

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2015 and 2014

Running Springs Water District
Annual Financial Report
Years Ended June 30, 2015 and 2014

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INTRODUCTORY SECTION



RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

31242 Hilltop Boulevard • P.O. Box 2206
Running Springs, CA 92382

November 23, 2015

Board of Directors
Running Springs Water District

Subject: Letter of Transmittal for Annual Financial Report and Independent Auditor's Report for the fiscal year ending June 30, 2015

Honorable Directors:

We are pleased to provide you with this letter of transmittal for the Running Springs Water District's (District) Annual Financial Report and Independent Auditor's Report for the fiscal year ended June 30, 2015. The intended purpose of the financial report is to provide the Board of Directors, the customers of the District and other interested parties with reliable information on the finances of the District. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Van Lant & Fankhanel, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2015, are free of material misstatement. The independent auditor concluded, based upon the audit, that in their opinion the District's financial statements for the fiscal year ended June 30, 2015 present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The District's MD&A can be found immediately following the Independent Auditor's Report in the financial section of this report.

In addition to the required components of the Financial Report, the District has elected to prepare this Letter of Transmittal. This Letter of Transmittal is intended to discuss the District's accomplishments and future direction. It is designed to complement the MD&A and should be read in conjunction with it.

DISTRICT OVERVIEW

The Running Springs Water District ("RSWD or District") is a local public agency charged under the laws of the United States of America and the State of California, as well as our own District policies and regulations, with the duty of supplying and maintaining water service, providing fire and emergency medical care services and operating wastewater collection, treatment and disposal facilities for the residents, users and taxpayers of this community.

The District is an independent special district that was formed in 1958 and established under Division 12 of the California Water Code. In 1962, the District established a Fire Department to provide fire protection services for its service area. In 1976, a sewage disposal system was completed to provide sewer service for the District and certain communities upstream of the District. In 1983, ambulance service was established.

The District is a multi-service organization that presently operates four departments: a water department that provides retail water distribution, a fire department that provides fire protection, an ambulance department that provides pre-hospital emergency medical aid service, and a wastewater department that collects, treats, and disposes of the area's wastewater. The District's service area is approximately five square miles.

The District's power and authority is primarily regulated and defined by Division 12, Sections 30000-33901 of the California Water Code. The District's operations are governed by a five member Board of Directors elected by registered voters in the community.

Government Activities

The District's Government Activities include fire protection services for the community of Running Springs.

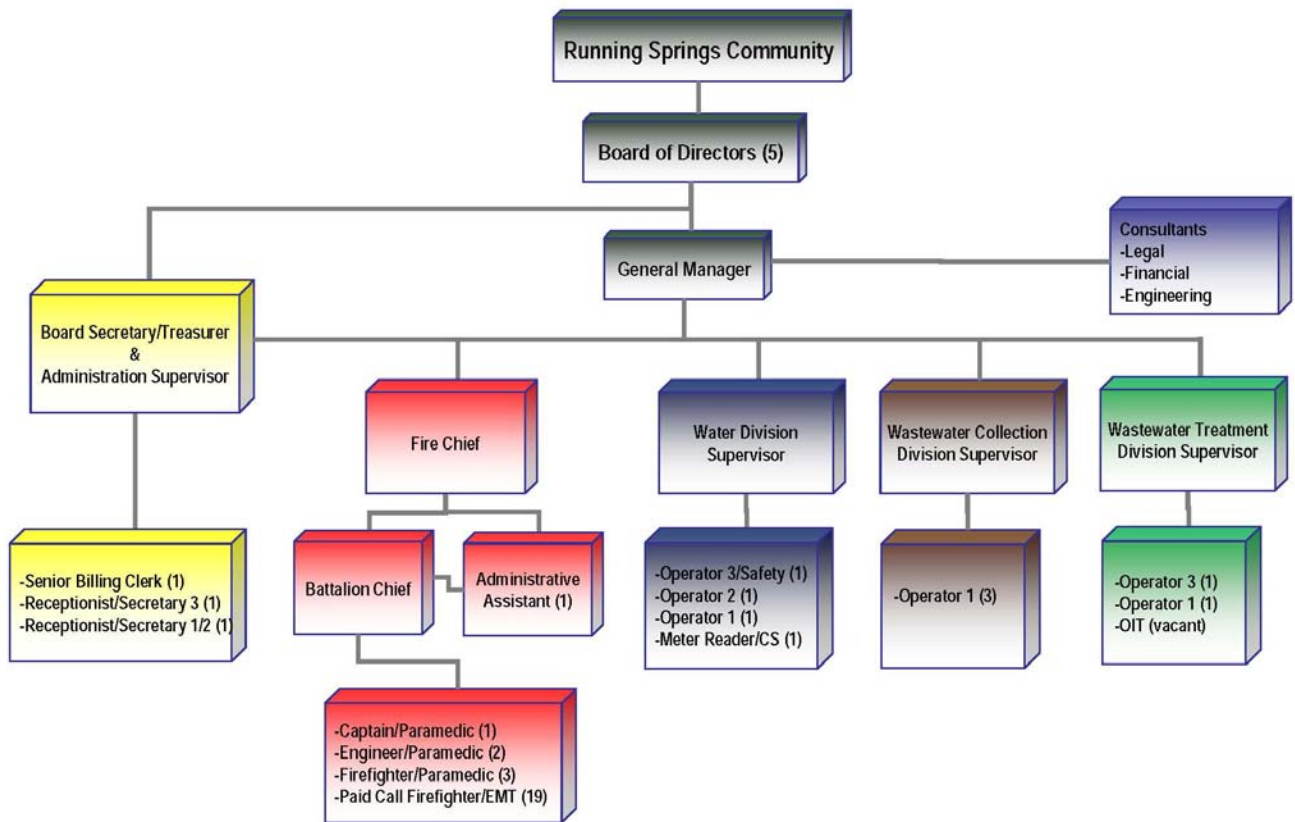
Business-Type Activities

The District's Business-Type Activities include water, ambulance and sewer services where the fees for these services typically cover all or most of the cost of operation including depreciation.

Staffing & Organizational Chart

Day-to-day management of the District is delegated to the General Manager of the District who reports directly to the locally elected Board of Directors. Reporting to the General Manager are the five department heads: Fire Chief, Administration Supervisor, Water Division Supervisor, Collections Division Supervisor and Treatment Division Supervisor. The following figure shows the current organization of the District.

Running Springs Water District Organizational Chart

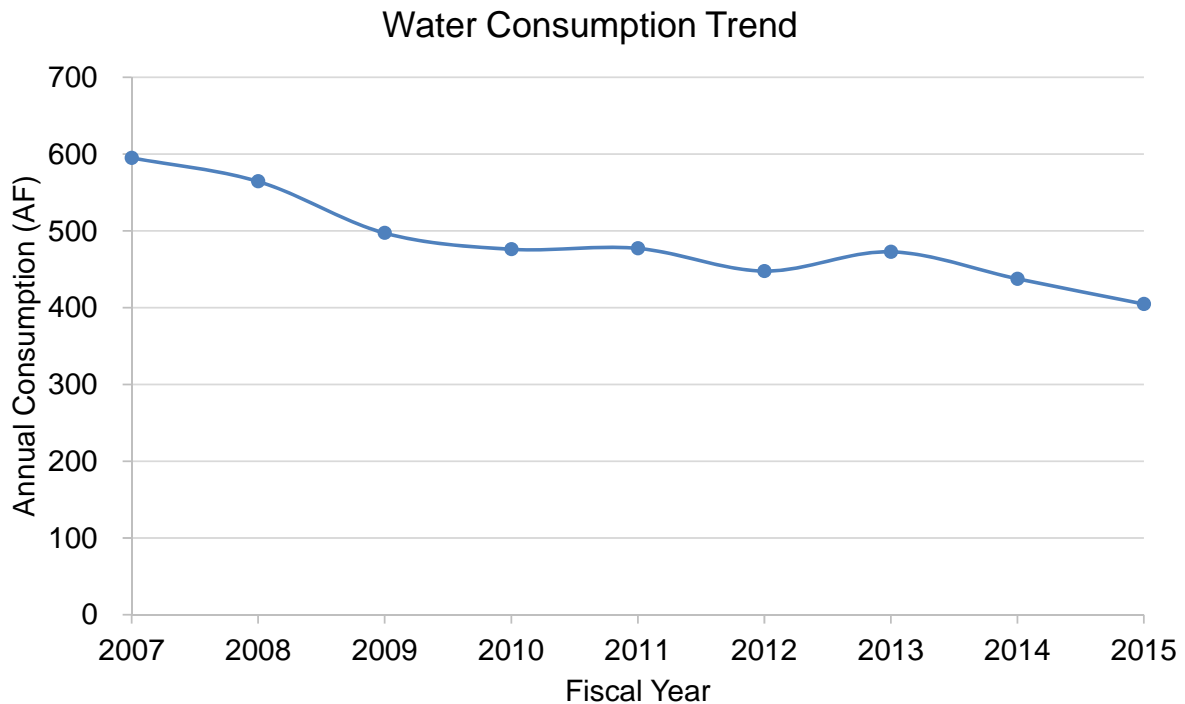


LOCAL ENVIRONMENT

Running Springs is an unincorporated area governed by the County of San Bernardino. The population of the District according to the 2010 US Census was 4,862. New development is not expected to increase until the foreclosure rate declines and property values increase enough to make new construction costs a viable option.

WATER RESOURCES MANAGEMENT

The District typically produces more than 50% of its water supply from local District owned groundwater wells. Additional imported groundwater is purchased from Arrowbear Park County Water District and State Water Project water from the Crestline-Lake Arrowhead Water Agency (CLAWA). The District has seen about a 25% decline in water consumption in recent years as depicted on the following chart. The amount of purchased water varies with local groundwater production that is tied to precipitation and groundwater well recharge.



WASTEWATER MANAGEMENT

The District must comply with local, state and federal regulations governing the collection, treatment and disposal of the Community's wastewater. The agencies regulating the District's wastewater activities include: The State Regional Water Quality Control Board (RWQCB), California Department of Public Health (CDPH), San Bernardino County Environmental Health and the United States Forest Service (USFS). The District's Wastewater system is operated under a set of Waste Discharge Requirements (WDR) as part of the Santa Ana Regional Board Order No. 87-8 issued February 11, 1987 by the RWQCB.

The District developed and implemented a Sewer System Management Plan (SSMP) in 2010 to improve its spill prevention and inflow and infiltration (I/I) prevention programs. The primary goal of the program is to prevent all spills from the wastewater collection system. Activities related to minimizing I/I are ongoing.

FEES AND CHARGES

The District's fees and charges are collected through monthly bills, the County of San Bernardino tax roll, ambulance fees and charges and capacity/connection fees for new development. The monthly charges for water service consist of a fixed component and a variable usage component. The monthly charges for residential and commercial wastewater service consist of fixed components and variable components based on 15% of water usage for residential and 33% for commercial.

For the fiscal years ending 2015-2019 water rates were adjusted to increase revenue to cover operating expenses and fund operating and capital reserve funds. These rate increases were needed in order to fund several deferred capital replacement projects, to replace aging infrastructure and to fund cash reserves to the levels set forth in the District's Cash Reserve Policy.

The Residential and Commercial Sewer Monthly Base Charges were also increased for the fiscal years ending 2015-2019. The increase in wastewater rates is primarily due to the loss of the non-operating revenue that has been collected since 2002 from the County of San Bernardino for the disposal of leachate from the Heap's Peak landfill. The loss of this non-operating revenue along with the need to move forward with several deferred capital replacement projects that were identified in the District's Wastewater Master Plan, including the replacement of aging infrastructure that has been deferred, was the driving force for these rate increases.

FINANCIAL PLANNING

In 2010, the District prepared a Financial Master Plan (FMP) along with Water and Wastewater Master Plans. These documents provided a basis for the strategic direction of the District but the recent economic downturn forced the District to deviate from some of the elements in these plans. These plans included additional debt issuance but the District elected to delay this option until 2015.

The District continues its focus on maintaining the necessary cash fund balances for the financial stability of the District and has adopted a Cash Reserve Policy as a guideline to achieve minimum cash balances in each of its reserve funds. The District's Cash Reserve Policy is a guideline for the priorities of operational revenue sources with the Operating Funds receiving the highest priority. After operational costs and debt service are covered, any free cash flow from operations moves into the Capital Improvement Funds up to an amount equal to annual depreciation plus 10%. Any remainder goes to the Rate Stabilization Funds for a balance not to exceed 20% of annual budgeted revenue.

ACCOUNTING AND INTERNAL CONTROLS

The Administration Division is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, budgeting, billing and collection of service charges, taxes, and other revenues. An outside consultant is used for special financial accounting, audit preparation and other analysis.

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The system of internal controls is designed to provide reasonable assurance, not absolute, that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the District's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Board of Directors adopts an annual budget each year which is used as a management control tool for each of the District's divisions. Comparison information is presented to the Board quarterly to monitor revenues and expenditures and provides information regarding any major variances from budget. In addition, monthly comparison reports are provided to all department supervisors to monitor expenditures and to plan the year as it progresses in an effort to stay within the adopted budget.

FINANCIAL CONDITION

The Management's Discussion and Analysis (MD&A), which can be found immediately following the Independent Auditor's Report in the financial section of this report, summarizes the Statements of Net Position and Statements of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual government-wide financial statements are presented on pages 19 to 24. These government-wide statements are intended to present the District in a more corporate-style basis and provide a view of the big picture.

Additionally, the fund financial statements (starting on page 25) are designed to address the individual funds by category (governmental and proprietary, as well as the fiduciary fund). An explanation of these complementary presentations can be found in the MD&A and in the notes (see Note 1).

