

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2018 and 2017

Running Springs Water District
Annual Financial Report
Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

	PAGE
I. INTRODUCTORY SECTION	
Letter of Transmittal	i - viii
II. FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Management's Discussion & Analysis	4 - 18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19 - 20
Statement of Activities	21 - 24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Position - Proprietary Funds	29 - 30
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	31 - 32
Statement of Cash Flows - Proprietary Funds	33 - 36
Statements of Fiduciary Net Position Assets and Liabilities	37
Notes to Financial Statements	38 - 64
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	65
Schedule of Plan Contributions	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Fire Protection	67
Notes to Required Supplementary Information	68
Supplementary Information:	
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	69
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds:	70 - 71

INTRODUCTORY SECTION



RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

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

November 7, 2018

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, 2018 and 2017

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, 2018 and 2017. 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, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017 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 1978, 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.

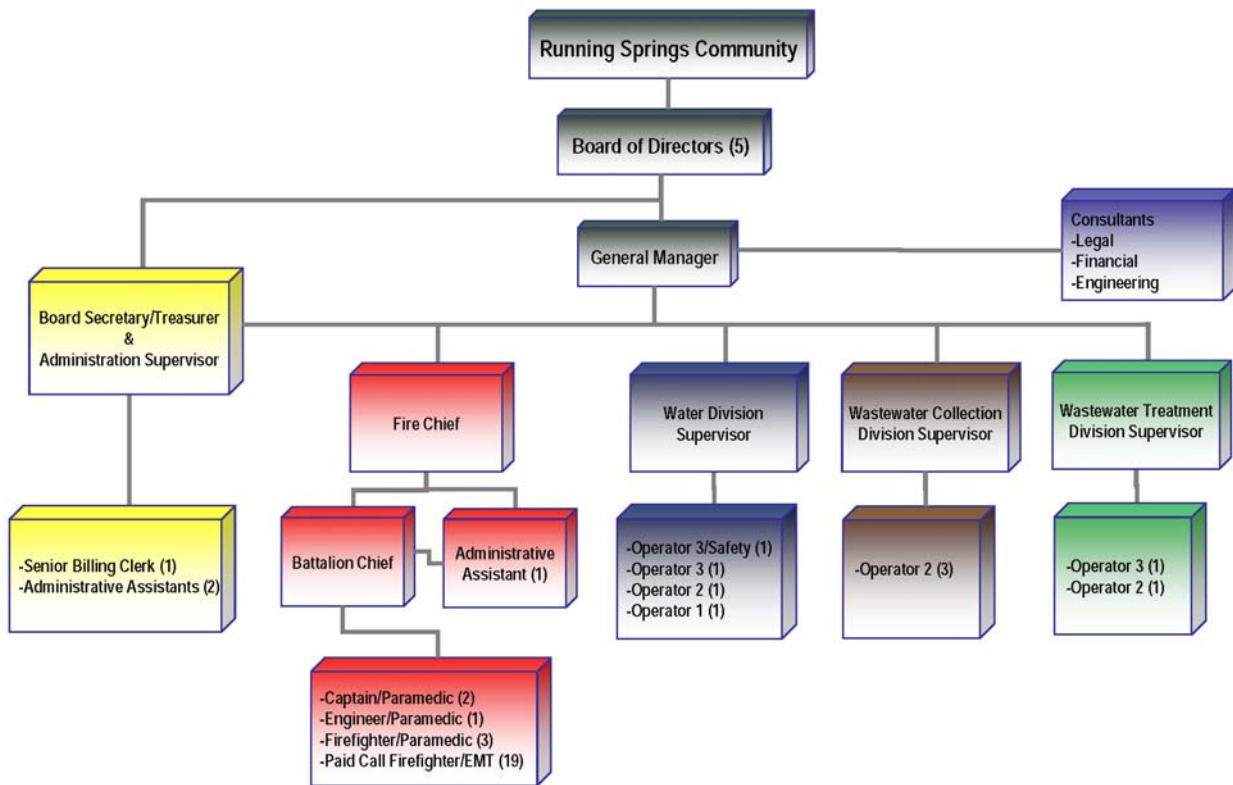
Business-Type Activities

The District's Business-Type Activities include water, wastewater collection, wastewater treatment and ambulance 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

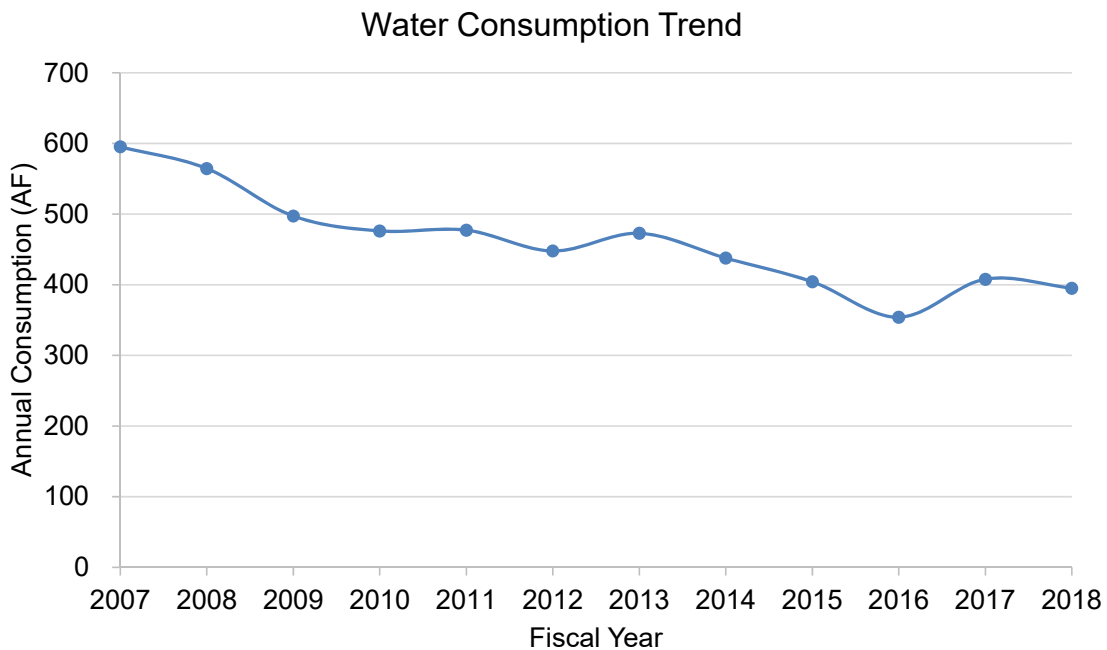


LOCAL ENVIRONMENT

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. 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.

Beginning in September 2018, the District Board of Directors initiated a comprehensive Water and Wastewater Rate Study, Financial Model and New Connection Fee Study along with an analysis of the Fire Department Revenue Alternatives Analysis. The results of this study will be presented in the spring of 2019.

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 19-24. 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 38) 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).

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 4.75 at June 30, 2017 to 6.4 at June 30, 2018. The current ratio from the above condensed summary is as follows:

	<u>2018</u>	<u>2017</u>
Current Ratio		
Current Assets	\$ 3,310,041	\$ 2,360,422
Current Liabilities	516,979	497,421
Current Ratio	6.4	4.75

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 3.81 at June 30, 2017 increasing to 5.37 at June 30, 2018.

	<u>2018</u>	<u>2017</u>
Quick Ratio (more rigorous)		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	1,815,214	935,927
Receivables	959,021	958,308
Cash, Temporary Investments and Receivables	\$ 2,775,235	\$ 1,895,235
Cash, Temporary Investments and Receivables	\$ 2,775,235	\$ 1,895,235
Current Liabilities	516,979	497,421
Current Ratio	5.37	3.81

This increase 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 0.35 at June 30, 2017 to 0.37 at June 30, 2018:

	<u>2018</u>	<u>2017</u>
Debt Ratio		
Total Liabilities	\$ 8,401,756	\$ 7,970,633
Total Assets	22,964,347	22,747,832
Debt Ratio	0.37	0.35

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



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, 2018 and 2017, 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, 2018 and 2017, 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.

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 7, 2018, 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 7, 2018

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, 2018 and 2017. 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 \$80,333 and increased by \$598,817 as of June 30, 2018 and 2017, respectively. The decrease for the year ended June 30, 2018 is the combination of an increase in net position for the Governmental Activities of \$82,125 and a decrease in net position for the Business Type Activities of \$162,458. The increase for the year ended June 30, 2017 is the combination of an increase in net position for the Governmental Activities of \$298,808 and an increase in net position for the Business Type Activities of \$300,009.
- Total revenues increased \$808,972 (12%) for the year ended June 30, 2018 and increased \$268,470 (4%) for the year ended June 30, 2017.
- Total expenses increased \$1,488,122 (24%) for the year ended June 30, 2018 and increased \$207,433 (4%) for the year ended June 30, 2017. The expense increase in 2018 is primarily due to the actuarial pension expenses. The District's pension expense increased by \$902,133 in 2018 and decreased by \$501,537 in 2017 as determined by CalPERS actuarial valuations. The total actuarial pension expense in 2018 is \$671,903 and was credit balance of \$230,230 in 2017.

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 37 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 38-64 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.

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:

Running Springs Water District's Net Position

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Assets:									
Current and Other Assets	\$1,717,764	\$1,543,864	\$1,352,274	\$ 3,310,041	\$ 2,360,423	\$ 1,901,099	\$ 5,027,805	\$ 3,904,287	\$ 3,253,373
Capital Assets	1,046,861	874,399	908,614	19,654,306	20,387,410	20,193,439	20,701,167	21,261,809	21,102,053
Total Assets	<u>2,764,625</u>	<u>2,418,263</u>	<u>2,260,888</u>	<u>22,964,347</u>	<u>22,747,833</u>	<u>22,094,538</u>	<u>25,728,972</u>	<u>25,166,096</u>	<u>24,355,426</u>
Deferred Outflows of									
Resources	<u>1,169,116</u>	<u>1,091,451</u>	<u>643,510</u>	<u>1,439,623</u>	<u>1,400,501</u>	<u>849,706</u>	<u>2,608,739</u>	<u>2,491,952</u>	<u>1,493,216</u>
Liabilities:									
Current Liabilities	120,170	92,320	93,833	516,979	497,422	589,250	637,149	589,742	683,083
Noncurrent Liabilities	3,375,483	2,971,773	2,460,528	7,884,777	7,473,212	6,289,384	11,260,260	10,444,985	8,749,912
Total Liabilities	<u>3,495,653</u>	<u>3,064,093</u>	<u>2,554,361</u>	<u>8,401,756</u>	<u>7,970,634</u>	<u>6,878,634</u>	<u>11,897,409</u>	<u>11,034,727</u>	<u>9,432,995</u>
Deferred Inflows of									
Resources	<u>45,526</u>	<u>135,184</u>	<u>338,408</u>	<u>116,357</u>	<u>129,385</u>	<u>317,304</u>	<u>161,883</u>	<u>264,569</u>	<u>655,712</u>
Net Position:									
Net Investment in									
Capital Assets	1,046,861	874,399	908,614	16,514,181	17,104,684	17,332,575	17,561,042	17,979,083	18,241,189
Restricted for:									
Debt Service	-	-	-	236,878	234,484	169,579	236,878	234,484	169,579
Water & Wastewater Ex	-	-	-	142,428	329,815	324,433	142,428	329,815	324,433
Upstream Users	-	-	-	-	-	67,217	-	-	67,217
Unrestricted (deficit)	(654,299)	(563,962)	(896,985)	(1,007,630)	(1,620,668)	(2,145,498)	(1,661,929)	(2,184,630)	(3,042,483)
Total Net Position	<u>\$ 392,562</u>	<u>\$ 310,437</u>	<u>\$ 11,629</u>	<u>\$15,885,857</u>	<u>\$16,048,315</u>	<u>\$15,748,306</u>	<u>\$16,278,419</u>	<u>\$16,358,752</u>	<u>\$15,759,935</u>

