



# Running Springs Water District

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## Annual Financial Report and Independent Auditor's Report

Years Ended June 30, 2016 and 2015

November 3, 2016

Board of Directors  
Running Springs Water District  
Running Springs, CA

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Running Springs Water District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 2, the District adopted Government Accounting Standards Board (GASB Statement) Statement No. 72, *Fair Value Measurement and Application*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of the net pension liability is based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office. We evaluated the key factors and assumptions to develop the net pension liability in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 5 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of the net pension liability in Note 9 to the financial statements is based on the District's proportionate share of the total pension liability of the pool and includes assumptions for discount rates, which could differ from actual discount rates. Note 9 discloses the differences in the net pension liability assuming different discount rates.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 3, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Van Lant + Fankhanel, LLP*



**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Running Springs Water District  
Running Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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, the 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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Van Lant + Fankhaed, LLP*

November 3, 2016



## INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

Board of Directors  
Running Springs Water District  
Running Springs Water District, California

We have performed procedures enumerated below to be the accompanying Appropriations Limit worksheet of the Running Springs Water District, for the year ended June 30, 2016. These procedures, which were agreed to by the Running Springs Water District and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The District's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the Board of Directors during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the Board of Directors and management of the Running Springs Water District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Van Lant + Fankhauser, LLP*

November 3, 2016



**RUNNING SPRINGS WATER DISTRICT  
 APPROPRIATIONS LIMIT COMPUTATION  
 2015 – 2016**

	<u>2015 - 2016</u>
Change in Per Capital Personal Income	3.82%
Population Change	
County Population Growth	0.63%
Change in Per Capita Personal Income Converted to a Ratio	1.0382
Population Change Converted to a Ratio	1.0063
Calculation of Growth Factor	1.0447
2014 - 2015 Appropriations Limit	<u>\$ 4,219,457</u>
2015 - 2016 Appropriations Limit (\$4,219,457 X 1.0447)	<u>\$ 4,408,067</u>

**RUNNING SPRINGS WATER DISTRICT**

**ANNUAL FINANCIAL REPORT**

Years Ended June 30, 2016 and 2015

**Running Springs Water District**  
**Annual Financial Report**  
Years Ended June 30, 2016 and 2015

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## **INTRODUCTORY SECTION**



RUNNING SPRINGS WATER DISTRICT  
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

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

November 3, 2016

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, 2016**

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, 2016. 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, 2016, 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, 2016 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, 2016 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **DISTRICT OVERVIEW**

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

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

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

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

### **Government Activities**

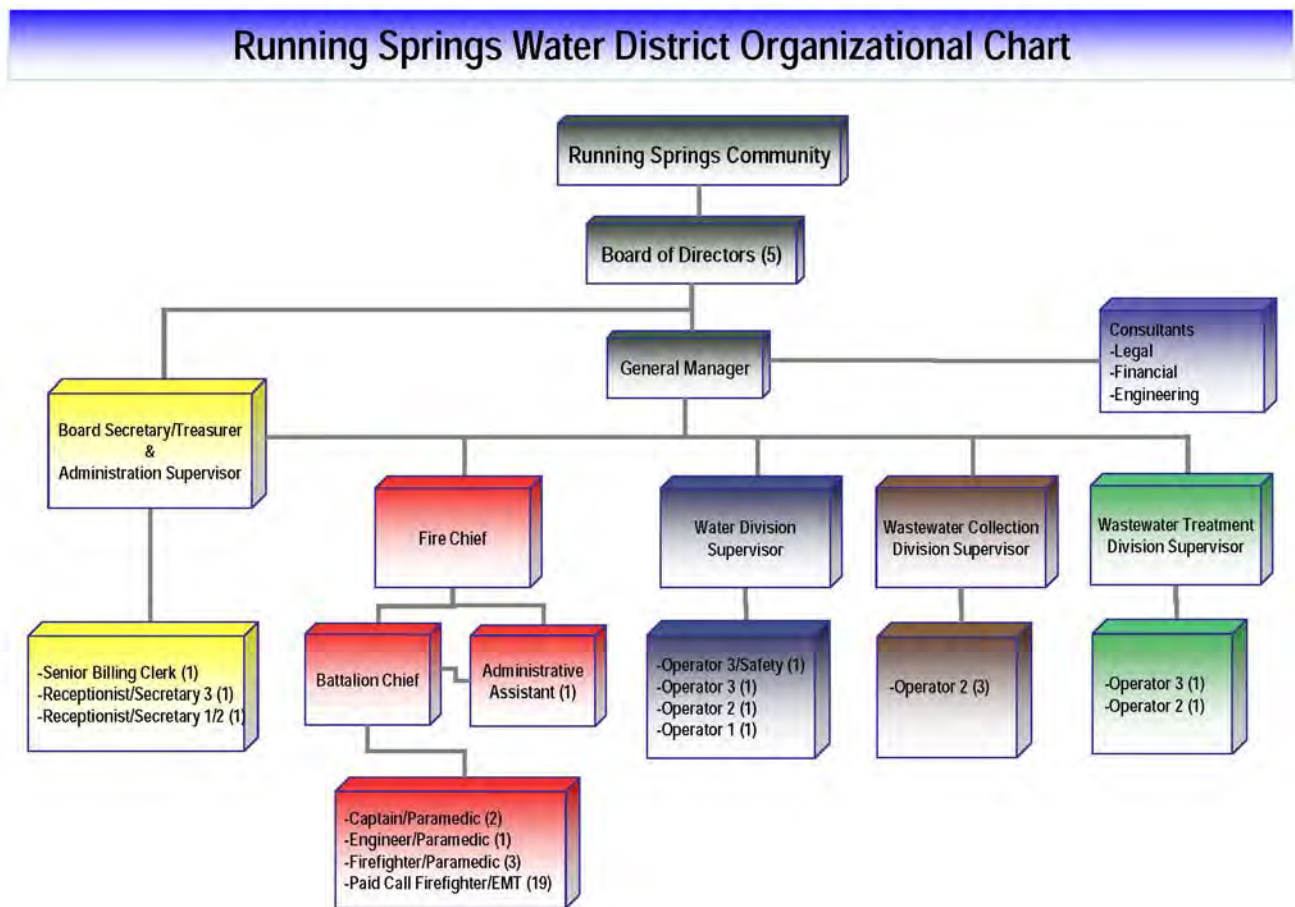
The District's Government Activities include fire protection services for the community of Running Springs.

### **Business-Type Activities**

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

## Staffing & Organizational Chart

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

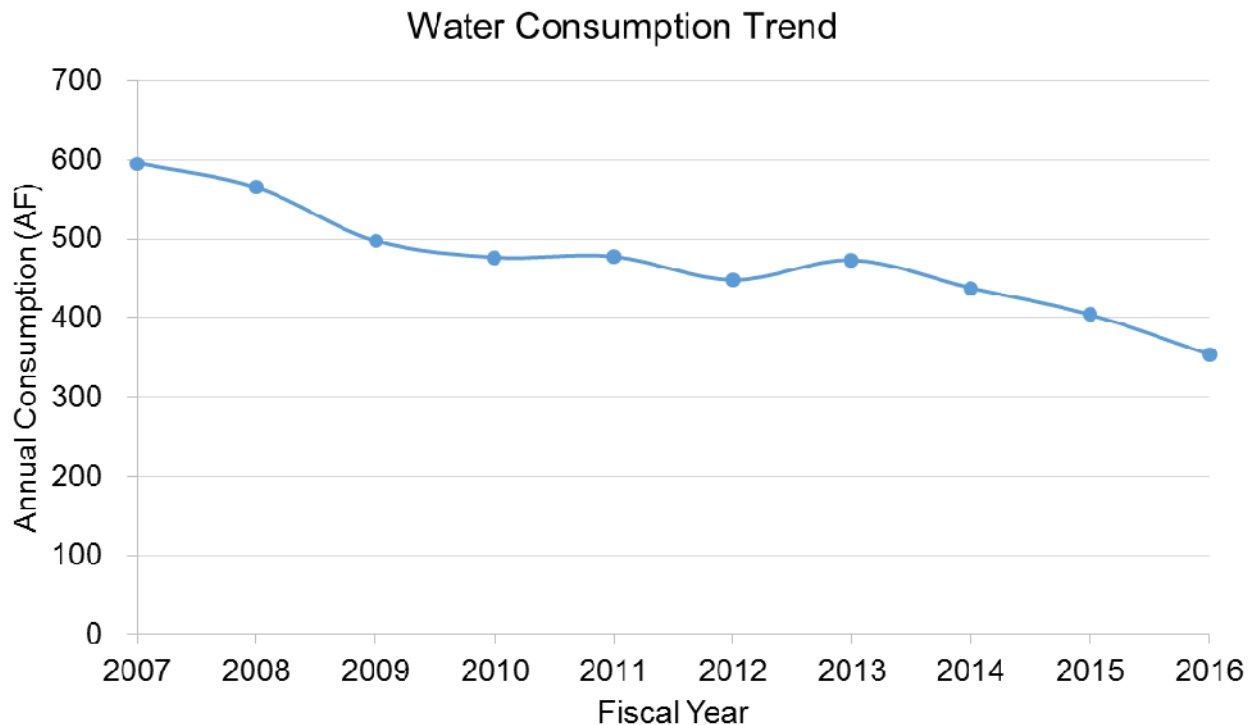


## LOCAL ENVIRONMENT

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

## WATER RESOURCES MANAGEMENT

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



## WASTEWATER MANAGEMENT

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

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



## **FEES AND CHARGES**

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

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

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

## **FINANCIAL PLANNING**

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

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

## **ACCOUNTING AND INTERNAL CONTROLS**

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

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

## **BUDGETARY CONTROLS**

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

## **FINANCIAL CONDITION**

The Management's Discussion and Analysis (MD&A), which can be found immediately following the Independent Auditor's Report in the financial section of this report, summarizes the Statements of Net Position and Statements of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual government-wide financial statements are presented on pages 20-25. 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 26) are designed to address the individual funds by category (governmental and proprietary, as well as the fiduciary fund). An explanation of these complementary presentations can be found in the MD&A and in the notes (see Note 1).

