased by \$0.2 million, administration and general expenses decreased by \$0.5 million, salaries and benefits decreased by \$0.1 million, other production expenses decreased by \$1.0 million and depreciation and amortization decreased by \$0.4 million. The stabilization in benefits is largely due to policy changes for health insurance that has resulted in employees migrating to lower cost plans as well as sharing in the cost of medical benefits. Interest expense also decreased by approximately \$0.9 million in 2016 primarily due to the bond refinancing's in fiscal years 2015 and 2016.

During 2015, the change in net position decreased from \$0.6 million in 2014 to \$0.5 million in 2015. This was attributable to a \$0.2 million decrease in water revenues from continued reductions in water use due to the drought. Operating expenses increased in 2015 by \$1.1 million; administration and general expenses increased by \$0.6 million, salaries and benefits increased by \$0.1 million, other production expenses increased by \$0.9 million. These increases were offset by decreases of \$0.1 million decrease in purchased water and \$0.4 in depreciation and amortization.

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016, 2015 AND 2014

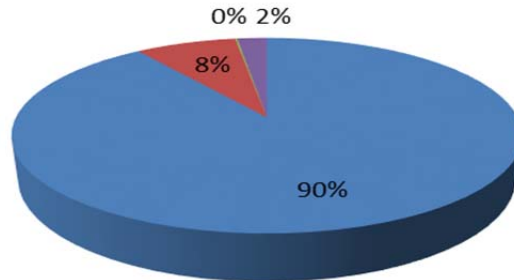
2016 Revenue

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



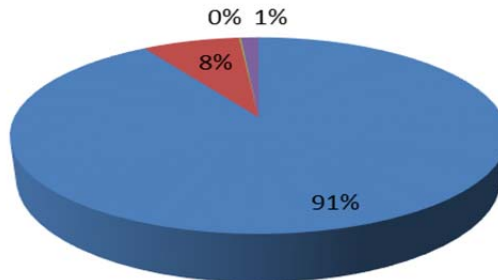
2015 Revenue

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



2014 Revenue

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



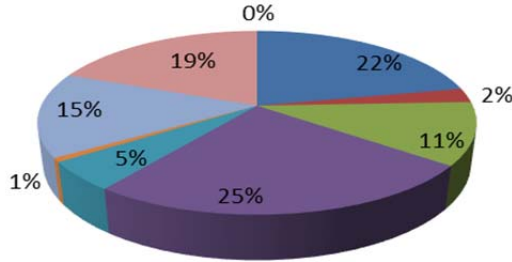
FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

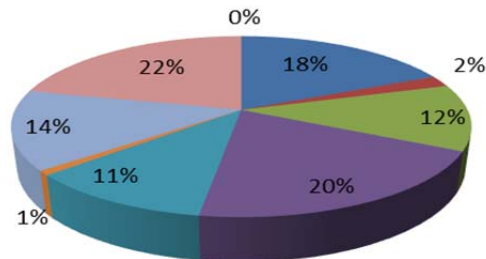
2016 Expenses

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



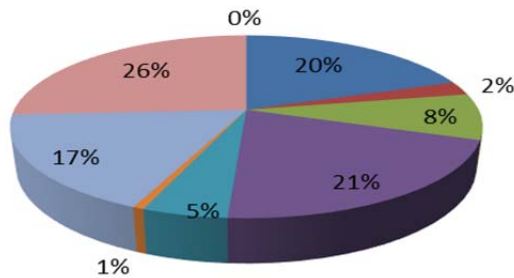
2015 Expenses

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



2014 Expenses

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



FLORIN RESOURCE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016, 2015 AND 2014

General Fund Budgetary Highlights

The General Fund's only source of revenue in FY 2015-16 was from interest income. Association dues, meeting expenses, contracted services and various sponsorships were budgeted based upon those expected revenues and paid from reserves.

Capital Asset and Debt Administration

Capital assets decreased \$7.6 million in fiscal year 2016 primarily due to the sale and disposal of the office building, were stable in fiscal year 2015, decreased by \$0.8 million during fiscal 2014 (net of annual depreciation). The changes in fiscal 2015 and 2014 were a result of expenditures for infrastructure offset by depreciation each year. Depreciation expense for 2016, 2015 and 2014 was \$1.6, \$2.0 and \$2.4 million respectively.

Major capital asset projects during 2016 and 2015 included Service Line Replacements, the Colton and Orton Water Main project, SCADA Improvements, and the Railroad Street Water Treatment Facility Parking Lot Project. See additional information on capital assets in Note C on page 30.

**OUTSTANDING DEBT ISSUES
AS OF JUNE 30, 2016, 2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
2002/3/5/14/16 Refunding and Capital Improvements-EGWD	\$ 47,575,000	\$ 50,492,145	\$ 53,077,145
2003 Refunding-Office Building	-	9,816,994	10,251,994
Total	<u>\$ 47,575,000</u>	<u>\$ 60,309,139</u>	<u>\$ 63,329,139</u>

The Florin Resource Conservation District issued \$14.9 million of water revenue refunding debt during the year. See additional information on debt in Note D at page 32.

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

FLORIN RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016, 2015 AND 2014

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 5.7% in September 2016 and 5.2% and 6.6% as of September, 2015 and 2014, respectively.
- Overall, the rates for the water service for FY 2015-16 were increased by 3% as approved in the five year rate schedule. The District has completed a rate study and the Board has adopted a five year rate structure which calls for revenue adjustments as follows:
 - 3% January 2014
 - 3% January 2015
 - 3% January 2016
 - 3.5% January 2017
 - 4.5% January 2018

All of these factors were considered in preparing the Florin Resource Conservation District's budget for the fiscal year ending June 30, 2017. The District adopted an operating budget of \$13.7 million for FY 2016-17. In addition the District approved \$2.5 in capital expenditures for FY 2016-17, as part of the five-year Capital Improvement Program totaling \$9.2 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

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Florin Resource Conservation District
Comparative Statement of Net Position
June 30, 2015

	2016			2015		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 95,044	\$ 11,295,772	\$ 11,390,816	\$ 127,886	\$ 11,531,290	\$ 11,659,176
Receivables:						
Customer accounts receivable	-	1,900,871	1,900,871	-	1,661,206	1,661,206
Other receivables	-	28,000	28,000	-	28,000	28,000
Interest receivable	-	8,350	8,350	-	2,004	2,004
Inventories	-	79,012	79,012	-	79,012	79,012
Prepaid expenses	-	82,706	82,706	-	83,000	83,000
Total current assets	95,044	13,394,711	13,489,755	127,886	13,384,512	13,512,398
Noncurrent assets:						
Restricted cash and cash equivalents	-	412,862	412,862	-	1,813,736	1,813,736
OPEB asset	-	578,765	578,765	-	576,477	576,477
Capital assets:						
Not being depreciated	-	1,949,156	1,949,156	-	2,593,709	2,593,709
Being depreciated, net	-	68,862,939	68,862,939	-	75,831,283	75,831,283
Total capital assets	-	70,812,095	70,812,095	-	78,424,992	78,424,992
Total noncurrent assets	-	71,803,722	71,803,722	-	80,815,205	80,815,205
Total assets	95,044	85,198,433	85,293,477	127,886	94,199,717	94,327,603
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding of debt	-	1,182,847	1,182,847	-	751,982	751,982
Deferred employer pension contribution	-	298,557	298,557	-	291,670	291,670
Deferred outflows of resources - pension	-	497,529	497,529	-	153,603	153,603
Total deferred outflows of resources	-	1,978,933	1,978,933	-	1,197,255	1,197,255
LIABILITIES						
Current liabilities:						
Accounts payable	1,543	374,919	376,462	-	203,758	203,758
Due to other governments	4,667	245,803	250,470	4,667	1,228,467	1,233,134
Interest payable	-	464,585	464,585	-	944,590	944,590
Debt in technical default	-	-	-	-	11,693,632	11,693,632
Noncurrent liabilities, due within one year	-	1,561,463	1,561,463	-	1,551,463	1,551,463
Total current liabilities	6,210	2,646,770	2,652,980	4,667	15,621,910	15,626,577
Noncurrent liabilities:						
Net pension liability	-	1,161,343	1,161,343	-	1,217,268	1,217,268
Noncurrent liabilities, due in more than one year	-	48,359,336	48,359,336	-	51,133,020	51,133,020
Total noncurrent liabilities	-	49,520,679	49,520,679	-	52,350,288	52,350,288
Total liabilities	6,210	52,167,449	52,173,659	4,667	67,972,198	67,976,865
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - pension	-	332,887	332,887	-	319,826	319,826
Total deferred inflows of resources	-	332,887	332,887	-	319,826	319,826
NET POSITION						
Net investment in capital assets	-	22,281,403	22,281,403	-	17,009,265	17,009,265
Restricted for debt service	-	412,862	412,862	-	1,871,782	1,871,782
Restricted for administrative, operating and maintenance expenses	-	-	-	-	3,775	3,775
Unrestricted	88,834	11,982,765	12,071,599	123,219	8,220,126	8,343,345
Total net position	\$ 88,834	\$ 34,677,030	\$ 34,765,864	\$ 123,219	\$ 27,104,948	\$ 27,228,167

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

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

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

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

Florin Resource Conservation District
Statement of Activities (Continued)
For the year ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Change in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
General government	\$ 21,847	\$ -	\$ -	\$ (21,847)	\$ -	\$ (21,847)
TOTAL GOVERNMENTAL ACTIVITIES	21,847	-	-	(21,847)	-	(21,847)
BUSINESS-TYPE ACTIVITIES:						
Water District	12,447,446	13,185,838	28,500	-	766,892	766,892
Office Building	1,672,932	1,121,400	-	-	(551,532)	(551,532)
TOTAL BUSINESS-TYPE ACTIVITIES	14,120,378	14,307,238	28,500	-	215,360	215,360
TOTAL PRIMARY GOVERNMENT	\$ 14,142,225	\$ 14,307,238	\$ 28,500	(21,847)	215,360	193,513
GENERAL REVENUES:						
Interest and investment earnings				2,643	19,970	22,613
Other revenues				10,162	287,774	297,936
Gain on extinguishment of debt				-	-	-
Gain on sale of capital assets				-	2,295	2,295
				Total general revenues	310,039	322,844
				Change in net position	(9,042)	516,357
				Net position - beginning of year, as restated	26,579,549	26,711,810
				Net position - end of year	\$ 27,104,948	\$ 27,228,167

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

Florin Resource Conservation District
Comparative Balance Sheet
Governmental Fund
June 30, 2016 and 2015

		General Fund	
		2016	2015
ASSETS			
Cash and investments		\$ 95,044	\$ 127,886
Total assets		<u>\$ 95,044</u>	<u>\$ 127,886</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable		\$ 1,543	\$ -
Due to other governments		4,667	4,667
Total liabilities		<u>6,210</u>	<u>4,667</u>
Fund Balances:			
Unassigned		88,834	123,219
Total fund balances		<u>88,834</u>	<u>123,219</u>
Total liabilities and fund balances		<u>\$ 95,044</u>	<u>\$ 127,886</u>
Total fund balance, governmental fund		\$ 88,834	\$ 123,219
<p>There were no reconciling differences between net position for governmental activities in the statement of net position and fund balance in the governmental fund balance sheet.</p>			
Total net position, governmental activities		<u>\$ 88,834</u>	<u>\$ 123,219</u>

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

Florin Resource Conservation District
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
June 30, 2016 and 2015