- The assets of Running Springs Water District increased by \$562,876 and \$810,670 as of June 30, 2018 and 2017 respectively. The most significant changes in 2018 and in 2017 are an increase in cash and temporary investments primarily the result of the decrease in construction in progress.
- The Running Springs Water District's total liabilities increased by \$862,682 and \$1,601,732 as of June 30, 2018 and 2017 respectively. The key factor in the increase in 2018 is the increase in net pension liability. The key factors in the increase in 2017 are an additional loan for the replacement of the three sewer lift stations and the increase in net pension liability. As mentioned earlier, GASBS No.

68 required the District to recognize its net pension liability related to its pension plan. The net pension liability is determined using actuarial methods by CalPERS on an annual basis.

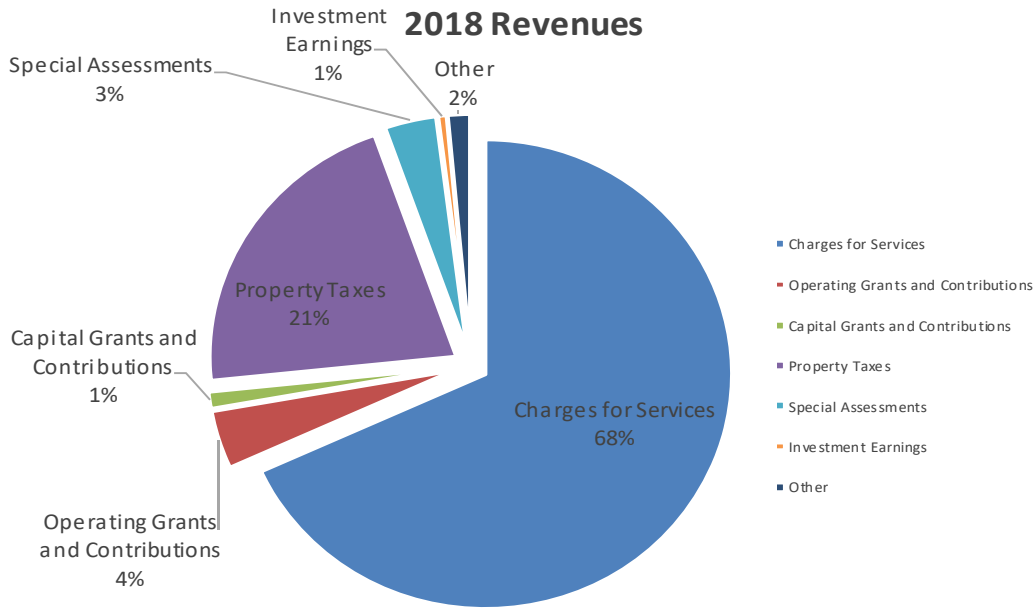
- Net position may serve over time as a useful indicator of a district's financial position. In the case of the Running Springs Water District, net position was \$16,278,419 and \$16,358,752 at the close of June 30, 2018 and 2017, respectively. Of this amount, \$(1,661,929) and \$(2,184,630) as of June 30, 2018 and 2017, respectively, (*unrestricted net position*) may be used to meet the District's ongoing obligations to customers and creditors. Although these amounts are presented in the aggregate, the District must follow certain laws related to the spending of revenues which involve Proposition 218. Water and Sewer resources can only be spent on expenses, programs or projects related to the respective revenue source.

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

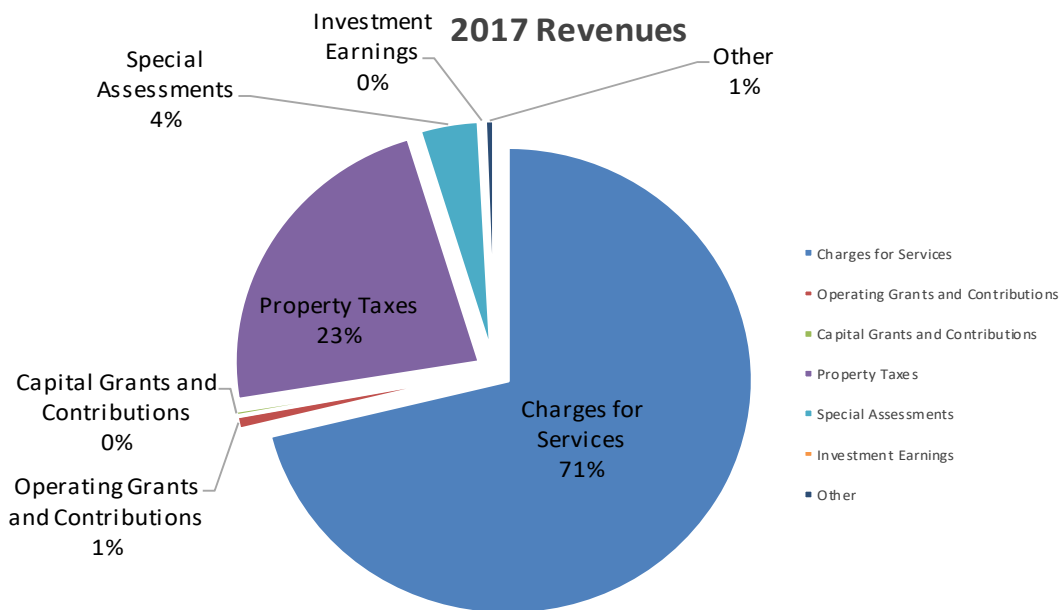
Running Springs Water District's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues:									
Program Revenues:									
Charges for Services	\$ 401,720	\$ 150,848	\$ 114,977	\$ 4,733,336	\$ 4,640,530	\$ 4,298,809	\$ 5,135,056	\$ 4,791,378	\$ 4,413,786
Operating Grants and Contributions	-	-	-	301,393	59,977	156,691	301,393	59,977	156,691
Capital Grants and Contributions	18,953	5,710	5,423	68,617	17,424	36,259	87,570	23,134	41,682
General Revenues:									
Property Taxes	1,603,236	1,539,135	1,483,527	-	-	-	1,603,236	1,539,135	1,483,527
Special Assessments	200,688	201,264	205,122	53,866	59,755	60,971	254,554	261,019	266,093
Investment Earnings	25,275	11,582	3,659	16,576	5,041	7,794	41,851	16,623	11,453
Other	94,827	-	-	21,429	39,678	89,242	116,256	39,678	89,242
Total Revenues	<u>2,344,699</u>	<u>1,908,539</u>	<u>1,812,708</u>	<u>5,195,217</u>	<u>4,822,405</u>	<u>4,649,766</u>	<u>7,539,916</u>	<u>6,730,944</u>	<u>6,462,474</u>
Expenses:									
Fire Protection	2,262,574	1,609,731	1,721,284	-	-	-	2,262,574	1,609,731	1,721,284
Water	-	-	-	2,058,426	1,823,584	1,757,591	2,058,426	1,823,584	1,757,591
Sewer Collection	-	-	-	1,201,618	678,220	835,372	1,201,618	678,220	835,372
Sewer Treatment	-	-	-	1,418,684	1,235,372	1,104,529	1,418,684	1,235,372	1,104,529
Ambulance	-	-	-	678,947	785,220	505,918	678,947	785,220	505,918
Total Expenses	<u>2,262,574</u>	<u>1,609,731</u>	<u>1,721,284</u>	<u>5,357,675</u>	<u>4,522,396</u>	<u>4,203,410</u>	<u>7,620,249</u>	<u>6,132,127</u>	<u>5,924,694</u>
Transfers	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	82,125	298,808	91,424	(162,458)	300,009	446,356	(80,333)	598,817	537,780
Total Net Position - Beginning	310,437	11,629	(79,795)	16,048,315	15,748,306	15,301,950	16,358,752	15,759,935	15,222,155
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
Total Net Position - Ending	<u>\$ 392,562</u>	<u>\$ 310,437</u>	<u>\$ 11,629</u>	<u>\$15,885,857</u>	<u>\$16,048,315</u>	<u>\$15,748,306</u>	<u>\$16,278,419</u>	<u>\$16,358,752</u>	<u>\$15,759,935</u>

Total revenues increased \$808,972 (12%) for the year ended June 30, 2018.

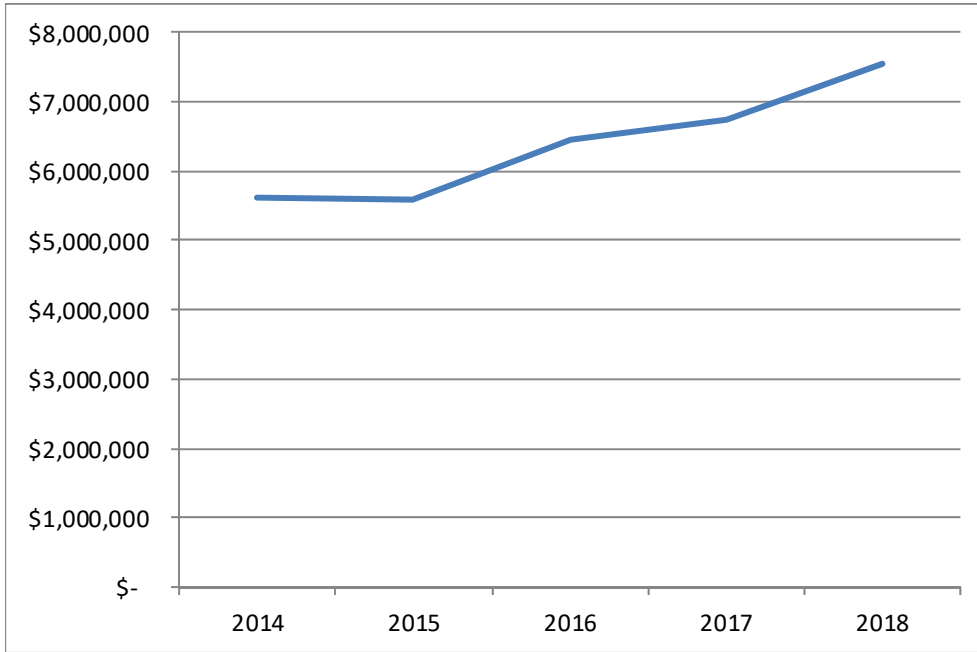


The breakdown of each category of revenue had a slight change as compared to the revenue breakdown for the year ended June 30, 2017 (2017: Charges for Services 71%, Operating Grants and Contributions 1%, Capital Grants and Contributions 0%, Property Taxes 23%, Special Assessments 4%, Investment Earnings 0% and Other 1%).