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

Liquidity is the ability to cover short-term obligations. The Proprietary Fund is similar to a business so the current ratio, which is a measurement of liquidity, can be helpful in assessing the liquidity of the District. The current ratio decreased from 4.71 at June 30, 2015 to 3.23 at June 30, 2016. The current ratio from the above condensed summary is as follows:

	<u>2016</u>	<u>2015</u>
Current Ratio		
Current Assets	\$ 1,901,099	\$ 2,378,011
Current Liabilities	589,250	504,962
Current Ratio	3.23	4.71

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 4.23 at June 30, 2015 decreasing to 2.95 at June 30, 2016.

	<u>2016</u>	<u>2015</u>
Quick Ratio (more rigorous)		
Cash	\$ 1,000	\$ 434,899
Temporary Investments	802,043	797,732
Receivables	935,742	904,199
Cash and Temporary Investments and Receivables	<u>\$ 1,738,785</u>	<u>\$ 2,136,830</u>
Cash and Temporary Investments	\$ 1,738,785	\$ 2,136,830
Current Liabilities	589,250	504,962
Quick Ratio	2.95	4.23

This decrease in ratio indicates a decrease 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 0.22 at June 30, 2015 to 0.31 at June 30, 2016:

	<u>2016</u>	<u>2015</u>
Debt Ratio		
Total Liabilities	\$ 6,878,634	\$ 4,386,481
Total Assets	22,094,538	19,828,289
Debt Ratio	0.31	0.22

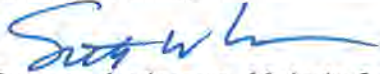
The above calculation is the conservative computation of debt ratio of the Proprietary Fund because it includes all liabilities. The lower the ratio, the better the debt-paying position of the District.

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, 2016 and 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2016 and 2015, 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 3, 2016, 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.

A handwritten signature in black ink that reads "Van Lant & Fankhaed, LLP". The signature is written in a cursive, slightly slanted style.

November 3, 2016



## 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, 2016 and 2015. 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 20).

### FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$537,780 and decreased by \$3,939,012 as of June 30, 2016 and 2015, respectively. The increase for the year ended June 30, 2016 is the combination of an increase in net position for the Governmental Activities of \$91,424 and an increase in net position for the Business Type Activities of \$446,356. These increases are due to rate increases in charge for services, Medi-Cal Ground Emergency Medical Transportation (GEMT) Supplemental Reimbursement and an increase in property tax revenue. The decrease for the year ended June 30, 2015 is the combination of a decrease in net position for the Governmental Activities of \$2,190,786 and a decrease in net position for the Business-Type Activities of \$1,748,226. These decreases are primarily due to a change in accounting principle which reduced the Governmental and Business-type Activities net position by \$1,812,137 and \$2,188,883, respectively. During the 2015 fiscal year, the Governmental Accounting Standards Board Statement (GASBS) No.68 became effective and required the District to recognize on its statement of net position and balance sheet (proprietary funds) the proportionate share of its net pension liability related to the District's pension plan. The statement required implementation on a retroactive basis which resulted in the decrease in net position mentioned above.
- The District's total change in net position, from operations, for the year ended June 30, 2016 is \$537,780 with an increase of \$91,424 reported in the Governmental Activities column and an increase of \$446,356 reported in the Business-type Activities column. The District's total change in net position, from operations, for the year ended June 30, 2015 is \$62,008 with a decrease of (\$378,649) reported in the Governmental Activities column and an increase of \$440,657 reported in the Business-type Activities column.
- Total revenues increased \$678,729 (11.74%) for the year ended June 30, 2016 and increased \$181,422 (3.24%) for the year ended June 30, 2015. The increase in 2016 is a combination of rate increases in charge for service, Medi-Cal GEMT Supplemental Reimbursement and increased property tax revenue. The increase in 2015 is a combination of an increase in revenues from charges for services, Sewer Property Contributions, capital grant, and infrastructure repair and replacement (R&R) fees.
- Total expenses increased \$202,957 (3.55%) for the year ended June 30, 2016 and decreased \$216,431 (3.64%) for the year ended June 30, 2015. All departments

except the Water department showed increases in expenses for the year ended June 30, 2016. All departments except the Sewer department showed decreases in expenses for the year ended June 30, 2015.

## **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 34 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 35-62 of the Basic Financial Statements.

### **OVERVIEW OF SUPPLEMENTARY INFORMATION**

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

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

## FINANCIAL ANALYSIS

### District-wide Analysis

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

#### Running Springs Water District's Net Position

	Governmental Activities			Business-Type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Assets:</b>									
Current and Other Assets	\$ 1,352,274	\$ 1,310,561	\$ 1,840,907	\$ 1,901,099	\$ 2,378,011	\$ 1,352,789	\$ 3,253,373	\$ 3,688,572	\$ 3,193,696
Capital Assets	908,614	990,539	1,025,041	20,193,439	17,450,278	17,539,126	21,102,053	18,440,817	18,564,167
Total Assets	2,260,888	2,301,100	2,865,948	22,094,538	19,828,289	18,891,915	24,355,426	22,129,389	21,757,863
<b>Deferred Outflows of</b>									
<b>Resources</b>	643,510	489,533	-	849,706	492,691	-	1,493,216	982,224	-
<b>Liabilities:</b>									
Current Liabilities	93,833	89,539	130,710	589,250	504,962	447,866	683,083	594,501	578,576
Noncurrent Liabilities	2,460,528	2,227,582	624,247	6,289,384	3,881,519	1,393,873	8,749,912	6,109,101	2,018,120
Total Liabilities	2,554,361	2,317,121	754,957	6,878,634	4,386,481	1,841,739	9,432,995	6,703,602	2,596,696
<b>Deferred Inflows of</b>									
<b>Resources</b>	338,408	553,307	-	317,304	632,549	-	655,712	1,185,856	-
<b>Net Position:</b>									
Net Investment in									
Capital Assets	908,614	990,539	1,025,041	17,332,575	16,425,621	17,019,358	18,241,189	17,416,160	18,044,399
Restricted	-	-	-	561,229	1,006,245	525,143	561,229	1,006,245	525,143
Unrestricted (deficit)	(896,985)	(1,070,334)	1,085,950	(2,145,498)	(2,129,916)	(494,325)	(3,042,483)	(3,200,250)	591,625
Total Net Position	\$ 11,629	\$ (79,795)	\$ 2,110,991	\$ 15,748,306	\$ 15,301,950	\$ 17,050,176	\$ 15,759,935	\$ 15,222,155	\$ 19,161,167

- The assets of Running Springs Water District increased by \$2,226,037 and \$371,526 as of June 30, 2016 and 2015 respectively. The most significant changes in 2016 are an increase in construction in progress. The increase in 2016 was primarily the result of the replacement of three sewer lift stations that were 45 years old and passed their useful lives. The most significant changes in 2015 are an increase in cash and investments and a decrease in capital assets. The increase in 2015 was the result of an increase in net position and depreciation added to accumulated depreciation which exceeded the cost of new capital assets during the year and disposal of obsolete capital assets.
- The Running Springs Water District's total liabilities increased by \$2,729,393 and \$4,106,906 as of June 30, 2016 and 2015 respectively. The key factor in the increase in 2016 is a new loan for the replacement of the three sewer lift stations. The key factors in the increase in 2015 are a new loan for the development of a groundwater well and 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.

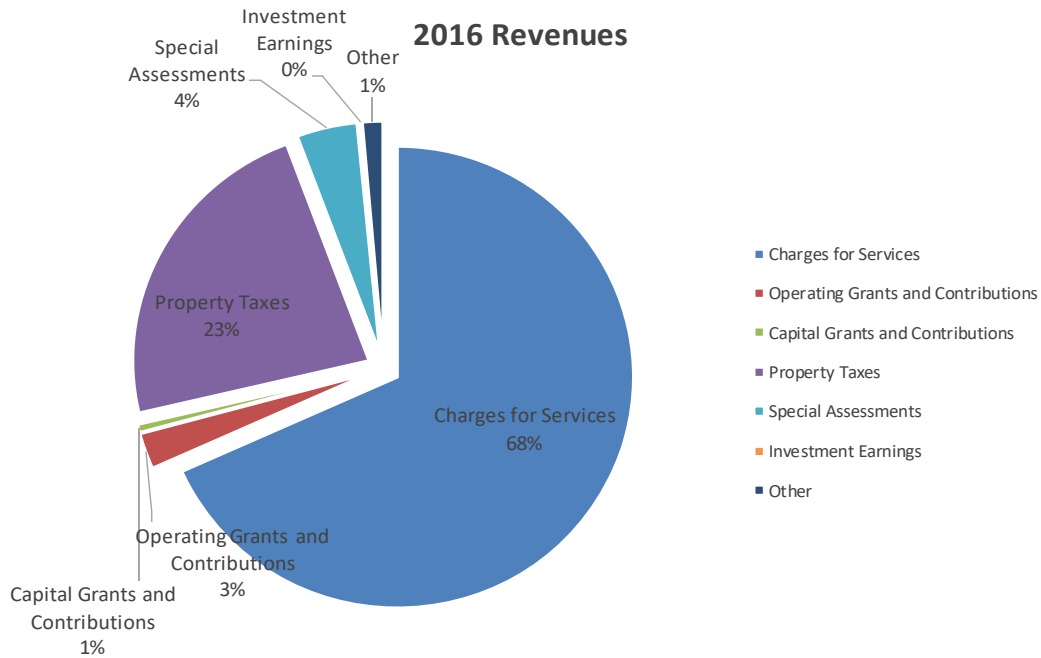
- Net position may serve over time as a useful indicator of a district's financial position. In the case of the Running Springs Water District, net position was \$15,759,935 and \$15,222,155 at the close of June 30, 2016 and 2015 respectively. Of this amount, \$(2,783,934) and \$(2,627,904) as of June 30, 2016 and 2015, 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:

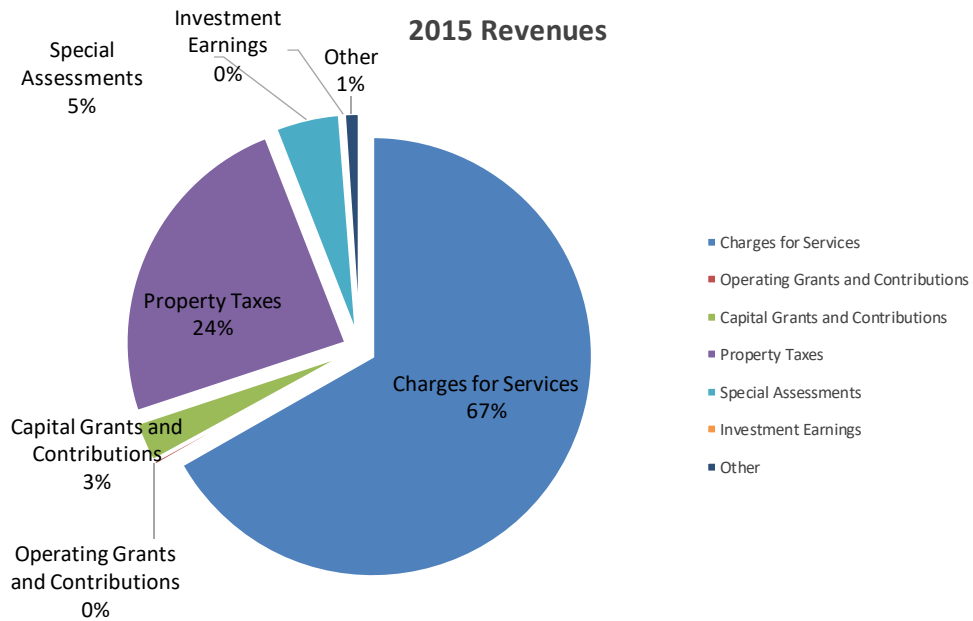
**Running Springs Water District's Changes in Net Position**

	Governmental Activities			Business-Type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Revenues:</b>									
Program Revenues:									
Charges for Services	\$ 114,977	\$ 16,940	\$ 67,995	\$ 4,298,809	\$ 3,845,143	\$ 3,758,807	\$ 4,413,786	\$ 3,862,083	\$ 3,826,802
Operating Grants and Contributions	5,423	15,707	6,294	156,691	-	-	162,114	15,707	6,294
Capital Grants and Contributions	-	-	-	36,259	166,814	49,356	36,259	166,814	49,356
General Revenues:									
Property Taxes	1,483,527	1,395,269	1,392,109	-	-	-	1,483,527	1,395,269	1,392,109
Special Assessments	205,122	204,949	201,950	60,971	67,002	70,802	266,093	271,951	272,752
Investment Earnings	3,659	693	1,337	7,794	9,760	32,189	11,453	10,453	33,526
Other	-	-	-	89,242	61,468	21,484	89,242	61,468	21,484
Total Revenues	1,812,708	1,633,558	1,669,685	4,649,766	4,150,187	3,932,638	6,462,474	5,783,745	5,602,323
<b>Expenses:</b>									
Fire Protection	1,721,284	1,652,207	1,703,594	-	-	-	1,721,284	1,652,207	1,703,594
Water	-	-	-	1,757,591	1,775,165	1,791,416	1,757,591	1,775,165	1,791,416
Ambulance	-	-	-	505,918	419,504	596,564	505,918	419,504	596,564
Sewer	-	-	-	1,939,901	1,874,861	1,846,594	1,939,901	1,874,861	1,846,594
Total Expenses	1,721,284	1,652,207	1,703,594	4,203,410	4,069,530	4,234,574	5,924,694	5,721,737	5,938,168
Transfers		(360,000)	-		360,000	-	-	-	-
Increase (Decrease) in Net Position	91,424	(378,649)	(33,909)	446,356	440,657	(301,936)	537,780	62,008	(335,845)
Total Net Position - Beginning	(79,795)	2,110,991	2,144,900	15,301,950	17,050,176	17,352,112	15,222,155	19,161,167	19,497,012
Prior Period Adjustment	-	(1,812,137)	-	-	(2,188,883)	-	-	(4,001,020)	-
Total Net Position - Ending	\$ 11,629	\$ (79,795)	\$ 2,110,991	\$ 15,748,306	\$ 15,301,950	\$ 17,050,176	\$ 15,759,935	\$ 15,222,155	\$ 19,161,167

Total revenues increased \$678,729 (11.74%) for the year ended June 30, 2016.

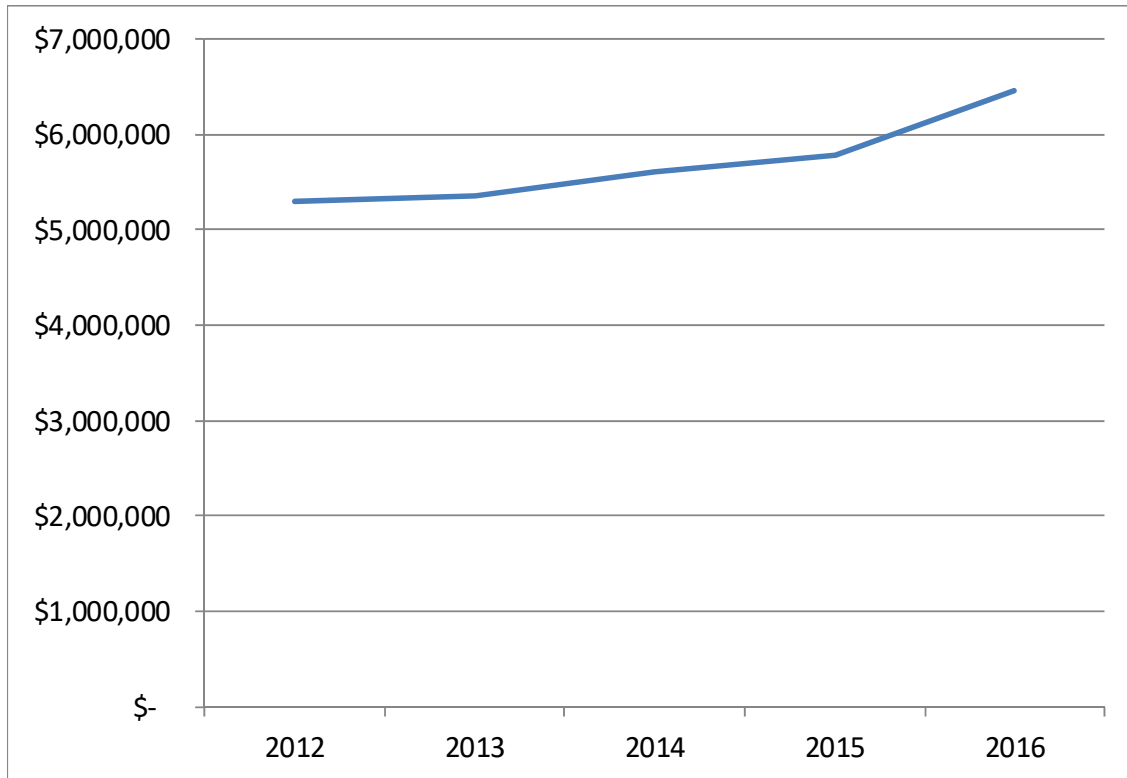


The breakdown of each category of revenue had a slight change as compared to the revenue breakdown for the year ended June 30, 2015 (2015: Charges for Services 67%, Operating Grants and Contributions 0%, Capital Grants and Contributions 3%, Property Taxes 24%, Special Assessments 5%, Investment Earnings 0% and Other 1%).



The increase (11.74%) in total revenues for 2016 when compared to 2015 is primarily due to rate increases in charges for services, Medi-Cal GEMT Supplemental Reimbursement and increased property tax revenue.

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



District-wide, total expenses increased \$202,957 (4%) for the year ended June 30, 2016 while expenses in 2015 decreased \$216,431 (4%) for the year ended June 30, 2015. Notable increases in expenses in 2016 are employee salaries and benefits and bad debt expense in the Ambulance Department. Notable decreases in expenses in 2015 were a significant reduction in bad debt expense in the Ambulance Department.

**Governmental Fund and Governmental Activities (Fire Protection) Analysis**

Net position for the Governmental Activities is \$11,628 and \$(79,795) at the close of June 30, 2016 and 2015 respectively. The increase of \$91,424 for the year ended June 30, 2016 is the result of the increase in revenue and expenses stayed about same. The decrease of \$2,190,786 for the year ended June 30, 2015 is primarily the result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 (Governmental Activities). For the year ended June 30, 2016, the revenues increased 11% and expense decreased 0.5%. Revenues decreased 2% and expenses decreased 3% for the year ended June 30, 2015.



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

	2016			2015		
	Modified Accrual	Conversion	Full Accrual	Modified Accrual	Conversion	Full Accrual
Revenues	\$ 1,812,708	\$ -	\$ 1,812,708	\$ 1,633,558	\$ -	\$ 1,633,558
Expenditures/Expenses/Transfers	1,793,451	(72,167)	1,721,284	2,162,764	(150,557)	2,012,207
Excess of Revenues Over (Under)						
Expenditures	19,257	72,167	91,424	(529,206)	150,557	(378,649)
Net Change	\$ 19,257	\$ 72,167	\$ 91,424	\$ (529,206)	\$ 150,557	\$ (378,649)

	2014		
	Modified Accrual	Conversion	Full Accrual
Revenues	\$ 1,669,685	\$ -	\$ 1,669,685
Expenditures / Expenses	1,689,340	14,254	1,703,594
Excess of Revenues Over (Under)			
Expenditures	(19,655)	(14,254)	(33,909)
Net Change	\$ (19,655)	\$ (14,254)	\$ (33,909)

- Revenues for the year ended June 30, 2016 increased 11% as a result of an increase in Property taxes, hazard abatement program revenue and other revenue. Expenses in the Governmental Activities decreased 0.5% for the year ended June 30, 2015.
- Revenues for the year ended June 30, 2015 decreased 2% as a result of a decrease in hazard abatement program revenue and other revenue. Expenses in the Governmental Activities decreased 3% for the year ended June 30, 2015. Notable changes in expenses are pension amounts per GASB 68.