Supplementary schedules are presented to give department information for the Proprietary Fund (starting on page 67).

Liquidity is the ability to cover short-term obligations. The Proprietary Fund is similar to a business so the current ratio, which is a measurement of liquidity, can be helpful in assessing the liquidity of the District. The current ratio increased from 1.94 at June 30, 2014 to 4.71 at June 30, 2015. The current ratio from the above condensed summary is as follows:

	2015	2014
Current Ratio		
Current Assets	\$ 2,378,011	\$ 1,256,068
Current Liabilities	504,962	646,759
Current Ratio	4.71	1.94

However, since the current assets subtotal includes assets that are not immediately liquid, such as inventory, a more rigorous form of the ratio includes only cash, temporary investments and receivables. The following calculation shows that ratio as 1.51 at June 30, 2014 increasing to 4.23 at June 30, 2015.

	2015	2014
Quick Ratio (more rigorous)		
Cash	\$ 434,899	\$ 75,032
Temporary Investments	797,732	-
Receivables	904,199	899,352
Cash and Temporary Investments and Receivables	\$ 2,136,830	\$ 974,384
Cash and Temporary Investments	\$ 2,136,830	\$ 974,384
Current Liabilities	504,962	646,759
Quick Ratio	4.23	1.51

This decrease in ratio indicates an increase in the ability of the District to cover short-term obligations.

Solvency is the ability to pay all debts. The debt ratio indicates the District's long-term debt paying ability. The following debt ratio calculation shows an increase from 0.11 at June 30, 2014 to 0.22 at June 30, 2015:

	2015	2014
Debt Ratio		
Total Liabilities	\$ 4,386,481	\$ 2,040,632
Total Assets	19,828,289	19,090,808
Debt Ratio	0.22	0.11

The above calculation is the conservative computation of debt ratio of the Proprietary Fund because it includes all liabilities. The lower the ratio, the better the debt-paying position of the District.

We would like to thank the District staff and consultants for their hard work in the preparation of this report and for the information they provide to management, the Board of Directors and to our outside auditors. We would also like to thank the Board of Directors for their support of our efforts to position the District for long-term financial health which benefits all the citizens of the community we serve.

Respectfully submitted,



Ryan Gross
General Manager



Rogers, Anderson, Malody & Scott, LLP (RAMS)
District Financial Consultant

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Running Springs Water District
Running Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Running Springs Water District (the "District"), as of and for the years ended June 30, 2015 and 2014, 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Running Springs Water District, as of June 30, 2015 and 2014, and the 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, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

Change in Accounting Principle

As described in Note 9 to the financial statements, as of June 30, 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and schedules listed in the Supplementary Information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the Supplementary Information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the Supplementary Information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

Van Lant & Fankhaed, LLP

November 23, 2015

Management's Discussion and Analysis

Our discussion and analysis of Running Springs Water District's financial performance provides an overview of the District's financial activities for the fiscal years ending June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal (beginning on page i) and the District's basic financial statements (beginning on page 19).

FINANCIAL HIGHLIGHTS

- The District's total net position decreased by \$3,939,012 and \$335,845 as of June 30, 2015 and 2014, respectively. The decrease for the year ended June 30, 2015 is the combination of a decrease in net position for the Governmental Activities of \$2,190,786 and a decrease in net position for the Business-Type Activities of \$1,748,226. These decreases are primarily due to a change in accounting principle which reduced the Governmental and Business-type Activities net position by \$1,812,137 and \$2,188,883, respectively. The decrease for the year ended June 30, 2014 was the combination of an increase in net position for the Governmental Activities of \$33,909 and a decrease in net position for the Business-Type Activities of \$301,936.
- The District's total change in net position, from operations, for the year ended June 30, 2015 is \$62,008 with a decrease of (\$378,649) reported in the Governmental Activities column and an increase of \$440,657 reported in the Business-type Activities column. The District's total change in net position for the year ended June 30, 2014 was (\$335,845) with decreases of (\$33,909) reported in the Governmental Activities column and (\$301,936) reported in the Business-type Activities column.
- Total revenues increased \$181,422 (3.24%) for the year ended June 30, 2015 and decreased \$14,782 (0.26%) for the year ended June 30, 2014. The increase in 2015 is a combination of an increase in revenues from charges for services, Sewer Property Contributions, capital grant, and infrastructure R&R fee. The decrease in 2014 is a combination of an increase in revenues from charges for services, decrease in Sewer Property Contributions, DWR Loan Repayment Charges, Leachate Load Charges, capital grant, ambulance fee, and property taxes.
- Total expenses decreased \$215,966 (4%) for the year ended June 30, 2015 and increased \$218,151 (4%) for the year ended June 30, 2014. All departments except Sewer department showed decreases in expenses for the year ended June 30, 2015. All departments except Ambulance department showed slight increases in expenses for the year ended June 30, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Running Springs Water District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Running Springs Water District's finances in a manner similar to a private-sector business. The required financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District.

The "Governmental Activities" columns reflect the District's fire protection services. The "Business-Type Activities" columns reflect private sector type operations (Water, Ambulance and Sewer), where the fee for service typically covers all or most of the cost of operation including depreciation.

Statement of Net Position

The *Statement of Net Position* presents information on all of the Running Springs Water District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference, or net, reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Running Springs Water District is improving or deteriorating.

Statement of Activities

The *Statement of Activities* accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's solvency and ability to meet its financial commitments.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* for the Running Springs Water District include statements for the *Governmental Fund*, the *Proprietary Fund* and *Fiduciary Funds*.

The *Governmental Fund* financial statements include: ***Balance Sheets*** and ***Statements of Revenues, Expenditures and Changes in Fund Balances***, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the District's fund balances by law, creditors, and the District's Board. Unassigned fund balance is available for spending for any purpose. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the general government operations and the basic service it provides. Governmental funds will reflect bond proceeds and internal fund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The bottom of the Governmental Fund financial statements provides reconciliations between the fund financial statements and the government-wide financial statements.

The *Proprietary Fund* financial statements include: ***Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position***, and ***Statements of Cash Flows***. *Statements of Net Position* present our assets, deferred outflows, liabilities, deferred inflows and the difference, or net, between what we own and what we owe as of the last day of our fiscal year. *Statements of Revenues, Expenses and Changes in Net Position* describes the financial results of our proprietary operations for the fiscal years reported. The Proprietary Fund presentation produces the same totals as the Business-Type column in the government-wide financial statements. Readers also need to know how we manage our cash resources during the year to effect the changes in net position. This information is conveyed in the *Statements of Cash Flows*. The *Statements of Cash Flows* reconcile the income or loss from operations that are reported on the accrual basis with the actual cash inflows and uses. The *Statements of Cash Flows* also detail how we obtain cash through financing and investing activities and, similarly, how we spend cash for these purposes.

The *Fiduciary Fund* financial statements include: ***Statements of Fiduciary Assets and Liabilities***, which consist solely of trust and agency funds and are used to account for resources held for the benefit of parties outside the government (i.e. Assessment Districts). Fiduciary funds are *not* reflected in the *Statement of Net Position* and *Statement of Revenue, Expenses, and Changes in Net Position* because the resources of the fund are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The basic fiduciary fund financial statements can be found on page 33 of the Basic Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 34-62 of the Basic Financial Statements.

OVERVIEW OF SUPPLEMENTARY INFORMATION

This annual financial report includes required supplementary information and other supplementary information. The required supplementary information consists of a *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund Type – Fire Protection, Schedule of the Districts Proportionate Share of the Net Pension Liability, Schedule of Plan Contributions* and related notes. The budget vs. actual schedule compares revenues and expenditures for Fire Protection with budgeted amounts and details the variance for each line item. The other schedules will eventually provide 10 years of information related to the Districts pension plan.

Other supplementary information consists of three *Schedules of Revenues, Expenses and Changes in Net Position*. One schedule for each department accounted for in the Proprietary Fund, which are the Water Department, the Ambulance Department, and the Sewer Department. Additional supplementary information is presented for the Fiduciary Agency Funds which include two statements: *Combining Statement of Fiduciary Assets and Liabilities* and *Combining Statement of Changes in Assets and Liabilities*.

FINANCIAL ANALYSIS

District-wide Analysis

The following condensed financial information summarizes the total district (government-wide) net position:

	Governmental Activities			Business-Type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Assets:									
Current and Other Assets	\$ 1,310,561	\$1,840,907	\$1,875,452	\$ 2,378,011	\$ 1,352,789	\$ 1,766,342	\$ 3,688,572	\$ 3,193,696	\$ 3,641,794
Capital Assets	990,539	1,025,041	1,038,749	17,450,278	17,539,126	17,709,538	18,440,817	18,564,167	18,748,287
Total Assets	<u>2,301,100</u>	<u>2,865,948</u>	<u>2,914,201</u>	<u>19,828,289</u>	<u>18,891,915</u>	<u>19,475,880</u>	<u>22,129,389</u>	<u>21,757,863</u>	<u>22,390,081</u>
Deferred Outflows of Resources									
	489,533	-	-	492,691	-	-	982,224	-	-
Liabilities:									
Current Liabilities	89,539	130,710	148,065	504,962	447,866	566,324	594,501	578,576	714,389
Noncurrent Liabilities	2,227,582	624,247	621,236	3,881,519	1,393,873	1,557,444	6,109,101	2,018,120	2,178,680
Total Liabilities	<u>2,317,121</u>	<u>754,957</u>	<u>769,301</u>	<u>4,386,481</u>	<u>1,841,739</u>	<u>2,123,768</u>	<u>6,703,602</u>	<u>2,596,696</u>	<u>2,893,069</u>
Deferred Inflows of Resources									
	553,307	-	-	632,549	-	-	1,185,856	-	-
Net Position:									
Invested in Capital Assets,									
Net of Related Debt	990,539	1,025,041	1,038,749	16,425,621	17,019,358	17,032,156	17,416,160	18,044,399	18,070,905
Restricted for Debt Service	-	-	-	433,899	320,487	417,580	433,899	320,487	417,580
Unrestricted (deficit)	(1,070,334)	1,085,950	1,106,151	(1,557,570)	(289,669)	(97,624)	(2,627,904)	796,281	1,008,527
Total Net Position	<u>\$ (79,795)</u>	<u>\$2,110,991</u>	<u>\$2,144,900</u>	<u>\$ 15,301,950</u>	<u>\$ 17,050,176</u>	<u>\$ 17,352,112</u>	<u>\$15,222,155</u>	<u>\$19,161,167</u>	<u>\$19,497,012</u>

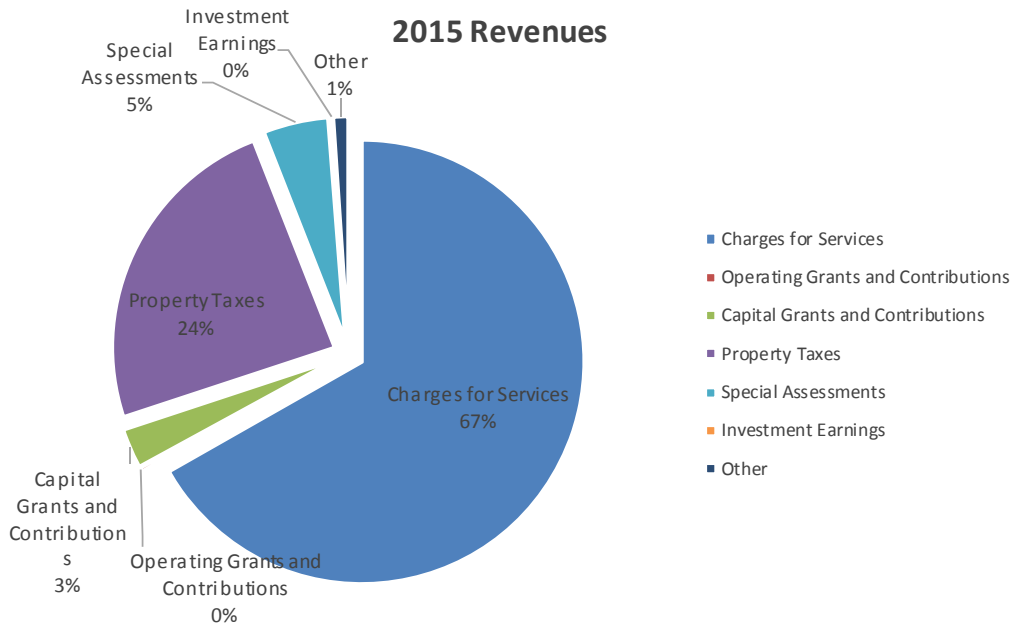
- The assets of Running Springs Water District increased by \$371,526 and decreased by \$632,218 as of June 30, 2015 and 2014 respectively. The most significant changes in 2015 are an increase in cash and investments and a decrease in capital assets. The increase in 2015 was primarily the result of an increase in net position and depreciation added to accumulated depreciation which exceeded the cost of new capital assets during the year and disposal of obsolete capital assets.
- The Running Springs Water District's total liabilities increased by \$4,106,906 and decreased by \$296,373 as of June 30, 2015 and 2014 respectively. The key factors in the increase in 2015 is a new loan and net pension liability and the decrease in 2014 is principal payments on long-term debt and principal payments applied to the PERS Side Fund.
- Net position may serve over time as a useful indicator of a district's financial position. In the case of the Running Springs Water District, net position was \$15,222,155 and \$19,161,167 at the close of June 30, 2015 and 2014 respectively. Of this amount, - \$(2,627,904) and \$796,281 as of June 30, 2015 and 2014, respectively, (*unrestricted net position*) may be used to meet the District's ongoing obligations to customers and creditors.