The increase (4%) in total revenues for 2017 when compared to 2016 is primarily due to rate increases in charges for services and increased property tax revenue.

The graph below illustrates the revenue in the recent past years.



District-wide, total expenses increased \$1,488,122 (24%) for the year ended June 30, 2018 and \$207,433 (4%) for the year ended June 30, 2017. Notable increases in expenses in 2018 are employee salaries, net pension expense due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 and interest expense for the SRF loan. Notable increases in expenses in 2017 are employee salaries and bad debt expense in the Ambulance Department.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Net position for the Governmental Activities is \$392,562 and \$310,437 at the close of June 30, 2018 and 2017 respectively. The increase of \$82,125 for the year ended June 30, 2018 is primarily the result of the Fire payroll reimbursement revenue and the increase of property taxes. The increase of \$298,808 for the year ended June 30, 2017 is primarily the result of the Fire payroll reimbursement revenue and the decrease of salaries due to the change of Ambulance salary allocation and the credit amount of net pension expense due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 (Governmental Activities).

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

	2018			2017		
	<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 Activities Governmental Activities - Fire Protection			
Revenues	\$ 2,250,118	\$ -	\$ 2,250,118	\$ 1,908,539	\$ -	\$ 1,908,539
Expenditures/Expenses/Transfers	2,193,023	69,551	2,262,574	1,728,846	(119,115)	1,609,731
Excess of Revenues Over (Under) Expenditures	57,095	(69,551)	(12,456)	179,693	119,115	298,808
Other Financing Sources and (Uses) Proceeds from Insurance Claim	94,581	-	94,581	-	-	-
Net Change	<u>\$ 151,676</u>	<u>\$ (69,551)</u>	<u>\$ 82,125</u>	<u>\$ 179,693</u>	<u>\$ 119,115</u>	<u>\$ 298,808</u>
	2016					
Statement of Revenues and Expenditures - Governmental Fund - Fire Protection			Statement of Activities Governmental Activities - Fire Protection			
Revenues	\$ 1,812,708	\$ -	\$ 1,812,708			
Expenditures / Expenses	1,793,451	(72,167)	1,721,284			
Excess of Revenues Over (Under) Expenditures	19,257	72,167	91,424			
Net Change	<u>\$ 19,257</u>	<u>\$ 72,167</u>	<u>\$ 91,424</u>			

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

Net position for the Business-Type Activities is \$15,885,857 and \$16,048,315 at the close of June 30, 2018 and 2017 respectively. The decrease of \$162,458 for the year June 30, 2018 is the increase in net pension expense due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. The increase of \$300,009 for the year June 30, 2017 is the result of the service charge rate increase. Revenues increased 8% for the year ended June 30, 2018, and expenses increased 18%. Revenues increased 4% for the year ended June 30, 2017, and expenses increased 8%.

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

Proprietary Fund - Change in Net Position

	2018	2017	2016
Operating Revenues			
Water	\$ 1,988,298	\$ 1,906,259	\$ 1,751,686
Sewer Collection	1,091,737	1,033,726	642,489
Sewer Treatment	1,130,601	1,080,653	1,386,669
Ambulance	824,093	679,869	674,656
Total Operating Revenues	<u>5,034,729</u>	<u>4,691,998</u>	<u>4,455,500</u>
Operating Expenses			
Water Department	2,043,878	1,807,352	1,740,121
Sewer Collection	1,080,993	678,220	837,629
Sewer Treatment	1,281,709	1,231,248	1,089,718
Ambulance Department	678,035	784,077	505,782
Total Operating Expenses	<u>5,084,615</u>	<u>4,500,897</u>	<u>4,173,250</u>
Operating Income (Loss)	(49,886)	191,101	282,250
Non-Operating Revenues	91,871	104,474	158,007
Non-Operating Expenses	<u>(273,060)</u>	<u>(21,499)</u>	<u>(30,160)</u>
Income (Loss) Before Property Contributions and Transfers	(231,075)	282,585	410,097
Transfers In			
Capital contributions	68,617	17,424	36,259
Change in Net Position	<u>\$ (162,458)</u>	<u>\$ 300,009</u>	<u>\$ 446,356</u>

Analysis for the year ended June 30, 2018:

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

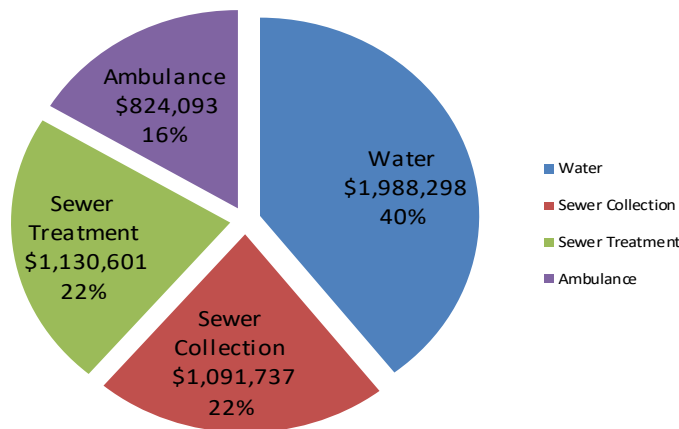
Condensed Summary of Schedules of Revenues, Expenses, and Changes in Net Position - Proprietary Fund - by Departments

	Water Department		Sewer Collection		Sewer Treatment		Ambulance Department	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating Revenues	\$ 1,988,298	\$ 1,906,259	\$ 1,091,737	\$ 1,033,726	\$ 1,130,601	\$ 1,080,653	\$ 824,093	\$ 679,869
Operating Expenses	2,043,878	1,807,352	1,080,993	678,220	1,281,709	1,231,248	678,035	784,077
Operating Income (Loss)	(55,580)	98,907	10,744	355,506	(151,108)	(150,595)	146,058	(104,208)
Nonoperating Revenues	65,069	77,144	7,993	19,314	9,342	6,398	9,467	1,618
Nonoperating Expenses	14,548	16,232	120,625	-	136,975	4,124	912	1,143
Total Nonoperating Revenues (Expenses)	50,521	60,912	(112,632)	19,314	(127,633)	2,274	8,555	475
Income (Loss) before Capital Contributions	(5,059)	159,819	(101,888)	374,820	(278,741)	(148,321)	154,613	(103,733)
Capital Contributions	5,382	5,382	63,235	12,042	-	-	-	-
Transfers In/(Out)	-	-	334,197	(243,599)	(334,197)	243,599	-	-
Change in Net Position	\$ 323	\$ 165,201	\$ 295,544	\$ 143,263	\$ (612,938)	\$ 95,278	\$ 154,613	\$ (103,733)

The condensed summary above shows that the Sewer Treatment Department reported an operating loss for the year ended June 30, 2018 due to splitting the Sewer Department into Sewer Collection and Sewer Treatment. The summary shows an operating income for the year ended June 30, 2017 because of the decrease in operating revenue and the increase of salary allocation percentage.

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2018:

2018 Operating Revenues



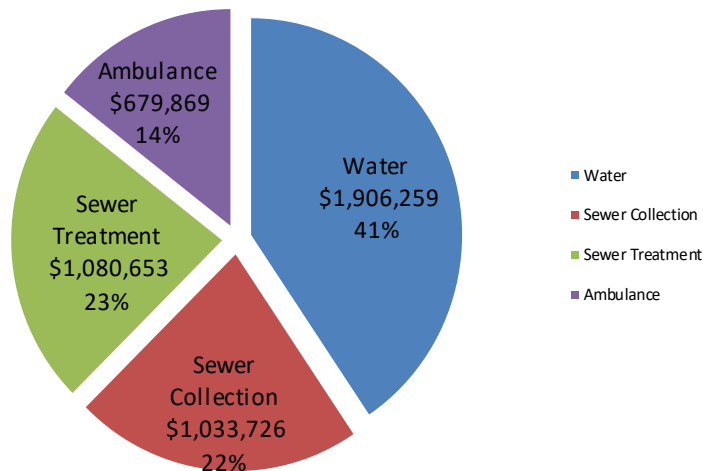
Factors contributing to the Proprietary Fund \$162,458 decrease in net position for the year ended June 30, 2018 are as follows:

- Water and wastewater rates were increased in 2018.
- Net pension expenses were increased in 2018.

Analysis for the year ended June 30, 2017:

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2017:

2017 Operating Revenues



Factors contributing to the Proprietary Fund \$300,009 increase in net position for the year ended June 30, 2017 are as follows:

- Water and wastewater rates were increased in 2017.
- Ambulance salary allocation percentage was increased in 2017.

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, 2018:

The final budget projected a net increase in fund balance of \$128,751. The actual was a net increase of \$151,676. The notable variances for budget to actual are as follows:

- Property taxes revenue was \$53,236 higher than the budgeted amount.
- Investment earning was \$21,775 higher than the budgeted amount.
- Other Revenues were \$367,805 higher than the budgeted amounts due to the reimbursement for Fire services provided outside the District.
- Salaries and wages were \$288,616 higher than the budgeted amount due to the fire services provided outside the District.
- Proceeds of insurance claim was received.
- Capital outlay was \$254,542 higher than the budgeted amount.