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

Net position for the Business-Type Activities is \$15,748,306 and \$15,301,950 at the close of June 30, 2016 and 2015 respectively. The increase of \$446,356 for the year June 30, 2016 is the result of the service charge rate increase and Medi-Cal GEMT Supplemental Reimbursement. The decrease of \$1,748,226 for the year June 30, 2015 is the result of GASB 68 adjustment. Revenues increased 12% for the year ended June 30, 2016, and expenses increased 3%. For the year ended June 30, 2015, revenues increased 6% for the year ended June 30, 2015, and expenses decreased 4%.

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

**Proprietary Fund - Change in Net Position**

	2016	2015	2014
Operating Revenues			
Water Department	\$ 1,684,139	\$ 1,690,238	\$ 1,604,220
Ambulance Department	674,656	364,200	544,982
Sewer Department	1,841,061	1,516,978	1,441,351
Total Operating Revenues	<u>4,199,856</u>	<u>3,571,416</u>	<u>3,590,553</u>
Operating Expenses			
Water Department	1,740,121	1,769,592	1,712,540
Ambulance Department	505,782	419,504	596,564
Sewer Department	1,927,347	1,854,320	1,787,940
Total Operating Expenses	<u>4,173,250</u>	<u>4,043,416</u>	<u>4,097,044</u>
Operating Income (Loss)	26,606	(472,000)	(506,491)
Non-Operating Revenues	413,651	411,957	292,729
Non-Operating Expenses	<u>(30,160)</u>	<u>(26,114)</u>	<u>(137,530)</u>
Income (Loss) Before Property			
Contributions and Transfers	410,097	(86,157)	(351,292)
Transfers In		360,000	-
Capital contributions	36,259	166,814	49,356
Change in Net Position	<u>\$ 446,356</u>	<u>\$ 440,657</u>	<u>\$ (301,936)</u>

**Analysis for the year ended June 30, 2016:**

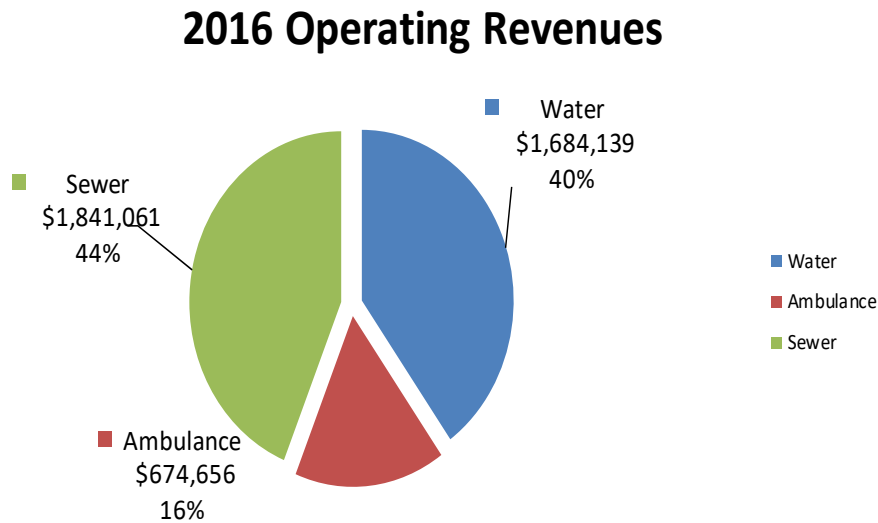
Below is condensed information related to the Proprietary Funds, by department.

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

	Water Department		Ambulance Department		Sewer Department	
	2016	2015	2016	2015	2016	2015
Operating Revenues	\$ 1,684,139	\$ 1,690,238	\$ 674,656	\$ 364,200	\$ 1,841,061	\$ 1,516,978
Operating Expenses	1,740,121	1,769,592	505,782	419,504	1,927,347	1,854,320
Operating Income (Loss)	(55,982)	(79,354)	168,874	(55,304)	(86,286)	(337,342)
Nonoperating Revenues	165,376	153,396	4,861	63	243,414	258,963
Nonoperating Expenses	17,470	6,038	136	-	12,554	20,541
Total Nonoperating Revenues (Expenses)	147,906	147,358	4,725	63	230,860	238,422
Income (Loss) before Capital Contributions	91,924	68,004	173,599	(55,241)	144,574	(98,920)
Capital Contributions	5,382	16,483	-	-	30,877	150,331
Transfers In	-	-	-	-	-	360,000
Change in Net Position	\$ 97,306	\$ 84,487	\$ 173,599	\$ (55,241)	\$ 175,451	\$ 411,411

The condensed summary above shows that the Ambulance Department reported an operating income for the year ended June 30, 2016 because of the Medi-Cal GEMT Supplemental Reimbursement and an operating loss for the year ended June 30, 2015, which means charges to customers for sales and services did not cover the costs of delivering those services.

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2016:

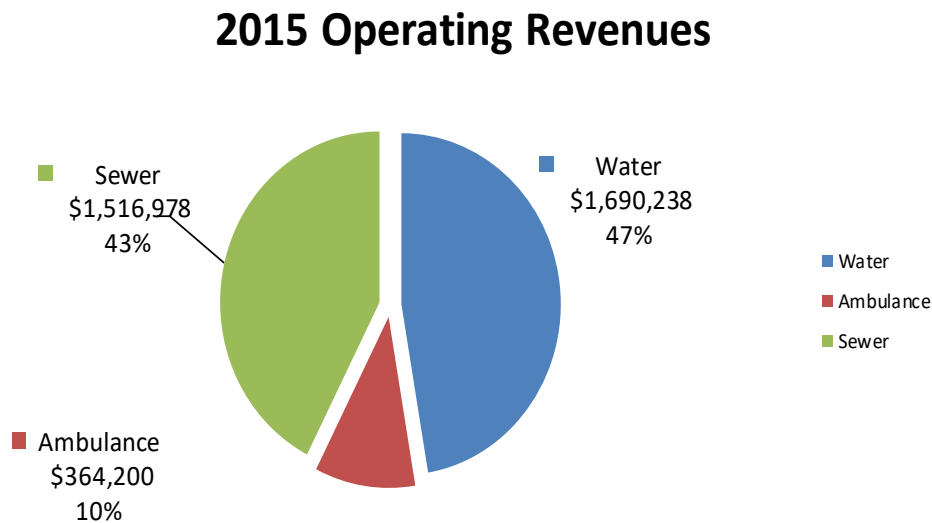


Factors contributing to the Proprietary Fund \$446,356 increase in net position for the year ended June 30, 2016 are as follows:

- Water and wastewater rates were increased in 2016.
- Medi-Cal GEMT Supplemental Reimbursement was received in 2016.

**Analysis for the year ended June 30, 2015:**

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



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

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

## **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, 2016:***

The final budget projected a net decrease in fund balance of \$(32,526). The actual was a net increase of \$51,783. The notable variances for budget to actual are as follows:

- Hazard Abatement Program Revenue was \$18,849 higher than the budgeted amount.
- Other Revenues were \$64,428 higher than the budgeted amounts due to the reimbursement for Fire services provided outside the District.
- Salaries and wages were \$129,980 higher than the budgeted amount due to higher compensated absences payouts.

### ***Analysis for the Year Ended June 30, 2015:***

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

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

## CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2016 and 2015 amounts to \$21,102,053 and \$18,440,817 (net of accumulated depreciation) respectively. The investment at June 30, 2016 represents a net increase (including additions and deductions) of 14% compared to a decrease of 0.66% for the year ended June 30, 2015. 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		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,014,656	\$ 1,014,656	\$ 1,006,339	\$ 1,429,332	\$ 1,429,332	\$ 1,421,015
Construction in Progress	-	-	-	3,986,213	787,227	543,312	3,986,213	787,227	543,312
Structures and Improvements	111,193	121,443	126,340	-	-	-	111,193	121,443	126,340
Water Plant and Facilities	-	-	-	5,637,325	5,843,886	6,005,535	5,637,325	5,843,886	6,005,535
Sewer Plant and Facilities	-	-	-	9,142,866	9,500,589	9,599,102	9,142,866	9,500,589	9,599,102
Fire Trucks and Mounted Equipment	335,492	391,664	404,744	-	-	-	335,492	391,664	404,744
Trucks and Automobiles	-	-	-	380,526	269,198	335,804	380,526	269,198	335,804
Special Purpose Equipment	43,388	56,753	71,143	-	-	-	43,388	56,753	71,143
Furniture and Equipment	-	-	-	31,853	34,722	49,034	31,853	34,722	49,034
Office Equipment	374	518	661	-	-	-	374	518	661
Shop and Station Equipment	1,113	1,518	1,923	-	-	-	1,113	1,518	1,923
Communication Equipment	2,378	3,967	5,554	-	-	-	2,378	3,967	5,554
<b>Total</b>	<b>\$ 908,614</b>	<b>\$ 990,539</b>	<b>\$ 1,025,041</b>	<b>\$ 20,193,439</b>	<b>\$ 17,450,278</b>	<b>\$ 17,539,126</b>	<b>\$ 21,102,053</b>	<b>\$ 18,440,817</b>	<b>\$ 18,564,167</b>

The most significant construction-in-progress jobs open at June 30, 2016 include the following:

- Ayers Acres Groundwater Well Infrastructure
- Wastewater Treatment Plant Filter Effluent Enhancement / Expansion
- Sewer Telemetry system
- Sewer Lift Stations Nos. 1-3 Replacement
- Tyler/Incode Accounting and Billing Software Conversion
- Wastewater Treatment Plant Membrane Bioreactor (MBR) Upgrade
- Wastewater Treatment Plant Aeration Blower Improvements

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

## NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2016 and 2015 are \$8,749,912 and \$6,109,101 respectively. During 2016, the District incurred expenses related to the State Water Resources Control Board Installment Payable 2014 and Ambulance Municipal Finance Corporation Installment Payable 2016. These loans increased the noncurrent liabilities by \$2,021,373 and \$35,000, respectively. Other than the net pension liability, both 2016 and 2015 liabilities included compensated absences and bonds payable (net of all amounts due within one year).

