

**APPENDIX "D"**

**"FRCD Comprehensive Annual Financial Report for the Years ended June 30, 2016 and 2015."**

*[Attached behind this cover page]*





**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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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 30<sup>th</sup> 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](http://www.egwd.org).

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Florin Resource Conservation District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 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

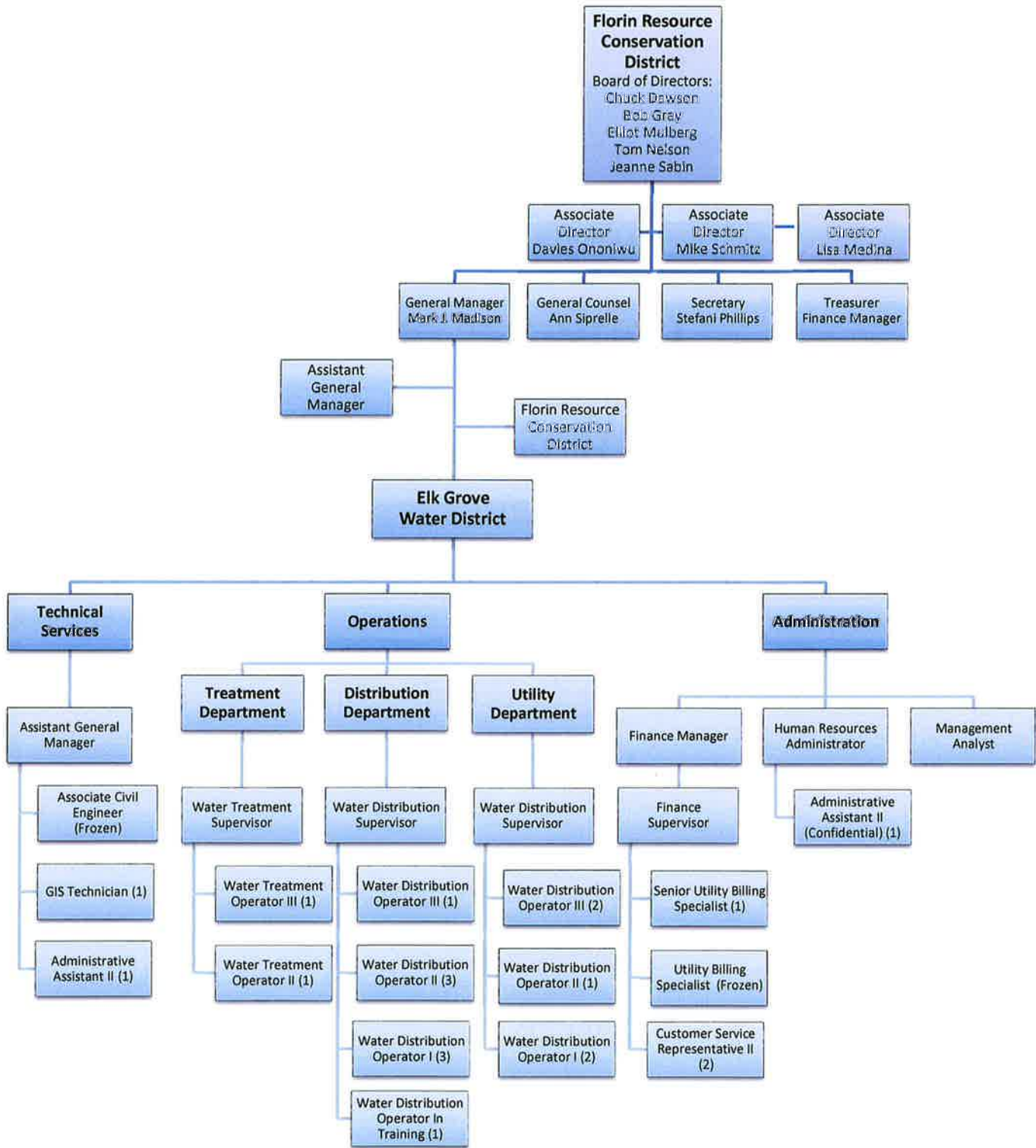
**STAFF:**

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

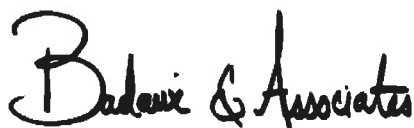
### *Required Supplementary Information*