	General Fund	
	2016	2015
REVENUES:		
Use of money and property	\$ 93	\$ 2,643
Charges for services		
Grant revenue		
Miscellaneous	353	10,162
Total revenues	<u>446</u>	<u>12,805</u>
EXPENDITURES:		
Current:		
General government	34,831	21,847
Total expenditures	<u>34,831</u>	<u>21,847</u>
Net change in fund balances	(34,385)	(9,042)
FUND BALANCES:		
Beginning of year	123,219	132,261
End of year	<u>\$ 88,834</u>	<u>\$ 123,219</u>
 Net change in fund balance, governmental fund	 \$ (34,385)	 \$ (9,042)
<p>There were no reconciling differences between changes in net position for governmental activities in the statement of activities and changes in fund balance in the statement of revenues, expenditures, and changes in fund balance.</p>		
 Change in net position, governmental activities	 <u>\$ (34,385)</u>	 <u>\$ (9,042)</u>

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

Florin Resource Conservation District
Comparative Statement of Net Position
Proprietary Funds
June 30, 2016 and 2015

	Enterprise Funds			Enterprise Funds		
	2016			2015		
	Water District Fund	Office Building Fund	Total Proprietary Funds	Water District Fund	Office Building Fund	Total Proprietary Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11,295,772	\$ -	\$ 11,295,772	\$ 11,531,290	\$ -	\$ 11,531,290
Receivables:						
Customer accounts receivable	1,900,871	-	1,900,871	1,661,206	-	1,661,206
Other receivables	28,000	-	28,000	28,000	-	28,000
Interest receivable	8,350	-	8,350	2,004	-	2,004
Due from other funds	-	-	-	-	-	-
Inventories	79,012	-	79,012	79,012	-	79,012
Prepaid expense	82,706	-	82,706	83,000	-	83,000
Total current assets	13,394,711	-	13,394,711	13,384,512	-	13,384,512
Noncurrent assets:						
Restricted cash and cash equivalents	412,862	-	412,862	980,928	832,808	1,813,736
OPEB asset	578,765	-	578,765	576,477	-	576,477
Capital assets:						
Not being depreciated	1,949,156	-	1,949,156	1,987,902	605,807	2,593,709
Being depreciated, net	68,862,939	-	68,862,939	69,048,771	6,782,512	75,831,283
Total capital assets	70,812,095	-	70,812,095	71,036,673	7,388,319	78,424,992
Total noncurrent assets	71,803,722	-	71,803,722	72,594,078	8,221,127	80,815,205
Total assets	85,198,433	-	85,198,433	85,978,590	8,221,127	94,199,717
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refunding of debt	1,182,847	-	1,182,847	751,982	-	751,982
Deferred employer pension contribution	298,557	-	298,557	291,670	-	291,670
Deferred outflows of resources - pension	497,529	-	497,529	153,603	-	153,603
Total deferred outflows of resources	1,978,933	-	1,978,933	1,197,255	-	1,197,255
LIABILITIES						
Current liabilities:						
Accounts payable	374,919	-	374,919	203,758	-	203,758
Due to other governments	245,803	-	245,803	226,403	1,002,064	1,228,467
Interest payable	464,585	-	464,585	731,319	213,271	944,590
Debt in technical default	-	-	-	-	11,693,632	11,693,632
Noncurrent liabilities, due within one year	1,561,463	-	1,561,463	1,551,463	-	1,551,463
Total current liabilities	2,646,770	-	2,646,770	2,712,943	12,908,967	15,621,910
Noncurrent liabilities:						
Net pension liability	1,161,343	-	1,161,343	1,217,268	-	1,217,268
Noncurrent liabilities, due in more than one year	48,359,336	-	48,359,336	51,133,020	-	51,133,020
Total noncurrent liabilities	49,520,679	-	49,520,679	52,350,288	-	52,350,288
Total liabilities	52,167,449	-	52,167,449	55,063,231	12,908,967	67,972,198
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - pension	332,887	-	332,887	319,826	-	319,826
Total deferred inflows of resources	332,887	-	332,887	319,826	-	319,826
NET POSITION						
Net investment in capital assets	22,281,403	-	22,281,403	19,274,888	(2,265,623)	17,009,265
Restricted for debt service	412,862	-	412,862	980,928	890,854	1,871,782
Restricted for administrative, operating and maintenance expenses	-	-	-	-	3,775	3,775
Unrestricted (deficit)	11,982,765	-	11,982,765	11,536,972	(3,316,846)	8,220,126
Total net position	\$ 34,677,030	\$ -	\$ 34,677,030	\$ 31,792,788	\$ (4,687,840)	\$ 27,104,948

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

Florin Resource Conservation District
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
June 30, 2016 and 2015

	Enterprise Funds			Enterprise Funds		
	2016			2015		
	Water District Fund	Office Building Fund	Total Proprietary Funds	Water District Fund	Office Building Fund	Total Proprietary Funds
OPERATING REVENUES:						
Charges for services	13,475,325	-	13,475,325	13,185,838	-	13,185,838
Rental income	-	373,800	373,800	-	1,121,400	1,121,400
Total operating revenues	13,475,325	373,800	13,849,125	13,185,838	1,121,400	14,307,238
OPERATING EXPENSES:						
Water purchased	2,417,349	-	2,417,349	2,587,097	-	2,587,097
Power purchased	277,127	-	277,127	285,902	-	285,902
Administration and general	977,466	238,912	1,216,378	1,218,888	458,794	1,677,682
Salaries and benefits	2,763,806	-	2,763,806	2,855,533	-	2,855,533
Other production expenses	524,769	41,410	566,179	1,437,329	135,172	1,572,501
Insurance	74,280	-	74,280	76,462	34,229	110,691
Depreciation and amortization	1,649,295	-	1,649,295	1,696,678	308,292	2,004,970
Total operating expenses	8,684,092	280,322	8,964,414	10,157,889	936,487	11,094,376
OPERATING INCOME	4,791,233	93,478	4,884,711	3,027,949	184,913	3,212,862
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	19,994	8	20,002	19,970	-	19,970
Interest expense	(2,070,089)	(39,694)	(2,109,783)	(2,289,557)	(736,445)	(3,026,002)
Gain on extinguishment of debt	-	3,369,337	3,369,337	-	-	-
Gain on sale of capital assets	3,565	1,264,711	1,268,276	2,295	-	2,295
Other nonoperating revenue	139,539	-	139,539	287,774	-	287,774
Total nonoperating revenues (expenses)	(1,906,991)	4,594,362	2,687,371	(1,979,518)	(736,445)	(2,715,963)
Income (loss) before contributions	2,884,242	4,687,840	7,572,082	1,048,431	(551,532)	496,899
CAPITAL CONTRIBUTIONS						
Capital contributions	-	-	-	28,500	-	28,500
Total contributions	-	-	-	28,500	-	28,500
CHANGE IN NET POSITION	2,884,242	4,687,840	7,572,082	1,076,931	(551,532)	525,399
NET POSITION						
Beginning of year, as restated	31,792,788	(4,687,840)	27,104,948	30,715,857	(4,136,308)	26,579,549
End of year	\$ 34,677,030	-	34,677,030	\$ 31,792,788	(4,687,840)	27,104,948

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

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Funds
June 30, 2016 and 2015

	Enterprise Funds			Enterprise Funds		
	2016			2015		
	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	\$ 13,235,660	\$ 373,800	\$ 13,609,460	\$ 13,507,903	\$ 1,121,400	\$ 14,629,303
Payments to suppliers	(4,080,136)	(1,282,386)	(5,362,522)	(6,324,993)	(470,286)	(6,795,279)
Payments to employees	(3,123,227)	-	(3,123,227)	(2,881,614)	-	(2,881,614)
NET CASH PROVIDED BY						
OPERATING ACTIVITIES	6,032,297	(908,586)	5,123,711	4,301,296	651,114	4,952,410
CASH FLOWS FROM NONCAPITAL						
FINANCING ACTIVITIES:						
Operating grants and reimbursements	139,539	-	139,539	287,774	-	287,774
NET CASH PROVIDED BY NONCAPITAL						
FINANCING ACTIVITIES	139,539	-	139,539	287,774	-	287,774
CASH FLOWS FROM CAPITAL						
AND RELATED FINANCING ACTIVITIES:						
Bond proceeds from debt issuance	14,875,000	-	14,875,000	34,593,278	-	34,593,278
Principal paid on noncurrent liabilities	(17,792,145)	(8,324,295)	(26,116,440)	(34,910,000)	(435,000)	(35,345,000)
Interest paid on noncurrent liabilities	(2,641,657)	(252,965)	(2,894,622)	(2,822,365)	(478,122)	(3,300,487)
Proceeds from sale of capital assets	79,210	8,653,030	8,732,240	2,295	-	2,295
Purchase of capital assets	(1,509,476)	-	(1,509,476)	(2,004,045)	-	(2,004,045)
Capital contributions received	-	-	-	28,500	-	28,500
NET CASH USED BY CAPITAL AND						
RELATED FINANCING ACTIVITIES	(6,989,068)	75,770	(6,913,298)	(5,112,337)	(913,122)	(6,025,459)
CASH FLOWS FROM						
INVESTING ACTIVITIES:						
Interest received	13,648	8	13,656	19,525	-	19,525
NET CASH PROVIDED BY						
INVESTING ACTIVITIES	13,648	8	13,656	19,525	-	19,525
NET INCREASE (DECREASE) IN						
CASH AND CASH EQUIVALENTS	(803,584)	(832,808)	(1,636,392)	(503,742)	(262,008)	(765,750)
CASH AND CASH EQUIVALENTS - Beginning of year	12,512,218	832,808	13,345,026	13,015,960	1,094,816	14,110,776
CASH AND CASH EQUIVALENTS - End of year	\$ 11,708,634	\$ -	\$ 11,708,634	\$ 12,512,218	\$ 832,808	\$ 13,345,026
RECONCILIATION OF CASH AND						
CASH EQUIVALENTS TO THE						
STATEMENT OF NET POSITION						
Cash and cash equivalents	\$ 11,295,772	\$ -	\$ 11,295,772	\$ 11,531,290	\$ -	\$ 11,531,290
Restricted cash and cash equivalents	412,862	-	412,862	980,928	832,808	1,813,736
CASH AND CASH EQUIVALENTS	\$ 11,708,634	\$ -	\$ 11,708,634	\$ 12,512,218	\$ 832,808	\$ 13,345,026

(Continued)

Florin Resource Conservation District
Comparative Statement of Cash Flows
Proprietary Funds
June 30, 2016 and 2015

	Enterprise Funds			Enterprise Funds		
	2016			2015		
	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	\$ 4,791,233	\$ 93,478	\$ 4,884,711	\$ 3,027,949	\$ 184,913	\$ 3,212,862
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	1,649,295		1,649,295	1,696,678	308,292	2,004,970
Changes in operating assets and liabilities:						
Customer accounts receivable	(239,665)	-	(239,665)	326,189	-	326,189
Due from other funds		-		15,077	-	15,077
Inventory		-		(9,272)	-	(9,272)
Prepaid expenses	294	-	294	(83,000)	-	(83,000)
OPEB asset	(2,288)	-	(2,288)	(3,910)	-	(3,910)
Deferred employer pension contributions	(6,887)	-	(6,887)	5,745	-	5,745
Deferred outflows of resources - pension	(343,926)	-	(343,926)	(153,603)	-	(153,603)
Accounts payable	171,161	-	171,161	(356,529)	-	(356,529)
Due to other governments	19,400	(1,002,064)	(982,664)	(285,591)	172,909	(112,682)
Due to other funds	-	-		-	(15,000)	(15,000)
Unearned revenue	-	-		(4,124)	-	(4,124)
Net pension liability	(55,925)	-	(55,925)	(215,727)	-	(215,727)
Deferred inflows of resources - pension	13,061	-	13,061	319,826	-	319,826
Compensated absences	36,544	-	36,544	21,588	-	21,588
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,032,297	\$ (908,586)	\$ 5,123,711	\$ 4,301,296	\$ 651,114	\$ 4,952,410

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

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Florin Resource Conservation District
Notes to Basic Financial Statements
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Florin Resource Conservation District (the District) was formed in 1953, pursuant to Section 9000 et seq. of the Public Resources Code of the State of California. The District, which is located approximately six miles southeast of the City of Sacramento is the west central portion of unincorporated Sacramento County, was formed to address soil dehydration issues resulting from poor irrigation and drainage. There currently are approximately 100,000 acres within the District.