### Noncurrent Liabilities

	2016	2015	2014
<b>Governmental Activities:</b>			
Compensated Absences	\$ 89,754	\$ 97,000	\$ 241,954
Net Pension Liability	2,402,353	2,180,323	-
Pension Related Debt	-	-	472,065
Total	<u>2,492,107</u>	<u>2,277,323</u>	<u>714,019</u>
Less: Current Portion	(31,579)	(49,741)	(89,772)
Noncurrent Portion	<u>2,460,528</u>	<u>2,227,582</u>	<u>624,247</u>
<b>Business-Type Activities:</b>			
<b>Bonds and Notes Payable:</b>			
Sewer Treatment, 2001 Installment Payable	181,450	354,579	519,768
Sewer Treatment, SWRCB 2014 Installment Payable	2,141,451	120,078	-
Water Supply, 2015 Installment Payable, Ayers	502,963	550,000	-
Ambulance, 2016 Installment Payable	35,000	-	-
Total Bonds and Notes Payable	<u>2,860,864</u>	<u>1,024,657</u>	<u>519,768</u>
Compensated Absences	259,869	220,883	187,617
Net Pension Liability	3,462,011	2,893,234	-
Pension Related Debt	-	-	929,358
Less: Current Portion	(293,360)	(257,255)	(242,870)
Noncurrent Portion	<u>6,289,384</u>	<u>3,881,519</u>	<u>1,393,873</u>
<b>Government-Wide Summary</b>			
Compensated Absences	349,623	317,883	429,571
Net Pension Liability	5,864,364	5,073,557	-
Pension Related Debt	-	-	1,401,423
Bonds and Notes Payable:	<u>2,860,864</u>	<u>1,024,657</u>	<u>519,768</u>
Totals	<u>9,074,851</u>	<u>6,416,097</u>	<u>2,350,762</u>
Less: Current Portion	(324,939)	(306,996)	(332,642)
Noncurrent Portion	<u>\$ 8,749,912</u>	<u>\$ 6,109,101</u>	<u>\$ 2,018,120</u>

The District paid principal payments on the bonds and notes payable of \$220,166 during the year ended June 30, 2016 and \$165,189 during the year ended June 30, 2015, respectively.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in Note 7 on pages 51-54 of the Basic Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

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

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

## **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, 2016 and 2015

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	2016	2015	2016	2015
<b>ASSETS</b>				
Cash	\$ 459,549	\$ 93,442	\$ 1,000	\$ 1,000
Temporary Investments	821,155	1,174,848	308,031	369,543
Receivables:				
Customers - Net of Allowance	-	-	825,715	819,855
Other	14,899	14,949	107,497	79,066
Taxes	45,980	16,631	1,647	3,552
Interest	-	-	883	1,726
Materials and Supplies Inventory	-	-	88,430	90,357
Restricted Assets:				
Cash	10,691	10,691	500,679	868,755
Construction Receivables - Upstream Users	-	-	67,217	144,157
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,014,656	1,014,656
Construction in Progress	-	-	3,986,213	787,227
Capital Assets Net of Accumulated Depreciation	493,938	575,863	15,192,570	15,648,395
Total Assets	<u>2,260,888</u>	<u>2,301,100</u>	<u>22,094,538</u>	<u>19,828,289</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Related Items	<u>643,510</u>	<u>489,533</u>	<u>849,706</u>	<u>492,691</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	62,254	39,798	219,564	170,424
Interest Payable	-	-	7,242	10,196
Other Payables	-	-	16,209	14,161
Unearned Availability Charges	-	-	52,875	52,926
Long-term Liabilities Due Within One Year	31,579	49,741	293,360	257,255
Noncurrent Liabilities:				
Long-term Liabilities	2,460,528	2,227,582	6,289,384	3,881,519
Total Liabilities	<u>2,554,361</u>	<u>2,317,121</u>	<u>6,878,634</u>	<u>4,386,481</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Related Items	<u>338,408</u>	<u>553,307</u>	<u>317,304</u>	<u>632,549</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	908,614	990,539	17,332,575	16,425,621
Restricted for:				
Debt Service	-	-	169,579	433,899
Water and Wastewater Expansion	-	-	324,433	428,189
Upstream Users	-	-	67,217	144,157
Unrestricted (deficit)	<u>(896,985)</u>	<u>(1,070,334)</u>	<u>(2,145,498)</u>	<u>(2,129,916)</u>
Total Net Position	<u>\$ 11,629</u>	<u>\$ (79,795)</u>	<u>\$ 15,748,306</u>	<u>\$ 15,301,950</u>

<b>Total</b>	
2016	2015
\$ 460,549	\$ 94,442
1,129,186	1,544,391
825,715	819,855
122,396	94,015
47,627	20,183
883	1,726
88,430	90,357
511,370	879,446
67,217	144,157
1,429,332	1,429,332
3,986,213	787,227
15,686,508	16,224,258
<u>24,355,426</u>	<u>22,129,389</u>
<u>1,493,216</u>	<u>982,224</u>
281,818	210,222
7,242	10,196
16,209	14,161
52,875	52,926
324,939	306,996
8,749,912	6,109,101
<u>9,432,995</u>	<u>6,703,602</u>
<u>655,712</u>	<u>1,185,856</u>
18,241,189	17,416,160
169,579	433,899
324,433	428,189
67,217	144,157
<u>(3,042,483)</u>	<u>(3,200,250)</u>
<u>\$ 15,759,935</u>	<u>\$ 15,222,155</u>

**Running Springs Water District**  
**Statement of Activities**  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,721,284	\$ 114,977	\$ -	\$ 5,423
Business-type Activities:				
Water	1,757,591	1,751,686	-	5,382
Ambulance	505,918	517,965	156,691	-
Sewer	1,939,901	2,029,158	-	30,877
Total Business-type Activities	4,203,410	4,298,809	156,691	36,259
Total Primary Government	\$ 5,924,694	\$ 4,413,786	\$ 156,691	\$ 41,682

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue  
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>\$ (1,600,884)</u>	<u>\$ -</u>	<u>\$ (1,600,884)</u>
-	(523)	(523)
-	168,738	168,738
-	120,134	120,134
-	288,349	288,349
<u>(1,600,884)</u>	<u>288,349</u>	<u>(1,312,535)</u>
1,483,527	-	1,483,527
205,122	60,971	266,093
3,659	7,794	11,453
-	10,432	10,432
-	78,810	78,810
<u>1,692,308</u>	<u>158,007</u>	<u>1,850,315</u>
91,424	446,356	537,780
<u>(79,795)</u>	<u>15,301,950</u>	<u>15,222,155</u>
<u>\$ 11,629</u>	<u>\$ 15,748,306</u>	<u>\$ 15,759,935</u>

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

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

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

Net (Expense) Revenue  
and Changes in Net Position

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

**Running Springs Water District**  
**Balance Sheets**  
**Governmental Fund - Fire Protection**  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Cash	\$ 459,549	\$ 93,442
Temporary Investments	821,155	1,174,848
Restricted Cash	10,691	10,691
Accounts Receivable:		
Fire Availability Charges and Other	14,899	14,949
Taxes Receivable	45,980	16,631
Total Assets	\$ 1,352,274	\$ 1,310,561
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 62,254	\$ 39,798
Total Liabilities	62,254	39,798
Fund Balances:		
Committed:		
Equipment Replacement - General	12,188	157,785
Equipment Replacement - Breathing Apparatus	76,923	76,528
Assigned:		
Workers' Compensation Fund	12,956	50,419
Unassigned	1,187,953	986,031
Total Fund Balances	1,290,020	1,270,763
Total Liabilities and Fund Balances	\$ 1,352,274	\$ 1,310,561

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, 2016 and 2015

	2016	2015
Fund balances - total governmental fund	\$ 1,290,020	\$ 1,270,763
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	908,614	990,539
Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability are not reported in the funds.		
Deferred Outflows Related to Pensions	643,510	489,533
Deferred Inflows Related to Pensions	(338,408)	(553,307)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(89,754)	(97,000)
Net Pension Liability	(2,402,353)	(2,180,323)
Net Position of Governmental Activities	\$ 11,629	\$ (79,795)

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, 2016 and 2015

	2016	2015
<b>REVENUES</b>		
Property Taxes	\$ 1,483,527	\$ 1,395,269
Assessments - Fire Availability Charges	205,122	204,949
Hazard Abatement Program Revenue	33,849	8,184
Other Revenue	81,128	8,756
Interest Revenue	3,659	693
Intergovernmental Revenue	5,423	15,707
Total Revenues	1,812,708	1,633,558
<b>EXPENDITURES</b>		
Salaries and Wages	992,849	996,241
Director Fees	9,436	916
Employee Benefits	472,496	487,211
Payroll Taxes	14,065	13,155
Safety Clothing and Personal Supplies	27,275	12,343
Telephone	-	5,041
Insurance	89,922	69,318
Maintenance:		
Building	6,379	3,497
Automotive Equipment	22,167	18,463
Special Purpose Equipment	-	1,964
Memberships	7,641	5,513
Office	4,067	3,642
Professional Services	32,145	26,944
Education, Training	7,573	5,491
Small Tools and Instruments	-	1,247
Special Department Expense - Fire Fighting/Medical Supplies	-	7,138
Utilities	23,624	13,911
Dispatching	43,375	42,588
Community Relations - Fire Protection	2,643	1,232
Hazard Abatement	563	115
Miscellaneous	4,305	10,485
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	32,926	30,823
Capital Outlay	-	45,486
Total Expenditures	1,793,451	1,802,764
Excess (Deficiency) of Revenues Over Expenditures	19,257	(169,206)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers Out	-	(360,000)
Total Other Financing Sources (Uses)	-	(360,000)
Net Change in Fund Balances	19,257	(529,206)
Fund Balance, Beginning of Year	1,270,763	1,799,969
Fund Balance, End of Year	\$ 1,290,020	\$ 1,270,763

**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, 2016 and 2015

	2016	2015
Net change in fund balances - governmental fund	\$ 19,257	\$ (529,206)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlay	-	45,486
Depreciation	(81,925)	(79,988)
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	153,977	85,994
Deferred Inflows Related to Pensions	214,899	(553,307)
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences	7,246	144,954
Net Pension Liability	(222,030)	507,418
Change in Net Position of Governmental Activities	\$ 91,424	\$ (378,649)

The accompanying notes are an integral part of this statement.