Analysis for the Year Ended June 30, 2017:

The final budget projected a net increase in fund balance of \$105,380. The actual was a net increase of \$179,693. The notable variances for budget to actual are as follows:

- Property taxes revenue was \$114,135 higher than the budgeted amount.
- Hazard Abatement Program Revenue was \$9,154 higher than the budgeted amount.
- Other Revenues were \$117,494 higher than the budgeted amounts due to the reimbursement for Fire services provided outside the District.
- Salaries and wages were \$111,771 higher than the budgeted amount due to the fire services provided outside the District.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2018 and 2017 amounts to \$20,701,167 and \$21,261,809 (net of accumulated depreciation) respectively. The investment at June 30, 2018 represents a net decrease (including additions and deductions) of 3% compared to a net increase (including additions and deductions) of 1% for the year ended June 30, 2017. 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		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,014,656	\$ 1,014,656	\$ 1,014,656	\$ 1,429,332	\$ 1,429,332	\$ 1,429,332
Construction in Progress	93,372	-	-	41,279	503,733	3,986,213	134,651	503,733	3,986,213
Structures and Improvements	118,828	127,127	111,193	-	-	-	118,828	127,127	111,193
Water Plant and Facilities	-	-	-	6,469,949	6,647,943	5,637,325	6,469,949	6,647,943	5,637,325
Sewer Plant and Facilities	-	-	-	11,785,812	11,805,143	9,142,866	11,785,812	11,805,143	9,142,866
Fire Trucks and Mounted Equipment	269,403	280,185	335,492	-	-	-	269,403	280,185	335,492
Trucks and Automobiles	-	-	-	305,883	335,634	380,526	305,883	335,634	380,526
Special Purpose Equipment	134,536	31,266	43,388	-	-	-	134,536	31,266	43,388
Furniture and Equipment	-	-	-	36,727	80,301	31,853	36,727	80,301	31,853
Office Equipment	15,542	19,543	374	-	-	-	15,542	19,543	374
Shop and Station Equipment	504	726	1,113	-	-	-	504	726	1,113
Communication Equipment	-	876	2,378	-	-	-	-	876	2,378
Total	\$ 1,046,861	\$ 874,399	\$ 908,614	\$ 19,654,306	\$ 20,387,410	\$ 20,193,439	\$ 20,701,167	\$ 21,261,809	\$ 21,102,053

The most significant construction-in-progress jobs open at June 30, 2018 include the following:

- Automated Meter Reader (AMR) installation

Additional information on the Running Springs Water District's capital assets can be found in Note 5 on pages 51-54 of the Basic Financial Statements.

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2018 and 2017 are \$11,260,260 and \$10,444,985 respectively. Other than the net pension liability, both 2018 and 2017 liabilities included compensated absences and bonds payable (net of all amounts due within one year).

Noncurrent Liabilities

	2018	2017	2016
Governmental Activities:			
Compensated Absences	\$ 118,974	\$ 90,843	\$ 89,754
Net Pension Liability	3,280,304	2,899,099	2,402,353
Total	<u>3,399,278</u>	<u>2,989,942</u>	<u>2,492,107</u>
Less: Current Portion	(23,795)	(18,169)	(31,579)
Noncurrent Portion	<u>3,375,483</u>	<u>2,971,773</u>	<u>2,460,528</u>
Business-Type Activities:			
Bonds and Notes Payable:			
Sewer Treatment, 2001 Installment Payable	-	-	181,450
Sewer Treatment, SWRCB 2014 Installment Payable	2,714,406	2,799,936	2,141,451
Water Supply, 2015 Installment Payable, Ayers	403,995	454,313	502,963
Ambulance, 2016 Installment Payable	21,724	28,477	35,000
Total Bonds and Notes Payable	<u>3,140,125</u>	<u>3,282,726</u>	<u>2,860,864</u>
Compensated Absences	360,707	307,649	259,869
Net Pension Liability	4,635,085	4,124,914	3,462,011
Less: Current Portion	(251,140)	(242,077)	(293,360)
Noncurrent Portion	<u>7,884,777</u>	<u>7,473,212</u>	<u>6,289,384</u>
Government-Wide Summary			
Compensated Absences	479,681	398,492	349,623
Net Pension Liability	7,915,389	7,024,013	5,864,364
Bonds and Notes Payable:	3,140,125	3,282,726	2,860,864
Totals	<u>11,535,195</u>	<u>10,705,231</u>	<u>9,074,851</u>
Less: Current Portion	(274,935)	(260,246)	(324,939)
Noncurrent Portion	<u>\$11,260,260</u>	<u>\$10,444,985</u>	<u>\$8,749,912</u>

The District paid principal payments on the bonds and notes payable of \$176,209 during the year ended June 30, 2018 and \$236,623 during the year ended June 30, 2017, respectively.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in Note 7 on pages 55-58 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. The 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.

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, 2018 and 2017

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
ASSETS				
Cash	\$ 165,088	\$ 133,425	\$ 1,000	\$ 1,000
Temporary Investments	1,445,788	1,334,521	1,815,214	935,927
Receivables:				
Customers - Net of Allowance	-	-	870,973	848,678
Other	41,156	17,301	78,485	106,348
Taxes	47,802	42,034	2,159	2,153
Interest	9,792	5,023	7,404	1,129
Materials and Supplies Inventory	-	-	84,479	86,581
Prepaid Expenses	204	869	1,119	4,731
Restricted Assets:				
Cash	7,934	10,691	449,208	373,875
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,014,656	1,014,656
Construction in Progress	93,372	-	41,279	503,733
Capital Assets Net of Accumulated Depreciation	538,813	459,723	18,598,371	18,869,021
Total Assets	2,764,625	2,418,263	22,964,347	22,747,832
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Items	1,169,116	1,091,451	1,439,623	1,400,501
LIABILITIES				
Accounts Payable and Accrued Liabilities	96,375	74,151	148,754	170,718
Interest Payable	-	-	38,510	4,392
Other Payables	-	-	26,537	27,646
Unearned Availability Charges	-	-	52,038	52,588
Long-term Liabilities Due Within One Year	23,795	18,169	251,140	242,077
Noncurrent Liabilities:				
Long-term Liabilities	3,375,483	2,971,773	7,884,777	7,473,212
Total Liabilities	3,495,653	3,064,093	8,401,756	7,970,633
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Items	45,526	135,184	116,357	129,385
NET POSITION				
Net Investment in Capital Assets	1,046,861	874,399	16,514,181	17,104,684
Restricted For Debt Service	-	-	236,878	234,484
Restricted for Wastewater Expansion	-	-	142,428	329,815
Unrestricted (Deficit)	(654,299)	(563,962)	(1,007,630)	(1,620,668)
Total Net Position	\$ 392,562	\$ 310,437	\$ 15,885,857	\$ 16,048,315

Total	
2018	2017
\$ 166,088	\$ 134,425
3,261,002	2,270,448
870,973	848,678
119,641	123,649
49,961	44,187
17,196	6,152
84,479	86,581
1,323	5,600
457,142	384,566
1,429,332	1,429,332
134,651	503,733
<u>19,137,184</u>	<u>19,328,744</u>
<u>25,728,972</u>	<u>25,166,095</u>
<u>2,608,739</u>	<u>2,491,952</u>
245,129	244,869
38,510	4,392
26,537	27,646
52,038	52,588
274,935	260,246
<u>11,260,260</u>	<u>10,444,985</u>
<u>11,897,409</u>	<u>11,034,726</u>
<u>161,883</u>	<u>264,569</u>
17,561,042	17,979,083
236,878	234,484
142,428	329,815
<u>(1,661,929)</u>	<u>(2,184,630)</u>
<u>\$ 16,278,419</u>	<u>\$ 16,358,752</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 2,262,574	\$ 401,720	\$ -	\$ 18,953
Business-type Activities:				
Water	2,058,426	1,988,298	-	5,382
Sewer Collection	1,201,618	1,091,737	-	63,235
Sewer Treatment	1,418,684	1,130,601	-	-
Ambulance	678,947	522,700	301,393	-
Total Business-type Activities	5,357,675	4,733,336	301,393	68,617
Total Primary Government	\$ 7,620,249	\$ 5,135,056	\$ 301,393	\$ 87,570

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

Total General Revenues

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,841,901)	\$ -	\$ (1,841,901)
-	(64,746)	(64,746)
-	(46,646)	(46,646)
-	(288,083)	(288,083)
-	145,146	145,146
-	(254,329)	(254,329)
(1,841,901)	(254,329)	(2,096,230)
1,603,236	-	1,603,236
200,688	53,866	254,554
25,275	16,576	41,851
-	10,840	10,840
246	3,864	4,110
-	6,725	6,725
94,581	-	94,581
1,924,026	91,871	2,015,897
82,125	(162,458)	(80,333)
310,437	16,048,315	16,358,752
<u>\$ 392,562</u>	<u>\$ 15,885,857</u>	<u>\$ 16,278,419</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,609,731	\$ 150,848	\$ -	\$ 5,710
Business-type Activities:				
Water	1,823,584	1,906,259	-	5,382
Sewer Collection	678,220	1,033,726	-	12,042
Sewer Treatment	1,235,372	1,080,653	-	-
Ambulance	785,220	619,892	59,977	-
Total Business-type Activities	4,522,396	4,640,530	59,977	17,424
Total Primary Government	\$ 6,132,127	\$ 4,791,378	\$ 59,977	\$ 23,134

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

Total General Revenues

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$ (1,453,173)</u>	<u>\$ -</u>	<u>\$ (1,453,173)</u>
-	88,057	88,057
-	367,548	367,548
-	(154,719)	(154,719)
<u>-</u>	<u>(105,351)</u>	<u>(105,351)</u>
<u>-</u>	<u>195,535</u>	<u>195,535</u>
<u>(1,453,173)</u>	<u>195,535</u>	<u>(1,257,638)</u>
1,539,135	-	1,539,135
201,264	59,755	261,019
11,582	5,041	16,623
-	10,636	10,636
<u>-</u>	<u>29,042</u>	<u>29,042</u>
<u>1,751,981</u>	<u>104,474</u>	<u>1,856,455</u>
298,808	300,009	598,817
<u>11,629</u>	<u>15,748,306</u>	<u>15,759,935</u>
<u>\$ 310,437</u>	<u>\$ 16,048,315</u>	<u>\$ 16,358,752</u>

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 165,088	\$ 133,425
Temporary Investments	1,445,788	1,334,521
Restricted Cash	7,934	10,691
Accounts Receivable:		
Fire Availability Charges and Other	41,156	17,301
Taxes Receivable	47,802	42,034
Interest Receivable	9,792	5,023
Prepaid Expenses	204	869
Total Assets	\$ 1,717,764	\$ 1,543,864
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 96,375	\$ 74,151
Total Liabilities	96,375	74,151
Fund Balances:		
Nonspendable:		
Prepays	204	869
Committed:		
Equipment Replacement - General	-	12,188
Equipment Replacement - Breathing Apparatus	-	76,923
Assigned:		
Workers' Compensation Fund	7,934	12,432
Unassigned	1,613,251	1,367,301
Total Fund Balances	1,621,389	1,469,713
Total Liabilities and Fund Balances	\$ 1,717,764	\$ 1,543,864

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, 2018 and 2017

	2018	2017
Fund balances - total governmental fund	\$ 1,621,389	\$ 1,469,713
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Capital Assets	2,476,771	2,245,520
Accumulated Depreciation	(1,429,910)	(1,371,121)
<p>Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability are not reported in the funds.</p>		
Deferred Outflows Related to Pensions	1,169,116	1,091,451
Deferred Inflows Related to Pensions	(45,526)	(135,184)
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Compensated Absences	(118,974)	(90,843)
Net Pension Liability	(3,280,304)	(2,899,099)
Net Position of Governmental Activities	\$ 392,562	\$ 310,437