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 million 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 million 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 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            |
| <b>Total Assets</b>                 | <b>95,044</b>           | <b>127,886</b>    | <b>143,278</b>    | <b>85,198,433</b>        | <b>94,199,717</b>    | <b>95,196,031</b>    | <b>85,293,477</b>    | <b>94,327,603</b>    | <b>95,339,309</b>    |
| Deferred outflows                   |                         |                   | -                 | 1,978,933                | 1,197,255            | -                    | 1,978,933            | 1,197,255            | -                    |
| Current liabilities                 | 6,210                   | 4,667             | 11,017            | 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           |
| <b>Total Liabilities</b>            | <b>6,210</b>            | <b>4,667</b>      | <b>11,017</b>     | <b>52,167,449</b>        | <b>67,972,198</b>    | <b>67,480,902</b>    | <b>52,173,659</b>    | <b>67,976,865</b>    | <b>67,491,919</b>    |
| Deferred inflows                    |                         |                   |                   | 332,887                  | 319,826              | -                    | 332,887              | 319,826              |                      |
| <b>Net Position:</b>                |                         |                   |                   |                          |                      |                      |                      |                      |                      |
| 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            |
| <b>Total Net Position</b>           | <b>\$ 88,834</b>        | <b>\$ 123,219</b> | <b>\$ 132,261</b> | <b>\$ 34,677,030</b>     | <b>\$ 27,104,948</b> | <b>\$ 27,715,129</b> | <b>\$ 34,765,864</b> | <b>\$ 27,228,167</b> | <b>\$ 27,847,390</b> |

**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          |
| <b>Revenues:</b>                       |                         |            |            |                          |               |               |               |               |               |
| <b>Program Revenues:</b>               |                         |            |            |                          |               |               |               |               |               |
| <b>Charges for services:</b>           |                         |            |            |                          |               |               |               |               |               |
| 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       |
| <b>General Revenues:</b>               |                         |            |            |                          |               |               |               |               |               |
| 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       |
| <b>Total Revenues</b>                  | \$ 446                  | \$ 12,805  | \$ 88,500  | 18,646,279               | 14,645,777    | 14,697,086    | 18,646,725    | 14,658,582    | 14,785,586    |
| <b>Expenses:</b>                       |                         |            |            |                          |               |               |               |               |               |
| 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     |
| <b>Total Expenses</b>                  | 34,831                  | 21,847     | 37,166     | 11,074,197               | 14,120,378    | 14,075,759    | 11,074,197    | 14,142,225    | 14,112,925    |
| <b>Change in net position</b>          | (34,385)                | (9,042)    | 51,334     | 7,572,082                | 525,399       | 621,327       | 7,537,697     | 516,357       | 672,661       |
| <b>Change in net position</b>          | (34,385)                | (9,042)    | 51,334     | 7,572,082                | 525,399       | 621,327       | 7,537,697     | 516,357       | 672,661       |
| <b>Net position, beginning of year</b> | 123,219                 | 132,261    | 80,927     | 27,104,948               | 26,579,549    | 27,093,802    | 27,228,167    | 26,711,810    | 27,174,729    |
| <b>GASB 68 Adjustment</b>              |                         |            |            |                          |               |               |               |               |               |
| <b>NET POSITION, END OF YEAR</b>       | \$ 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**

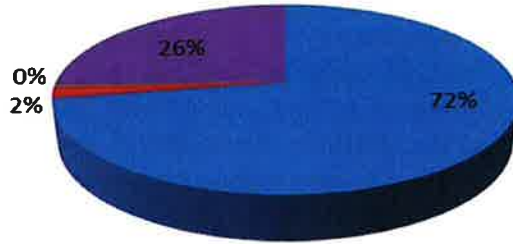
The change in net position increased from \$0.5 million in 2015 to \$7.6 million in 2016 for a total Net Position of \$34.7 million at June 30, 2016. This is attributable to stable revenues and decreased expenditures in the water fund as well as the sale and disposal of the office building. Operating 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