The District provides technical assistance and conservation and conservation education to farmers dealing with natural resource management issues, and views education as one of its primary objectives. The District additionally serves as the clearinghouse for solid and water conservation measures, such as administering the local water hyacinth eradication program. The United States Department of Agriculture, through its Soil Conservation Services, provides staffing and technical assistance to the District and the two adjacent soil conservation districts. The District has provided water service within its 13-mile water service area since it acquired the Elk Grove Water Service in 1999, which was merged into and is a department of the District. In 2010, the name of the Elk Grove Water Service was changed to the Elk Grove Water District (EGWD). In 1998, the District acquired a building which houses the Sacramento County Department of Human Assistance and is leased by the District to the County of Sacramento.

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

These financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

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

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

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. There were no interfund activities requiring elimination in fiscal year 2016 and 2015.

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for the District's major governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

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

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

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

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

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

Proprietary Fund Financial Statements

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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

The District reports the Water District and the Office Building Funds as proprietary funds of the District.

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

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

D. Cash, Cash Equivalents and Investments

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, including restricted assets and the District's investment in the State of California Local Agency Investment Fund (LAIF).

E. Restricted Cash and Investments

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

F. Accounts Receivable

Accounts receivable arise from billings to customers for water usage and include an estimate for unbilled revenues earned from the dates the customers were last billed to the end of the year. An allowance for uncollectible accounts of \$77,708 and \$92,790 was recorded in the Water District Fund by the District as of June 30, 2016 and 2015.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Transactions

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

H. Inventory

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

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated or contributed assets are recorded at 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.

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

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

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

K. Due to Other Governments

Due to other governments in the General Fund consisted of rents collected by the District on property jointly owned with two other resource conservation districts that had not been remitted to the other districts at year-end. Due to other governments in the Water District Fund mainly consisted of \$245,803 and \$226,403 payable to the County of Sacramento for water purchases at June 30, 2016 and 2015, respectively.

L. Compensated Absences

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

M. Unearned Revenue

As of June 30, 2016 and as of June 30, 2015, the District had not recorded any unearned revenues.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Position and Fund Balance

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

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

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

Unrestricted Net Position - This amount is the remaining net position that does not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

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.

O. Use of Estimates

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

P. Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the District's participation in the Special District Risk Management Authority as described in Note 6. The insurance is subject to a deductible. No significant claims occurred during the years ended June 30, 2016 and 2015. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the prior year.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. The government reports a deferred charge on refunding debt, deferred employer pension contributions, and other deferred outflows related to the District's pension plans in this category.

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

The government reports three items in this category related to changes in the District's net pension liability that are deferred and amortized over a stated period. Certain changes in the District's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. Deferred inflows of resources reported in the government-wide and proprietary funds' statement of net position related to changes in the net pension liability are described in Note 7.

R. *Pensions*

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

S *New Pronouncements*

In 2016, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*- This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

S. New Pronouncement, Continued

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*- The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*- The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position as part of implementation of this accounting standard.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

S. New Pronouncement, Continued

- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

	As of June 30, 2016		
	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 95,044	\$ 11,295,772	\$ 11,390,816
Restricted cash and investments	-	412,862	412,862
Total cash and investments	\$ 95,044	\$ 11,708,634	\$ 11,803,678
	As of June 30, 2015		
	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 127,886	\$ 11,531,290	\$ 11,659,176
Restricted cash and investments	-	1,813,736	1,813,736
Total cash and investments	\$ 127,886	\$ 13,345,026	\$ 13,472,912

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

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

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 991	\$ 1,000
Deposits with financial institution	1,051,194	8,823,770
Total cash on hand and deposits	<u>1,052,185</u>	<u>8,824,770</u>
Local Agency Investment funds	337,525	2,834,406
CalTrust	2,000,000	-
Investments held by Custodian	8,001,106	-
Total investments	<u>10,338,631</u>	<u>2,834,406</u>
Total District Treasury	<u>11,390,816</u>	<u>11,659,176</u>
Cash with fiscal agent	<u>412,862</u>	<u>1,813,736</u>
Total cash and investments	<u><u>\$ 11,803,678</u></u>	<u><u>\$ 13,472,912</u></u>

B. Deposits

The carrying amount of the District's cash deposit was \$1,051,194 and \$8,823,770 at June 30 2016 and 2015 respectively. Balance before reconciling amounts were a positive amount of \$1,489,349 and \$9,476,065 at June 30, 2016 and 2015 respectively. The District has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities pledged by the pledging financial institution in the District's name.

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

C. Investments

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

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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

	2016	2015
Interest income	\$ 18,881	\$ 19,014
Unrealized gain in changes in fair value of investments	1,214	1,066
Total investment income	\$ 20,095	\$ 20,080

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

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District's investments with LAIF at June 30, 2016 and 2015, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2016, the District had \$345,873.55 invested in LAIF, which had invested 2.81% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 2.08% in the previous year. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF.

As of June 30, 2015, the District had \$2,843,259 invested in LAIF, which had invested 2.08% of the pool investments funds in Structured Notes and Asset-Backed Securities as compared to 1.86% in the previous year. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes, in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District's investment policy does not contain any provisions limiting interest rate risk that are more restrictive than what is specified in the California Government Code.

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, 2016 and 2015:

2016

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

2015

Investment Type	Fair Value	Investment Maturities (in years)
		1 year or Less
Local Agency Investment Fund	\$ 2,834,406	\$ 2,834,406
Total	\$ 2,834,406	\$ 2,834,406

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2016 the District's deposits and investments were rated as follows:

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

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

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value for its investment or collateral securities that are in the possession of another party.

E. Investment Valuation

Investments (except money market accounts that are included as part of restricted cash and investments) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2016 are described on the following page:

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, Continued

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Securities of U.S. Government				
Treasury and Agencies:				
Federal Farm Credit Bank Bonds	\$ 1,000,330	\$ -	\$ 1,000,330	\$ -
Federal Home Loan Banks	501,330	-	501,330	-
Federal Home Loan Mortg Corp Notes	4,497,606	-	4,497,606	-
Federal National Mortg Assoc Notes	2,001,840	-	2,001,840	-
CalTrust	2,000,000	-	2,000,000	-
Local Agency Investment Fund	337,525	-	337,525	-
Total	\$ 10,338,631	\$ -	\$ 10,338,631	\$ -

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

The District's invests in two CalTrust investment pools (short-term pool and medium term pool). Both investment pools consist of a variety of investments including U.S. agency securities, corporate bonds, asset-backed securities, U.S. treasury obligations, and other. Majority of investments in the CalTrust pools are categorized as Level 2 based on other significant observable inputs (including quoted prices for similar securities and identical securities in inactive markets, interest rates, credit risk, etc.). The District categorized its investment in CalTrust based on the lowest significant input used by CalTrust to determine its average price per share.

The District's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) is based on the fair market value factors provided by LAIF that are calculated based on the total fair market value of the pool. LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets and investments categorized as Level 2 such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices that are derived principally from or corroborated by observable market data by correlation to other means. The District categorized its investments in LAIF based on the lowest significant input used to determine the fair market value of the total pool.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

3. CAPITAL ASSETS

There were no governmental activity capital assets for the years ended June 30, 2016 and 2015.

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

	Balance		2015		2016		Balance June 30, 2016	
	June 30, 2014 as Restated		Additions	Reductions	June 30, 2015	Additions		Reductions
Capital assets not being depreciated:								
Land	\$ 1,243,882	\$ -	\$ -	\$ -	\$ 1,243,882	\$ -	\$ (605,807)	\$ 638,075
Construction in progress	838,339	511,488	-	-	1,349,827	1,509,476	(1,548,222)	1,311,081
Total capital assets not being depreciated	<u>2,082,221</u>	<u>511,488</u>	<u>-</u>	<u>-</u>	<u>2,593,709</u>	<u>1,509,476</u>	<u>(2,154,029)</u>	<u>1,949,156</u>
Capital assets being depreciated:								
Buildings	13,105,906	-	-	-	13,105,906	56,586	(12,023,510)	1,138,982
Wells	8,243,532	105,000	-	-	8,348,532	82,582	-	8,431,114
Treatment Plants	11,203,786	953,004	-	-	12,156,790	641,951	-	12,798,741
Water mains	73,229,626	367,839	-	-	73,597,465	560,071	(28,184)	74,129,352
Equipment	2,142,733	66,714	(16,500)	(16,500)	2,192,947	145,479	(48,876)	2,289,550
Total assets being depreciated	<u>107,925,583</u>	<u>1,492,557</u>	<u>(16,500)</u>	<u>(16,500)</u>	<u>109,401,640</u>	<u>1,486,669</u>	<u>(12,100,570)</u>	<u>98,787,739</u>
Less accumulated depreciation for:								
Buildings	(5,207,806)	(339,332)	-	-	(5,547,138)	(24,359)	5,240,998	(330,499)
Wells	(3,834,391)	(315,365)	-	-	(4,149,756)	(311,860)	-	(4,461,616)
Treatment Plants	(4,640,430)	(352,614)	-	-	(4,993,044)	(347,094)	-	(5,340,138)
Water mains	(15,935,737)	(915,370)	-	-	(16,851,107)	(919,616)	14,092	(17,756,631)
Equipment	(1,963,523)	(82,289)	16,500	16,500	(2,029,312)	(55,480)	48,876	(2,035,916)
Total accumulated depreciation	<u>(31,581,887)</u>	<u>(2,004,970)</u>	<u>16,500</u>	<u>16,500</u>	<u>(33,570,357)</u>	<u>(1,658,409)</u>	<u>5,303,966</u>	<u>(29,924,800)</u>
Total capital assets being depreciated, net	<u>76,343,696</u>	<u>(512,413)</u>	<u>-</u>	<u>-</u>	<u>75,831,283</u>	<u>(171,740)</u>	<u>(6,796,604)</u>	<u>68,862,939</u>
Total capital assets, net	<u>\$ 78,425,917</u>	<u>\$ (925)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,424,992</u>	<u>\$ 1,337,736</u>	<u>\$ (8,950,633)</u>	<u>\$ 70,812,095</u>

Depreciation expense of \$1,658,409 and \$1,696,67 was allocated to the Water District activities and \$0 and \$308,292 was allocated to the Office Building activities in the government-wide statement of activities during the years ended June 30, 2016 and 2015, respectively.