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, 2018 and 2017

	2018	2017
REVENUES		
Property Taxes	\$ 1,603,236	\$ 1,539,135
Assessments - Fire Availability Charges	200,688	201,264
Hazard Abatement Program Revenue	14,161	16,654
Other Revenue	387,805	134,194
Investment Earnings	25,275	11,582
Intergovernmental Revenue	18,953	5,710
Total Revenues	2,250,118	1,908,539
EXPENDITURES		
Salaries and Benefits	1,667,786	1,444,805
Services and Supplies	270,695	237,732
Capital Outlay	254,542	46,309
Total Expenditures	2,193,023	1,728,846
Excess (Deficiency) of Revenues Over Expenditures	57,095	179,693
OTHER FINANCING SOURCES (USES)		
Proceeds from Insurance Claim	94,581	-
Total Other Financing Sources (Uses)	94,581	-
Net Change in Fund Balances	151,676	179,693
Fund Balance, Beginning of Year	1,469,713	1,290,020
Fund Balance, End of Year	\$ 1,621,389	\$ 1,469,713

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, 2018 and 2017

	2018	2017
Net change in fund balances - governmental fund	\$ 151,676	\$ 179,693
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	254,542	46,309
Depreciation	(82,080)	(80,524)
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 Outflows Related to Pensions	77,665	447,941
Deferred Inflows Related to Pensions	89,658	203,224
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	(28,131)	(1,089)
Net Pension Liability	(381,205)	(496,746)
Change in Net Position of Governmental Activities	\$ 82,125	\$ 298,808

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Net Position
Proprietary Funds
June 30, 2018 and 2017

	Water		Sewer Collection	
	2018	2017	2018	2017
ASSETS				
Current Assets:				
Cash	\$ 950	\$ 950	\$ 50	\$ 50
Temporary Investments	958,828	558,651	249,997	273,970
Receivables:				
Customers - Net of Allowances	235,816	214,149	205,161	183,127
Other	25,762	21,403	4,864	3,531
Taxes	1,078	1,867	1,081	286
Interest	4,467	990	794	68
Material and Supplies Inventory	60,329	59,882	24,150	26,699
Prepaid Expenses	612	3,301	288	373
Restricted:				
Cash	78,378	68,674	272,850	305,201
Total Current Assets	<u>1,366,220</u>	<u>929,867</u>	<u>759,235</u>	<u>793,305</u>
Noncurrent Assets:				
Capital Assets Not Being Depreciated:				
Land	688,492	688,492	326,164	326,164
Construction in Progress	41,279	23,900	-	-
Capital Assets, Net of Accumulated Depreciation	<u>6,575,892</u>	<u>6,774,655</u>	<u>6,296,774</u>	<u>6,493,167</u>
Total Noncurrent Assets	<u>7,305,663</u>	<u>7,487,047</u>	<u>6,622,938</u>	<u>6,819,331</u>
Total Assets	<u>8,671,883</u>	<u>8,416,914</u>	<u>7,382,173</u>	<u>7,612,636</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Items	<u>806,189</u>	<u>784,281</u>	<u>348,390</u>	<u>616,220</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	81,734	62,885	18,049	50,409
Interest Payable	3,807	4,281	34,618	-
Other Payables	26,537	27,646	-	-
Unearned Availability Charges	38,308	38,758	13,730	13,830
Current Portion of Long-term Liabilities	99,815	91,759	132,921	134,118
Total Current Liabilities	<u>250,201</u>	<u>225,329</u>	<u>199,318</u>	<u>198,357</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Liabilities	<u>3,138,687</u>	<u>2,879,710</u>	<u>3,767,963</u>	<u>4,533,990</u>
Total Noncurrent Liabilities	<u>3,138,687</u>	<u>2,879,710</u>	<u>3,767,963</u>	<u>4,533,990</u>
Total Liabilities	<u>3,388,888</u>	<u>3,105,039</u>	<u>3,967,281</u>	<u>4,732,347</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Items	<u>65,160</u>	<u>72,455</u>	<u>28,159</u>	<u>56,930</u>
NET POSITION				
Net Investment in Capital Assets	6,901,668	7,032,734	3,908,532	4,019,395
Restricted for Debt Service	65,341	65,341	171,537	169,143
Restricted for Wastewater Expansion	9,704	5,382	66,362	324,433
Unrestricted (deficit)	(952,689)	(1,079,756)	(411,308)	(1,073,392)
Total Net Position	<u>\$ 6,024,024</u>	<u>\$ 6,023,701</u>	<u>\$ 3,735,123</u>	<u>\$ 3,439,579</u>

Sewer Treatment		Ambulance		Total Enterprise Funds	
2018	2017	2018	2017	2018	2017
\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
336,297	15,072	270,092	88,234	1,815,214	935,927
-	-	429,996	451,402	870,973	848,678
47,859	81,414	-	-	78,485	106,348
-	-	-	-	2,159	2,153
687	-	1,456	71	7,404	1,129
-	-	-	-	84,479	86,581
219	707	-	350	1,119	4,731
97,980	-	-	-	449,208	373,875
<u>483,042</u>	<u>97,193</u>	<u>701,544</u>	<u>540,057</u>	<u>3,310,041</u>	<u>2,360,422</u>
-	-	-	-	1,014,656	1,014,656
-	479,833	-	-	41,279	503,733
<u>5,543,012</u>	<u>5,401,762</u>	<u>182,693</u>	<u>199,437</u>	<u>18,598,371</u>	<u>18,869,021</u>
<u>5,543,012</u>	<u>5,881,595</u>	<u>182,693</u>	<u>199,437</u>	<u>19,654,306</u>	<u>20,387,410</u>
<u>6,026,054</u>	<u>5,978,788</u>	<u>884,237</u>	<u>739,494</u>	<u>22,964,347</u>	<u>22,747,832</u>
285,044	-	-	-	1,439,623	1,400,501
30,823	36,185	18,148	21,239	148,754	170,718
-	-	85	111	38,510	4,392
-	-	-	-	26,537	27,646
-	-	-	-	52,038	52,588
11,412	9,447	6,992	6,753	251,140	242,077
<u>42,235</u>	<u>45,632</u>	<u>25,225</u>	<u>28,103</u>	<u>516,979</u>	<u>497,421</u>
963,395	37,788	14,732	21,724	7,884,777	7,473,212
<u>963,395</u>	<u>37,788</u>	<u>14,732</u>	<u>21,724</u>	<u>7,884,777</u>	<u>7,473,212</u>
<u>1,005,630</u>	<u>83,420</u>	<u>39,957</u>	<u>49,827</u>	<u>8,401,756</u>	<u>7,970,633</u>
23,038	-	-	-	116,357	129,385
5,543,012	5,881,595	160,969	170,960	16,514,181	17,104,684
-	-	-	-	236,878	234,484
66,362	-	-	-	142,428	329,815
(326,944)	13,773	683,311	518,707	(1,007,630)	(1,620,668)
<u>\$ 5,282,430</u>	<u>\$ 5,895,368</u>	<u>\$ 844,280</u>	<u>\$ 689,667</u>	<u>\$ 15,885,857</u>	<u>\$ 16,048,315</u>

Running Springs Water District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

Years Ended June 30, 2018 and 2017

	Water		Sewer Collection	
	2018	2017	2018	2017
OPERATING REVENUES				
Monthly Service Charges	\$ 1,109,851	\$ 1,058,989	\$ 820,921	\$ 763,059
Usage Charges	757,676	727,487	58,884	56,108
Special Charges - R&R Fee	68,112	66,794	192,552	188,744
Delinquent Charges	25,090	35,751	10,237	1,552
Other Revenues	10,274	5,183	9,143	24,263
Turn-on and Shut-off Charges	17,295	12,055	-	-
Operating Grants and Contributions	-	-	-	-
Charges to Upstream Users	-	-	-	-
Total Operating Revenues	<u>1,988,298</u>	<u>1,906,259</u>	<u>1,091,737</u>	<u>1,033,726</u>
OPERATING EXPENSES				
Source of Supply	238,909	186,074	-	-
Pumping	59,750	62,239	-	-
Water Treatment	34,481	26,704	-	-
Transmission and Distribution	480	329	-	-
Customers' Accounts	1,591	2,025	-	-
Sewage Collections	-	-	76,068	64,836
Sewage Treatment	-	-	-	-
Salaries and Benefits	1,437,864	1,139,337	672,031	404,613
Others	29,032	181,702	102,928	48,447
Depreciation	241,771	208,942	229,966	160,324
Total Operating Expenses	<u>2,043,878</u>	<u>1,807,352</u>	<u>1,080,993</u>	<u>678,220</u>
Operating Income (Loss)	<u>(55,580)</u>	<u>98,907</u>	<u>10,744</u>	<u>355,506</u>
NONOPERATING REVENUES (EXPENSES)				
Assessments - Availability Charges	39,817	45,321	7,134	8,036
Investment Earnings	12,158	3,593	859	-
Leasing Revenue	10,840	10,636	-	-
Miscellaneous	2,254	17,594	-	11,278
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-
Interest on Long-term Debt	(14,548)	(16,232)	(120,625)	-
Total Nonoperating Revenue (Expenses)	<u>50,521</u>	<u>60,912</u>	<u>(112,632)</u>	<u>19,314</u>
Income (Loss) Before Transfers and Capital Contributions	<u>(5,059)</u>	<u>159,819</u>	<u>(101,888)</u>	<u>374,820</u>
Capital Contributions	5,382	5,382	63,235	12,042
Transfers In	-	-	334,197	-
Transfers Out	-	-	-	(243,599)
Change in Net Position	<u>323</u>	<u>165,201</u>	<u>295,544</u>	<u>143,263</u>
Net Position, Beginning of Year	<u>6,023,701</u>	<u>5,858,500</u>	<u>3,439,579</u>	<u>3,296,316</u>
Net Position, End of Year	<u>\$ 6,024,024</u>	<u>\$ 6,023,701</u>	<u>\$ 3,735,123</u>	<u>\$ 3,439,579</u>

The accompanying notes are an integral part of this statement.