**Running Springs Water District**  
**Statements of Net Position**  
**Proprietary Fund - Water, Ambulance and Sewer Departments**  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	308,031	369,543
Receivables:		
Customers - Net of Allowances	825,715	819,855
Other	107,497	79,066
Taxes	1,647	3,552
Interest	883	1,726
Material and Supplies Inventory	88,430	90,357
Restricted:		
Cash	500,679	868,755
Construction Receivable - Upstream Users	67,217	144,157
Total Current Assets	1,901,099	2,378,011
Noncurrent Assets:		
Capital Assets Not Being Depreciated:		
Land	1,014,656	1,014,656
Construction in Progress	3,986,213	787,227
Capital Assets, Net of Accumulated Depreciation	15,192,570	15,648,395
Total Noncurrent Assets	20,193,439	17,450,278
Total Assets	22,094,538	19,828,289
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Related Items	849,706	492,691
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	219,564	170,424
Interest Payable	7,242	10,196
Other Payables	16,209	14,161
Unearned Availability Charges	52,875	52,926
Current Portion of Long-term Liabilities	293,360	257,255
Total Current Liabilities	589,250	504,962
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	6,289,384	3,881,519
Total Noncurrent Liabilities	6,289,384	3,881,519
Total Liabilities	6,878,634	4,386,481
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Related Items	317,304	632,549
<b>NET POSITION</b>		
Net Investment in Capital Assets	17,332,575	16,425,621
Restricted for:		
Debt Service	169,579	433,899
Water and Wastewater Expansion	324,433	428,189
Upstream Users	67,217	144,157
Unrestricted (deficit)	(2,145,498)	(2,129,916)
Total Net Position	\$ 15,748,306	\$ 15,301,950

**Running Springs Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Water, Ambulance and Sewer Departments**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Water Department	\$ 1,684,139	\$ 1,690,238
Ambulance Department	674,656	364,200
Sewer Department	1,841,061	1,516,978
Total Operating Revenues	4,199,856	3,571,416
<b>OPERATING EXPENSES</b>		
Water Department	1,740,121	1,769,592
Ambulance Department	505,782	419,504
Sewer Department	1,927,347	1,854,320
Total Operating Expenses	4,173,250	4,043,416
Operating Income (Loss)	26,606	(472,000)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Leasing Revenue	10,432	10,246
Assessments - Water and Sewer Availability Charges	60,971	67,002
Interest	7,794	9,760
Special Meter Charges - Water	-	2,613
Special Water Charges - R&R Fee	67,547	68,998
Special Meter Charges - Treatment Plant	103,319	107,653
Special Sewer Charges -R&R Fee	84,778	82,256
Leachate Loads	-	12,207
Miscellaneous	78,810	48,362
Gain (Loss) on Disposal of Capital Assets - Net	-	2,860
Interest on Long-term Debt	(30,160)	(26,114)
Total Nonoperating Revenue (Expenses)	383,491	385,843
Income (Loss) Before Transfers and Capital Contributions	410,097	(86,157)
Transfers In	-	360,000
Capital Contributions - Sewer	30,877	150,331
Capital Contributions - Water	5,382	16,483
Change in Net Position	446,356	440,657
Net Position, Beginning of Year	15,301,950	17,050,176
Prior Period Adjustment	-	(2,188,883)
Net Position, End of Year	\$ 15,748,306	\$ 15,301,950

**Running Springs Water District**  
**Statements of Cash Flows**  
**Proprietary Fund - Water, Ambulance and Sewer Departments**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 4,193,996	\$ 3,562,743
Cash Payments for Employee Services	(2,231,226)	(2,186,372)
Cash Paid to Suppliers	(1,298,180)	(1,153,154)
Other Revenue	91,147	67,262
Net Cash Provided (Used) by Operating Activities	755,737	290,479
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Availability Charges	32,489	67,901
Cash Received (Paid to) Other Funds	-	161,107
Net Cash Provided (Used) by Non-Capital Financing Activities	32,489	229,008
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(3,398,387)	(629,090)
Proceeds from Sale of Capital Assets	-	3,325
Proceeds from Installments Payable	2,056,373	670,078
Capital Contributions	113,199	504,233
Special Meter Charges	255,644	261,520
Principal Payments on Debt	(220,166)	(165,189)
Interest Paid	(33,114)	(22,750)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,226,451)	622,127
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	8,637	15,985
Net Cash Provided (Used) by Investing Activities	8,637	15,985
Net Increase (Decrease) in Cash and Cash Equivalents	(429,588)	1,157,599
Cash and Cash Equivalents, Beginning of Year	1,239,298	81,699
Cash and Cash Equivalents, End of Year	\$ 809,710	\$ 1,239,298
<b>RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>		
Current Assets:		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	308,031	369,543
Restricted Cash	500,679	868,755
Totals	\$ 809,710	\$ 1,239,298

**Running Springs Water District**  
**Statements of Cash Flows**  
**Proprietary Fund - Water, Ambulance and Sewer Departments - Continued**  
Years Ended June 30, 2016 and 2015

<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ 26,606	\$ (472,000)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	737,513	700,844
Other Income	91,147	67,262
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,860)	(8,673)
(Increase) Decrease in Prepaid Expenses	-	9,959
(Increase) Decrease in Inventory	1,927	(11,261)
(Increase) Decrease in Deferred Outflows - Pensions	(357,015)	(86,878)
Increase (Decrease) in Accounts Payable	(25,383)	42,731
Increase (Decrease) in Accrued Wages and Related Liabilities	(5,716)	13,499
Increase (Decrease) in Compensated Absences	38,986	33,266
Increase (Decrease) in Net Pension Liability	568,777	(630,819)
Increase (Decrease) in Deferred Inflows - Pensions	<u>(315,245)</u>	<u>632,549</u>
<b>TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 755,737</u></u>	<u><u>\$ 290,479</u></u>
<b>SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets on Account	\$ 107,657	\$ 25,370

**Running Springs Water District**  
**Statements of Fiduciary Assets and Liabilities**  
**Agency Fund (Assessment Districts)**  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Cash with Fiscal Agent	\$ 117,906	\$ 117,900
Temporary Investments	246,151	239,767
Total Assets	\$ 364,057	\$ 357,667
<b>LIABILITIES</b>		
Due to Bondholders	\$ 364,057	\$ 357,667
Total Liabilities	\$ 364,057	\$ 357,667



**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**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, 2016 are as follows:

NAME	OFFICER	TERM EXPIRES
Kenneth Ayers	President	December 2017
Pamella Bennett	Vice-President	December 2017
Ed Brittain	Director	December 2019
Michael Terry	Director	December 2019
Henry Heredia	Director	December 2017
Ryan Gross	General Manager	
Joan Eaton	Secretary/Treasurer	

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

**Reporting Entity**

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

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and 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, 2016 and 2015

**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 fund and fiduciary fund.

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

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

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

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

The District reports the following major governmental fund:

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

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

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

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

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

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

**D. Deferred Outflows/Inflows of Resources**

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

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

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Deferred Outflows/Inflows of Resources - Continued**

qualifies for reporting in this category and is the result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

**E. Net Position Flow Assumption**

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

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

**F. Cash and Investments**

Investments for the District are reported at fair value.

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

**G. Customer Billings and Allowance for Uncollectible Accounts**

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

Ambulance customers are billed after service has been provided. The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of the ambulance receivables. The allowance for uncollectible ambulance fees was \$1,427,840 and \$1,273,142 at June 30, 2016 and 2015, respectively.

**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.

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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 2015-16 and 2014-15 fiscal years was \$30,160 and \$26,114, 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

**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.

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**K. Compensated Absences Liability - Continued**

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.

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.

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L. Fund Balance - Continued**

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.

**O. Reclassifications**

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.



**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

Governmental Accounting Standards Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The District implemented this statement in the 2015-16 fiscal year. However, it did not have any significant effect on these financial statements.

**Q. Pensions**

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

**2) CASH AND TEMPORARY INVESTMENTS**

Cash and investments at June 30, 2016 and 2015 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Statement of Fiduciary Assets and Liabilities	2016 Total	2015 Total
Cash	\$ 460,549		\$ 460,549	\$ 94,442
Temporary Investments	1,129,186	246,151	1,375,337	1,784,158
Restricted Cash	511,370	-	511,370	879,446
Cash with Fiscal Agent	-	117,906	117,906	117,900
<b>Total</b>	<b>\$ 2,101,105</b>	<b>\$ 364,057</b>	<b>\$ 2,465,162</b>	<b>\$ 2,875,946</b>

Cash and investments consist of the following:

	2016	2015
Deposits with Financial Institutions	\$ 476,907	\$ 544,699
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	1,869,349	2,212,347
Held by Bond Trustee:		
Money Market Fund	117,906	117,900
<b>Total Cash and Investments</b>	<b>\$ 2,465,162</b>	<b>\$ 2,875,946</b>

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**2) CASH AND TEMPORARY INVESTMENTS – Continued**

**Restricted Cash**

As of June 30, 2016, and 2015, the District had the following cash balances restricted for specific purposes:

Restricted For:	Restricted Cash	
	2016	2015
Workers' Compensation Insurance Claims	\$ 17,358	\$ 17,358
SRF Loan Debt Service Reserve	169,579	-
Water and Wastewater Capacity Expansion	324,433	428,189
Unspent Loan Proceeds	-	433,899
<b>Total</b>	<b>\$ 511,370</b>	<b>\$ 879,446</b>

**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, 2016 and 2015, the District had the following investments:

	2016	2016	2015	2015
	Amount	Maturity Date 12 Months or Less	Amount	Maturity Date 12 Months or Less
LAIF	\$ 1,869,349	\$ 1,869,349	\$ 2,212,347	\$ 2,212,347
Held by Bond Trustee:				
Money Market Fund	117,906	117,906	117,900	117,900
<b>Total</b>	<b>\$ 1,987,255</b>	<b>\$ 1,987,255</b>	<b>\$ 2,330,247</b>	<b>\$ 2,330,247</b>