The following condensed financial information summarizes the changes in the total district (government-wide) net position:

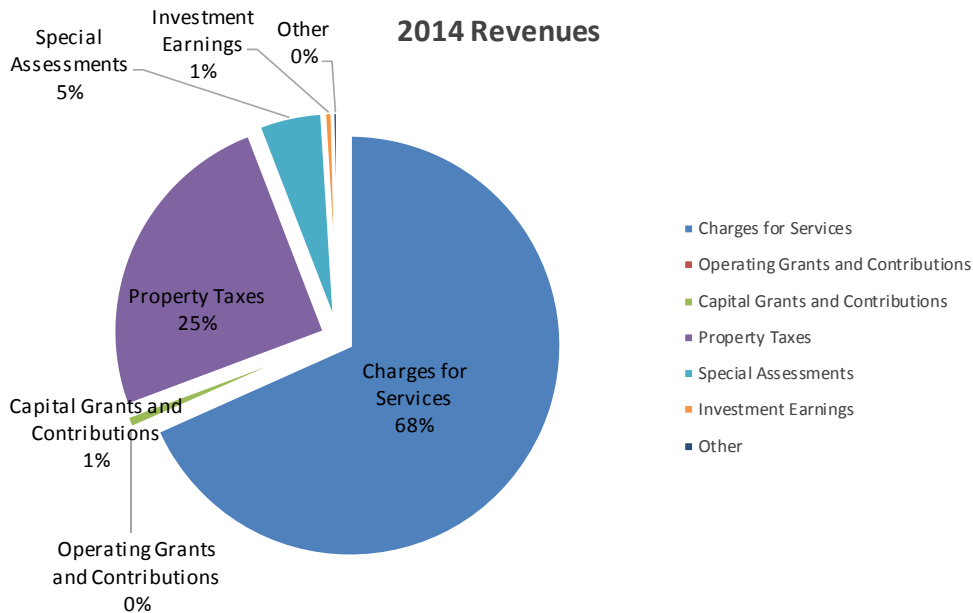
Running Springs Water District's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Revenues:									
Program Revenues:									
Charges for Services	\$ 16,940	\$ 67,995	\$ 11,317	\$ 3,845,143	\$ 3,758,807	\$ 3,696,340	\$ 3,862,083	\$ 3,826,802	\$ 3,707,657
Operating Grants and Contributions	15,707	6,294	-	-	-	5	15,707	6,294	5
Capital Grants and Contributions	-	-	21,754	166,814	49,356	164,467	166,814	49,356	186,221
General Revenues:									
Property Taxes	1,395,269	1,392,109	1,406,699	-	-	-	1,395,269	1,392,109	1,406,699
Special Assessments	204,949	201,950	201,841	67,002	70,802	55,421	271,951	272,752	257,262
Investment Earnings	693	1,337	1,120	9,760	32,189	31,860	10,453	33,526	32,980
Other	-	-	-	61,468	21,484	26,281	61,468	21,484	26,281
Total Revenues	1,633,558	1,669,685	1,642,731	4,150,187	3,932,638	3,974,374	5,783,745	5,602,323	5,617,105
Expenses:									
Fire Protection	1,652,207	1,703,594	1,436,429	-	-	-	1,652,207	1,703,594	1,436,429
Water	-	-	-	1,775,165	1,791,416	1,725,862	1,775,165	1,791,416	1,725,862
Ambulance	-	-	-	419,504	596,564	772,739	419,504	596,564	772,739
Sewer	-	-	-	1,874,861	1,846,594	1,784,984	1,874,861	1,846,594	1,784,984
Total Expenses	1,652,207	1,703,594	1,436,429	4,069,530	4,234,574	4,283,585	5,721,737	5,938,168	5,720,014
Transfers	(360,000)	-	-	360,000	-	-	-	-	-
Increase (Decrease) in Net Position	(378,649)	(33,909)	206,302	440,657	(301,936)	(309,211)	62,008	(335,845)	(102,909)
Total Net Position - Beginning	2,110,991	2,144,900	1,938,598	17,050,176	17,352,112	17,661,323	19,161,167	19,497,012	19,599,921
Prior Period Adjustment	(1,812,137)	-	-	(2,188,883)	-	-	(4,001,020)	-	-
Total Net Position - Ending	\$ (79,795)	\$ 2,110,991	\$ 2,144,900	\$ 15,301,950	\$ 17,050,176	\$ 17,352,112	\$ 15,222,155	\$ 19,161,167	\$ 19,497,012

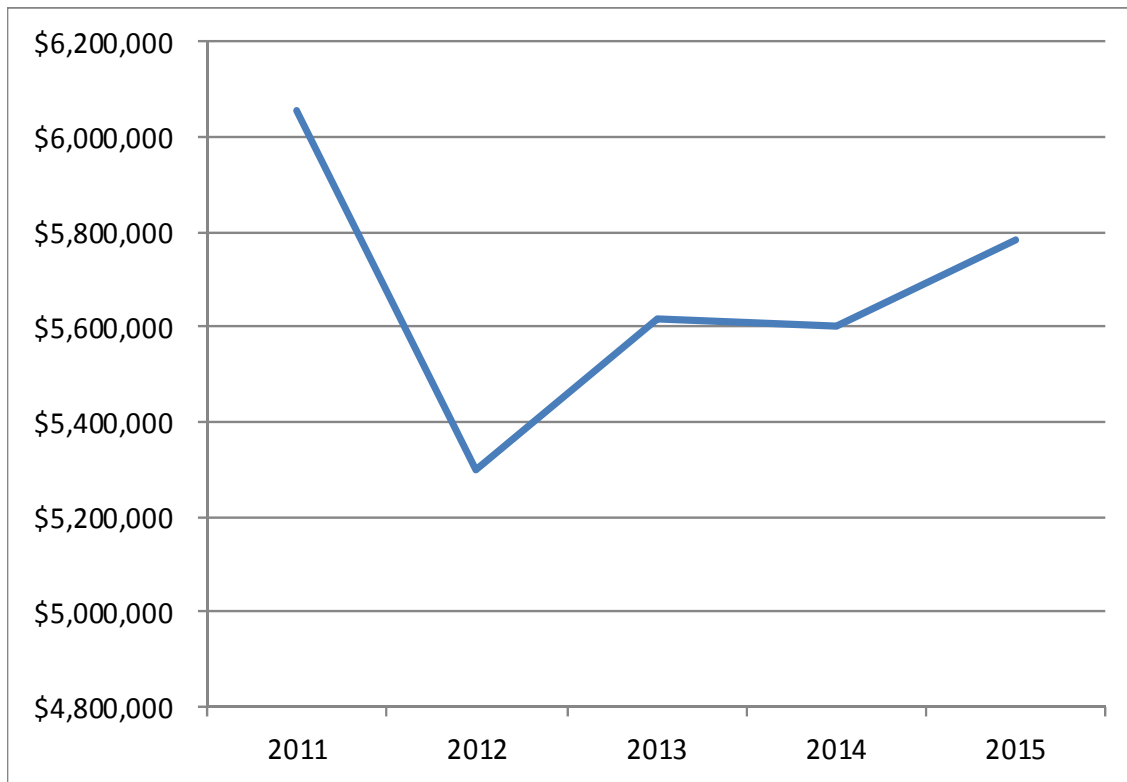
Total revenues increased \$181,422 (3%) for the year ended June 30, 2015.



- The breakdown of each category of revenue had a slight change as compared to the revenue breakdown for the year ended June 30, 2014 (2014: Charges for Services 68%, Operating Grants and Contributions 0%, Capital Grants and Contributions 1%, Property Taxes 25%, Special Assessments 5%, Investment Earnings 1% and Other 0%).



- The increase (3.25%) in total revenues for 2015 when compared to 2014 shows a leveling of some of the extreme fluctuation of revenue over the last several years. The District experienced the December 2010 storms that brought an infusion of grant proceeds in 2011. The graph below illustrates the peaks in revenue in the recent past years.



- District-wide, total expenses decreased \$216,431 (4%) for the year ended June 30, 2015 while 2014 increased by \$218,154 (4%). Notable decreases in expenses in 2015 were a significant reduction in bad debt expense in the Ambulance Department. Notable increases in expenses in 2014 are employee salaries and benefits (Sewer and Fire) and decrease is Ambulance salaries.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Net position for the Governmental Activities is \$(79,795) and \$2,110,991 at the close of June 30, 2015 and 2014 respectively. The decrease of \$2,190,786 for the year ended June 30, 2015 is primarily the result of the implementation of GASBS 68 (Governmental Activities). The decrease of \$33,909 for the year ended June 30, 2014 is the result of expenses exceeding revenues (Governmental Activities). For the year ended June 30, 2015, the revenues decreased 2% and expense decreased 3%. Revenues increased 2% for the year ended June 30, 2014 and expenses increased 2% for the year ended June 30, 2014.

Below is condensed financial information that reconciles the Governmental Fund (modified accrual basis) to the Governmental Activities (full accrual method).

Reconciliation from Modified Accrual to Full Accrual

	2015			2014		
	<u>Modified Accrual</u>		<u>Full Accrual</u>	<u>Modified Accrual</u>		<u>Full Accrual</u>
Statement of Revenues and Expenditures - Governmental Fund -Fire Protection			Statement of Revenues and Expenditures - Governmental Activities - Fire Protection			Statement of Revenues and Expenditures - Governmental Activities - Fire Protection
		Conversion			Conversion	
Revenues	\$ 1,633,558	\$ -	\$ 1,633,558	\$ 1,669,685	\$ -	\$ 1,669,685
Expenditures/Expenses/Transfers	2,162,764	(150,557)	2,012,207	1,689,340	14,254	1,703,594
Excess of Revenues Over (Under)						
Expenditures	(529,206)	150,557	(378,649)	(19,655)	(14,254)	(33,909)
Net Change	\$ (529,206)	\$ 150,557	\$ (378,649)	\$ (19,655)	\$ (14,254)	\$ (33,909)

	2013		
	<u>Modified Accrual</u>		<u>Full Accrual</u>
Statement of Revenues and Expenditures - Governmental Fund -Fire Protection			Statement of Revenues and Expenditures - Governmental Activities - Fire Protection
		Conversion	
Revenues	\$ 1,642,731	\$ -	\$ 1,642,731
Expenditures / Expenses	1,394,790	41,639	1,436,429
Excess of Revenues Over (Under)			
Expenditures	247,941	(41,639)	206,302
Net Change	\$ 247,941	\$ (41,639)	\$ 206,302

- Revenues for the year ended June 30, 2015 decreased 2% as a result of a decrease in hazard abatement program revenue and other revenue. Expenses in the Governmental Activities decreased 3% for the year ended June 30, 2015. Notable changes in expenses are pension amounts per GASB 68.
- Revenues for the year ended June 30, 2014 increased 2% as a result of a decrease in property taxes and an increase of other revenue. Expenses in the Governmental Activities increased 21% for the year ended June 30, 2014. Notable changes in expenses are salaries which are a result of changing payroll recording method from 50/50 split to 75/25 between Fire and Ambulance departments.

Proprietary Fund and Business-Type Activities (Water, Ambulance, and Sewer) Analysis

Net position for the Business-Type Activities is \$15,301,950 and \$17,050,176 at the close of June 30, 2015 and 2014 respectively. The decrease of \$1,748,226 for the year June 30, 2015 is the results of GASB 68 adjustment and the decrease of \$301,936 for the year June 30, 2014 is the results of expenses exceeding revenues. Revenues increased 6% for the year ended June 30, 2015, and expenses decreased 4%. For the year ended June 30, 2014, revenues decreased 1% and expenses decreased 1%.

Below is condensed financial information for the Proprietary Fund and Business-Type Activities:

Proprietary Fund - Change in Net Position

	2015	2014	2013
Operating Revenues			
Water Department	\$ 1,690,238	\$ 1,604,220	\$ 1,442,539
Ambulance Department	364,200	544,982	609,882
Sewer Department	1,516,978	1,441,351	1,331,572
Total Operating Revenues	<u>3,571,416</u>	<u>3,590,553</u>	<u>3,383,993</u>
Operating Expenses			
Water Department	1,769,592	1,712,540	1,673,824
Ambulance Department	419,504	596,564	772,739
Sewer Department	1,854,320	1,787,940	1,717,275
Total Operating Expenses	<u>4,043,416</u>	<u>4,097,044</u>	<u>4,163,838</u>
Operating Income (Loss)	(472,000)	(506,491)	(779,845)
Non-Operating Revenues	411,957	292,729	420,809
Non-Operating Expenses	(26,114)	(137,530)	(114,642)
Income (Loss) Before Property			
Contributions and Transfers	(86,157)	(351,292)	(473,678)
Transfers In	360,000	-	-
Property contributions	166,814	49,356	164,467
Change in Net Position	<u>\$ 440,657</u>	<u>\$ (301,936)</u>	<u>\$ (309,211)</u>

Analysis for the year ended June 30, 2015:

Below in condensed information related to the Proprietary Funds, by department.