Sewer Treatment		Ambulance		Total Enterprise Funds	
2018	2017	2018	2017	2018	2017
\$ 671,663	\$ 624,321	\$ 493,499	\$ 548,492	\$ 3,095,934	\$ 2,994,861
48,178	45,907	-	-	864,738	829,502
-	-	-	-	260,664	255,538
8,376	1,270	-	-	43,703	38,573
-	2,402	29,201	71,400	48,618	103,248
-	-	-	-	17,295	12,055
-	-	301,393	59,977	301,393	59,977
402,384	406,753	-	-	402,384	406,753
<u>1,130,601</u>	<u>1,080,653</u>	<u>824,093</u>	<u>679,869</u>	<u>5,034,729</u>	<u>4,700,507</u>
-	-	-	-	238,909	186,074
-	-	-	-	59,750	62,239
-	-	-	-	34,481	26,704
-	-	-	-	480	329
-	-	-	-	1,591	2,025
-	-	-	-	76,068	64,836
243,721	234,742	-	-	243,721	234,742
595,096	535,837	369,485	447,978	3,074,476	2,527,765
136,251	172,880	273,209	294,219	541,420	697,248
306,641	287,789	35,341	41,880	813,719	698,935
<u>1,281,709</u>	<u>1,231,248</u>	<u>678,035</u>	<u>784,077</u>	<u>5,084,615</u>	<u>4,500,897</u>
<u>(151,108)</u>	<u>(150,595)</u>	<u>146,058</u>	<u>(104,208)</u>	<u>(49,886)</u>	<u>199,610</u>
6,915	6,398	-	-	53,866	59,755
927	-	2,632	1,448	16,576	5,041
-	-	-	-	10,840	10,636
1,500	-	110	170	3,864	29,042
(136,975)	-	6,725	-	(130,250)	-
-	(4,124)	(912)	(1,143)	(136,085)	(21,499)
<u>(127,633)</u>	<u>2,274</u>	<u>8,555</u>	<u>475</u>	<u>(181,189)</u>	<u>82,975</u>
(278,741)	(148,321)	154,613	(103,733)	(231,075)	282,585
-	-	-	-	68,617	17,424
-	243,599	-	-	334,197	243,599
<u>(334,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,197)</u>	<u>(243,599)</u>
(612,938)	95,278	154,613	(103,733)	(162,458)	300,009
<u>5,895,368</u>	<u>5,800,090</u>	<u>689,667</u>	<u>793,400</u>	<u>16,048,315</u>	<u>15,748,306</u>
<u>\$ 5,282,430</u>	<u>\$ 5,895,368</u>	<u>\$ 844,280</u>	<u>\$ 689,667</u>	<u>\$ 15,885,857</u>	<u>\$ 16,048,315</u>

Running Springs Water District
Statements of Cash Flows
Proprietary Funds
Years Ended June 30, 2018 and 2017

	Water	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,963,061	\$ 1,891,716
Cash Payments for Employee Services	(1,153,674)	(1,142,408)
Cash Paid to Suppliers	(340,303)	(420,168)
Other Revenue	13,094	28,230
	482,178	357,370
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	39,367	42,428
Cash Received (Paid to) Other Funds	-	-
	39,367	42,428
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(60,387)	(45,591)
Proceeds from Sale of Capital Assets	-	-
Proceeds from Installments Payable	-	-
Capital Contributions	5,382	5,382
Principal Payments on Debt	(50,318)	(48,650)
Interest Paid	(15,022)	(16,692)
	(120,345)	(105,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	8,681	2,603
	8,681	2,603
Net Increase (Decrease) in Cash and Cash Equivalents	409,881	296,850
Cash and Cash Equivalents, Beginning of Year	628,275	331,425
Cash and Cash Equivalents, End of Year	\$ 1,038,156	\$ 628,275
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Current Assets:		
Cash	\$ 950	\$ 950
Temporary Investments	958,828	558,651
Restricted Cash	78,378	68,674
	\$ 1,038,156	\$ 628,275

Sewer Collection		Sewer Treatment		Ambulance		Total Enterprise Funds	
2018	2017	2018	2017	2018	2017	2018	2017
\$ 1,067,575	\$ 1,000,477	\$ 1,164,156	\$ 1,080,653	\$ 845,499	\$ 704,698	\$ 5,040,291	\$ 4,677,544
(1,112,205)	(477,895)	70,636	(488,602)	(370,731)	(447,978)	(2,565,974)	(2,556,883)
(211,183)	(122,053)	(385,012)	(372,144)	(274,704)	(291,560)	(1,211,202)	(1,205,925)
-	11,278	1,500	-	110	170	14,704	39,678
(255,813)	411,807	851,280	219,907	200,174	(34,670)	1,277,819	954,414
7,034	11,283	6,915	6,581	-	-	53,316	60,292
334,197	(243,599)	(334,197)	243,599	-	-	-	-
341,231	(232,316)	(327,282)	250,180	-	-	53,316	60,292
(33,573)	(661,895)	(105,033)	(273,769)	(18,597)	(19,308)	(217,590)	(1,000,563)
-	-	-	-	6,725	-	6,725	-
33,608	658,485	-	-	-	-	33,608	658,485
63,235	12,042	-	67,217	-	-	68,617	84,641
(119,138)	-	-	(181,450)	(6,753)	(6,523)	(176,209)	(236,623)
(86,007)	4,623	-	(11,112)	(938)	(1,168)	(101,967)	(24,349)
(141,875)	13,255	(105,033)	(399,114)	(19,563)	(26,999)	(386,816)	(518,409)
133	(68)	240	883	1,247	1,377	10,301	4,795
133	(68)	240	883	1,247	1,377	10,301	4,795
(56,324)	192,678	419,205	71,856	181,858	(60,292)	954,620	501,092
579,221	386,543	15,072	(56,784)	88,234	148,526	1,310,802	809,710
<u>\$ 522,897</u>	<u>\$ 579,221</u>	<u>\$ 434,277</u>	<u>\$ 15,072</u>	<u>\$ 270,092</u>	<u>\$ 88,234</u>	<u>\$ 2,265,422</u>	<u>\$ 1,310,802</u>
\$ 50	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
249,997	273,970	336,297	15,072	270,092	88,234	1,815,214	935,927
272,850	305,201	97,980	-	-	-	449,208	373,875
<u>\$ 522,897</u>	<u>\$ 579,221</u>	<u>\$ 434,277</u>	<u>\$ 15,072</u>	<u>\$ 270,092</u>	<u>\$ 88,234</u>	<u>\$ 2,265,422</u>	<u>\$ 1,310,802</u>

Continued

Running Springs Water District
Statements of Cash Flows
Proprietary Funds
Years Ended June 30, 2018 and 2017

	Water	
	2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (55,580)	\$ 98,907
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	241,771	208,942
Other Income	13,094	28,230
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(25,237)	(14,543)
(Increase) Decrease in Prepaid Expenses	2,689	(3,301)
(Increase) Decrease in Inventory	(447)	2,460
(Increase) Decrease in Deferred Outflows	(21,908)	(308,445)
Increase (Decrease) in Accounts Payable	22,807	14,348
Increase (Decrease) in Accrued Wages	(3,958)	7,770
Increase (Decrease) in Other Payables	(1,109)	25,398
Increase (Decrease) in Compensated Absences	31,656	31,614
Increase (Decrease) in Net Pension Liability	285,695	371,226
Increase (Decrease) in Deferred Inflows	(7,295)	(105,236)
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 482,178	\$ 357,370
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets on Account	\$ -	\$ -

Sewer Collection		Sewer Treatment		Ambulance		Total Business-type Activities	
2018	2017	2018	2017	2018	2017	2018	2017
\$ 10,744	\$ 355,506	\$ (151,108)	\$ (150,595)	\$ 146,058	\$ (104,208)	\$ (49,886)	\$ 199,610
229,966	160,324	306,641	287,789	35,341	41,880	813,719	698,935
-	11,278	1,500	-	110	170	14,704	39,678
(24,162)	(33,249)	33,555	-	21,406	24,829	5,562	(22,963)
85	(373)	488	(707)	350	(350)	3,612	(4,731)
2,549	(611)	-	-	-	-	2,102	1,849
267,830	(242,350)	(285,044)	-	-	-	(39,122)	(550,795)
(34,821)	6,172	(5,527)	36,185	(1,845)	3,012	(19,386)	59,717
2,461	(8,676)	165	-	(1,246)	-	(2,578)	(906)
-	(13,958)	-	-	-	(3)	(1,109)	11,437
11,578	(31,070)	9,825	47,235	-	-	53,059	47,779
(693,272)	291,677	917,747	-	-	-	510,170	662,903
(28,771)	(82,863)	23,038	-	-	-	(13,028)	(188,099)
<u>\$ (255,813)</u>	<u>\$ 411,807</u>	<u>\$ 851,280</u>	<u>\$ 219,907</u>	<u>\$ 200,174</u>	<u>\$ (34,670)</u>	<u>\$ 1,277,819</u>	<u>\$ 954,414</u>
\$ -	\$ 107,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,657

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund (Assessment Districts)
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash with Fiscal Agent	\$ 118,974	\$ 118,031
Temporary Investments	155,276	290,483
Total Assets	\$ 274,250	\$ 408,514
LIABILITIES		
Accounts Payable	\$ 379	\$ 764
Due to Bondholders	273,871	407,750
Total Liabilities	\$ 274,250	\$ 408,514

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	39-47
2	Cash and Temporary Investments	47-50
3	Accounts Receivable - Customers	50
4	Other Receivables	50
5	Capital Assets	51-54
6	Other Payables	55
7	Long-Term Liabilities	55-58
8	No-Commitment Debt	58
9	Pension Plan	58-63
10	Risk Management	63-64
11	Salvage Values Pertaining to Grant Monies	64
12	Loss Contingency	64
13	Commitments	64
14	Transfers	64

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 are as follows:

NAME	OFFICER	TERM EXPIRES
Tony Grabow	President	December 2018
Errol Mackzum	Vice-President	December 2018
Michael Terry	Director	December 2020
William Conrad	Director	December 2018
Dennis Michael Milliorn	Director	December 2018
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 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements - Continued

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 funds 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.

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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 the following proprietary funds:

The *Water Fund* - used to account for all activities relating to the District's water service operations.

The *Sewer Collection Fund* - used to account for all activities relating to the District's sewer collection operations.

The *Sewer Treatment Fund* - used to account for all activities relating to the District's sewer treatment operations.

The *Ambulance Fund* - used to account for all activities relating to the District's ambulance services.

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, 2018 and 2017

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 reports deferred outflows resulting from the 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 currently reports deferred inflows resulting from 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. The allowance for uncollectible ambulance fees was \$964,791 and \$1,558,274 at June 30, 2018 and 2017, respectively.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

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), debt service reserve requirements, and wastewater expansion charges collected. 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 received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

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 2017-18 and 2016-17 fiscal years was \$136,085 and \$21,499, 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, 2018 and 2017

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.

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance - Continued

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.

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Reclassifications

Certain amounts in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation.

P. New Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting requirements in the future:

GASB 83 - Certain Asset Retirement Obligations: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB 87 - Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 88 - Certain Disclosures Related to Debt: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P. New Accounting Pronouncements - Continued

GASB 90 – Majority Equity Interests: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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.

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2018 and 2017 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Statement of Fiduciary Assets and Liabilities	2018 Total	2017 Total
Cash	\$ 166,088	\$ -	\$ 166,088	\$ 134,425
Temporary Investments	3,261,002	155,276	3,416,278	2,560,931
Restricted Cash	457,142	-	457,142	384,566
Cash with Fiscal Agent	-	118,974	118,974	118,031
Total	\$ 3,884,232	\$ 274,250	\$ 4,158,482	\$ 3,197,953

Cash and investments consist of the following at June 30, 2018 and 2017:

	2018	2017
Deposits with Financial Institutions	\$ 179,690	\$ 150,783
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	3,858,818	2,928,139
Held by Bond Trustee:		
Money Market Fund	118,974	118,031
Total Cash and Investments	\$ 4,158,482	\$ 3,197,953

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

2) CASH AND TEMPORARY INVESTMENTS - Continued

Restricted Cash

As of June 30, 2018 and 2017, the District had the following cash balances restricted for specific purposes:

Restricted for:	Restricted Cash	
	2018	2017
Workers' Compensation Insurance Claims	\$ 14,601	\$ 17,358
SRF Loan Debt Service Reserve	236,878	234,484
Water and Wastewater Capacity Expansion	205,663	132,724
Total	\$ 457,142	\$ 384,566

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.