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**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	2016 Amount	Minimum Legal Rating	Aaa	Not Rated	2015 Amount
LAIF	\$ 1,869,349	None	\$ -	\$ 1,869,349	\$ 2,212,347
Held by Bond Trustee:					
Money Market Fund	117,906	N/A	117,906	-	117,900
Total	<u>\$ 1,987,255</u>		<u>\$ 117,906</u>	<u>\$ 1,869,349</u>	<u>\$ 2,330,247</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, 2016 and 2015, 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, 2016, and 2015, the District did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

**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

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**2) CASH AND TEMPORARY INVESTMENTS - Continued**

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, 2016 and 2015:

	June 30, 2016	June 30, 2015
Customers - Water and Sewer	\$ 349,485	\$ 325,734
Ambulance Receivable	1,904,070	1,767,263
Allowance for Uncollectible Ambulance Charges	(1,427,840)	(1,273,142)
	\$ 825,715	\$ 819,855

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**

Other receivables consist of the following at June 30, 2016 and 2015:

	Governmental Activities		Business-Type Activities	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Availability Charges	\$ 14,852	\$ 14,902	\$ 25,579	\$ 27,520
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	81,598	51,226
Miscellaneous	47	47	-	-
Total	\$ 14,899	\$ 14,949	\$ 107,497	\$ 79,066

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**5) CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being 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	-	-	400,461
Fire Trucks and Mounted Equipment	1,074,096	-	-	1,074,096
Special Purpose Equipment	302,445	-	(21,963)	280,482
Office Equipment	15,169	-	(8,036)	7,133
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,814,534	-	(29,999)	1,784,535
Less Accumulated Depreciation:				
Structures and Improvements	(279,018)	(10,250)	-	(289,268)
Fire Trucks and Mounted Equipment	(682,432)	(56,172)	-	(738,604)
Special Purpose Equipment	(245,692)	(13,365)	21,963	(237,094)
Office Equipment	(14,651)	(144)	8,036	(6,759)
Shop and Station Equipment	(9,737)	(405)	-	(10,142)
Communication Equipment	(7,141)	(1,589)	-	(8,730)
Total Accumulated Depreciation	(1,238,671)	(81,925)	29,999	(1,290,597)
Total Capital Assets Being Depreciated, Net	575,863	(81,925)	-	493,938
Governmental Activities Capital Assets, Net	\$ 990,539	\$ (81,925)	\$ -	\$ 908,614

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**5) CAPITAL ASSETS - Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Depreciated				
Land and Land Rights	\$ 1,014,656	\$ -	\$ -	\$ 1,014,656
Construction in Progress	787,227	3,380,255	(181,269)	3,986,213
<b>Total Capital Assets Not Depreciated</b>	<b>1,801,883</b>	<b>3,380,255</b>	<b>(181,269)</b>	<b>5,000,869</b>
Capital Assets Being Depreciated:				
Water Plant and Facilities	9,935,451	-	-	9,935,451
Sewer Plant and Facilities	17,392,643	79,098	-	17,471,741
Furniture and Equipment	273,688	11,445	-	285,133
Trucks and Automobiles	1,420,793	191,145	(20,225)	1,591,713
<b>Total Capital Assets Being Depreciated</b>	<b>29,022,575</b>	<b>281,688</b>	<b>(20,225)</b>	<b>29,284,038</b>
Less Accumulated Depreciation:				
Water Plant and Facilities	(4,091,565)	(206,561)	-	(4,298,126)
Sewer Plant and Facilities	(7,892,054)	(436,821)	-	(8,328,875)
Furniture and Equipment	(238,966)	(14,314)	-	(253,280)
Trucks and Automobiles	(1,151,595)	(79,817)	20,225	(1,211,187)
<b>Total Accumulated Depreciation</b>	<b>(13,374,180)</b>	<b>(737,513)</b>	<b>20,225</b>	<b>(14,091,468)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>15,648,395</b>	<b>(455,825)</b>	<b>-</b>	<b>15,192,570</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 17,450,278</b>	<b>\$ 2,924,430</b>	<b>\$ (181,269)</b>	<b>\$ 20,193,439</b>

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

Governmental Activities:	
Fire Protection	\$ 81,925
Business-type Activities	737,513

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**5) CAPITAL ASSETS**

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

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

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**5) CAPITAL ASSETS – Continued**

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

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

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



**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**6) OTHER PAYABLES**

Other payables consist of the following at June 30, 2016 and 2015:

	Governmental Activities		Business-Type Activities	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Grants Payable	\$ -	\$ -	\$ 13,958	\$ 13,958
Customer Deposits	-	-	2,200	200
Miscellaneous	-	-	51	3
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,209</b>	<b>\$ 14,161</b>

**7) LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 97,000	\$ 81,566	\$ 88,812	\$ 89,754	\$ 31,579
Net Pension Liability	2,180,323	546,930	324,900	2,402,353	-
<b>Total</b>	<b>\$ 2,277,323</b>	<b>\$ 628,496</b>	<b>\$ 413,712</b>	<b>\$ 2,492,107</b>	<b>\$ 31,579</b>
<b>Business-Type Activities</b>					
Sewer Treatment, 2001 Installment Payable	\$ 354,579	\$ -	\$ 173,129	\$ 181,450	\$ 181,450
Sewer Treatment, SWRCB Installment Payable, 2014	120,078	2,021,373	-	2,141,451	-
Water Supply, 2015 Installment Payable, Ayers	550,000	-	47,037	502,963	48,650
Ambulance, 2016 Installment Payable	-	35,000	-	35,000	6,523
Compensated Absences	220,883	169,714	130,728	259,869	56,737
Net Pension Liability	2,893,234	920,650	351,873	3,462,011	-
<b>Total</b>	<b>\$ 4,138,774</b>	<b>\$ 3,146,737</b>	<b>\$ 702,767</b>	<b>\$ 6,582,744</b>	<b>\$ 293,360</b>

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**7) LONG-TERM LIABILITIES – Continued**

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

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

**2001 Installment Payable**

On December 21, 2001, the District issued Sewer Treatment 2001 Installment Payable in the amount of \$2,000,000 at 4.75% to pay for sewer treatment plant improvements. The installment payable is being repaid in thirty semi-annual installments with the first installment due September 21, 2002. Section 5.03 of the Installment Payable agreement requires the net revenues of the sewer department to exceed operating expenses (excluding depreciation) by at least 1.15 times the current year debt service payments. For the year ended June 30, 2016 the coverage was 2.49 times.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 181,450	\$ 6,489
Total	<u>\$ 181,450</u>	<u>\$ 6,489</u>

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**7) LONG-TERM LIABILITIES – Continued**

**2014 SWRCB Installment Payable**

The District entered into an installment sale agreement as of May 15, 2015, with the California State Water Resources Control Board (SWRCB), to finance improvements to certain sewer lift stations (project). The SWRCB agreed to provide project funds of up to \$2,800,000, of which the District had received \$2,141,451 as of June 30, 2016. The District will be required to repay amounts borrowed upon completion of the project. Installment payments will include principal and interest at 1.9% per annum. The term of the agreement is from September 8, 2014 to July 31, 2036, and the following represents the future debt service requirements assuming the entire \$2,800,000 is drawn down upon project completion:

Year Ending June 30,	Principal	Interest
2017	\$ -	\$ -
2018	123,476	45,667
2019	118,289	50,854
2020	120,537	48,607
2021	122,827	46,316
2022-2026	650,039	195,676
2027-2031	714,184	131,531
2032-2036	784,659	61,056
2037	165,989	3,154
Total	<u>\$ 2,800,000</u>	<u>\$ 582,861</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.

**Running Springs Water District**  
**Notes to Financial Statements**  
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**7) LONG-TERM LIABILITIES – Continued**

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 48,650	\$ 16,691
2018	50,318	15,022
2019	52,043	13,297
2020	53,828	11,513
2021	55,674	9,667
2022	57,583	7,758
2023	59,557	5,784
2024	61,599	3,741
2025	63,711	1,629
Total	<u>\$ 502,963</u>	<u>\$ 85,102</u>

**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
2017	\$ 6,523	\$ 1,168
2018	6,753	938
2019	6,992	700
2020	7,238	453
2021	7,494	197
Total	<u>\$ 35,000</u>	<u>\$ 3,456</u>

**Running Springs Water District**  
**Notes to Financial Statements**  
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**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 2<sup>nd</sup> and September 2<sup>nd</sup> each year. The Bonds mature September 2<sup>nd</sup> 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, 2016, there were outstanding bonds of \$680,000.

The District in prior years received assessments for the payment of obligations for Assessment District No. 5, 7 and 9. The said obligations have been paid off; however, the District has a total of \$85,059 in excess assessments from the three Assessment Districts. These funds are being used to fund improvements and operations and maintenance in the three Assessment Districts, and are reported in the Agency Funds.