The District restated its capital asset balances as of June 30, 2014 based on an updated study of all capital assets owned by the District.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG-TERM DEBT

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG-TERM DEBT, Continued

	Balance	2015		Balance	Due Within
	July 1, 2014	Additions	Reductions	June 30, 2015	One Year
Business-type activities:					
Water District Fund					
Certificates of Participation					
2002 Refunding, Series A	\$ 20,700,000	\$ -	\$ (19,600,000)	\$ 1,100,000	\$ 725,000
2002 Capital Improvement, Series B	8,540,000	-	(6,465,000)	2,075,000	300,000
2003 Capital Improvement, Series A	11,030,000	-	(7,115,000)	3,915,000	310,000
2005 Capital Improvement, Series A	12,807,145	-	(1,730,000)	11,077,145	95,000
2014 Refunding, Series A	-	32,325,000	-	32,325,000	
Total Water District Fund debt	53,077,145	32,325,000	(34,910,000)	50,492,145	1,430,000
Compensated absences	149,128	21,588	-	170,716	121,463
Total Water District Fund	53,226,273	\$ 32,346,588	\$ (34,910,000)	50,662,861	\$ 1,551,463
Unamortized bond discounts & premiums	(587,689)	2,268,278	(341,033)	2,021,622	
Less: Due within one year	(1,409,518)			(1,551,463)	
Due in more than one year	\$ 51,229,066			\$ 51,133,020	
Office Building Fund					
2003 Subordinate Lien Refunding,					
Series B capital appreciation					
certificates	\$ 10,251,994	\$ -	\$ (435,000)	\$ 9,816,994	\$ 9,816,994
Accreted interest on capital					
appreciation certificates	1,799,018	240,672	-	2,039,690	2,039,690
Total Office Building Fund debt	12,051,012	240,672	(435,000)	11,856,684	11,856,684
Unamortized bond discounts	(175,056)		(12,004)	(163,052)	(163,052)
Less: Due within one year	(11,875,956)			11,693,632	
Due in more than one year	\$ -			\$ -	

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG-TERM DEBT, Continued

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

	2016	2015
<u>Water District Fund</u>		
<u>2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A</u>		
On August 16, 2002, the District issued the 2002 Refunding Certificates of Participation, Elk Grove Water Service, Series A in the amount of \$23,675,000. The proceeds were used to refund the 1999 Certificates of Participation, Elk Grove Water Service Acquisition, Series A and B and 1999 Subordinate Lien Capital Appreciation Certificates of Participation, Elk Grove Water Service Acquisition, Series C. The Certificates are secured by a lien on the net water system revenues. Semi-annual principal payments of \$305,000 to \$825,000 are due on September 1 and March 1 through March 1, 2033. Semi-annual interest payments of \$20,625 to \$502,444 are due on September 1 and March 1 through March 1, 2033. Interest rates range from 4.25% to 5.00%.	\$ 375,000	\$ 1,100,000
<u>2002 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series B:</u>		
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%	\$ -	\$ 2,075,000
<u>2003 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A:</u>		
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%.	\$ -	\$ 3,915,000

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG TERM DEBT, Continued

	2016	2015
<u>2005 Capital Improvement Certificates of Participation, Elk Grove Water Service, Series A (Current Interest Certificates and Capital Appreciation Certificates):</u>		
<p>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%.</p>	\$	- \$ 11,077,145
<u>Florin Resource Conservation District, Water Revenue Refunding Bonds, 2014 Series A</u>		
<p>On December 16, 2014, the District issued the Florin Resource Conservation District, Water Revenue Refunding Bonds, 2014 Series A in the amount of \$32,325,000. The proceeds were used to prepay aggregate principal amount of outstanding certificates of participation previously executed and delivered by the District, purchase a debt service reserve surety bond, and pay for certain costs associated with the issuance of the 2014 Series A Bonds. The Bonds are secured by a lien on the net water system revenues. Annual principal payments of \$715,000 to \$2,450,000 are due on September 1 through September 1, 2032. Semi-annual interest payments of \$37,625 to \$688,909 are due March 1 and September 1, 2016 through September 1, 2032. Interest rates range from 4.30% to 5.00%. The refunding resulted in an economic gain of \$3,563,207 and an accounting loss that was recorded as a deferred outflow of resources. The unamortized balance of the deferred loss on refunding as of June 30, 2016 was \$712,404. The aggregate difference between the debt service requirements of the refunding bonds and remaining debt service of the refunded bonds was \$4,893,871.</p>	\$	32,325,000 32,325,000
<u>Florin Resource Conservation District, Water Revenue Refunding Bonds, 2016 Series A</u>		
<p>On June 7, 2016, the District issued the Florin Resource Conservation District, Water Revenue Refunding Bonds, 2016 Series A in the amount of \$14,875,000. The proceeds were used to prepay aggregate principal amount of outstanding certificates of participation previously executed and delivered by the District, purchase a debt service reserve surety bond, and pay for certain costs associated with the issuance of the 2016 Series A Bonds. The Bonds are secured by a lien on the net water system revenues. Annual principal payments of \$350,000 to \$2,395,000 are due on September 1 through September 1, 2032. Semi-annual interest payments of \$43,110 to \$124,950 are due March 1, 2016 and September 1 through September 1, 2032. Interest rate 3.6%. The refunding resulted in an economic gain of \$2,098,268 and an accounting loss that was recorded as a deferred outflow of resources. The unamortized balance of the deferred loss on refunding as of June 30, 2016 was \$470,443. The aggregate difference between the debt service requirements of the refunding bonds and the remaining debt service of the refunded bonds was \$9,573,508.</p>		\$14,875,000 -

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG TERM DEBT, Continued

	2016	2015
<p><u>2003 Subordinate Lien Refunding Certificates of Participation, Office Building, Series B</u> (Current Interest Certificates and Capital Appreciation Certificates):</p> <p>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 Current Interest Certificates and the 1998 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%</p>	\$	- \$ 9,816,994
<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, 2034 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>	\$	- \$ 2,039,690

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG TERM DEBT, Continued

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2016 are as follows:

Year Ending June 30,	Water District Fund		
	2002 Series A, 2014 Refunding Series A, and 2016 Refundings, Series A Bonds		
	Principal	Interest	Total
2017	\$ 1,440,000	\$ 1,757,888	\$ 3,197,888
2018	1,990,000	1,833,349	3,823,349
2019	2,070,000	1,753,909	3,823,909
2020	2,165,000	1,661,734	3,826,734
2021	2,300,000	1,555,469	3,855,469
2022-2026	13,390,000	6,092,228	19,482,228
2027-2031	16,575,000	3,322,283	19,897,283
2032-2036	7,645,000	319,660	7,964,660
	<u>\$ 47,575,000</u>	<u>\$ 18,296,520</u>	<u>\$ 65,871,520</u>

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, 2014 Series A Water Revenue Refunding Bonds, and 2016 Series A Water Revenue Refunding Bonds in the original amount of \$23,675,000, \$10,170,000, \$11,910,000 and \$13,267,145, \$32,325,000, and \$14,875,000 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 2033. Annual principal and interest remaining to be paid on the Certificates were \$65,871,520 and \$79,883,874 at June 30, 2016 and 2015. Cash basis principal and interest paid on the Certificates were \$4,080,771 and \$3,290,466 and total water system net revenues calculated in accordance with the covenants were \$5,990,902 and \$4,724,627 at June 30, 2016 and 2015, respectively.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG TERM DEBT, Continued

The Certificate of Participation and Bonds above contain clauses requiring the District to collect rates and charges from its water system that will be sufficient to yield net revenue equal to a minimum ratio under two separate debt covenants.

Covenant 1: The net revenue (as defined) plus the 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 revenue is accrual basis operating income plus interest and depreciation.

* Covenant 1 was no longer applicable for fiscal year 2015 as the District met the debt clause stating that if the District reached 1.40 or greater coverage for 3 consecutive years, the District could partially or completely liquidate the rate stabilization fund.

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.

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:

	<u>2016</u>	<u>2015</u>
Covenant 2:		
Net revenues before adjustments (operating income)	\$ 4,341,607	\$ 3,027,949
Add: Depreciation and amortization	<u>1,649,295</u>	<u>1,696,678</u>
Net revenues, not including rate stabilization fund, accrual basis	5,990,902	4,724,627
Interest and principal payments, cash basis (as defined)	<u>4,080,771</u>	<u>3,290,466</u>
Coverage ratio computed	<u><u>1.47</u></u>	<u><u>1.44</u></u>

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

4. LONG TERM DEBT, Continued

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to the bondholders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The District performed calculations of excess investments earnings on various investments and financings and determined there was no arbitrage liability at June 30, 2016 and 2015.

5. NET POSITION RESERVES

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

	Description	2016	2015
Operating fund	120 days of annual operations and maintenance budget	\$ 4,575,414	\$ 4,462,000
Future capital improvement fund	75% of unrestricted funds not allocated to other reserve funds	1,504,000	3,444,750
Capital improvement fund	Annual capital improvement budget	1,044,000	1,643,000
Future capital replacement fund	25% of unrestricteid funds not allocated to other reserve funds	120,000	1,148,250
Capital replacement fund	Annual capital replacement budget	3,039,268	682,000
Elections and special studies	Amount specified by Board of Directors	1,013,089	120,000
Total net position commitments		<u>\$ 11,295,771</u>	<u>\$ 11,500,000</u>

6. 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 Section 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. 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.

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

6. INSURANCE, Continued

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	1,000,000	None
Worker's compensation	5,000,000	None
Board member liability	500,000	500

7. RETIREMENT BENEFITS

A. Plan Description

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

B. Benefits Provided

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

7. RETIREMENT BENEFITS, Continued

B. Benefits Provided, Continued

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

	<u>Miscellaneous - Classic</u>	<u>Miscellaneous - PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2%	2.00%
Required employee contribution rates	6.00%	6.25%
Required employer contribution rates*	8.003%	6.25%

*Starting in fiscal year 2016, the required employer contribution rate was separated into an Employer Normal Cost Rate and a fixed dollar payment for payment of the unfunded liability. For fiscal year 2016, the required employer payment of the unfunded liability was \$114,134

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

The District's contributions to the Plan for the year ended June 30, 2015 were \$291,670.

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

7. RETIREMENT BENEFITS, Continued

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

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

Proportion - June 30, 2014	0.049250%
Proportion - June 30, 2015	0.042331%
Change - Increase (Decrease)	-0.006919%

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 298,557	\$ -
Changes in employer's proportion	262,515	60,489
Differences between the employer's contribution and the employer's proportionate share of contributions	215,837	-
Changes of assumptions	-	181,440
Differences between expected and actual experiences	19,177	-
Net differences between projected and actual earnings on plan investments	-	90,958
Total	<u>\$ 796,086</u>	<u>\$ 332,887</u>

\$298,557 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year	
Ending June 30:	
	<u> </u>
2017	\$ 29,880
2018	25,614
2019	(6,976)
2020	116,124

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

7. RETIREMENT PLANS, Continued

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

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

7. RETIREMENT PLANS, Continued

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

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

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

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

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

7. RETIREMENT PLANS, Continued

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

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

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

1% Decrease		6.65%
Net Pension Liability	\$	1,842,185
Current Discount Rate		7.65%
Net Pension Liability	\$	1,161,343
1% Increase		8.65%
Net Pension Liability	\$	599,229

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

Payable to the Pension Plan

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

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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

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

Annual OPEB Cost and Net OPEB Obligation/Assets: The District's annual other postemployment benefits cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB obligation for the year ended June 30, 2016 and 2015.

	2016	2015
Annual required contribution (ARC)	\$ 155,455	\$ 77,079
Interest on net OPEB obligation	(39,784)	(43,572)
Adjustment to annual required contribution	37,615	39,662
Annual OPEB cost (expense)	<u>153,286</u>	<u>73,169</u>
Contribution	<u>(155,574)</u>	<u>(77,079)</u>
(Increase) decrease in net asset	(2,288)	(3,910)
Net OPEB obligation (asset) - beginning of year	<u>(576,477)</u>	<u>(572,567)</u>
Net OPEB obligation (asset) - end of year	<u>\$ (578,765)</u>	<u>\$ (576,477)</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2013	\$ 90,351	107%	\$ (567,774)
6/30/2014	68,355	107%	(572,567)
6/30/2015	73,169	105%	(576,477)
6/30/2016	153,286	101%	(578,765)

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

8. OTHER POSTEMPLOYMENT BENEFITS PLAN, Continued

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

	<u>7/1/2015</u>
Actuarial accrued liability (AAL)	\$ 1,893,606
Actuarial value of plan assets	<u>1,834,047</u>
Unfunded actuarial accrued (liability) asset (UAAL)	<u>\$ (59,559)</u>
Funded ratio (actuarial value of plan assets/AAL)	96.9%
Covered payroll (active plan members)	\$ 1,961,000
UAAL as a percentage of covered payroll	-3.0%

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

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

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

9. COMMITMENTS AND CONTINGENCIES

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

10. RESTATEMENT

The District recorded prior period adjustment to recognize deferred outflows of resources, deferred inflows of resources, and net pension liability as of June 30, 2014.