Condensed Summary of Schedules of Revenues, Expenses, and Changes in Net Position - Proprietary Fund - by Departments

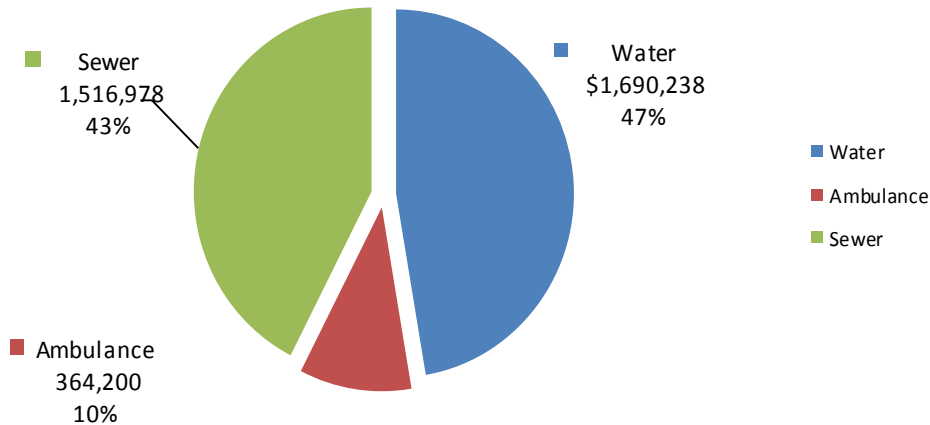
	Water Department		Ambulance Department		Sewer Department	
	2015	2014	2015	2014	2015	2014
Operating Revenues	\$ 1,690,238	\$ 1,604,220	\$ 364,200	\$ 544,982	\$ 1,516,978	\$ 1,441,351
Operating Expenses	1,769,592	1,712,540	419,504	596,564	1,854,320	1,787,940
Operating Income (Loss)	<u>(79,354)</u>	<u>(108,320)</u>	<u>(55,304)</u>	<u>(51,582)</u>	<u>(337,342)</u>	<u>(346,589)</u>
Nonoperating Revenues	153,396	73,478	63	-	258,963	219,251
Nonoperating Expenses	6,038	78,876	-	-	20,541	58,654
Total Nonoperating Revenues (Expenses)	<u>147,358</u>	<u>(5,398)</u>	<u>63</u>	<u>-</u>	<u>238,422</u>	<u>160,597</u>
Income (Loss) before						
Capital Contributions	68,004	(113,718)	(55,241)	(51,582)	(98,920)	(185,992)
Capital Contributions	16,483	1,818	-	-	150,331	47,538
Transfers In					360,000	
Change in Net Position	<u>\$ 84,487</u>	<u>\$ (111,900)</u>	<u>\$ (55,241)</u>	<u>\$ (51,582)</u>	<u>\$ 411,411</u>	<u>\$ (138,454)</u>

The condensed summary above shows that the Ambulance Department reported an operating loss for both the year ended June 30, 2015 and June 30, 2014, which means charges to customers for sales and services did not cover the costs of delivering those services.

Consecutive years of operating deficits do not automatically indicate fiscal distress; however, the situation should serve as an indicator to focus the District’s attention to the cause and effects within the overall long-term financial plan of the District. Multiple years of operating losses can serve to deteriorate the District’s Proprietary Fund. Therefore, the District’s challenge is to increase operating revenues, decrease operating expenses or both to have the effect of moving from an operating loss to an operating income in the Business-type Activities.

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2015:

2015 Operating Revenues



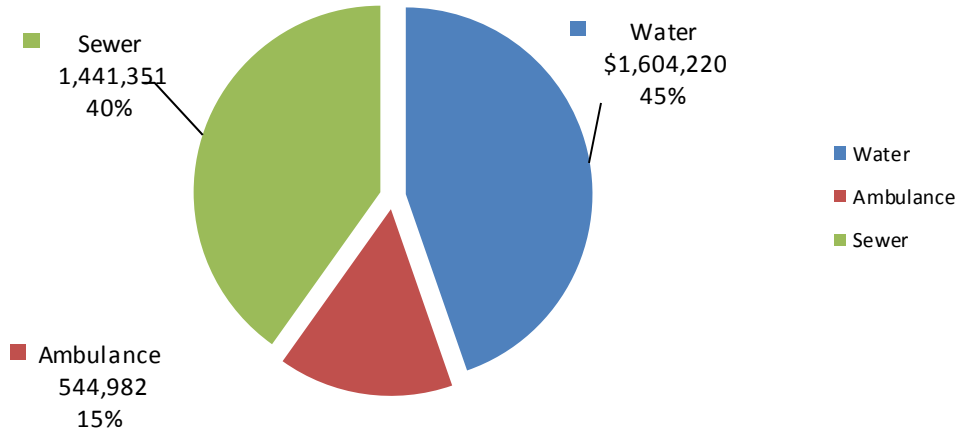
Factors contributing to the Proprietary Fund \$440,657 increase in net position for the year ended June 30, 2015 are as follows:

- Special R&R fee is starting to be charged. The Water R&R was \$68,998 and the Sewer R&R was \$82,256 for 2015 with none received in 2014.
- Transfer in of \$360,000 from the Fire Department.
- Interest expense was lower by \$68,100 (Water and Sewer collectively).
- In 2015, there was a slight gain on the disposal of assets of \$2,860. In 2014, there was a loss of \$43,133.
- Capital contributions increased to \$168,814 (Sewer \$150,331 and Water \$16,483) from \$49,356, a 242% increase

Analysis for the year ended June 30, 2014:

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2014:

2014 Operating Revenues



Factors contributing to the Proprietary Fund \$301,936 decrease in net position for the year ended June 30, 2014 are as follows:

- Charges in services increased
- No property taxes are allocated to the Water and Sewer Departments in 2014, which was the same in 2013.
- Non-operating revenues from Leachate loads (Sewer Department) decreased by 61% from the revenue recognized in 2013.
- Sewer Salaries increased by 21%.
- Losses (Water Department) of \$43,133 on disposed capital assets.
- Repairs and maintenance in the Sewer Department (collections) decreased by \$60,221 (42%).
- Cost for power for pumping (Water Department) decreased \$24,280 (30%).
- Utility cost for Joint use facilities increased \$30,163 (39%) due to electric rate change.
- Repair and Maintenance of plant equipment increased \$17,206 (42%).
- Solids handling decreased \$50,714 (42%) by changing operation.
- Ambulance contractual allowance increased by \$62,311 (21%) and uncollectible accounts increased by \$22,170 (12%) in 2014.
- Ambulance salaries decreased by \$189,634 (42%) due to changing the payroll split between Fire and Ambulance.
- Sewer Property Contributions decreased by \$106,244 (70%) due to less capital projects in 2014.

BUDGETARY HIGHLIGHTS

As previously noted, this annual financial report includes required supplementary information, which is a *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund Type – Fire Protection* and related notes. The schedule compares revenues and expenditures for Fire Protection with budgeted amounts and details the variance for each line item.

Fire Protection is the only department in the Governmental Fund.

Analysis for the Year Ended June 30, 2015:

The final budget projected a net increase in fund balance of \$63,738. The actual was a net decrease in of \$529,206. The notable variances for budget to actual are as follows:

- Transfers out to the Sewer Department of \$360,000 were not budgeted.
- Salaries and wages were \$202,674 higher than the budgeted amount due to higher compensated absences payouts.
- Capital outlays of \$45,486 were not budgeted.

Analysis for the Year Ended June 30, 2014:

The final budget projected a net decrease in fund balance of \$10,595. The actual net decrease in fund balance was \$19,655. The notable variances for budget to actual are as follows:

- Hazard abatement program were 55% less than the budgeted amount
- Reimbursement for other fire department were received and not budgeted.
- Intergovernmental revenues were received and not budgeted.
- Salaries and wages were \$35,005 (4%) higher than the budgeted amount due to the change of payroll split.
- Employee benefits were 8% higher than the budgeted amount.
- Small tools and instruments were 167% higher than the budgeted amount.
- Hazard abatement expenses were 63% less than the budgeted amount.
- Capital outlay expenditures are 24% higher than the budgeted amount.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2015 and 2014 amounts to \$18,440,817 and \$18,564,167 (net of accumulated depreciation) respectively. The investment at June 30, 2015 represents a net decrease (including additions and deductions) of .66% compared to a decrease of 1% for the year ended June 30, 2014. The investment in capital assets includes land, buildings, improvements, water systems, sewer collection and treatment systems, fire trucks, ambulances, trucks, automobiles, machinery, equipment, and office furniture and equipment.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities			Business-Type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,014,656	\$ 1,006,339	\$ 1,006,339	\$ 1,429,332	\$ 1,421,015	\$ 1,421,015
Construction in Progress				787,227	543,312	428,637	787,227	543,312	428,637
Structures and Improvements	121,443	126,340	136,201	-	-	-	121,443	126,340	136,201
Water Plant and Facilities	-	-	-	5,843,886	6,005,535	6,254,951	5,843,886	6,005,535	6,254,951
Sewer Plant and Facilities	-	-	-	9,500,589	9,599,102	9,596,986	9,500,589	9,599,102	9,596,986
Fire Trucks and Mounted Equipment	391,664	404,744	400,704	-	-	-	391,664	404,744	400,704
Trucks and Automobiles				269,198	335,804	364,471	269,198	335,804	364,471
Special Purpose Equipment	56,753	71,143	76,893	-	-	-	56,753	71,143	76,893
Furniture and Equipment				34,722	49,034	58,154	34,722	49,034	58,154
Office Equipment	518	661	806	-	-	-	518	661	806
Shop and Station Equipment	1,518	1,923	2,328	-	-	-	1,518	1,923	2,328
Communication Equipment	3,967	5,554	7,141	-	-	-	3,967	5,554	7,141
Total	\$ 990,539	\$1,025,041	\$1,038,749	\$17,450,278	\$17,539,126	\$17,709,538	\$18,440,817	\$18,564,167	\$18,748,287

The most significant construction-in-progress jobs open at June 30, 2015 include the following:

- Ayers Acres Groundwater Well Infrastructure
- Filter Effluent Enhance / expansion
- Sewer Telemetry system
- Sewer Lift Stations No 1-3

Additional information on the Running Springs Water District's capital assets can be found in Note 5 on pages 47-50 of the Basic Financial Statements.

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2015 and 2014 are \$6,109,101 and \$2,018,120 respectively. The drastic increase in 2015 was due to the implementation of Governmental Accounting Standards Board Statements 68 and 71. These statements required the District to record its Net Pension Liability with CalPERS as a liability. This amount was \$5,073,557 at June 30, 2015. In addition, the Pension Related Debt was removed due to the implementation of the new statements. Also during 2015, the District incurred expenses related to the State Water Resources Control Board Installment Payable 2014 and the Water Supply Installment Payable, Ayers, 2015. These loans increased the noncurrent liabilities by \$120,078 and \$550,000, respectively. Other the net pension liability, both 2015 and 2014 liabilities included compensated absences and bonds payable (net of all amounts due within one year).

Noncurrent Liabilities

	2015	2014	2013
Governmental Activities:			
Compensated Absences	\$ 97,000	\$ 241,954	\$ 198,894
Net Pension Liability	2,180,323	-	-
Pension Related Debt	-	472,065	514,579
Total	<u>2,277,323</u>	<u>714,019</u>	<u>713,473</u>
Less: Current Portion	(49,741)	(89,772)	(92,237)
Noncurrent Portion	<u>2,227,582</u>	<u>624,247</u>	<u>621,236</u>
Business-Type Activities:			
Bonds and Notes Payable:			
Sewer Treatment, 2001 Installment Payable	354,579	519,768	677,382
Sewer Treatment, SWRCB 2014 Installment Payable	120,078	-	-
Water Supply, 2015 Installment Payable, Ayers	550,000	-	-
Total Bonds and Notes Payable	<u>1,024,657</u>	<u>519,768</u>	<u>677,382</u>
Compensated Absences	220,883	187,617	144,424
Net Pension Liability	2,893,234	-	-
Pension Related Debt	-	929,358	960,962
Less: Current Portion	(257,255)	(242,870)	(225,324)
Noncurrent Portion	<u>3,881,519</u>	<u>1,393,873</u>	<u>1,557,444</u>
Government-Wide Summary			
Compensated Absences	317,883	429,571	343,318
Net Pension Liability	5,073,557	-	-
Pension Related Debt	-	1,401,423	1,475,541
Bonds and Notes Payable:	<u>1,024,657</u>	<u>519,768</u>	<u>677,382</u>
Totals	<u>6,416,097</u>	<u>2,350,762</u>	<u>2,496,241</u>
Less: Current Portion	(306,996)	(332,642)	(317,561)
Noncurrent Portion	<u>\$6,109,101</u>	<u>\$2,018,120</u>	<u>\$2,178,680</u>

The District paid principal payments on the bonds and notes payable of \$165,189 during the year ended June 30, 2015 and \$157,614 during the year ended June 30, 2014, respectively.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in Note 7 on pages 51-53 of the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Running Springs Water District is located where there is not much opportunity for growth in the form of new development. The District provides mutual fire service aid to Green Valley Lake and Arrowbear with no financial compensation and incurs shared wastewater transportation, treatment and disposal costs for upstream users who are billed for reimbursement.

For the fiscal years ending 2015-2019 water rates were adjusted to increase revenue to cover operating expenses and fund operating and capital reserve funds. There rate increases were needed in order to fund several deferred capital replacement projects, to replace aging infrastructure and to fund cash reserves to the levels set forth in the District's Cash Reserve Policy.

The Residential and Commercial Sewer Monthly Base Charges were also increased for the fiscal years ending 2015-2019. The increase in wastewater rates is primarily due to the loss of the non-operating revenue that has been collected since 2002 from the County of San Bernardino for the disposal of leachate from the Heap's Peak landfill. The loss of this non-operating revenue along with the need to move forward with several deferred capital replacement projects that were identified in the District's Wastewater Master Plan, including the replacement of aging infrastructure that has been deferred, was the driving force for these rate increases.

During the current year, the District adopted the Governmental Accounting Standards Board (GASB) GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. AS a result of the implementation the District now recognizes their long-term obligation for pension benefits as a liability on the government-wide and proprietary fund financial statements for the first time. See note 9 for more information.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Running Springs Water District's finances for all those with an interest in the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the General Manager, Running Springs Water District, PO Box 2206, Running Springs, California, 92382.