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, 2018 and 2017, the District had the following investments:

	2018		2017	
	2018 Amount	Maturity Date 12 Months or Less	2017 Amount	Maturity Date 12 Months or Less
LAIF	\$ 3,858,818	\$ 3,858,818	\$ 2,928,139	\$ 2,928,139
Held by Bond Trustee: Money Market Fund	118,974	118,974	118,031	118,031
Total	\$ 3,977,792	\$ 3,977,792	\$ 3,046,170	\$ 3,046,170

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

2) CASH AND TEMPORARY INVESTMENTS - Continued

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	2018 Amount	Minimum Legal Rating	Aaa	Not Rated	2017 Amount
LAIF	\$ 3,858,818	None	\$ -	\$ 3,858,818	\$ 2,928,139
Held by Bond Trustee: Money Market Fund	118,974	N/A	118,974	-	118,031
Total	<u>\$ 3,977,792</u>		<u>\$ 118,974</u>	<u>\$ 3,858,818</u>	<u>\$ 3,046,170</u>

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, 2018 and 2017, 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, 2018, the District did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

2) CASH AND TEMPORARY INVESTMENTS - Continued

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments subject to GASB 72 fair value measurements.

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 \$65,000,000 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.

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Customers - Water and Sewer	\$ 440,977	\$ 397,275
Ambulance Receivable	1,394,787	2,009,677
Allowance for Uncollectible Ambulance Charges	(964,791)	(1,558,274)
	\$ 870,973	\$ 848,678

Management considers the receivables from water and sewer customers to be fully collectible; accordingly, no allowance for doubtful accounts for water and sewer customers has been established.

4) OTHER RECEIVABLES

	Governmental Activities		Business-Type Activities	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Availability Charges	\$ 19,651	\$ 17,301	\$ 30,466	\$ 24,614
Brookings Mutual Water	-	-	160	320
Upstream Users	-	-	47,859	81,414
Miscellaneous	21,505	-	-	-
Total	\$ 41,156	\$ 17,301	\$ 78,485	\$ 106,348

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Construction in Progress	-	93,372	-	93,372
Total Capital Assets Not Depreciated	414,676	93,372	-	508,048
Capital Assets, Being Depreciated:				
Structures and Improvements	427,461	2,973	-	430,434
Fire Trucks and Mounted Equipment	1,074,096	44,674	-	1,118,770
Special Purpose Equipment	280,482	113,523	22,698	371,307
Office Equipment	26,442	-	593	25,849
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,830,844	161,170	23,291	1,968,723
Less Accumulated Depreciation:				
Structures and Improvements	(300,334)	(11,272)	-	(311,606)
Fire Trucks and Mounted Equipment	(793,911)	(55,456)	-	(849,367)
Special Purpose Equipment	(249,216)	(10,253)	(22,698)	(236,771)
Office Equipment	(6,899)	(4,001)	(593)	(10,307)
Shop and Station Equipment	(10,529)	(222)	-	(10,751)
Communication Equipment	(10,232)	(876)	-	(11,108)
Total Accumulated Depreciation	(1,371,121)	(82,080)	(23,291)	(1,429,910)
Total Capital Assets Being Depreciated, Net	459,723	79,090	-	538,813
Governmental Activities Capital Assets, Net	\$ 874,399	\$ 172,462	\$ -	\$ 1,046,861

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,014,656	\$ -	\$ -	\$ 1,014,656
Construction in Progress	503,733	154,991	617,445	41,279
Total Capital Assets Not Depreciated	1,518,389	154,991	617,445	1,055,935
Capital Assets, Being Depreciated:				
Water Plant and Facilities	11,132,482	35,547	2,682	11,165,347
Sewer Plant and Facilities	20,552,539	618,439	304,494	20,866,484
Furniture and Equipment	382,690	24,572	25,174	382,088
Trucks and Automobiles	1,591,713	1,486	173,282	1,419,917
Total Capital Assets Being Depreciated	33,659,424	680,044	505,632	33,833,836
Less Accumulated Depreciation:				
Water Plant and Facilities	(4,484,539)	(213,541)	(2,682)	(4,695,398)
Sewer Plant and Facilities	(8,747,396)	(500,795)	(167,519)	(9,080,672)
Furniture and Equipment	(302,389)	(68,146)	(25,174)	(345,361)
Trucks and Automobiles	(1,256,079)	(31,237)	(173,282)	(1,114,034)
Total Accumulated Depreciation	(14,790,403)	(813,719)	(368,657)	(15,235,465)
Total Capital Assets Being Depreciated, Net	18,869,021	(133,675)	136,975	18,598,371
Business-Type Activities				
Capital Assets, Net	<u>\$ 20,387,410</u>	<u>\$ 21,316</u>	<u>\$ 754,420</u>	<u>\$ 19,654,306</u>

For the fiscal year ended June 30, 2018, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Fire Protection	<u>\$ 82,079</u>
Business-type Activities:	
Water	\$ 241,771
Sewer Collection	229,966
Sewer Treatment	306,641
Ambulance	35,341
Total Business-type Activities	<u>\$ 813,719</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

5) CAPITAL ASSETS - Continued

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	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	400,461	27,000	-	427,461
Fire Trucks and Mounted Equipment	1,074,096	-	-	1,074,096
Special Purpose Equipment	280,482	-	-	280,482
Office Equipment	7,133	19,309	-	26,442
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,784,535	46,309	-	1,830,844
Less Accumulated Depreciation:				
Structures and Improvements	(289,268)	(11,066)	-	(300,334)
Fire Trucks and Mounted Equipment	(738,604)	(55,307)	-	(793,911)
Special Purpose Equipment	(237,094)	(12,122)	-	(249,216)
Office Equipment	(6,759)	(140)	-	(6,899)
Shop and Station Equipment	(10,142)	(387)	-	(10,529)
Communication Equipment	(8,730)	(1,502)	-	(10,232)
Total Accumulated Depreciation	(1,290,597)	(80,524)	-	(1,371,121)
Total Capital Assets Being Depreciated, Net	493,938	(34,215)	-	459,723
Governmental Activities Capital Assets, Net	\$ 908,614	\$ (34,215)	\$ -	\$ 874,399

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,014,656	\$ -	\$ -	\$ 1,014,656
Construction in Progress	3,986,213	912,396	4,394,876	503,733
Total Capital Assets Not Depreciated	5,000,869	912,396	4,394,876	1,518,389
Capital Assets, Being Depreciated:				
Water Plant and Facilities	9,935,451	1,197,031	-	11,132,482
Sewer Plant and Facilities	17,471,741	3,080,798	-	20,552,539
Furniture and Equipment	285,133	97,557	-	382,690
Trucks and Automobiles	1,591,713	-	-	1,591,713
Total Capital Assets Being Depreciated	29,284,038	4,375,386	-	33,659,424
Less Accumulated Depreciation:				
Water Plant and Facilities	(4,298,126)	(186,413)	-	(4,484,539)
Sewer Plant and Facilities	(8,328,875)	(418,521)	-	(8,747,396)
Furniture and Equipment	(253,280)	(49,109)	-	(302,389)
Trucks and Automobiles	(1,211,187)	(44,892)	-	(1,256,079)
Total Accumulated Depreciation	(14,091,468)	(698,935)	-	(14,790,403)
Total Capital Assets Being Depreciated, Net	15,192,570	3,676,451	-	18,869,021
Business-Type Activities Capital Assets, Net	\$ 20,193,439	\$ 4,588,847	\$ 4,394,876	\$ 20,387,410

For the fiscal year ended June 30, 2017, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Fire Protection	<u>\$ 80,524</u>
Business-type Activities:	
Water	\$ 208,942
Sewer Collection	160,324
Sewer Treatment	287,789
Ambulance	<u>41,880</u>
Total Business-type Activities	\$ 698,935

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2018 and 2017:

	Governmental Activities		Business-Type Activities	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Grants Payable	\$ -	\$ -	\$ -	\$ -
Customer Deposits	-	-	26,489	27,598
Miscellaneous	-	-	48	48
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,537</u>	<u>\$ 27,646</u>

7) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 90,843	\$ 198,000	\$ 169,869	\$ 118,974	\$ 23,795
Net Pension Liability	2,899,099	381,205	-	3,280,304	-
Total	<u>\$ 2,989,942</u>	<u>\$ 579,205</u>	<u>\$ 169,869</u>	<u>\$ 3,399,278</u>	<u>\$ 23,795</u>
Business-Type Activities					
Sewer Treatment, SWRCB					
Installment Payable, 2014	\$ 2,799,936	\$ 33,608	\$ 119,138	\$ 2,714,406	\$ 119,963
Water Supply, 2015					
Installment Payable, Ayers Ambulance, 2016	454,313	-	50,318	403,995	52,043
Installment Payable	28,477	-	6,753	21,724	6,992
Compensated Absences	307,649	234,070	181,012	360,707	72,142
Net Pension Liability	4,124,914	510,171	-	4,635,085	-
Total	<u>\$ 7,715,289</u>	<u>\$ 777,849</u>	<u>\$ 357,221</u>	<u>\$ 8,135,917</u>	<u>\$ 251,140</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

7) LONG-TERM LIABILITIES - Continued

The following is a summary of long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 89,754	\$ 32,668	\$ 31,579	\$ 90,843	\$ 18,169
Net Pension Liability	2,402,353	496,746	-	2,899,099	-
Total	<u>\$ 2,492,107</u>	<u>\$ 529,414</u>	<u>\$ 31,579</u>	<u>\$ 2,989,942</u>	<u>\$ 18,169</u>
Business-Type Activities					
Sewer Treatment, 2001					
Installment Payable	\$ 181,450	\$ -	\$ 181,450	\$ -	\$ -
Sewer Treatment, SWRCB					
Installment Payable, 2014	2,141,451	658,485	-	2,799,936	123,476
Water Supply, 2015					
Installment Payable, Ayers	502,963	-	48,650	454,313	50,318
Ambulance, 2016					
Installment Payable	35,000	-	6,523	28,477	6,753
Compensated Absences	259,869	104,517	56,737	307,649	61,530
Net Pension Liability	3,462,011	662,903	-	4,124,914	-
Total	<u>\$ 6,582,744</u>	<u>\$ 1,425,905</u>	<u>\$ 293,360</u>	<u>\$ 7,715,289</u>	<u>\$ 242,077</u>

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 plus accrued interest of \$33,544, of for a total amount loaned of \$2,833,544. 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