	Net Position, as Previously as Restated	Prior Period Adjustment		Net Position, as as Restated
		Deferred Employer Pension Contributions	Net Pension Liability	
Government-Wide Statements				
Business-type activities	\$ 27,715,129	\$ 297,415	\$ (1,432,995)	\$ 26,579,549
Enterprise funds:				
Water Fund	\$ 31,851,437	\$ 297,415	\$ (1,432,995)	\$ 30,715,857

11. SALE AND EXTINGUISHMENT OF DEBT

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

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

Florin Resource Conservation District
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2016 and 2015

11. SALE AND EXTINGUISHMENT OF DEBT, Continued

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Florin Resource Conservation District
Required Supplementary Information
For the year ended June 30, 2016 and 2015

1. BUDGETARY COMPARISON INFORMATION -GENERAL FUND

<u>For the year ended June 30, 2016</u>				Variance with
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Use of money and property	\$ 100	\$ 100	\$ 93	\$ (7)
Miscellaneous	-	-	353	353
Total revenues	100	100	446	346
EXPENDITURES:				
General government	36,130	36,130	34,831	1,299
Total expenditures	36,130	36,130	34,831	1,299
REVENUES OVER (UNDER) EXPENDITURE	(36,030)	(36,030)	(34,385)	1,645
Net change in fund balance	\$ (36,030)	\$ (36,030)	(34,385)	\$ 1,645
FUND BALANCE:				
Beginning of year			123,219	
End of year			\$ 88,834	
<u>For the year ended June 30, 2015</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Use of money and property	\$ 30	\$ 30	\$ 2,643	\$ 2,613
Miscellaneous	-	-	10,162	10,162
Total revenues	30	30	12,805	12,775
EXPENDITURES:				
General government	21,485	21,485	21,847	(362)
Total expenditures	21,485	21,485	21,847	(362)
Net change in fund balance	\$ (21,455)	\$ (21,455)	(9,042)	\$ 12,413
FUND BALANCE:				
Beginning of year			132,261	
End of year			\$ 123,219	

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2016 and 2015

2. DEFINED BENEFIT PENSION PLAN

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

	<u>6/30/2015</u>	<u>6/30/2014</u>
Proportion of the net pension liability	0.04234%	0.01956%
Proportionate share of the net pension liability	\$ 1,161,703	\$ 1,217,268
Covered payroll	\$ 2,055,396	\$ 2,094,592
Proportionate Share of the net pension liability as percentage of covered payroll	56.52%	62.00%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to Schedule:

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

B. Schedule of Contributions – Last 10 Years*

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

Note to Schedule

Valuation date: 6/30/2013 6/30/2012

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

Florin Resource Conservation District
Required Supplementary Information
For the years ended June 30, 2016 and 2015

2. OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

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

Funded Status of Plan

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
7/1/2013	1,474,536	1,085,281	(389,255)	135.9%	1,944,000	-20%
7/1/2015	1,893,606	1,834,047	(59,559)	103.2%	2,375,112	-3%

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STATISTICAL SECTION

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

Florin Resource Conservation District										
Net Position by Component										
Last Ten Years										
Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Unrestricted	\$ 168,419	\$ 170,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 80,927	\$ 132,261	\$ 123,219	88834
Total governmental activities net position	168,419	170,385	67,862	69,903	80,760	88,227	80,927	132,261	123,219	88,834
Business-Type										
Invested in capital assets (net of debt)	(15,919,943)	(16,229,391)	(17,480,931)	(17,738,507)	(18,773,507)	(17,230,289)	(15,360,450)	15,860,844	17,009,265	22,281,403
Restricted for Debt Services	2,455,387	2,348,094	2,224,971	2,383,125	1,953,435	1,965,930	1,834,869	1,863,744	1,871,782	412,862
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	3,775	-
Unrestricted	(3,457,192)	337,661	5,509,663	9,122,678	9,538,425	10,042,430	10,676,025	9,786,366	8,220,125	11982765
Total business-type net position	(8,932,456)	(7,207,194)	(5,975,017)	(4,663,798)	(6,267,153)	(4,800,624)	(2,483,205)	27,715,129	27,104,947	34,677,030
Primary Government										
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)	15,860,844	17,009,265	22,281,403
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	1,875,557	412,862
Unrestricted	(3,288,773)	508,046	5,577,525	9,192,581	9,619,185	10,130,657	10,756,952	9,918,627	8,343,344	12,071,599
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)	\$ 27,847,390	\$ 27,228,166	\$ 34,765,864

Florin Resource Conservation District										
Changes in Net Position										
Last Ten Years										
Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$ 17,030	\$ 16,253	\$ 116,712	\$ 18,961	\$ 1,198	\$ 3,894	\$ 21,579	\$ 37,166	\$ 21,847	\$ 34,831
Business-type activities:										
Water	9,561,923	10,377,324	11,741,844	12,442,411	12,765,798	11,946,649	11,607,439	11,855,162	12,447,446	10,754,181
Office Building	1,412,270	1,703,967	1,495,043	1,377,430	1619569	1,747,033	1,544,934	1,641,329	1,672,932	320,016
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	14,120,378	11,074,197
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	14,142,225	11,109,028
Program Revenues										
Governmental Activities:										
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	-	-
Business-type activities:										
Charges for Services										
Water	8,358,765	11,922,374	12,865,774	13,642,267	13,981,562	14,420,788	14,312,791	13,435,194	13,185,838	13,475,325
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	1,121,400	373,800
Operating Grants	69,075	-	10,519	3,834		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	14,307,238	13,849,125
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	14,307,238	13,849,125
Net revenues (expenses)										
Governmental activities	(7,197)	(4,353)	(104,712)	1,975	10,802	7,439	(12,046)	(31,699)	(21,847)	(34,831)
Business-Type	(1,124,972)	1,187,293	1,054,042	1,240,832	1,128,648	2,339,678	2,452,835	1,160,103	186,860	2,774,928
Total net revenues (expenses)	(1,132,169)	1,182,940	949,330	1,242,807	1,139,450	2,347,117	2,440,789	1,128,404	165,013	2,740,097
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Interest and investment earnings	501	361	189	66	55	28	17	50	2,643	93
Other revenues	2,558						4,729	82,983	10,162	353
Transfers	7,173									
Total governmental activities	10,232	361	189	66	55	28	4,746	83,033	12,805	446
Business-type activities:										
Interest and investment earnings	709,971	349,606	126,485	42,170	36,642	21,812	20,886	18,188	19,970	20,002
Other revenues		188,363	51,650	28,217	91,758	276,738	52,452	22,304	290,069	4,777,152
Transfers	(7,173)									
Total business-type activities	702,798	537,969	178,135	70,387	128,400	298,550	73,338	40,492	310,039	4,797,154
Total primary government	713,030	538,330	178,324	70,453	128,455	298,578	78,084	123,525	322,844	4,797,600
Change in net position:										
Governmental activities	3,035	(3,992)	(104,523)	2,041	10,857	7,467	(7,300)	51,334	(9,042)	(34,385)
Business-type activities	(422,174)	1,725,262	1,232,177	1,311,219	1,257,048	2,638,228	2,526,173	1,200,595	496,899	7,572,082
Total primary government	\$ (419,139)	\$ 1,721,270	\$ 1,127,654	\$ 1,313,260	\$ 1,267,905	\$ 2,645,695	\$ 2,518,873	\$ 1,251,929	\$ 487,857	\$ 7,537,697

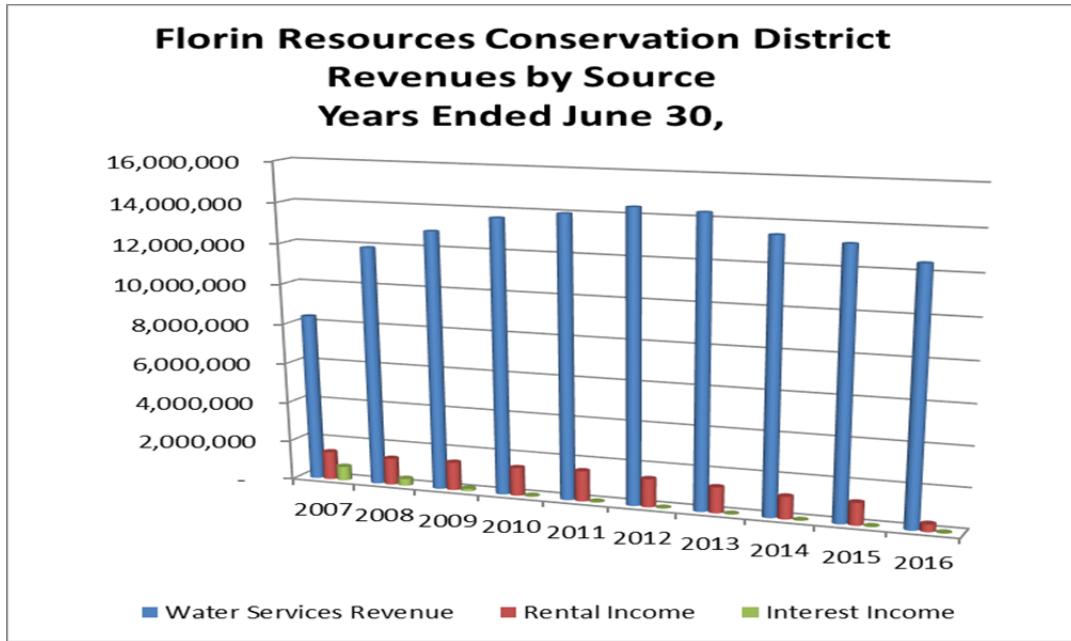
Source: Finance Department

Florin Resource Conservation District										
Fund Balances of Governmental Funds										
Last Ten Years										
Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved										
Unreserved	\$ 168,419	\$ 172,385	\$ 67,862	\$ 69,903	\$ 80,760	88,227	76,198	132,261	123,219	88,834
Total General Fund	168,419	172,385	67,862	69,903	80,760	88,227	76,198	132,261	123,219	88,834