BASIC FINANCIAL STATEMENTS

Running Springs Water District
Statements of Net Position
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
ASSETS				
Cash	\$ 93,442	\$ 8,501	\$ 434,899	\$ 75,032
Temporary Investments	1,174,848	1,557,358	797,732	-
Receivables:				
Customers - Net of Allowance	-	-	819,855	811,182
Other	14,949	12,298	79,066	80,219
Taxes	16,631	47,742	3,552	-
Interest	-	-	1,726	7,951
Materials and Supplies Inventory	-	-	90,357	79,096
Prepaid Expenses	-	5,424	-	9,959
Internal Balances	-	198,893	-	(198,893)
Restricted Assets:				
Cash	10,691	10,691	6,667	6,667
Construction Receivables - Upstream Users	-	-	144,157	481,576
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,014,656	1,006,339
Construction in Progress	-	-	787,227	543,312
Capital Assets Net of Accumulated Depreciation	575,863	610,365	15,648,395	15,989,475
Total Assets	<u>2,301,100</u>	<u>2,865,948</u>	<u>19,828,289</u>	<u>18,891,915</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Contributions	403,283	-	451,231	-
Proportionate Share Contribution Differences	86,250	-	39,235	-
Pension Actuarial Amounts	-	-	2,225	-
Total Deferred Outflows of Resources	<u>489,533</u>	<u>-</u>	<u>492,691</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	39,798	40,938	170,424	131,023
Interest Payable	-	-	10,196	6,832
Other Payables	-	-	14,161	13,961
Unearned Availability Charges	-	-	52,926	53,180
Long-term Liabilities Due Within One Year	49,741	89,772	257,255	242,870
Noncurrent Liabilities:				
Long-term Liabilities	2,227,582	624,247	3,881,519	1,393,873
Total Liabilities	<u>2,317,121</u>	<u>754,957</u>	<u>4,386,481</u>	<u>1,841,739</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Actuarial Amounts	553,307	-	632,549	-
NET POSITION				
Net Investment in Capital Assets	990,539	1,025,041	16,425,621	17,032,156
Restricted For Debt Service	-	-	433,899	417,580
Unrestricted (deficit)	(1,070,334)	1,085,950	(1,557,570)	(399,560)
Total Net Position	<u>\$ (79,795)</u>	<u>\$ 2,110,991</u>	<u>\$ 15,301,950</u>	<u>\$ 17,050,176</u>

Total	
2015	2014
\$ 528,341	\$ 83,533
1,972,580	1,557,358
819,855	811,182
94,015	92,517
20,183	47,742
1,726	7,951
90,357	79,096
-	15,383
-	-
17,358	17,358
144,157	481,576
1,429,332	1,421,015
787,227	543,312
16,224,258	16,599,840
<u>22,129,389</u>	<u>21,757,863</u>
854,514	-
125,485	-
2,225	-
<u>982,224</u>	<u>-</u>
210,222	171,961
10,196	6,832
14,161	13,961
52,926	53,180
306,996	332,642
6,109,101	2,018,120
<u>6,703,602</u>	<u>2,596,696</u>
<u>1,185,856</u>	<u>-</u>
17,416,160	18,057,197
433,899	417,580
(2,627,904)	686,390
<u>\$ 15,222,155</u>	<u>\$ 19,161,167</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,652,207	\$ 16,940	\$ -	\$ 15,707
Business-type Activities:				
Water	1,775,165	1,761,849	-	16,483
Ambulance	419,504	364,200	-	-
Sewer	1,874,861	1,719,094	-	150,331
Total Business-type Activities	4,069,530	3,845,143	-	166,814
Total Primary Government	\$ 5,721,737	\$ 3,862,083	\$ -	\$ 182,521

General Revenues:
Property Taxes
Special Assessments - Availability Charges
Investment Earnings
Leasing Revenue
Gain on Sale of Capital Assets
Miscellaneous
Transfers

Total General Revenues

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$ (1,619,560)</u>	<u>\$ -</u>	<u>\$ (1,619,560)</u>
-	3,167	3,167
-	(55,304)	(55,304)
-	(5,436)	(5,436)
-	(57,573)	(57,573)
<u>(1,619,560)</u>	<u>(57,573)</u>	<u>(1,677,133)</u>
1,395,269	-	1,395,269
204,949	67,002	271,951
693	9,760	10,453
-	10,246	10,246
-	2,860	2,860
-	48,362	48,362
<u>(360,000)</u>	<u>360,000</u>	<u>-</u>
<u>1,240,911</u>	<u>498,230</u>	<u>1,739,141</u>
(378,649)	440,657	62,008
2,110,991	17,050,176	19,161,167
<u>(1,812,137)</u>	<u>(2,188,883)</u>	<u>(4,001,020)</u>
<u>\$ (79,795)</u>	<u>\$ 15,301,950</u>	<u>\$ 15,222,155</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,703,594	\$ 67,995	\$ -	\$ 6,294
Business-type Activities:				
Water	1,791,416	1,606,170	-	1,818
Ambulance	596,564	544,982	-	-
Sewer	1,846,594	1,607,655	-	47,538
Total Business-type Activities	4,234,574	3,758,807	-	49,356
Total Primary Government	\$ 5,938,168	\$ 3,826,802	\$ -	\$ 55,650

General Revenues:
Property Taxes
Special Assessments - Availability Charges
Investment Earnings
Leasing Revenue
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$ (1,629,305)</u>	<u>\$ -</u>	<u>\$ (1,629,305)</u>
-	(183,428)	(183,428)
-	(51,582)	(51,582)
-	(191,401)	(191,401)
-	(426,411)	(426,411)
<u>(1,629,305)</u>	<u>(426,411)</u>	<u>(2,055,716)</u>
1,392,109	-	1,392,109
201,950	70,802	272,752
1,337	32,189	33,526
-	9,275	9,275
-	12,209	12,209
<u>1,595,396</u>	<u>124,475</u>	<u>1,719,871</u>
(33,909)	(301,936)	(335,845)
<u>2,144,900</u>	<u>17,352,112</u>	<u>19,497,012</u>
<u>\$ 2,110,991</u>	<u>\$ 17,050,176</u>	<u>\$ 19,161,167</u>

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 93,442	\$ 8,501
Temporary Investments	1,174,848	1,557,358
Restricted Cash	10,691	10,691
Accounts Receivable:		
Fire Availability Charges and Other	14,949	12,298
Taxes Receivable	16,631	47,742
Interest Receivable	-	-
Due from Other Funds	-	198,893
Prepaid Expenses	-	5,424
	\$ 1,310,561	\$ 1,840,907
Total Assets		
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 39,798	\$ 40,938
	39,798	40,938
Fund Balances:		
Nonspendable:		
Prepays	-	5,424
Committed:		
Equipment Replacement - General	157,785	205,635
Equipment Replacement - Breathing Apparatus	76,528	76,528
Assigned:		
Workers' Compensation Fund	50,419	50,418
Unassigned	986,031	1,461,964
	1,270,763	1,799,969
Total Fund Balances		
	\$ 1,310,561	\$ 1,840,907
Total Liabilities and Fund Balances		

The accompanying notes are an integral part of this statement.

Running Springs Water District
Reconciliation of the Balance Sheets to the Statements of Net Position
Governmental Fund
June 30, 2015 and 2014

	2015	2014
Fund balances - total governmental fund	\$ 1,270,763	\$ 1,799,969
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	990,539	1,025,041
Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability are not reported in the funds.		
Deferred Pension Contributions	403,283	-
Proportionate Share Contribution Differences	86,250	-
Pension Actuarial Amounts - Inflows	(553,307)	-
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(97,000)	(241,954)
Net Pension Liability	(2,180,323)	-
Pension Related Debt	-	(472,065)
Net Position of Governmental Activities	\$ (79,795)	\$ 2,110,991

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Fund - Fire Protection
Years Ended June 30, 2015 and 2014

	2015	2014
REVENUES		
Property Taxes	\$ 1,395,269	\$ 1,392,109
Assessments - Fire Availability Charges	204,949	201,950
Hazard Abatement Program Revenue	8,184	15,794
Other Revenue	8,756	54,201
Interest Revenue	693	1,337
Intergovernmental Revenue	15,707	4,294
Total Revenues	1,633,558	1,669,685
EXPENDITURES		
Salaries and Wages	996,241	816,571
Director Fees	916	2,469
Employee Benefits	487,211	528,151
Payroll Taxes	13,155	13,008
Safety Clothing and Personal Supplies	12,343	12,033
Telephone	5,041	4,005
Insurance	69,318	65,274
Maintenance:		
Building	3,497	4,050
Automotive Equipment	18,463	11,757
Special Purpose Equipment	1,964	4,077
Memberships	5,513	3,013
Office	3,642	3,264
Professional Services	26,944	21,723
Education, Training	5,491	6,454
Small Tools and Instruments	1,247	10,675
Special Department Expense - Fire Fighting/Medical Supplies	7,138	8,454
Utilities	13,911	14,066
Dispatching	42,588	44,965
Community Relations - Fire Protection	1,232	2,752
Hazard Abatement	115	13,114
Miscellaneous	10,485	11,227
General Operating Expenses Allocated from Water Department -		
Salaries, Utilities, etc.	30,823	31,788
Capital Outlay	45,486	56,450
Total Expenditures	1,802,764	1,689,340
Excess (Deficiency) of Revenues Over Expenditures	(169,206)	(19,655)
OTHER FINANCING SOURCES (USES)		
Transfers Out	(360,000)	-
Total Other Financing Sources (Uses)	(360,000)	-
Net Change in Fund Balances	(529,206)	(19,655)
Fund Balance, Beginning of Year	1,799,969	1,819,624
Fund Balance, End of Year	\$ 1,270,763	\$ 1,799,969

Running Springs Water District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund
Balance of Governmental Fund to the Statements of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Net change in fund balances - governmental fund	\$ (529,206)	\$ (19,655)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlay	45,486	56,450
Depreciation	(79,988)	(70,158)
Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability.		
Deferred Pension Contributions	(256)	-
Proportionate Share Contribution Differences	86,250	-
Pension Actuarial Amounts - Inflows	(553,307)	-
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences	144,954	(43,060)
Net Pension Liability	507,418	-
Pension related debt	-	42,514
Change in Net Position of Governmental Activities	\$ (378,649)	\$ (33,909)

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	\$ 434,899	\$ 75,032
Temporary Investments	797,732	-
Receivables:		
Customers - Net of Allowances	819,855	811,182
Other	79,066	80,219
Taxes	3,552	-
Interest	1,726	7,951
Material and Supplies Inventory	90,357	79,096
Prepaid Expenses	-	9,959
Restricted:		
Cash	6,667	6,667
Construction Receivable - Upstream Users	144,157	185,962
Total Current Assets	2,378,011	1,256,068
Noncurrent Assets:		
Restricted: Construction Receivable - Upstream Users	-	295,614
Capital Assets Not Being Depreciated:		
Land	1,014,656	1,006,339
Construction in Progress	787,227	543,312
Capital Assets, Net of Accumulated Depreciation	15,648,395	15,989,475
Total Noncurrent Assets	17,450,278	17,834,740
Total Assets	19,828,289	19,090,808
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Contributions	451,231	-
Proportionate Share Contribution Differences	39,235	-
Pension Actuarial Amounts	2,225	-
Total Deferred Outflows of Resources	492,691	-
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	170,424	131,023
Interest Payable	10,196	6,832
Other Payables	14,161	13,961
Due to Other Funds	-	198,893
Unearned Availability Charges	52,926	53,180
Current Portion of Long-term Liabilities	257,255	242,870
Total Current Liabilities	504,962	646,759
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	3,881,519	1,393,873
Total Noncurrent Liabilities	3,881,519	1,393,873
Total Liabilities	4,386,481	2,040,632
DEFERRED INFLOWS OF RESOURCES		
Pension Actuarial Amounts	632,549	-
NET POSITION		
Net Investment in Capital Assets	16,425,621	17,019,358
Restricted for Debt Service	433,899	320,487
Unrestricted (deficit)	(1,557,570)	(289,669)
Total Net Position	\$ 15,301,950	\$ 17,050,176

Running Springs Water District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Water Department	\$ 1,690,238	\$ 1,604,220
Ambulance Department	364,200	544,982
Sewer Department	1,516,978	1,441,351
Total Operating Revenues	3,571,416	3,590,553
OPERATING EXPENSES		
Water Department	1,769,592	1,712,540
Ambulance Department	419,504	596,564
Sewer Department	1,854,320	1,787,940
Total Operating Expenses	4,043,416	4,097,044
Operating Income (Loss)	(472,000)	(506,491)
NONOPERATING REVENUES (EXPENSES)		
Leasing Revenue	10,246	9,275
Assessments - Water and Sewer Availability Charges	67,002	70,802
Interest	9,760	32,189
Special Meter Charges - Water	2,613	1,950
Special Water Charges - R&R Fee	68,998	-
Special Meter Charges - Treatment Plant	107,653	140,009
Special Sewer Charges -R&R Fee	82,256	-
Leachate Loads	12,207	26,295
Miscellaneous	48,362	12,209
Gain (Loss) on Disposal of Capital Assets - Net	2,860	(43,133)
Interest on Long-term Debt	(26,114)	(94,214)
Cost of Assessing Availability Charges	-	(183)
Total Nonoperating Revenue (Expenses)	385,843	155,199
Income (Loss) Before Transfers and Capital Contributions	(86,157)	(351,292)
Transfers In	360,000	-
Capital Contributions - Sewer	150,331	47,538
Capital Contributions - Water	16,483	1,818
Change in Net Position	440,657	(301,936)
Net Position, Beginning of Year	17,050,176	17,352,112
Prior Period Adjustment	(2,188,883)	-
Net Position, End of Year	\$ 15,301,950	\$ 17,050,176