7) LONG-TERM LIABILITIES - Continued

The following represents the future debt service requirements to maturity:

Year Ending June 30,	Principal	Interest
2019	\$ 119,963	\$ 51,574
2020	122,243	49,294
2021	124,565	46,972
2022	126,932	44,605
2023	129,344	42,193
2024	131,801	39,736
2025	134,305	37,232
2026	136,857	34,680
2027	139,457	32,080
2028	142,107	29,430
2029	144,807	26,730
2030	147,559	23,978
2031	150,362	21,175
2032	153,219	18,318
2033	156,130	15,407
2034	159,097	12,440
2035	162,119	9,417
2036	165,200	6,337
2037	168,339	3,198
Total	<u>\$ 2,714,406</u>	<u>\$ 544,796</u>

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
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
Total	<u>\$ 403,995</u>	<u>\$ 53,389</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

7) LONG-TERM LIABILITIES - Continued

2016 Ambulance Installment Payable

On April 27, 2016, the District entered into an installment agreement with the Municipal Finance Corporation for the purchase of an ambulance. Installment payments are due in ten biannual payments, including interest at the rate of 3.5% per annum. Future debt service requirements for this installment agreement are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 6,992	\$ 700
2020	7,238	453
2021	7,494	197
Total	\$ 21,724	\$ 1,350

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, 2018, and June 30, 2017, there were outstanding bonds of \$430,000 and \$605,000, respectively. 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 \$31,558 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 PLAN

General Information about the Defined Benefit Pension Plan

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

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

9) PENSION PLAN - Continued

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan 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, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

The Plan provisions and benefits in effect at June 30, 2018, 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	11.675% + \$275,935	6.533% + \$114

	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	19.723% + \$205,158	11.990% + \$198

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, 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, 2018 and 2017

9) PENSION PLAN - Continued

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was \$481,405 in fiscal year 2018.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 459,968	\$ 374,022

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 4,635,085
Safety	3,280,304
Total Net Pension Liability	\$ 7,915,389

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 plan 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, 2017 and 2016 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2016	0.11874%	0.05598%
Proportion - June 30, 2017	0.11758%	0.05490%
Change - Increase (Decrease)	-0.00116%	-0.00108%

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

9) PENSION PLAN - Continued

For the year ended June 30, 2018, the District recognized pension expense of \$1,507,257. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to measurement date	\$ 833,990	\$ -
Differences between actual and expected experience	38,039	78,722
Changes in assumptions	1,087,646	83,161
Change in employer's proportion	225,681	-
Differences between the employer's contributions and the employer's proportionate share of contributions	181,306	-
Net differences between projected and actual earnings on plan investments	<u>242,077</u>	<u>-</u>
Total	<u>\$ 2,608,739</u>	<u>\$ 161,883</u>

\$833,990 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 559,009
2020	735,239
2021	461,444
2022	(142,826)
2023	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>All Plans</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

9) PENSION PLAN - Continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 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 found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

(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, 2018 and 2017

9) PENSION PLAN - Continued

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 6,635,653	\$ 4,868,437
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 4,635,085	\$ 3,280,304
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 2,978,178	\$ 1,982,085

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, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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.*

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

Running Springs Water District
Notes to Financial Statements
June 30, 2018 and 2017

10) RISK MANAGEMENT - Continued

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, 2018 and 2017.

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, 2018, and June 30, 2017, the amount of the loss on the additional inventory cannot be reasonably estimated.

13) COMMITMENTS

At June 30, 2018, 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) TRANSFERS

The following transfers are adjusting entries related to the separation of the Sewer Collections and Sewer Treatment funds. The transfer of \$334,197 from the Sewer Treatment Fund to the Sewer Collection Fund in fiscal year 2017-18 was to properly allocate CIP and capacity reserves to the applicable funds. The transfer of \$243,599 from the Sewer Collection Fund to the Sewer Treatment Fund in fiscal year 2016-17 was to move cash balances to the correct fund.

REQUIRED SUPPLEMENTARY INFORMATION

**Running Springs Water District
Required Supplementary Information
June 30, 2018 and 2017**

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

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2017	0.07981%	\$ 7,915,389	\$ 2,560,653	309.12%	69.43%
2016	0.08117%	7,024,013	2,662,089	263.85%	69.63%
2015	0.08544%	5,864,364	2,439,595	240.38%	73.14%
2014	0.08361%	5,073,557	2,299,525	220.64%	69.63%

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

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

**Running Springs Water District
Required Supplementary Information
June 30, 2018 and 2017**

**Schedule of Plan Contributions
Last 10 Years***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 833,990	\$ (833,990)	\$ -	\$ 2,560,653	32.57%
2017	785,370	(785,370)	-	2,662,089	29.50%
2016	709,356	(709,356)	-	2,439,565	29.08%
2015	666,615	(666,615)	-	2,299,525	28.99%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2015

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,550,000	\$ 1,550,000	\$ 1,603,236	\$ 53,236
Assessments - Fire Availability Charges	205,000	205,000	200,688	(4,312)
Hazard Abatement Program Revenue	15,000	15,000	14,161	(839)
Other Revenue	20,000	20,000	387,805	367,805
Investment Earnings	3,500	3,500	25,275	21,775
Intergovernmental Revenue	-	-	18,953	18,953
	<u>1,793,500</u>	<u>1,793,500</u>	<u>2,250,118</u>	<u>456,618</u>
Total Revenues	<u>1,793,500</u>	<u>1,793,500</u>	<u>2,250,118</u>	<u>456,618</u>
EXPENDITURES				
Salaries and Benefits:				
Salaries and Wages	788,339	788,339	1,076,955	(288,616)
Payroll Taxes	11,431	11,431	15,543	(4,112)
Workers Comp Insurance	43,180	43,180	42,441	739
Group Insurance	96,955	96,955	94,595	2,360
CalPERS Retirement	438,991	438,991	432,077	6,914
Uniform Allowance	5,000	5,000	6,175	(1,175)
Services and Supplies:				
Education, Training & Seminars	8,500	8,500	7,284	1,216
Fuel & Oil	10,643	10,643	10,383	260
Hazard Abatement	8,000	8,000	8,000	-
Property/Liability Insurance	13,271	13,271	14,433	(1,162)
Memberships & Subscriptions	4,895	4,895	4,868	27
Office Supplies	5,032	5,032	4,814	218
Fees & Permits	6,833	6,833	8,270	(1,437)
Professional Services	34,700	34,700	34,847	(147)
Dispatching Services	40,000	40,000	41,371	(1,371)
General Station Maintenance	9,500	9,500	5,481	4,019
Safety clothing, supplies & equipment	26,500	26,500	15,736	10,764
Utilities - Electric, gas, phone, trash	21,576	21,576	20,519	1,057
Vehicle & equipment repair & maintenance	25,355	25,355	28,449	(3,094)
Administrative Expense	66,048	66,048	66,240	(192)
Capital Outlay	-	-	254,542	(254,542)
	<u>1,664,749</u>	<u>1,664,749</u>	<u>2,193,023</u>	<u>(528,274)</u>
Total Expenditures	<u>1,664,749</u>	<u>1,664,749</u>	<u>2,193,023</u>	<u>(528,274)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>128,751</u>	<u>128,751</u>	<u>57,095</u>	<u>(71,656)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Insurance Claim	-	-	94,581	94,581
	<u>-</u>	<u>-</u>	<u>94,581</u>	<u>94,581</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>94,581</u>	<u>94,581</u>
Net Change in Fund Balances	128,751	128,751	151,676	<u>\$ 22,925</u>
Fund Balance, Beginning of Year	<u>1,469,713</u>	<u>1,469,713</u>	<u>1,469,713</u>	
Fund Balance, End of Year	<u>\$ 1,598,464</u>	<u>\$ 1,598,464</u>	<u>\$ 1,621,389</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2018 and 2017

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 \$528,274.

SUPPLEMENTARY INFORMATION

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018 and 2017

	Improvement			Totals	
	Act of 1911	Bond Act of 1915		2018	2017
	Assessment District No. 9	Assessment District No. 7	Assessment District No. 10		
ASSETS					
Cash with Fiscal Agent	\$ -	\$ -	\$ 118,974	\$ 118,974	\$ 118,031
Temporary Investments	31,558	-	123,718	155,276	290,483
Total Assets	<u>\$ 31,558</u>	<u>\$ -</u>	<u>\$ 242,692</u>	<u>\$ 274,250</u>	<u>\$ 408,514</u>
LIABILITIES					
Accounts Payable	\$ 379	\$ -	\$ -	\$ 379	\$ 764
Due to Bondholders	31,179	-	242,692	273,871	407,750
Total Liabilities	<u>\$ 31,558</u>	<u>\$ -</u>	<u>\$ 242,692</u>	<u>\$ 274,250</u>	<u>\$ 408,514</u>

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 9</u>				
ASSETS				
Temporary Investments	\$ 37,739	\$ -	\$ 6,181	\$ 31,558
Total Assets	\$ 37,739	\$ -	\$ 6,181	\$ 31,558
LIABILITIES				
Accounts Payable	\$ 577	\$ 5,983	\$ 6,181	\$ 379
Due to Bondholders	37,162	-	5,983	31,179
Total Liabilities	\$ 37,739	\$ 5,983	\$ 12,164	\$ 31,558

<u>Assessment District No. 7</u>				
ASSETS				
Temporary Investments	\$ 25,053	\$ -	\$ 25,053	\$ -
Total Assets	\$ 25,053	\$ -	\$ 25,053	\$ -
LIABILITIES				
Due to Bondholders	\$ 25,053	\$ -	\$ 25,053	\$ -
Total Liabilities	\$ 25,053	\$ -	\$ 25,053	\$ -

Continued

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 118,031	\$ 943	\$ -	\$ 118,974
Temporary Investments	227,691	121,909	225,882	123,718
Total Assets	<u>\$ 345,722</u>	<u>\$ 122,852</u>	<u>\$ 225,882</u>	<u>\$ 242,692</u>
LIABILITIES				
Due to Bondholders	\$ 345,535	\$ 122,852	\$ 225,695	\$ 242,692
Accounts Payable	187	14,939	15,126	-
Total Liabilities	<u>\$ 345,722</u>	<u>\$ 137,791</u>	<u>\$ 240,821</u>	<u>\$ 242,692</u>
 <u>Total All Agency Funds</u>				
ASSETS				
Cash with Fiscal Agent	\$ 118,031	\$ 943	\$ -	\$ 118,974
Temporary Investments	290,483	121,909	257,116	155,276
Total Assets	<u>\$ 408,514</u>	<u>\$ 122,852</u>	<u>\$ 257,116</u>	<u>\$ 274,250</u>
LIABILITIES				
Accounts Payable	\$ 764	\$ 20,922	\$ 21,307	\$ 379
Due to Bondholders	407,750	122,852	256,731	273,871
Total Liabilities	<u>\$ 408,514</u>	<u>\$ 143,774</u>	<u>\$ 278,038</u>	<u>\$ 274,250</u>