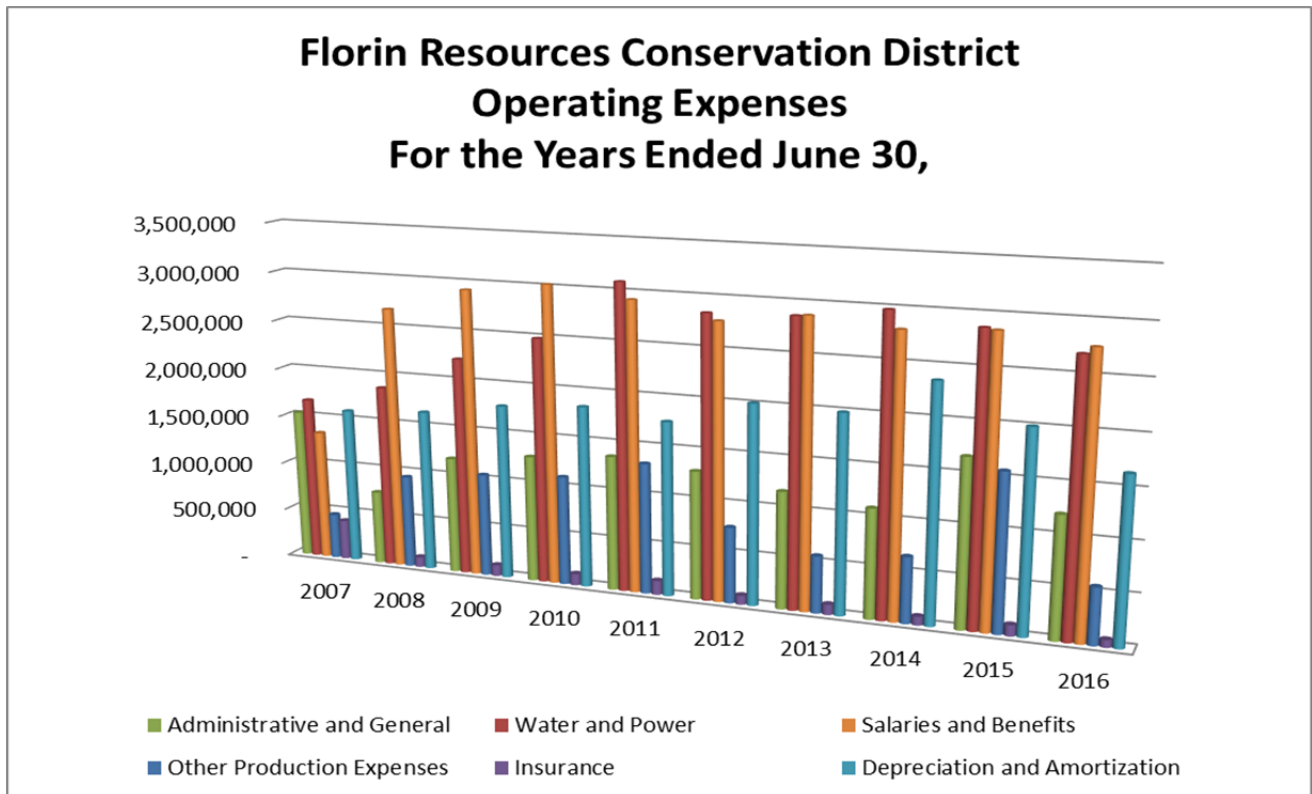
Florin Resource Conservation District										
Changes in Fund Balances of Governmental Funds										
Last Ten Years										
Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Use of money and property	10,334	10,261	14,189	12,066	12,055	11,361	9,550	5,517	2,643	93
Other	2,558			8,936				4,729	10,162	353
Total Revenues	12,892	10,261	14,189	21,002	12,055	11,361	9,550	10,246	12,805	446
Expenditures										
General and administrative	17,030	8,295	116,712	18,961	1,198	3,894	21,579	37,166	21,847	34,831
Total expenditures	17,030	8,295	116,712	18,961	1,198	3,894	21,579	37,166	21,847	34,831
Other Financing Sources										
Transfers	7,173									
Gain (loss) on disposal of capital assets								82,983		
Total other financing sources	7,173	-	-	-	-	-	-	82,983	-	-
Net change in fund balance	3,035	1,966	(102,523)	2,041	10,857	7,467	(12,029)	56,063	(9,042)	(34,385)
Fund balance, beginning of the year	165,384	168,419	170,385	67,862	69,903	80,760	88,227	76,198	132,261	123,219
Fund balance, end of the year	\$ 168,419	\$ 170,385	\$ 67,862	\$ 69,903	\$ 80,760	\$ 88,227	\$ 76,198	\$ 132,261	\$ 123,219	\$ 88,834

Source: Finance Department

Florin Resource Conservation District Financial Trends



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



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

Source: Finance Department

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

	2006/07 Metered Rate Area 1	Metered Rate Area 2	Flat Rate	2007/08 Metered Rate	Flat Rate	2008/09 Metered Rate	Flat Rate	2009/10 Metered Rate	Flat Rate	2010/11 Metered Rate	Flat Rate
Monthly Fixed Rate											
1 inch meter	\$ 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	
Each sq. ft. of premises over 4,000 sf.			0.00122		0.00182		0.00218		0.00244		0.00244
Average Bill	50.03			66.04		79.25		88.76		88.76	
Fixed Charge											
5/8" meter	21.89	31.08		42.06		50.47		56.53		56.53	
3/4" meter	24.25	34.06		42.06		50.47		56.53		56.53	
1" meter	30.41	40.06		42.06		50.47		56.53		56.53	
1 1/2" meter	46.25	55.07		54.68		65.61		73.48		73.48	
2" meter	63.87	73.47		88.33		105.99		118.71		118.71	
3" meter	106.44	115.08		332.27		398.73		446.56		446.56	
4" meter	167.68	175.17		420.60		504.72		565.29		565.29	
6" meter	320.21	327.25		630.90		757.08		847.93		847.93	
8" meter	503.27			870.64		1,044.77		1,170.14		1,170.14	

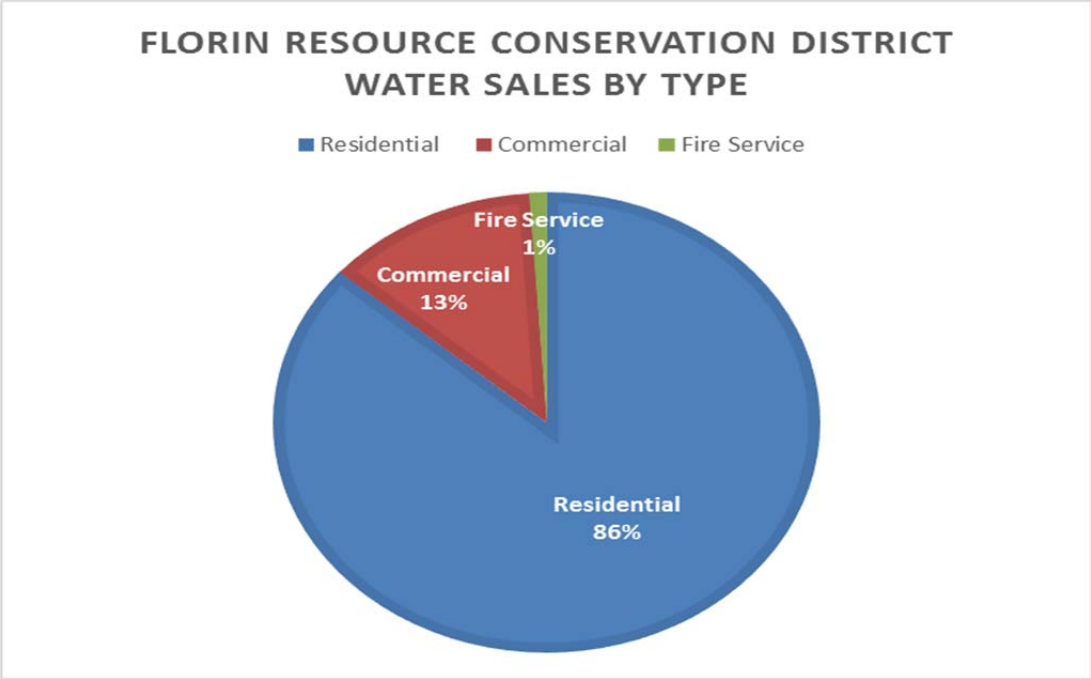
	2011/12 Metered Rate	Flat Rate	2012/13 Metered Rate	Flat Rate	2013/14 Metered Rate	Flat Rate	2014/15 Metered Rate	Flat Rate	2015/16 Metered Rate	Flat Rate
Monthly Fixed Rate										
1 inch meter	\$ 56.53	\$ 78.30	\$ 56.53	\$ 78.30	\$ 59.23	\$ 70.22	\$ 60.01	\$ 72.00	\$ 62.84	N/A
Monthly Consumption Rates										
1st tier: 0-30 ccf	1.46		1.46		1.39		1.44		1.48	
2nd tier: over 30 ccf	1.80		1.80		2.76		2.85		2.93	
Each sq. ft. of premises over 4,000 sf.		0.00244		0.00244		0.00244		0.00244		N/A
Average Bill	88.76		88.76		84.25		86.93		89.48	
Fixed Charge										
5/8" meter	56.53		56.53		59.23		60.01		62.84	
3/4" meter	56.53		56.53		59.23		60.01		62.84	
1" meter	73.48		73.48		59.23		60.01		62.84	
1 1/2" meter	118.71		118.71		83.37		85.87		88.45	
2" meter	446.56		446.56		112.34		115.71		119.18	
3" meter	565.29		565.29		179.93		185.33		190.89	
4" meter	847.93		847.93		276.49		284.79		293.33	
6" meter	1,170.14		1,170.14		517.89		533.43		549.43	
8" meter					807.57		831.80		856.75	
10" meter					1,145.53		1,179.90		1,215.29	

	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	Flat Rate
Flat Rate											
3/4" service			28.77		46.61		55.93		62.64		62.64
1" service			39.10		58.26		69.91		78.30		78.30
1 1/4" service			50.43		69.91		83.89		93.96		93.96
1 1/2" service			62.86		81.72		90.89		109.83		109.83
2" service			92.71		122.35		146.82		164.44		164.44
3" service			198.28		460.25		552.30		618.58		618.58
4" service					582.60		699.12		783.02		783.02
6" service					873.90		1,048.68		1,174.53		1,174.53
8" service					1,205.98		1,410.13		1,579.35		1,579.35
1x3/4" + 1x2" service			106.33		168.95		202.74		227.07		227.07
2x3/4" service			42.40		93.22		111.86		125.29		125.29
3x3/4" service			56.04		139.82		167.79		187.93		187.93
10x3/4" service			151.46		466.08		559.30		626.42		626.42
33x3/4" service			465.04		1,538.06		1,845.68		2,067.17		2,067.17
68x3/4" service			942.20		3,169.34		3,803.21		4,259.60		4,259.60
2x1" service			63.06		116.52		139.82		156.60		156.60
6x1" + 1x2" service			236.53		471.91		566.29		634.25		634.25
6x1" service			158.97		349.56		419.47		469.81		469.81
16x1" service			398.69		932.16		118.59		132.83		132.83
21x1" service			518.55		1,223.46		1,468.15		1,644.33		1,644.33
49x1" service			1,189.79		2,854.74		3,425.69		3,836.78		3,836.78
72x1" service			1,741.17		4,194.72		5,033.66		5,637.70		5,637.70
100x1" service			2,412.39		5,826.00		6,991.20		7,830.15		7,830.15
2x2" service			170.27		244.69		293.63		328.87		328.87