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,562,743	\$ 3,603,116
Cash Payments for Employee Services	(2,186,372)	(1,964,979)
Cash Paid to Suppliers	(1,153,154)	(1,535,856)
Other Revenue	67,262	47,779
Net Cash Provided (Used) by Operating Activities	290,479	150,060
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	67,901	57,580
Cash Received (Paid to) Other Funds	161,107	198,893
Net Cash Provided (Used) by Non-Capital Financing Activities	229,008	256,473
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(629,090)	(530,125)
Proceeds from Sale of Capital Assets	3,325	-
Proceeds from Installments Payable	670,078	-
Capital Contributions	504,233	156,516
Special Meter Charges	261,520	141,959
Principal Payments on Debt	(165,189)	(157,614)
Interest Paid	(22,750)	(96,286)
Net Cash Provided (Used) by Capital and Related Financing Activities	622,127	(485,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	15,985	30,711
Net Cash Provided (Used) by Investing Activities	15,985	30,711
Net Increase (Decrease) in Cash and Cash Equivalents	1,157,599	(48,306)
Cash and Cash Equivalents, Beginning of Year	81,699	130,005
Cash and Cash Equivalents, End of Year	\$ 1,239,298	\$ 81,699
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Current Assets:		
Cash	\$ 434,899	\$ 75,032
Temporary Investments	797,732	-
Restricted Cash	6,667	6,667
Totals	\$ 1,239,298	\$ 81,699

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments - Continued
Years Ended June 30, 2015 and 2014

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	2015	2014
Operating Income (Loss)	\$ (472,000)	\$ (506,491)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	700,844	699,403
Other Income	67,262	47,779
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(8,673)	12,563
(Increase) Decrease in Prepaid Expenses	9,959	(9,826)
(Increase) Decrease in Inventory	(11,261)	(1,133)
(Increase) Decrease in Deferred Outflows - Pensions	(86,878)	-
Increase (Decrease) in Accounts Payable	42,731	(77,207)
Increase (Decrease) in Accrued Wages and Related Liabilities	13,499	(26,616)
Increase (Decrease) in Compensated Absences	33,266	43,192
Increase (Decrease) in Net Pension Liability	(630,819)	-
Increase (Decrease) in Deferred Inflows - Pensions	632,549	-
Increase (Decrease) in Pension Related Debt	-	(31,604)
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 290,479	\$ 150,060
 SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets on Account	\$ 25,370	\$ 41,999

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund (Assessment Districts)
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash with Fiscal Agent	\$ 117,900	\$ 117,900
Temporary Investments	239,767	252,252
Assessment Receivable	-	1,350
	\$ 357,667	\$ 370,152
Total Assets		
LIABILITIES		
Due to Bondholders	\$ 357,667	\$ 371,502
	\$ 357,667	\$ 371,502
Total Liabilities		

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	35-42
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Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business and Reporting Entity

The Running Springs Water District (the "District") was organized on March 17, 1958 under authority of the California Water Code. The District has been engaged in financing, constructing, operating, maintaining and furnishing water service to its customers since inception. In 1962, the District established a fire department to provide fire protection for the area included in the Water District. In 1976, the sewage disposal system was completed to provide sewer service for the District. An ambulance service has been provided by the District since 1983. In 2005, the Board adopted Ordinance No. 26 which provides authorization for the removal of dead or dying trees. The District is governed by a five-member Board of Directors whose members are elected by the registered voters in the District to staggered four-year terms.

The Board of Directors and officers of the District at June 30, 2015 are as follows:

<u>NAME</u>	<u>OFFICER</u>	<u>TERM EXPIRES</u>
Kenneth Ayers	President	December 2017
Ed Brittain	Vice-President	December 2015
Pamella Bennett	Director	December 2017
Mike Terry	Director	December 2015
Henry Heredia	Director	December 2017
Ryan Gross	General Manager	
Joan Eaton	Secretary/Treasurer	

The Board of Directors meets on the third Wednesday of each month.

Reporting Entity

In determining the agencies or entities which comprise the governmental entity for financial reporting purposes, the criteria of oversight responsibility over such entities, special financing relationships and scope of public service provided by the entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, the District has no component units at this time.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements - Continued

its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental fund, proprietary fund and fiduciary fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fire assessment taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. Only that portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The District reports the following major governmental fund:

The *Fire Protection Fund* - used to account for all activities relating to the District's Fire department.

The District reports a single *proprietary fund* - used to account for the operations of the Water, Sewer and Ambulance departments.

Additionally, the District reports an *Agency Fund* which is used to account for assets held by the District as an agent for property owners.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Donated plant and cash received for capital improvement without the requirement that the District give resources in exchange are recorded as contributions.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. 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 consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has three items that qualify for reporting in this category. Each of these items are a result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 9 – Pension Plans for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, which is a result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

E. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position.

F. Cash and Investments

Investments for the District are reported at fair value.

For purposes of reporting changes in cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

G. Customer Billings and Allowance for Uncollectible Accounts

Customers are billed on a monthly basis and the related revenues are recorded when customers are billed. Unbilled services are accrued at year-end.

Ambulance customers are billed after service has been provided. The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of the ambulance receivables. Allowance for uncollectible ambulance fees was \$1,273,142 and \$1,082,036 at June 30, 2015 and 2014, respectively.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Inventories

Inventories of materials and supplies, consisting of parts used for utility plant construction and repair, are carried at cost using the first-in, first-out method.

I. Restricted Assets

The District holds certain funds which are restricted for specific purposes. These restricted funds consist principally of construction receivable - upstream users (for debt service payments and repayment of funds advanced by the District for the water treatment expansion). These funds are not available for general operations.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year except for movable assets (assets that are freestanding and movable - vehicles, furniture, software and equipment) which are capitalized with initial cost of \$1,000 or more. As the District acquires or constructs capital assets they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are valued at the estimated fair value of the item on the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. For the current fiscal year no interest was capitalized. Total interest charged to expense for the 2014-15 and 2013-14 fiscal years was \$26,114 and \$94,214, respectively.

Capital contributions represent cash or capital asset additions contributed to the District by property owners or developers desiring service that require capital expenditures or capacity commitment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Plant and Facilities	20 - 75
Furniture and Equipment	3 - 10
Trucks and Automobiles	5

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Compensated Absences Liability

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed the total hours accrued in the preceding year in addition to the current year's accrual. Once the maximum limit is reached, all further accruals will cease until after an employee has taken vacation and his or her accrued vacation has dropped below the maximum limit. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. If an employee has reached the maximum accrual limit and is unable to take vacation because of the Department's workload, the following alternatives may be made available: (1) the General Manager may approve a waiver on the limit of maximum hours that may be accrued; or (2) the employee may request that the District buy back the unused vacation time, in accordance with the District's personnel policy manual. Any determinations in this regard are at the sole discretion of the General Manager.

Regular full-time 40-hour week employees accrue 8 hours of sick time per month while 24-hour shift regular full-time employees accrue 12 hours of sick time per month. Upon termination of employment accrued sick time is only paid out based on an approved District formula to eligible employees who have 10 or more years of continuous service with the District and voluntarily terminate their employment with the District.

In accordance with generally accepted accounting principles, the liability for the above accruals is reflected on the government-wide and proprietary fund financial statements, and the current year allocation has been expensed.

L. Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance - Continued

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the Board of Directors by ordinance or resolution to formally commit part of the Fire Fund's fund balance or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal Board of Director's action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Board's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The District's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the General Manager.

Unassigned Fund Balance - These are either residual positive net resources of the Fire Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Property Tax

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1st Installment
	February 1	2nd Installment
Delinquent Dates	December 10	1st Installment
	April 10	2nd Installment

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes.

O. Reclassifications

Certain amounts in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 presentation.

P. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement was issued to address accounting and financial reporting issues related to fair value measurements. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2015. The District has elected not to early implement this statement and has not determined its effect on the financial statements.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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 the benefit terms. Investments are reported at fair value.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2015 and 2014 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Statement of Fiduciary Assets and Liabilities	2015 Total	2014 Total
Cash	\$ 528,341	\$ -	\$ 528,341	\$ 83,533
Temporary Investments	1,972,580	239,767	2,212,347	1,809,610
Restricted Cash	17,358	-	17,358	17,358
Cash with Fiscal Agent	-	117,900	117,900	117,900
	<u>\$ 2,518,279</u>	<u>\$ 357,667</u>	<u>\$ 2,875,946</u>	<u>\$ 2,028,401</u>

Cash and Investments consists of the following:

	2015	2014
Deposits with Financial Institutions	\$ 544,699	\$ 99,981
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	2,212,347	1,809,610
Held by Bond Trustee:		
Money Market Fund	117,900	117,900
	<u>\$ 2,875,946</u>	<u>\$ 2,028,491</u>

Restricted Cash

Restricted cash of \$17,358 represent deposits with a financial institution for payment of workers' compensation insurance claims.

Investments Authorized by the California Government Code and the District's Investment Policy

The District's investment policy authorizes investment in the LAIF. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Cash and investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which such funds can be invested.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

2) CASH AND TEMPORARY INVESTMENTS – Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rates risk by limiting its investments in the State's investment pool.

As of June 30, 2015 and 2014, the District had the following investments:

	2015 Amount	2015 Maturity Date 12 Months or Less	2014 Amount	2014 Maturity Date 12 Months or Less
LAIF	\$ 2,212,347	\$ 2,212,347	\$ 1,809,610	\$ 1,809,610
Held by Bond Trustee				
Money Market Fund	<u>117,900</u>	<u>117,900</u>	<u>117,900</u>	<u>117,900</u>
	<u>\$ 2,330,247</u>	<u>\$ 2,330,247</u>	<u>\$ 1,927,510</u>	<u>\$ 1,927,510</u>

Disclosures Relating to Credit Risk

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

Investment Type	2015 Amount	Minimum Legal Rating	Aaa	Not Rated	2014 Amount
LAIF	\$2,212,347	None	\$ -	\$2,212,347	\$ 1,809,610
Held by Bond Trustee					
Money Market Fund	<u>117,900</u>	N/A	<u>117,900</u>	<u>-</u>	<u>117,900</u>
	<u>\$2,330,247</u>		<u>\$ 117,900</u>	<u>\$2,212,347</u>	<u>\$ 1,927,510</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

2) CASH AND TEMPORARY INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2015 and 2014, the District had no investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015 and 2014, the District had no deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each local government may invest up to \$50,000,000 in the Fund. Investments in LAIF are highly liquid assets and are secured by the full faith and credit of the State of California. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Customers - Water and Sewer	\$ 325,734	\$ 312,467
Ambulance Receivable	1,767,263	1,580,751
Allowance for Uncollectible Ambulance Charges	(1,273,142)	(1,082,036)
	\$ 819,855	\$ 811,182

Management considers the receivable from water and sewer customers to be fully collectible; accordingly, the allowance for doubtful accounts for water and sewer customers is zero.

4) OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2015 and 2014:

	Governmental Activities		Business-Type Activities	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Availability Charges	\$ 14,902	\$ 12,251	\$ 27,520	\$ 16,093
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	51,226	63,578
Miscellaneous	47	47	-	228
Total	\$ 14,949	\$ 12,298	\$ 79,066	\$ 80,219

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets, Being Depreciated:				
Structures and Improvements	395,451	5,010	-	400,461
Fire Trucks and Mounted Equipment	1,033,620	40,476	-	1,074,096
Special Purpose Equipment	302,445	-	-	302,445
Office Equipment	15,169	-	-	15,169
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,769,048	45,486	-	1,814,534
Less Accumulated Depreciation:				
Structures and Improvements	269,110	9,908	-	279,018
Fire Trucks and Mounted Equipment	628,876	53,556	-	682,432
Special Purpose Equipment	231,304	14,388	-	245,692
Office Equipment	14,507	144	-	14,651
Shop and Station Equipment	9,332	405	-	9,737
Communication Equipment	5,554	1,587	-	7,141
Total Accumulated Depreciation	1,158,683	79,988	-	1,238,671
Total Capital Assets Being Depreciated, Net	610,365	(34,502)	-	575,863
Governmental Activities Capital Assets, Net	<u>\$ 1,025,041</u>	<u>\$(34,502)</u>	<u>\$ -</u>	<u>\$ 990,539</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

5) CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decrease	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,006,339	\$ 8,317	\$ -	\$ 1,014,656
Construction in Progress	543,312	312,259	68,344	787,227
 Total Capital Assets Not Depreciated	 1,549,651	 320,576	 68,344	 1,801,883
 Capital Assets, Being Depreciated:				
Water Plant and Facilities	9,941,984	34,035	40,568	9,935,451
Sewer Plant and Facilities	17,082,170	310,473	-	17,392,643
Furniture and Equipment	275,008	-	1,320	273,688
Trucks and Automobiles	1,425,297	15,721	20,225	1,420,793
 Total Capital Assets Being Depreciated	 28,724,459	 360,229	 62,113	 29,022,575
 Less Accumulated Depreciation:				
Water Plant and Facilities	3,936,448	195,220	40,103	4,091,565
Sewer Plant and Facilities	7,483,068	408,986	-	7,892,054
Furniture and Equipment	225,974	14,312	1,320	238,966
Trucks and Automobiles	1,089,494	82,326	20,225	1,151,595
 Total Accumulated Depreciation	 12,734,984	 700,844	 61,648	 13,374,180
 Total Capital Assets Being Depreciated, Net	 15,989,475	 (340,615)	 465	 15,648,395
 Business-Type Activities Capital Assets, Net	 \$17,539,126	 \$(20,039)	 \$ 68,809	 \$17,450,278

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Fire Protection	\$ 79,988
Business-type Activities	700,844