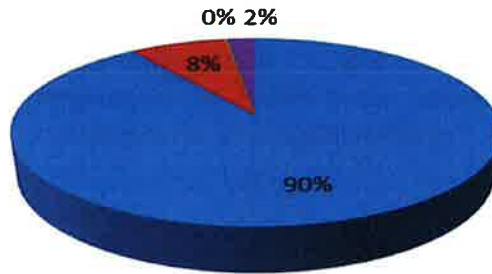
### 2016 Revenue

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



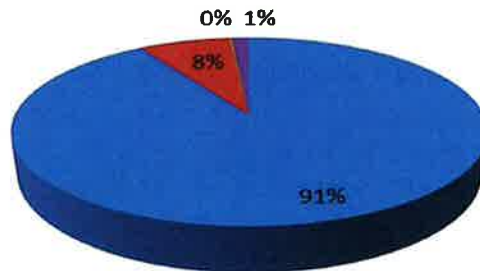
### 2015 Revenue

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



### 2014 Revenue

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





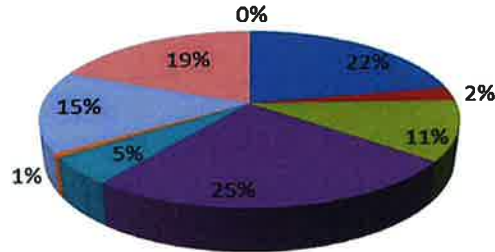
**FLORIN RESOURCE CONSERVATION DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016, 2015 AND 2014**

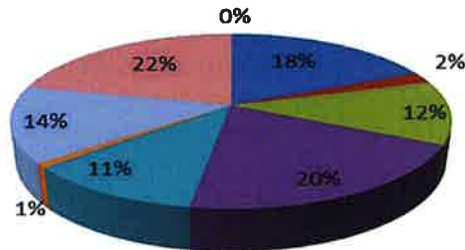
**2016 Expenses**

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



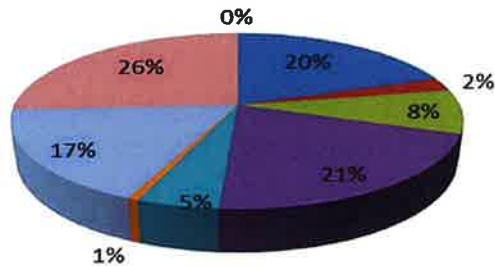
**2015 Expenses**

- 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<br>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<br>Activities | Business-type<br>Activities | Total         | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>  |                            |                             |               |                            |                             |               |
| 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    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                |                            |                             |               |                            |                             |               |
| 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     |
| <b>LIABILITIES</b>   |                            |                             |               |                            |                             |               |
| 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    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                            |                             |               |                            |                             |               |
| 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       |
| <b>NET POSITION</b>  |                            |                             |               |                            |                             |               |
| 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<br>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                |
| <b>PRIMARY GOVERNMENT:</b>       |                      |                      |                                  |   |                          |                      |
| <b>GOVERNMENTAL ACTIVITIES:</b>  |                      |                      |                                  |   |                          |                      |
| General government               | \$ 34,831            | \$ -                 | \$ -                             | \$ (34,831)                             | \$ -                     | \$ (34,831)          |
| TOTAL GOVERNMENTAL ACTIVITIES    | 34,831               | -                    | -                                | (34,831)                                | -                        | (34,831)             |
| <b>BUSINESS-TYPE ACTIVITIES:</b> |                      |                      |                                  |   |                          |                      |
| 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            |
| <b>TOTAL PRIMARY GOVERNMENT</b>  | <b>\$ 11,109,028</b> | <b>\$ 13,849,125</b> | <b>\$ -</b>                      | <b>(34,831)</b>                         | <b>2,774,928</b>         | <b>2,740,097</b>     |
| <b>GENERAL REVENUES:</b>         |                      |                      |                                  |   |                          |                      |
| 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            |
|                                  |                      |                      |                                  | <b>Total general revenues</b>           | <b>446</b>               | <b>4,797,154</b>     |
|                                  |                      |                      |                                  | <b>Change in net position</b>           | <b>(34,385)</b>          | <b>7,572,082</b>     |
|                                  |                      |                      |                                  | <b>Net position - beginning of year</b> | <b>123,219</b>           | <b>27,104,948</b>    |
|                                  |                      |                      |                                  | <b>Net position - end of year</b>       | <b>\$ 88,834</b>         | <b>\$ 34,677,030</b> |
|                                  |                      |                      |                                  |   |                          | <b>\$ 34,765,864</b> |