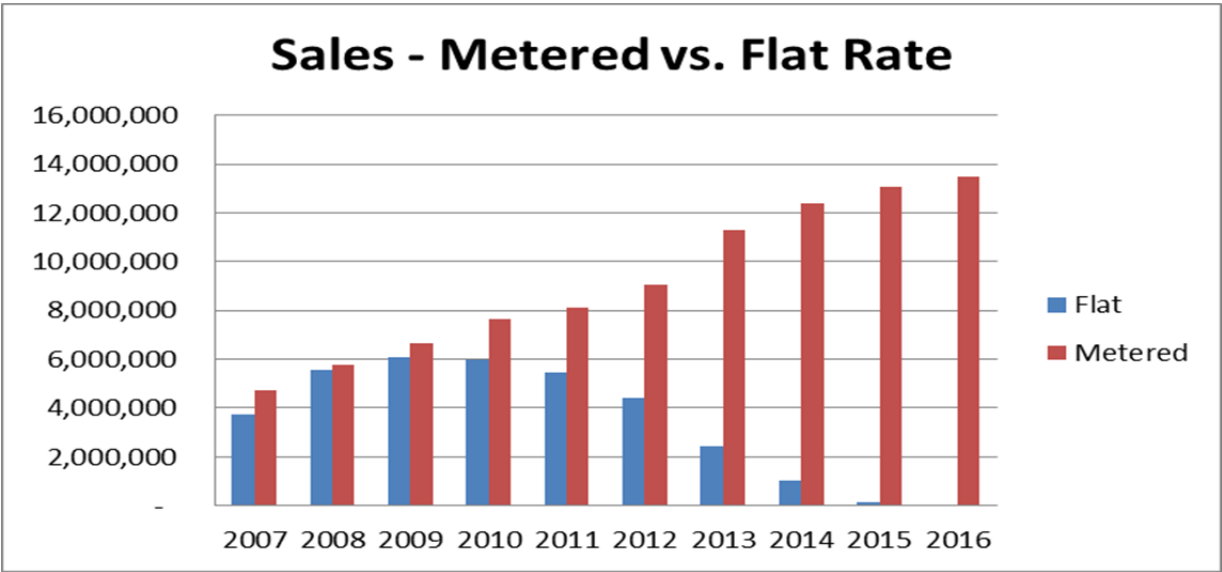
	2011/12 Metered Rate	Flat Rate	2012/13 Metered Rate	Flat Rate	2013/14 Metered Rate	Flat Rate	2014/15 Metered Rate	Flat Rate	2015/16 Metered Rate	Flat Rate
Flat Rate										
3/4" service		62.64		62.64						
1" service		78.3		78.3		70.22		72.00		N/A
1 1/4" service		93.96		93.96						
1 1/2" service		109.83		109.83		94.36		96.86		N/A
2" service		164.44		164.44		123.33		126.7		N/A
3" service		618.58		618.58		190.92		196.32		N/A
4" service		783.02		783.02						
6" service		1174.53		1174.53						
8" service		1579.35		1579.35						
1x3/4" + 1x2" service		227.07		227.07						
2x3/4" service		125.29		125.29						
3x3/4" service		187.93		187.93						
10x3/4" service		626.42		626.42						
33x3/4" service		2067.17		2067.17						
68x3/4" service		4259.6		4259.6						
2x1" service		156.6		156.6						
6x1" + 1x2" service		634.25		634.25						
6x1" service		469.81		469.81						
16x1" service		132.83		132.83						
21x1" service		1644.33		1644.33						
49x1" service		3836.78		3836.78						
72x1" service		5637.7		5637.7						
100x1" service		7830.15		7830.15						
2x2" service		328.87		328.87						

	2006/07 Metered Rate Area 1	Metered Rate Area 2	Flat Rate	2007/08 Metered Rate	Flat Rate	2008/09 Metered Rate	Flat Rate	2009/10 Metered Rate	Flat Rate	2010/11 Metered Rate	Flat Rate
Each additional single family residential unit			5.09		7.58		9.10		10.20		10.20
Each sq. ft. of premises over 4,000 sq. ft.			0.00122		0.00182		0.00218		0.00244		0.00244
Fire Protection Service											
2" connection				44.17		21.20		23.74		23.74	
3" connection		23.20		166.14		79.75		89.32		89.32	
4" connection		27.22		210.30		100.94		113.05		113.05	
6" connection		39.24		315.45		151.41		169.58		169.58	
8" connection		50.31		435.32		208.95		234.02		234.02	
Usage											
1st 3,000 ccf		0.83		1.09		1.31		1.46		1.46	
Over 3,000 ccf		1.02		1.34		1.61		1.80		1.80	

	2011/12 Metered Rate	Flat Rate	2012/13 Metered Rate	Flat Rate	2013/14 Metered Rate	Flat Rate	2014/15 Metered Rate	Flat Rate	2015/16 Metered Rate	Flat Rate
Each additional single family residential unit		10.20		10.20		10.09		10.19		N/A
Each sq. ft. of premises over 4,000 sq. ft.		0.00244		0.00244		0.00244		0.00244		N/A
Fire Protection Service										
2" connection	23.74		23.74		2.71		2.79		2.87	
3" connection	89.32		89.32		7.87		8.11		8.35	
4" connection	113.05		113.05		16.78		17.28		17.80	
6" connection	169.58		169.58		48.73		50.19		51.70	
8" connection	234.02		234.02		103.85		106.96		110.17	
10" connection					186.75		192.35		198.12	
12" connection					301.65		310.70		320.02	
Usage										
1st 3,000 ccf	1.46		1.46							
Over 3,000 ccf	1.80		1.80							
In April 2013 a new 5 year Rate Plan was adopted										
Source: Finance Department										

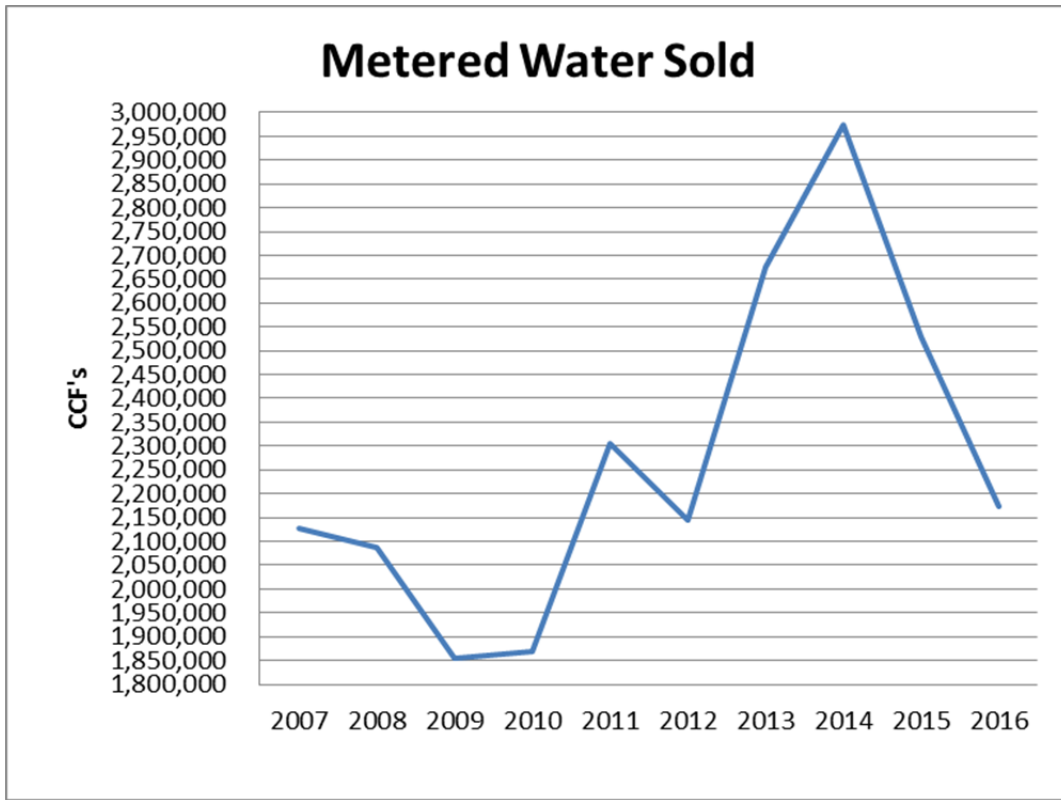


Sales by Type – This graph shows the percentages of the three major components of water sales by the Elk Grove Water District.



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

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
6/30/07	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
6/30/15	0	12,291	12,291	11,779	512
6/30/16	0	12,174	12,174	11,662	512

Source: Finance Department

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

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

Customer	FY 2011-12		Customer	FY 2015-16	
	Amount Billed	% of Total Billed		Amount Billed	% of Total Billed
CSD	\$ 394,287	2.73%	Cosumnes CSD	\$ 255,417	1.90%
Elk Grove Unified School District	366,582	2.54%	EGUSD	248,933	1.85%
Realty Roundup	151,513	1.05%	Emerald Park Company	47,120	0.35%
Emerald Park Company	55,770	0.39%	City Of Elk Grove-Public Works	43,308	0.32%
City Of Elk Grove-Public Works	50,769	0.35%	Ferguson & Brewer Mgmt	27,701	0.21%
Kimco Realty Corp	34,206	0.24%	JJD-Hov Elk Grove LLC	22,153	0.16%
Oak Grove Apartments/Office	34,177	0.24%	Gage Street Townhouses	21,550	0.16%
Ferguson & Brewer Mgmt	31,869	0.22%	The Oaks Mobile Home Park	21,097	0.16%
ACIS Customer Service	30,262	0.21%	Chiu Family Trust	17,523	0.13%
Oaks Mobile Home Park	29,662	0.21%	Elk Grove Village, LLC	17,002	0.13%
	<u>\$ 1,179,096</u>	<u>8.18%</u>		<u>\$ 721,804</u>	<u>5.36%</u>

Debt Capacity

Florin Resource Conservation District					
Ratio of Debt Service to Operating Expenses - Proprietary Funds					
Last Ten Years					
Fiscal Year Ended June 30,	Principal Payments	Interest Payments	Total	Operating Expenses	Ratio of Total Debt Service to Operating Expenses
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%
2015	1,725,000	2,587,708	4,312,708	11,094,376	38.87%
2016	1,430,000	2,463,404	3,893,404	8,964,414	43.43%

Note: The District has no governmental activities debt.

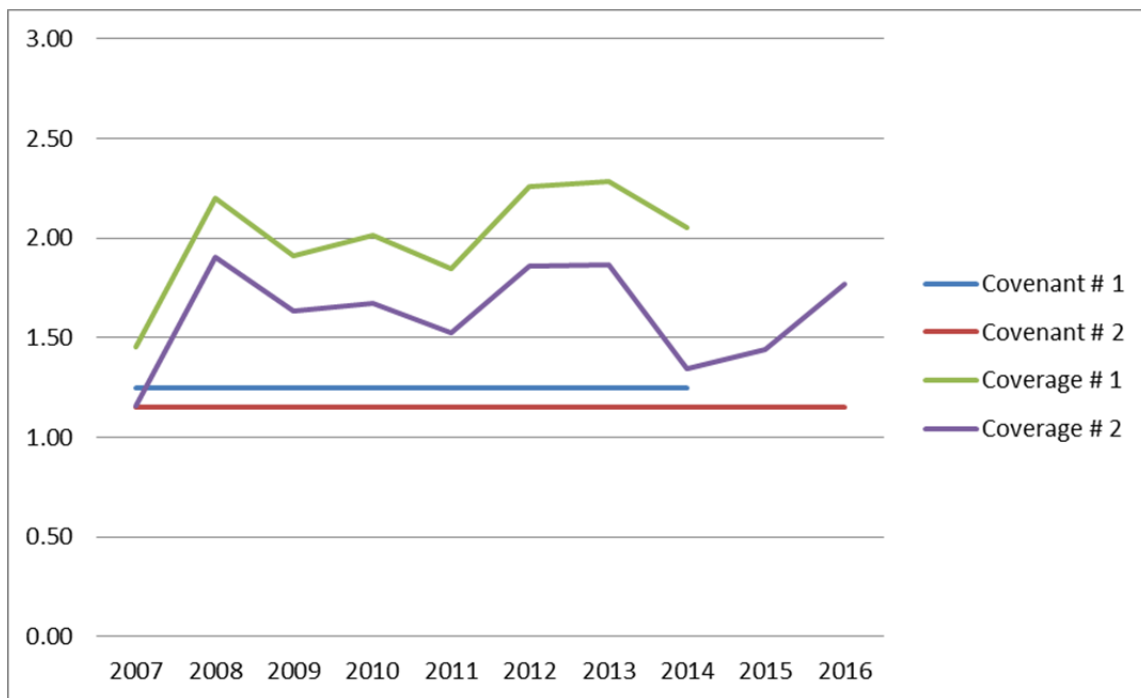
*Interest Payments on the Cash Basis

Source: Finance Department

Florin Resource Conservation District						
Ratio of Outstanding Debt by Type - Proprietary Funds						
Last Ten Years						
Fiscal Year Ended June 30,	COP's - Water Services	COP's - Building	Loans	Total	Percentage of Personal Income	Outstanding Debt per Capita
2007	58,567,145	14,386,994		72,954,139	1.443%	535.18
2008	58,307,145	13,896,994		72,204,139	1.331%	519.01
2009	57,822,145	13,291,994	1,085,386	72,199,525	1.713%	510.50
2010	57,187,145	12,666,994	1,039,602	70,893,741	1.822%	492.71
2011	56,337,145	12,021,994	990,745	69,349,884	1.712%	453.22
2012	55,332,145	11,356,994	938,623	67,627,762	1.642%	433.69
2013	54,252,145	10,666,994	883,017	65,802,156	1.539%	413.66
2014	53,077,145	10,251,994		63,329,139	1.424%	394.11
2015	50,492,145	9,816,994		60,309,139	1.325%	359.06
2016	47,575,000	-		47,575,000	Not Available	Not Available