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

5) CAPITAL ASSETS - Continued

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets, Being Depreciated:				
Structures and Improvements	395,451	-	-	395,451
Fire Trucks and Mounted Equipment	985,770	47,850	-	1,033,620
Special Purpose Equipment	293,845	8,600	-	302,445
Office Equipment	15,169	-	-	15,169
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,712,598	56,450	-	1,769,048
Less Accumulated Depreciation:				
Structures and Improvements	259,250	9,860	-	269,110
Fire Trucks and Mounted Equipment	585,066	43,810	-	628,876
Special Purpose Equipment	216,952	14,352	-	231,304
Office Equipment	14,363	144	-	14,507
Shop and Station Equipment	8,927	405	-	9,332
Communication Equipment	3,967	1,587	-	5,554
Total Accumulated Depreciation	1,088,525	70,158	-	1,158,683
Total Capital Assets Being Depreciated, Net	624,073	(13,708)	-	610,365
Governmental Activities Capital Assets, Net	<u>\$ 1,038,749</u>	<u>\$(13,708)</u>	<u>\$ -</u>	<u>\$ 1,025,041</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decrease	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,006,339	\$ -	\$ -	\$ 1,006,339
Construction in Progress	428,637	383,916	269,241	543,312
	<u>1,434,976</u>	<u>383,916</u>	<u>269,241</u>	<u>1,549,651</u>
Capital Assets, Being Depreciated:				
Water Plant and Facilities	10,032,558	9,888	100,462	9,941,984
Sewer Plant and Facilities	16,693,211	391,503	2,544	17,082,170
Furniture and Equipment	295,755	5,858	26,605	275,008
Trucks and Automobiles	1,375,297	50,200	200	1,425,297
	<u>28,396,821</u>	<u>457,449</u>	<u>129,811</u>	<u>28,724,459</u>
Less Accumulated Depreciation:				
Water Plant and Facilities	3,777,607	216,170	57,329	3,936,448
Sewer Plant and Facilities	7,096,225	389,387	2,544	7,483,068
Furniture and Equipment	237,601	14,978	26,605	225,974
Trucks and Automobiles	1,010,826	78,868	200	1,089,494
	<u>12,122,259</u>	<u>699,403</u>	<u>86,678</u>	<u>12,734,984</u>
Total Capital Assets Being Depreciated, Net	<u>16,274,562</u>	<u>(241,954)</u>	<u>43,133</u>	<u>15,989,475</u>
Business-Type Activities Capital Assets, Net	<u>\$17,709,538</u>	<u>\$ 141,962</u>	<u>\$312,374</u>	<u>\$17,539,126</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Fire Protection	\$ 70,158
Business-type Activities	699,403

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2015 and 2014:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Grants Payable	\$ -	\$ -	\$ 13,958	\$ 13,958
Miscellaneous	-	-	203	3
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,161</u>	<u>\$ 13,961</u>

7) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 241,954	\$ 85,877	\$ 230,831	\$ 97,000	\$ 49,741
Net Pension Liability	-	2,687,741	507,418	2,180,323	-
Pension Related Debt	472,065	-	472,065	-	-
Governmental Activities Long-term Liabilities	<u>\$ 714,019</u>	<u>\$ 2,773,618</u>	<u>\$ 1,210,314</u>	<u>\$ 2,277,323</u>	<u>\$ 49,741</u>
Business-Type Activities					
Sewer Treatment, 2001 Installment Payable	\$ 519,768	\$ -	\$ 165,189	\$ 354,579	\$ 173,129
Sewer Treatment, SWRCB Installment Payable, 2014	-	120,078	-	120,078	-
Water Supply, 2015 Installment Payable, Ayers	-	550,000	-	550,000	47,037
Compensated Absences	187,617	157,856	124,590	220,883	37,089
Net Pension Liability	-	3,524,053	630,819	2,893,234	-
Pension Related Debt	929,358	-	929,358	-	-
Business-Type Activities Long-term Liabilities	<u>\$ 1,636,743</u>	<u>\$ 4,351,987</u>	<u>\$ 1,849,956</u>	<u>\$ 4,138,774</u>	<u>\$ 257,255</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

7) LONG-TERM LIABILITIES - Continued

The following is a summary of long-term liabilities for the year ended June 30, 2014:

	Beginning Balance	Additions	Retirement	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 198,894	\$ 103,052	\$ 59,992	\$ 241,954	\$ 43,059
Pension Related Debt	514,579	-	42,514	472,065	46,713
Governmental Activities Long-term Liabilities	<u>\$ 713,473</u>	<u>\$ 103,052</u>	<u>\$ 102,506</u>	<u>\$ 714,019</u>	<u>\$ 89,772</u>
Business-Type Activities					
Sewer Treatment, 2001 Installment Payable	\$ 677,382	\$ -	\$ 157,614	\$ 519,768	\$ 165,189
Compensated Absences	144,424	147,035	103,842	187,617	43,192
Pension Related Debt	960,962	-	31,604	929,358	34,489
Business-Type Activities Long-term Liabilities	<u>\$ 1,782,768</u>	<u>\$ 147,035</u>	<u>\$ 293,060</u>	<u>\$ 1,636,743</u>	<u>\$ 242,870</u>

2001 Installment Payable

On December 21, 2001, the District issued Sewer Treatment 2001 Installment Payable in the amount of \$2,000,000 at 4.75% to pay for sewer treatment plant improvements. The installment payable is being repaid in thirty semi-annual installments with the first installment due September 21, 2002. Section 5.03 of the Installment Payable agreement requires the net revenues of the sewer department to exceed operating expenses (excluding depreciation) by at least 1.15 times the current year debt service payments. For the year ended June 30, 2015 the coverage was 1.96 times.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 173,129	\$ 14,811
2017	181,450	6,489
	<u>\$ 354,579</u>	<u>\$ 21,300</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

7) LONG-TERM LIABILITIES - Continued

2014 SWRCB Installment Payable

The District entered into an installment sale agreement as of May 15, 2015, with the California State Water Resources Control Board (SWRCB), to finance improvements to certain sewer lift stations (project). The SWRCB agreed to provide project funds of up to \$2,800,000, of which the District had received \$120,078 as of June 30, 2015. The District will be required to repay amounts borrowed upon completion of the project. Installment payments will include principal and interest at 1.9% per annum. The term of the agreement is from September 8, 2014 to July 31, 2036 and a repayment schedule will be provided upon project completion.

2015 Installment Payable

The District entered into an installment sale agreement on March 1, 2015, with the Municipal Finance Corporation, to finance the District's share of the costs of constructing certain improvements to the water supply facilities. The District received \$550,000 under the agreement, which is to be repaid over a 10-year period, including interest at 3.4%. The District's obligation to pay the installment payments is limited solely to the net revenues of the water enterprise. The net revenues, as defined by the installment agreement, are irrevocably pledged to the payment of the installment payments and any parity obligations. The District has covenanted to set rates and fees which are sufficient to yield net revenues which are at least equal to 115% of the aggregate amount of installment payments each year.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
<u> </u>	<u> </u>	<u> </u>
2016	\$ 47,037	\$ 18,304
2017	48,650	16,691
2018	50,318	15,022
2019	52,043	13,297
2020	53,828	11,513
2021	55,674	9,667
2022	57,583	7,758
2023	59,557	5,784
2024	61,599	3,741
2025	63,711	1,629
	<u>\$ 550,000</u>	<u>\$ 103,406</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

8) NO-COMMITMENT DEBT

On July 21, 2003, the District issued \$1,361,000 limited obligation improvement bonds, Series 2003 for Assessment District No. 10. Interest ranging from 2.50% to 6.00% is payable semi-annually on March 2nd and September 2nd each year. The Bonds mature September 2nd commencing September 2, 2004 and continuing through 2023.

The Bonds are limited obligations of the District payable solely from the installments of unpaid assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the Bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or the interest on the Bonds. Therefore none of the limited obligation improvement bonds have been included in the accompanying financial statements. As of June 30, 2015, there were outstanding bonds of \$765,000.

The District in prior years received assessments for the payment of obligations for Assessment District No. 5, 7 and 9. The said obligations have been paid off; however, the District has a total of \$91,869 in excess assessments from the three Assessment Districts. These funds are being used to fund improvements and operations and maintenance in the three Assessment Districts, and are reported in the Agency Funds.

9) PENSION PLANS

General Information about the Defined Benefit Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous and Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plans are cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS - Continued

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average
Required employee contribution rates	8%	6.25%
Required employer contribution rates	25.396%	6.25%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	3% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average
Required employee contribution rates	9%	11.5%
Required employer contribution rates	35.800%	11.5%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District pays the required employee contribution on behalf of the employees for Miscellaneous and Safety employees hired prior to April 1, 2014. Employees hired after April 1, 2014 pay the required employee contributions. Also, effective July 1, 2015, subsequent to the fiscal year, the District's Board adopted resolutions to phase out, over a 4-year period, the contributions paid by the District on behalf of the employees.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS - Continued

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 247,901	\$ 249,598
Contributions - employee (paid by employer)	104,170	82,777

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 2,893,234
Safety	2,180,323
Total Net Pension Liability	\$ 5,073,557

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2013	0.10754%	0.05618%
Proportion - June 30, 2014	0.11706%	0.05813%
Change - Increase (Decrease)	0.00952%	0.00195%

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS - Continued

For the year ended June 30, 2015, the District recognized pension expense of \$729,261. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 854,515	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	127,709	59,094
Net differences between projected and actual earnings on plan investments	-	1,126,762
 Total	 \$ 982,224	 \$ 1,185,856

\$854,515 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2016	\$ (257,185)
2017	(257,185)
2018	(262,086)
2019	(281,691)
2020	-
Thereafter	-

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.50% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS – Continued

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

9) PENSION PLANS – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 4,495,654	\$ 3,436,174
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 2,893,234	\$ 2,180,323
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 1,563,378	\$ 1,145,556

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

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Special District Risk Management Authority (Authority), a joint powers agreement authority. The Authority was created under the provisions of California Government Code Section 6500 *et. seq.*

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

10) RISK MANAGEMENT - Continued

The Authority is governed by a board consisting of seven members who are elected at-large from the membership. The board controls the operations of the Authority including selection of management and approval of operating budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The purpose of the Authority is to provide risk financing and risk management services by arranging and administering programs of insurance. The District is insured up to \$10,000,000 with a \$500 deductible per occurrence for property damage claims and \$1,000 per occurrence for property damage losses and up to \$5,000,000 for workers' compensation liability with no deductible. The District is also insured under the Authority for automobile, property, employment practices, employee dishonesty, public officials and employee liability, and various other claims with various coverage limits. Separate financial statements of Authority may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. There were no claims liabilities reported in these financial statements as of June 30, 2015 and 2014.

11) SALVAGE VALUES PERTAINING TO GRANT MONIES

The District received a Volunteer Fire Assistance (VFA) award from the State of California Department of Forestry and Fire Protection in the amount of \$180,000 during the year ended June 30, 2006. The grant was to assist with the purchase of the Type II Wildland Fire Engine, which was purchased in September 2005. Under the grant agreement, the Federal Government has a vested interest in the fire engine until such time as the fair market value is less than \$5,000. The VFA percentage used to purchase the equipment will be applied to the sale price and recovered for the Federal Government during the sale. The Federal Government may not have to be reimbursed if the disposal sale amounts to a fair market value of less than \$5,000.

12) LOSS CONTINGENCY

On January 1, 2010, Section 2 of Section 116875 of the Health and Safety Code of California became operative. The section modified the allowed content of lead in pipes and plumbing supplies in order to be considered "lead free." Management is in the process of evaluating the effects that this modified law will have on the District. The District has identified and removed obsolete inventory and there is the potential for additional inventory to be scrapped as obsolete. As of June 30, 2015, the amount of the loss on the additional inventory cannot be reasonably estimated.

Running Springs Water District
Notes to Financial Statements
June 30, 2015 and 2014

13) COMMITMENTS

At June 30, 2015, in the opinion of the District's management, there are no other outstanding matters which could have a significant effect on the financial position of the funds of the District.

14) PRIOR PERIOD ADJUSTMENTS

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2014-15. As a result, the beginning net position in the Statement of Activities – Governmental Activities and Business-type Activities was restated by \$1,812,137 and \$2,188,883, respectively, to reflect the cumulative effect of applying this statement. In addition, the beginning net position in the Statement of Revenues Expenses, and Changes in Net Position – Proprietary Funds was restated by \$2,188,883, to reflect the cumulative effect of applying this statement.

The financial statements for the year ended June 30, 2014 were not restated to reflect the effects of GASB Statement No. 68 because it was not deemed practical as described in the GASB 68 pronouncement.

REQUIRED SUPPLEMENTARY INFORMATION

**Running Springs Water District
Required Supplementary Information
June 30, 2015 and 2014**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Years***

		Miscellaneous Risk Pool 2015
Proportion of the Net Pension Liability		0.04650%
Proportionate Share of Net Pension Liability	\$	2,893,234
Covered - Employee Payroll	\$	1,301,506
Proportionate Share of the Net Pension Liability as a percentage of Payroll		222.30%
Plan's Fiduciary Net Position	\$	9,185,664
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		76.05%
		Safety Risk Pool 2015
Proportion of the Net Pension Liability		0.03504%
Proportionate Share of Net Pension Liability	\$	2,180,323
Covered - Employee Payroll	\$	998,019
Proportionate Share of the Net Pension Liability as a percentage of Payroll		218.47%
Plan's Fiduciary Net Position	\$	7,195,369
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		94.98%

Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: None

*Fiscal year 2015 is the first year of implementation, therefore only one year of information is available.