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                               |                          | Total                |
|----------------------------------|----------------------|----------------------|----------------------------------|--|--------------------------|----------------------|
|                                  |                      | Charges for Services | Capital Grants and Contributions | Governmental Activities                              | Business-type Activities |                      |
| <b>PRIMARY GOVERNMENT:</b>       |                      |                      |                                  |  |                          |                      |
| <b>GOVERNMENTAL ACTIVITIES:</b>  |                      |                      |                                  |  |                          |                      |
| General government               | \$ 21,847            | \$ -                 | \$ -                             | \$ (21,847)  | \$ -                     | \$ (21,847)          |
| TOTAL GOVERNMENTAL ACTIVITIES    | 21,847               | -                    | -                                | (21,847)   | -                        | (21,847)             |
| <b>BUSINESS-TYPE ACTIVITIES:</b> |                      |                      |                                  |  |                          |                      |
| 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              |
| <b>TOTAL PRIMARY GOVERNMENT</b>  | <b>\$ 14,142,225</b> | <b>\$ 14,307,238</b> | <b>\$ 28,500</b>                 | <b>(21,847)</b>                                      | <b>215,360</b>           | <b>193,513</b>       |
| <b>GENERAL REVENUES:</b>         |                      |                      |                                  |  |                          |                      |
| 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                |
|                                  |                      |                      |                                  | <b>Total general revenues</b>                        | <b>12,805</b>            | <b>310,039</b>       |
|                                  |                      |                      |                                  | <b>Change in net position</b>                        | <b>(9,042)</b>           | <b>525,399</b>       |
|                                  |                      |                      |                                  | <b>Net position - beginning of year, as restated</b> | <b>132,261</b>           | <b>26,579,549</b>    |
|                                  |                      |                      |                                  | <b>Net position - end of year</b>                    | <b>\$ 123,219</b>        | <b>\$ 27,104,948</b> |
|                                  |                      |                      |                                  |  | <b>\$ 27,228,167</b>     |                      |

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              |
| <b>ASSETS</b>   |  |                  |                   |
| Cash and investments  |  | \$ 95,044        | \$ 127,886        |
| <b>Total assets</b>   |  | <b>\$ 95,044</b> | <b>\$ 127,886</b> |
| <b>LIABILITIES AND FUND BALANCES</b>  |  |                  |                   |
| <b>Liabilities:</b>   |  |                  |                   |
| Accounts payable  |  | \$ 1,543         | \$ -              |
| Due to other governments  |  | 4,667            | 4,667             |
| <b>Total liabilities</b>  |  | <b>6,210</b>     | <b>4,667</b>      |
| <b>Fund Balances:</b>   |  |                  |                   |
| Unassigned  |  | 88,834           | 123,219           |
| <b>Total fund balances</b>  |  | <b>88,834</b>    | <b>123,219</b>    |
| <b>Total liabilities and fund balances</b>  |  | <b>\$ 95,044</b> | <b>\$ 127,886</b> |
| 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   |  | <b>\$ 88,834</b> | <b>\$ 123,219</b> |