Source: Finance Department

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

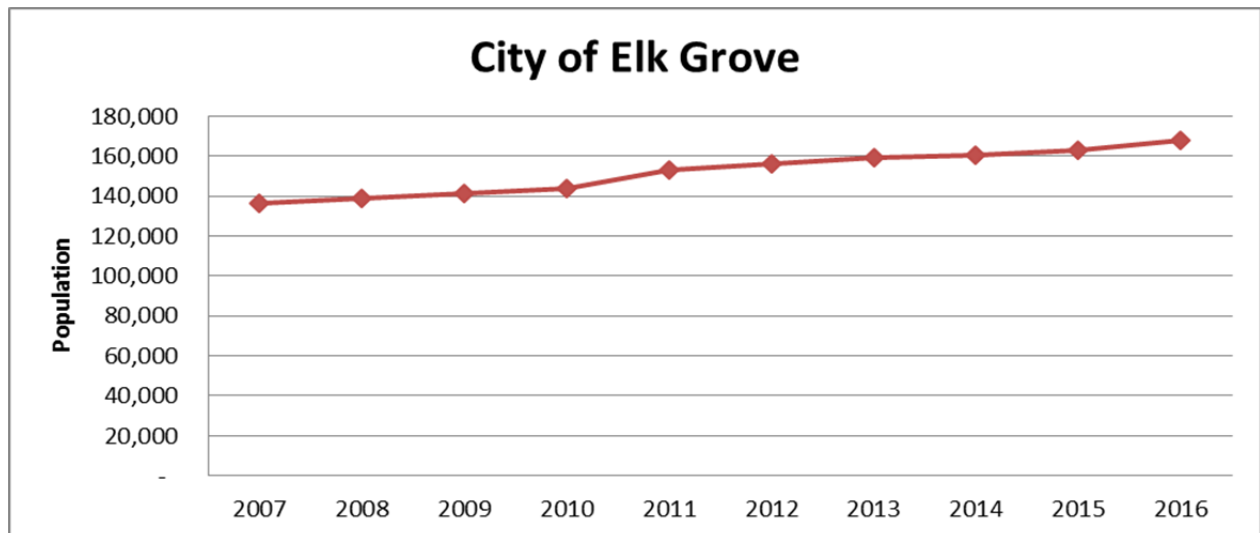


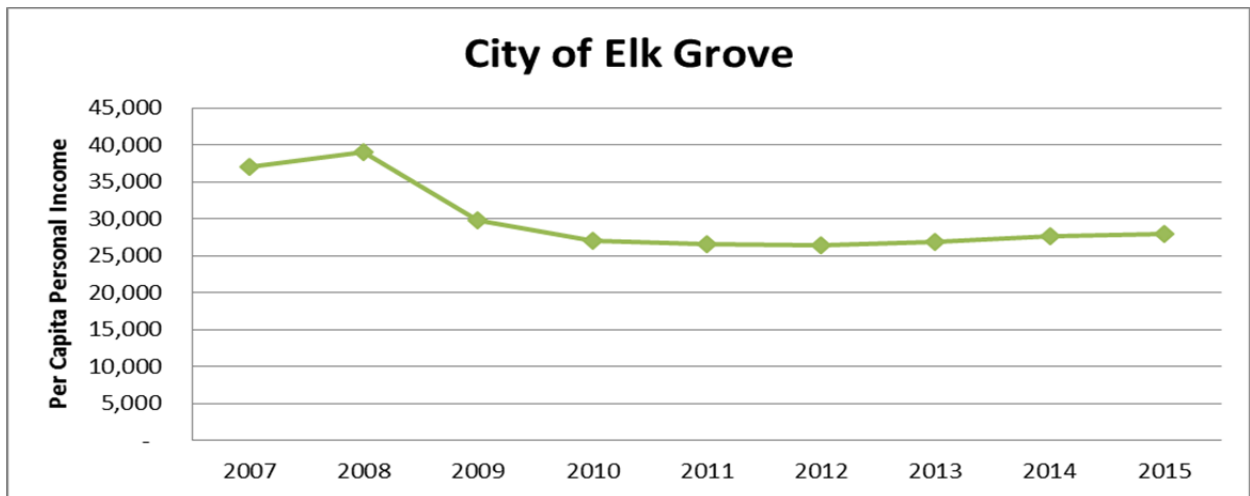
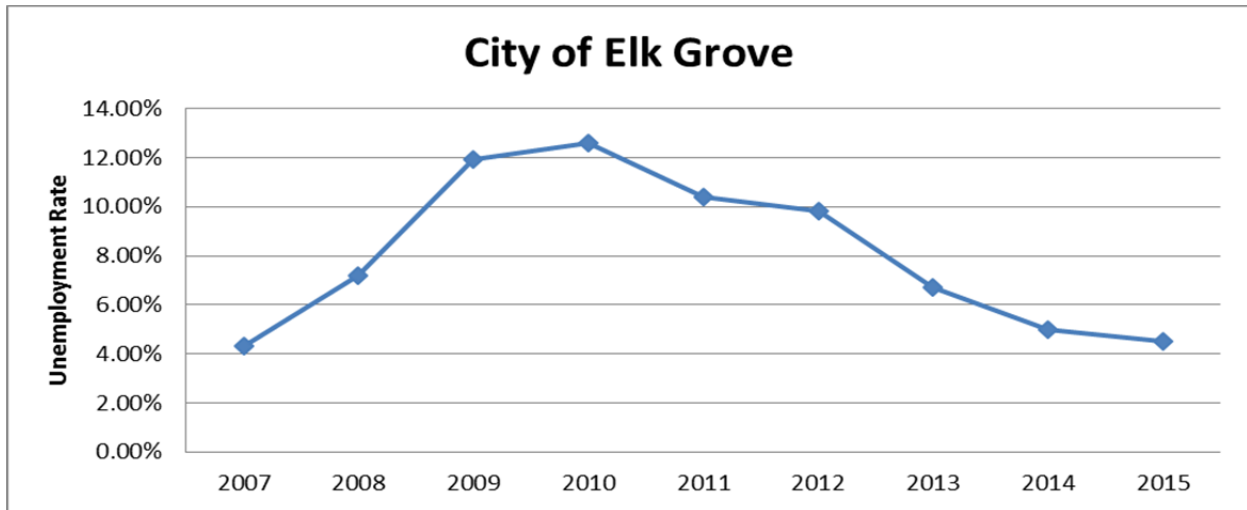
Covenant #1 is no longer applicable as of FY 2015

Source: Finance Department

Florin Resource Conservation District											
Pledged-Revenue Coverage - Water Service Fund Cash Basis											
Last Ten Years											
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Operating Revenues											
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	\$ 13,185,838	\$ 13,475,325	\$ -
Operating Expenses											\$ -
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	\$ 2,872,999	\$ 2,694,476	\$ -
Other Production Expenses	460,657	896,218	984,362	1,047,545	1,160,949	582,000	365,502	411,116	1,437,329	\$ 524,769	\$ -
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	2,855,533	\$ 2,763,806	\$ -
Insurance	404,737	102,585	97,418	111,455	117,247	74,105	83,098	68,815	76,462	\$ 74,280	\$ -
Administration & General	1,413,691	511,054	1,042,542	1,207,200	1,113,405	1,098,238	977,491	865,681	1,218,888	\$ 977,466	\$ -
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	1,696,678	\$ 1,649,295	\$ -
Total Operating Expenses	\$ 6,564,255	\$ 7,392,355	\$ 8,740,349	\$ 9,412,411	\$ 9,867,391	\$ 9,083,534	\$ 8,867,950	\$ 9,191,155	\$ 10,157,889	\$ 8,684,092	\$ -
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	\$ 3,027,949	\$ 4,791,233	\$ -
Covenant Number 2											
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	\$ 3,027,949	\$ 4,791,233	\$ -
Add: Interest Income	645,856	311,768	122,221	42,170	36,642	21,812	20,866	18,188	19,970	19,994	\$ -
Add: Depreciation & Amortization 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	1,696,678	1,649,295	\$ -
Total	\$ 3,723,006	\$ 6,180,788	\$ 5,718,718	\$ 5,805,321	\$ 5,606,035	\$ 7,064,786	\$ 7,153,038	\$ 6,316,939	\$ 4,744,597	\$ 6,460,522	\$ -
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	\$ 3,290,466	\$ 3,655,240	\$ -
Coverage Ratio (1.15 Minimum Req.)	1.16	1.90	1.63	1.67	1.53	1.86	1.87	1.34	1.44	1.77	\$ -
Note: Details regarding the requires of the two covenants can be found in Note 4 of the financial statements.											

Demographic and Economic Information Florin Resource Conservation District





Data for 2016 unavailable from the City of Elk Grove.

Year	Population ⁽¹⁾	Personal Income (in thousands)	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽²⁾
2007	136,318	5,054,399	37,078	4.30%
2008	139,119	5,425,919	39,002	7.20%
2009	141,430	4,214,190	29,797	11.90%
2010	143,885	3,891,082	27,043	12.60%
2011	153,015	4,051,684	26,479	10.40%
2012	155,937	4,117,828	26,407	9.80%
2013	159,074	4,277,023	26,887	6.70%
2014	160,688	4,447,844	27,680	5.00%
2015	162,899	4,550,095	27,932	4.50%
2016	167,965	Not Available	Not Available	Not Available

Source: (1) California Department of Finance
 (2) City of Elk Grove

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

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

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	942,941	806,785
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	1,585,736	1,365,572
Total	5,101,479	4,869,793	3,968,170	3,948,049	3,776,150	3,259,118	3,525,609	3,201,666	2,528,677	2,172,357
Number of Accounts										
Non-metered	6,033	6,020	5,849	5,328	4,681	3,259	1,193	240		
Metered	5,855	5,999	6,272	6,834	7,409	9,041	10,955	12,109	12,291	12,174
Total	11,888	12,019	12,121	12,162	12,090	12,300	12,148	12,349	12,291	12,174
Average annual CCFs used per account	429.13	405.17	327.38	324.62	312.34	264.97	290.22	259.27	205.73	178.44
Average daily consumption per account (CCFs)	1.1757	1.1101	0.8969	0.8894	0.8557	0.7259	0.7951	0.7103	0.5637	0.4889
Number of Employees:										
General Government	-	-	-	-	-	-	-	-	-	-
Water	23	24	24	32	32	30	29	29	29	28
Building	-	-	-	-	-	-	-	-	-	-

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

Source: Finance Department

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

Fiscal Year ended June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Asset Statistics										
Water:										
Water main miles	121.0	121.0	124.0	124.0	124.0	124.0	124.0	131.0	131.0	131.0
Maximum daily capacity (thousands of gallons)	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Maximum daily treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Buildings owned	1	1	1	1	1	1	1	2	2	2

Source: Finance Department