**Running Springs Water District
Required Supplementary Information
June 30, 2015 and 2014**

**SCHEDULE OF PLAN CONTRIBUTIONS
Last 10 Years***

		2015
Contractually Required Contributions (actuarially determined)	\$	621,651
Contributions in Relation to the Actuarially Determined Contributions		(621,651)
Contribution Deficiency (Excess)	\$	-
Covered-Employee Payroll	\$	2,299,525
Contributions as a Percentage of Covered Employee Payroll		27.03%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013

*Fiscal year 2015 is the first year of implementation, therefore only one year of information is available.

Running Springs Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund - Fire Protection
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,395,269	\$ (4,731)
Assessments - Fire Availability Charges	200,000	200,000	204,949	4,949
Hazard Abatement Program Revenue	17,500	17,500	8,184	(9,316)
Other Revenue	6,700	6,700	8,756	2,056
Interest Revenue	1,500	1,500	693	(807)
Intergovernmental Revenue	10,000	10,000	15,707	5,707
	<u>1,635,700</u>	<u>1,635,700</u>	<u>1,633,558</u>	<u>(2,142)</u>
EXPENDITURES				
Salaries and Wages	793,567	793,567	996,241	(202,674)
Director Fees	2,850	2,850	916	1,934
Employee Benefits	495,755	495,755	487,211	8,544
Payroll Taxes	15,771	15,771	13,155	2,616
Safety Clothing and Personal Supplies	14,750	14,750	12,343	2,407
Telephone	4,080	4,080	5,041	(961)
Insurance	57,449	57,449	69,318	(11,869)
Maintenance:				
Building	2,000	2,000	3,497	(1,497)
Automotive Equipment	14,700	14,700	18,463	(3,763)
Special Purpose Equipment	4,650	4,650	1,964	2,686
Memberships	4,190	4,190	5,513	(1,323)
Office	2,840	2,840	3,642	(802)
Professional Services	24,925	24,925	26,944	(2,019)
Education, Training	6,500	6,500	5,491	1,009
Small Tools and Instruments	4,000	4,000	1,247	2,753
Special Department Expense - Fire				
Fighting/Medical Supplies	7,400	7,400	7,138	262
Utilities	12,564	12,564	13,911	(1,347)
Dispatching	47,612	47,612	42,588	5,024
Community Relations - Fire Prevention	2,600	2,600	1,232	1,368
Hazard Abatement	17,500	17,500	115	17,385
Miscellaneous	5,436	5,436	10,485	(5,049)
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	30,823	30,823	30,823	-
Capital Outlay	-	-	45,486	(45,486)
	<u>1,571,962</u>	<u>1,571,962</u>	<u>1,802,764</u>	<u>(230,802)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>63,738</u>	<u>63,738</u>	<u>(169,206)</u>	<u>(232,944)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(360,000)	(360,000)
	<u>-</u>	<u>-</u>	<u>(360,000)</u>	<u>(360,000)</u>
Net Change in Fund Balances	63,738	63,738	(529,206)	<u>\$ (592,944)</u>
Fund Balance, Beginning of Year	<u>1,799,969</u>	<u>1,799,969</u>	<u>1,799,969</u>	
Fund Balance, End of Year	<u>\$ 1,863,707</u>	<u>\$ 1,863,707</u>	<u>\$ 1,270,763</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2015 and 2014

BUDGETARY DATA

Annual budgets adopted by the Board of Directors provide for operations, debt service and capital expenditures of the District. Between the months of December and February each year, department supervisors, the General Manager, and the Board of Directors hold a budget workshop at the District office and discuss plans, rates, etc. for the upcoming fiscal year. Each department supervisor prepares a budget after the workshop and submits it to the General Manager for review. The budget is then forwarded to the Finance Committee for their review and approval. Upon the Finance Committee's approval, the budget is presented to the Board of Directors. The Board conducts public meetings on the proposed budget only if there are rate increases and then, on or before June 30, the budget is adopted by the Board. The appropriated budget is prepared by departments. Budgetary controls are set by the Board.

Total expenditures in the Governmental Fund – Fire Protection exceeded appropriations by \$230,802.

SUPPLEMENTARY INFORMATION

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Monthly Service Charges	\$ 958,401	\$ 874,317
Metered Water Sales and Water from Hydrants	673,242	675,621
Turn-on and Shut-off Charges	13,510	13,700
Delinquent Charges and Service Fees	45,085	40,582
Total Operating Revenues	1,690,238	1,604,220
OPERATING EXPENSES		
Source of Supply:		
Supervision, Labor and Expense	22,836	22,660
Maintenance	1,131	2,939
Purchased Water	283,543	275,245
Pumping:		
Maintenance and Power	721	3,547
Purchased Power	46,348	57,081
Water Treatment:		
Supervision, Labor and Expense	27,137	26,927
Water Purification Expense	20,265	22,907
Transmission and Distribution:		
Supervision, Labor and Expense	178,011	173,864
Maintenance and Repairs	13,555	8,585
Maintenance - Blacktop and Street	2,961	1,980
Customer's Accounts:		
Supervision, Labor and Expense for Meter Reading and		
Maintenance	140,271	138,593
Meter Maintenance	11,302	1,016
Uncollectible Accounts	939	176
Administrative and General:		
Salaries	333,790	304,604
Director's Fees	916	2,469
Office Supplies and Expenses	46,674	50,911
Computer Technical Support	25,836	36,468
Truck Expenses, Gas and Oil	6,996	9,348
Truck Expenses, Repairs and Tractor Expense	1,605	5,576
Utilities	10,002	11,728
Telephone	4,992	5,320
Employee Benefits	283,570	208,723
Payroll Taxes	11,011	10,881
Repairs and Maintenance	10,433	10,710
Permits	13,379	16,280
Professional Services	64,463	70,966

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department - Continued
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING EXPENSES - Continued		
Administrative and General: - Continued		
Dues and Subscriptions	\$ 3,787	\$ 6,767
Miscellaneous Supplies	1,289	3,077
Educational Programs	2,602	1,914
Insurance	39,812	40,095
Radio Maintenance	-	1,393
Miscellaneous	1,938	3,800
Depreciation	225,357	243,698
General Expense Allocated to Sewer, Fire and Ambulance Departments	(67,880)	(67,708)
Total Operating Expenses	1,769,592	1,712,540
Operating Income (Loss)	(79,354)	(108,320)
NONOPERATING REVENUES (EXPENSES)		
Leasing Revenue	10,246	9,275
Assessments - Water Availability Charges	47,846	53,453
Interest	1,107	1,483
Special Meter Charges - Water	2,613	1,950
Special Water Charges - R&R Fee	68,998	-
Miscellaneous	22,586	7,317
Gain (Loss) on Disposal of Capital Assets - Net	(465)	(43,133)
Interest on Long-term Debt	(5,573)	(35,651)
Cost of Assessing Availability Charges	-	(92)
Total Nonoperating Revenues (Expenses)	147,358	(5,398)
Income (Loss) Before Capital Contributions	68,004	(113,718)
Capital Contributions	16,483	1,818
Change in Net Position	\$ 84,487	\$ (111,900)

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Ambulance Department
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Ambulance Service Fees	\$ 364,200	\$ 544,982
Total Operating Revenues	364,200	544,982
OPERATING EXPENSES		
Salaries	306,146	286,544
Insurance	8,181	7,786
Telephone	2,176	2,548
Office Expense	1,840	1,702
Professional Services	21,001	18,293
Permits and Fees	-	275
Dues and Subscriptions	2,073	1,336
Medical Supplies	13,682	8,861
Gas, Fuel, and Oil	7,966	10,231
Vehicle Repairs and Maintenance	13,889	12,835
Miscellaneous Supplies	1,262	2,365
Uncollectible Accounts	4,484	207,095
Depreciation	29,391	29,720
General Expense Allocated to Sewer, Fire and Ambulance Departments	7,413	6,973
Total Operating Expenses	419,504	596,564
Operating Income (Loss)	(55,304)	(51,582)
NONOPERATING REVENUES (EXPENSES)		
Interest	63	-
Total Nonoperating Revenues (Expenses)	63	-
Change in Net Position	\$ (55,241)	\$ (51,582)

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Sewer Charges	\$ 1,195,803	\$ 1,092,979
Usage Charges	86,679	98,931
Expense Reimbursement from Upstream Users	230,054	244,485
California Demand Response Program (EnerNOC)	4,442	4,956
Total Operating Revenues	1,516,978	1,441,351
OPERATING EXPENSES		
Sewage Collection:		
Salaries and Wages	309,534	271,606
Repairs and Maintenance	96,202	84,441
Sewage Treatment:		
Salaries and Wages	244,018	260,793
Utilities, Electricity	145,329	132,525
Operating Supplies	3,403	1,978
Repairs and Maintenance	96,444	137,728
Chemical Analysis	5,306	6,926
Administrative and General:		
Salaries	53,427	52,129
Director's Fees	4,694	2,469
Employee Benefits	224,428	185,495
Payroll Taxes	8,020	7,132
Permits	36,248	35,448
Insurance	57,034	52,221
Maintenance - Truck	19,398	24,316
Memberships and Dues	7,045	7,485
Education and Training	1,249	1,686
Professional Services	51,865	51,032
Repairs and Maintenance	-	281
Small Tools	11,036	11,858
Telephone	2,761	4,368
Office Expense	1,139	1,091
Depreciation Expense	446,096	425,985
General Expense Allocated to Sewer, Fire and Ambulance Departments	29,644	28,947
Total Operating Expenses	1,854,320	1,787,940
Operating Income (Loss)	(337,342)	(346,589)

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department - Continued
Years Ended June 30, 2015 and 2014

	2015	2014
NONOPERATING REVENUES (EXPENSES)		
Assessments - Sewer Availability Charges	\$ 19,156	\$ 17,349
Interest	8,590	30,706
Special Sewer Charges - Treatment Plant Improvements	107,653	140,009
Special Sewer Charges - R&R Fee	82,256	-
Miscellaneous	25,776	4,892
Gain (Loss) on Disposal of Capital Assets - Net	3,325	-
Leachate Loads	12,207	26,295
Cost of Assessing Availability Charges	-	(91)
Interest on Long-term Debt	(20,541)	(58,563)
Total Nonoperating Revenues (Expenses)	238,422	160,597
Income (Loss) Before Capital Contributions	(98,920)	(185,992)
Capital Contributions	150,331	47,538
Transfers In	360,000	-
Change in Net Position	\$ 411,411	\$ (138,454)

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015 and 2014

	Improvement Act of 1911		Bond Act of 1915		Totals	
	Assessment District No. 5	Assessment District No. 9	Assessment District No. 7	Assessment District No. 10	2015	2014
ASSETS						
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,900	\$ 117,900	\$ 117,900
Temporary Investments	2,884	62,076	26,909	147,898	239,767	252,252
Assessments Receivable	-	-	-	-	-	1,350
Total Assets	<u>\$ 2,884</u>	<u>\$ 62,076</u>	<u>\$ 26,909</u>	<u>\$ 265,798</u>	<u>\$ 357,667</u>	<u>\$ 371,502</u>
LIABILITIES						
Due to Bondholders	\$ 2,884	\$ 62,076	\$ 26,909	\$ 265,798	\$ 357,667	\$ 371,502
Total Liabilities	<u>\$ 2,884</u>	<u>\$ 62,076</u>	<u>\$ 26,909</u>	<u>\$ 265,798</u>	<u>\$ 357,667</u>	<u>\$ 371,502</u>

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 5</u>				
ASSETS				
Temporary Investments	\$ 2,880	\$ 4	\$ -	\$ 2,884
Total Assets	<u>\$ 2,880</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 2,884</u>
LIABILITIES				
Due to Bondholders	\$ 2,880	\$ 4	\$ -	\$ 2,884
Total Liabilities	<u>\$ 2,880</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 2,884</u>

<u>Assessment District No. 9</u>				
ASSETS				
Temporary Investments	\$ 62,966	\$ 97	\$ 987	\$ 62,076
Total Assets	<u>\$ 62,966</u>	<u>\$ 97</u>	<u>\$ 987</u>	<u>\$ 62,076</u>
LIABILITIES				
Due to Bondholders	\$ 62,966	\$ 97	\$ 987	\$ 62,076
Total Liabilities	<u>\$ 62,966</u>	<u>\$ 97</u>	<u>\$ 987</u>	<u>\$ 62,076</u>

<u>Assessment District No. 7</u>				
ASSETS				
Temporary Investments	\$ 26,851	\$ 58	\$ -	\$ 26,909
Total Assets	<u>\$ 26,851</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 26,909</u>
LIABILITIES				
Due to Bondholders	\$ 26,851	\$ 58	\$ -	\$ 26,909
Total Liabilities	<u>\$ 26,851</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 26,909</u>

Continued

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ -	\$ -	\$ 117,900
Temporary Investments	159,555	126,207	137,864	147,898
Assessments Receivable	1,350	-	1,350	-
Total Assets	<u>\$ 278,805</u>	<u>\$ 126,207</u>	<u>\$ 139,214</u>	<u>\$ 265,798</u>
LIABILITIES				
Due to Bondholders	\$ 278,805	\$ 126,207	\$ 139,214	\$ 265,798
Total Liabilities	<u>\$ 278,805</u>	<u>\$ 126,207</u>	<u>\$ 139,214</u>	<u>\$ 265,798</u>
 <u>Total All Agency Funds</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ -	\$ -	\$ 117,900
Temporary Investments	252,252	126,366	138,851	239,767
Assessments Receivable	1,350	-	1,350	-
Total Assets	<u>\$ 371,502</u>	<u>\$ 126,366</u>	<u>\$ 140,201</u>	<u>\$ 357,667</u>
LIABILITIES				
Due to Bondholders	\$ 371,502	\$ 126,366	\$ 140,201	\$ 357,667
Total Liabilities	<u>\$ 371,502</u>	<u>\$ 126,366</u>	<u>\$ 140,201</u>	<u>\$ 357,667</u>