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**

|   | <u>General Fund</u> |                   |
|---|---------------------|-------------------|
|   | <u>2016</u>         | <u>2015</u>       |
| <b>REVENUES:</b>  |                     |                   |
| Use of money and property   | \$ 93               | \$ 2,643          |
| Charges for services  |                     |                   |
| Grant revenue   |                     |                   |
| Miscellaneous   | 353                 | 10,162            |
| <b>Total revenues</b>   | <u>446</u>          | <u>12,805</u>     |
| <b>EXPENDITURES:</b>  |                     |                   |
| Current:  |                     |                   |
| General government  | 34,831              | 21,847            |
| <b>Total expenditures</b>   | <u>34,831</u>       | <u>21,847</u>     |
| <b>Net change in fund balances</b>  | (34,385)            | (9,042)           |
| <b>FUND BALANCES:</b>   |                     |                   |
| Beginning of year   | 123,219             | 132,261           |
| End of year   | <u>\$ 88,834</u>    | <u>\$ 123,219</u> |
| <b>Net change in fund balance, governmental fund</b>  | \$ (34,385)         | \$ (9,042)        |
| 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. |                     |                   |
| <b>Change in net position, governmental activities</b>  | <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 |
| <b>ASSETS</b>   |                      |                      |                         |                      |                       |                         |
| 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                  |
| <b>Total current assets</b>                                       | <b>13,394,711</b>    | <b>-</b>             | <b>13,394,711</b>       | <b>13,384,512</b>    | <b>-</b>              | <b>13,384,512</b>       |
| 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              |
| <b>Total capital assets</b>                                       | <b>70,812,095</b>    | <b>-</b>             | <b>70,812,095</b>       | <b>71,036,673</b>    | <b>7,388,319</b>      | <b>78,424,992</b>       |
| <b>Total noncurrent assets</b>                                    | <b>71,803,722</b>    | <b>-</b>             | <b>71,803,722</b>       | <b>72,594,078</b>    | <b>8,221,127</b>      | <b>80,815,205</b>       |
| <b>Total assets</b>   | <b>85,198,433</b>    | <b>-</b>             | <b>85,198,433</b>       | <b>85,978,590</b>    | <b>8,221,127</b>      | <b>94,199,717</b>       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                      |                      |                         |                      |                       |                         |
| 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                 |
| <b>Total deferred outflows of resources</b>                       | <b>1,978,933</b>     | <b>-</b>             | <b>1,978,933</b>        | <b>1,197,255</b>     | <b>-</b>              | <b>1,197,255</b>        |
| <b>LIABILITIES</b>  |                      |                      |                         |                      |                       |                         |
| 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               |
| <b>Total current liabilities</b>                                  | <b>2,646,770</b>     | <b>-</b>             | <b>2,646,770</b>        | <b>2,712,943</b>     | <b>12,908,967</b>     | <b>15,621,910</b>       |
| 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              |
| <b>Total noncurrent liabilities</b>                               | <b>49,520,679</b>    | <b>-</b>             | <b>49,520,679</b>       | <b>52,350,288</b>    | <b>-</b>              | <b>52,350,288</b>       |
| <b>Total liabilities</b>  | <b>52,167,449</b>    | <b>-</b>             | <b>52,167,449</b>       | <b>55,063,231</b>    | <b>12,908,967</b>     | <b>67,972,198</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                      |                      |                         |                      |                       |                         |
| Deferred inflows of resources - pension                           | 332,887              | -                    | 332,887                 | 319,826              | -                     | 319,826                 |
| <b>Total deferred inflows of resources</b>                        | <b>332,887</b>       | <b>-</b>             | <b>332,887</b>          | <b>319,826</b>       | <b>-</b>              | <b>319,826</b>          |
| <b>NET POSITION</b>   |                      |                      |                         |                      |                       |                         |
| 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               |
| <b>Total net position</b>   | <b>\$ 34,677,030</b> | <b>\$ -</b>          | <b>\$ 34,677,030</b>    | <b>\$ 31,792,788</b> | <b>\$ (4,687,840)</b> | <b>\$ 27,104,948</b>    |

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<br>District<br>Fund | Office<br>Building<br>Fund | Total<br>Proprietary<br>Funds | Water<br>District<br>Fund | Office<br>Building<br>Fund | Total<br>Proprietary<br>Funds |
| <b>OPERATING REVENUES:</b>                    |                           |                            |                               |                           |                            |                               |
| 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                     |
| <b>Total operating revenues</b>               | <b>13,475,325</b>         | <b>373,800</b>             | <b>13,849,125</b>             | <b>13,185,838</b>         | <b>1,121,400</b>           | <b>14,307,238</b>             |
| <b>OPERATING EXPENSES:</b>                    |                           |                            |                               |                           |                            |                               |
| 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                     |
| <b>Total operating expenses</b>               | <b>8,684,092</b>          | <b>280,322</b>             | <b>8,964,414</b>              | <b>10,157,889</b>         | <b>936,487</b>             | <b>11,094,376</b>             |
| <b>OPERATING INCOME</b>                       | <b>4,791,233</b>          | <b>93,478</b>              | <b>4,884,711</b>              | <b>3,027,949</b>          | <b>184,913</b>             | <b>3,212,862</b>              |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |                           |                            |                               |                           |                            |                               |
| 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                       |
| <b>Total nonoperating revenues (expenses)</b> | <b>(1,906,991)</b>        | <b>4,594,362</b>           | <b>2,687,371</b>              | <b>(1,979,518)</b>        | <b>(736,445)</b>           | <b>(2,715,963)</b>            |
| <b>Income (loss) before contributions</b>     | <b>2,884,242</b>          | <b>4,687,840</b>           | <b>7,572,082</b>              | <b>1,048,431</b>          | <b>(551,532)</b>           | <b>496,899</b>                |
| <b>CAPITAL CONTRIBUTIONS</b>                  |                           |                            |                               |                           |                            |                               |
| Capital contributions                         | -                         | -                          | -                             | 28,500                    | -                          | 28,500                        |
| <b>Total contributions</b>                    | <b>-</b>                  | <b>-</b>                   | <b>-</b>                      | <b>28,500</b>             | <b>-</b>                   | <b>28,500</b>                 |
| <b>CHANGE IN NET POSITION</b>                 | <b>2,884,242</b>          | <b>4,687,840</b>           | <b>7,572,082</b>              | <b>1,076,931</b>          | <b>(551,532)</b>           | <b>525,399</b>                |
| <b>NET POSITION</b>                           |                           |                            |                               |                           |                            |                               |
| 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 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                      |                      |                         |                      |                      |                         |
| 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)             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                    | <b>6,032,297</b>     | <b>(908,586)</b>     | <b>5,123,711</b>        | <b>4,301,296</b>     | <b>651,114</b>       | <b>4,952,410</b>        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                             |                      |                      |                         |                      |                      |                         |
| Operating grants and reimbursements   | 139,539              | -                    | 139,539                 | 287,774              | -                    | 287,774                 |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>                         | <b>139,539</b>       | <b>-</b>             | <b>139,539</b>          | <b>287,774</b>       | <b>-</b>             | <b>287,774</b>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                    |                      |                      |                         |                      |                      |                         |
| 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                  |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                    | <b>(6,989,068)</b>   | <b>75,770</b>        | <b>(6,913,298)</b>      | <b>(5,112,337)</b>   | <b>(913,122)</b>     | <b>(6,025,459)</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                      |                      |                         |                      |                      |                         |
| Interest received   | 13,648               | 8                    | 13,656                  | 19,525               | -                    | 19,525                  |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                    | <b>13,648</b>        | <b>8</b>             | <b>13,656</b>           | <b>19,525</b>        | <b>-</b>             | <b>19,525</b>           |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                         | <b>(803,584)</b>     | <b>(832,808)</b>     | <b>(1,636,392)</b>      | <b>(503,742)</b>     | <b>(262,008)</b>     | <b>(765,750)</b>        |
| 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           |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b> |                      |                      |                         |                      |                      |                         |
| 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               |
| <b>CASH AND CASH EQUIVALENTS</b>  | <b>\$ 11,708,634</b> | <b>\$ -</b>          | <b>\$ 11,708,634</b>    | <b>\$ 12,512,218</b> | <b>\$ 832,808</b>    | <b>\$ 13,345,026</b>    |

(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                  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>\$ 6,032,297</b> | <b>\$ (908,586)</b> | <b>\$ 5,123,711</b>     | <b>\$ 4,301,296</b> | <b>\$ 651,114</b> | <b>\$ 4,952,410</b>     |

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**

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**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**

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**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**

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**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**

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**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**

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**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**

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**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**

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**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**

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**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.