**9) PENSION PLANS**

**General Information about the Defined Benefit Pension Plans**

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

**Benefits Provided** – The Plans are cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2014 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**9) PENSION PLANS - Continued**

The Plans' provisions and benefits in effect at June 30, 2016, 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	10.958% + \$224,247	6.237%

	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	18.524% + \$159,559	11.153%

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

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**9) PENSION PLANS - Continued**

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 341,715	\$ 324,900

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,462,011
Safety	2,402,353
Total Net Pension Liability	\$ 5,864,364

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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

	Miscellaneous	Safety
Proportion - June 30, 2014	0.11706%	0.05813%
Proportion - June 30, 2015	0.12619%	0.05830%
Change - Increase (Decrease)	0.00913%	0.00017%

**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**9) PENSION PLANS - Continued**

For the year ended June 30, 2016, the District recognized pension expense of \$445,411. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 709,536	\$ -
Differences between actual and expected experience	22,339	42,673
Changes in assumptions	-	407,617
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	761,341	-
Net differences between projected and actual earnings on plan investments	-	205,422
 Total	 \$ 1,493,216	 \$ 655,712

\$709,536 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2017	\$ 6,039
2018	1,141
2019	(39,120)
2020	159,908
2021	-
Thereafter	-



**Running Springs Water District**  
**Notes to Financial Statements**  
June 30, 2016 and 2015

**9) PENSION PLANS – Continued**

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 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 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**Running Springs Water District**  
**Notes to Financial Statements**  
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**9) PENSION PLANS – Continued**

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	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

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

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

**Running Springs Water District**  
**Notes to Financial Statements**  
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**9) PENSION PLANS – Continued**

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

		Miscellaneous		Safety
1% Decrease		6.65%		6.65%
Net Pension Liability	\$	5,161,324	\$	3,684,753
Current Discount Rate		7.65%		7.65%
Net Pension Liability	\$	3,462,011	\$	2,402,353
1% Increase		8.65%		8.65%
Net Pension Liability	\$	2,059,030	\$	1,350,808

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

**Payable to the Pension Plan**

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

**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.

**Running Springs Water District**  
**Notes to Financial Statements**  
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**10) RISK MANAGEMENT - Continued**

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

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. There were no claims liabilities reported in these financial statements as of June 30, 2016 and 2015.

**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, 2016, the amount of the loss on the additional inventory cannot be reasonably estimated.

**13) COMMITMENTS**

At June 30, 2016, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Running Springs Water District**  
**Required Supplementary Information**  
June 30, 2016 and 2015

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

	Miscellaneous Risk Pool	
	2016	2015
Proportion of the Net Pension Liability	0.12619%	0.11706%
Proportionate Share of Net Pension Liability	\$ 3,462,011	\$ 2,893,234
Covered - Employee Payroll	\$ 1,380,767	\$ 1,301,506
Proportionate Share of the Net Pension Liability as a percentage of Payroll	250.73%	222.30%
Plan's Fiduciary Net Position	\$ 9,015,816	\$ 9,185,664
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.25%	76.05%
	Safety Risk Pool	
	2016	2015
Proportion of the Net Pension Liability	0.05830%	0.05812%
Proportionate Share of Net Pension Liability	\$ 2,402,353	\$ 2,180,323
Covered - Employee Payroll	\$ 1,058,798	\$ 998,019
Proportionate Share of the Net Pension Liability as a percentage of Payroll	226.89%	218.47%
Plan's Fiduciary Net Position	\$ 6,950,711	\$ 7,195,369
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.31%	76.74%

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

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in Assumptions:** The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\*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, 2016 and 2015**

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

	Miscellaneous Risk Pool	
	2016	2015
Contractually Required Contributions (actuarially determined)	\$ 384,059	\$ 341,715
Contributions in Relation to the Actuarially Determined Contributions	(384,059)	(341,715)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 1,380,767	\$ 1,301,506
Contributions as a Percentage of Covered Employee Payroll	27.81%	26.26%
	Safety Risk Pool	
	2016	2015
Contractually Required Contributions (actuarially determined)	\$ 325,477	\$ 324,900
Contributions in Relation to the Actuarially Determined Contributions	(325,477)	(324,900)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 1,058,798	\$ 999,019
Contributions as a Percentage of Covered Employee Payroll	30.74%	32.52%

**Notes to the Schedule of Plan Contributions**

Valuation Date: 6/30/2014

\*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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,483,527	\$ 83,527
Assessments - Fire Availability Charges	202,000	202,000	205,122	3,122
Hazard Abatement Program Revenue	15,000	15,000	33,849	18,849
Other Revenue	16,700	16,700	81,128	64,428
Interest Revenue	1,500	1,500	3,659	2,159
Intergovernmental Revenue	-	-	5,423	5,423
	<u>1,635,200</u>	<u>1,635,200</u>	<u>1,812,708</u>	<u>177,508</u>
<b>EXPENDITURES</b>				
Salaries and Wages	862,869	862,869	992,849	(129,980)
Director Fees	7,850	7,850	9,436	(1,586)
Employee Benefits	538,492	538,492	472,496	65,996
Payroll Taxes	14,192	14,192	14,065	127
Safety Clothing and Personal Supplies	-	-	27,275	(27,275)
Insurance	49,161	49,161	89,922	(40,761)
Maintenance:				
Building	4,500	4,500	6,379	(1,879)
Automotive Equipment	29,885	29,885	22,167	7,718
Memberships	4,340	4,340	7,641	(3,301)
Office	3,300	3,300	4,067	(767)
Professional Services	36,200	36,200	32,145	4,055
Education, Training	6,500	6,500	7,573	(1,073)
Utilities	17,700	17,700	23,624	(5,924)
Dispatching	36,000	36,000	43,375	(7,375)
Community Relations - Fire Prevention	2,600	2,600	2,643	(43)
Hazard Abatement	15,000	15,000	563	14,437
Miscellaneous	6,436	6,436	4,305	2,131
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	32,701	32,701	32,926	(225)
	<u>1,667,726</u>	<u>1,667,726</u>	<u>1,793,451</u>	<u>(125,725)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(32,526)</u>	<u>(32,526)</u>	<u>19,257</u>	<u>51,783</u>
Net Change in Fund Balances	(32,526)	(32,526)	19,257	<u>\$ 51,783</u>
Fund Balance, Beginning of Year	<u>1,270,763</u>	<u>1,270,763</u>	<u>1,270,763</u>	
Fund Balance, End of Year	<u>\$ 1,238,237</u>	<u>\$ 1,238,237</u>	<u>\$ 1,290,020</u>	



**Running Springs Water District**  
**Notes to Required Supplementary Information**  
June 30, 2016 and 2015

**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 \$125,725.

## **SUPPLEMENTARY INFORMATION**

**Running Springs Water District**  
**Schedules of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Water Department**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Monthly Service Charges	\$ 1,005,844	\$ 958,401
Metered Water Sales and Water from Hydrants	627,198	673,242
Turn-on and Shut-off Charges	10,510	13,510
Delinquent Charges and Service Fees	40,587	45,085
Total Operating Revenues	1,684,139	1,690,238
<b>OPERATING EXPENSES</b>		
Source of Supply:		
Maintenance	6,853	1,131
Purchased Water	218,965	283,543
Pumping:		
Maintenance and Power	-	721
Purchased Power	48,101	46,348
Water Treatment:		
Water Purification Expense	22,562	20,265
Transmission and Distribution:		
Maintenance and Repairs	672	13,555
Maintenance - Blacktop and Street	-	2,961
Customer's Accounts:		
Meter Maintenance	5,927	11,302
Uncollectible Accounts	-	939
Administrative and General:		
Salaries	726,153	702,045
Director's Fees	2,343	916
Office Supplies and Expenses	52,740	46,674
Computer Technical Support	34,568	25,836
Truck Expenses, Gas and Oil	8,136	6,996
Truck Expenses, Repairs and Tractor Expense	5,611	1,605
Utilities	14,074	10,002
Telephone	-	4,992
Employee Benefits	302,927	283,570
Payroll Taxes	10,053	11,011
Repairs and Maintenance	11,052	10,433
Permits	12,866	13,379
Professional Services	51,982	64,463

Continued

**Running Springs Water District**  
**Schedules of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Water Department - Continued**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING EXPENSES - Continued</b>		
Administrative and General: - Continued		
Dues and Subscriptions	\$ 5,164	\$ 3,787
Miscellaneous Supplies	3,944	1,289
Educational Programs	2,176	2,602
Insurance	32,300	39,812
Miscellaneous	-	1,938
Depreciation	230,706	225,357
General Expense Allocated to Sewer, Fire and Ambulance Departments	(69,754)	(67,880)
Total Operating Expenses	1,740,121	1,769,592
Operating Income (Loss)	(55,982)	(79,354)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Leasing Revenue	10,432	10,246
Assessments - Water Availability Charges	44,467	47,846
Interest	1,631	1,107
Special Meter Charges - Water	-	2,613
Special Water Charges - R&R Fee	67,547	68,998
Miscellaneous	41,299	22,586
Gain (Loss) on Disposal of Capital Assets - Net	-	(465)
Interest on Long-term Debt	(17,470)	(5,573)
Total Nonoperating Revenues (Expenses)	147,906	147,358
Income (Loss) Before Capital Contributions	91,924	68,004
Capital Contributions	5,382	16,483
Change in Net Position	\$ 97,306	\$ 84,487

**Running Springs Water District**  
**Schedules of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Ambulance Department**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Ambulance Service Fees	\$ 674,656	\$ 364,200
Total Operating Revenues	674,656	364,200
<b>OPERATING EXPENSES</b>		
Salaries	231,590	306,146
Insurance	7,294	8,181
Telephone	950	2,176
Office Expense	411	1,840
Professional Services	27,813	21,001
Dues and Subscriptions	5,256	2,073
Medical Supplies	18,171	13,682
Gas, Fuel, and Oil	7,628	7,966
Vehicle Repairs and Maintenance	9,633	13,889
Miscellaneous Supplies	1,332	1,262
Uncollectible Accounts	156,640	4,484
Depreciation	31,753	29,391
General Expense Allocated to Sewer, Fire and Ambulance Departments	7,311	7,413
Total Operating Expenses	505,782	419,504
Operating Income (Loss)	168,874	(55,304)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest	395	63
Miscellaneous	4,466	-
Interest on Long-term Debt	(136)	-
Total Nonoperating Revenues (Expenses)	4,725	63
Change in Net Position	\$ 173,599	\$ (55,241)

**Running Springs Water District**  
**Schedules of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Sewer Department**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Sewer Charges	\$ 1,278,983	\$ 1,195,803
Usage Charges	102,795	86,679
Expense Reimbursement from Upstream Users	455,872	230,054
California Demand Response Program (EnerNOC)	3,411	4,442
Total Operating Revenues	1,841,061	1,516,978
<b>OPERATING EXPENSES</b>		
Sewage Collection:		
Salaries and Wages	388,998	309,534
Repairs and Maintenance	94,745	96,202
Sewage Treatment:		
Salaries and Wages	266,469	244,018
Utilities, Electricity	115,393	145,329
Operating Supplies	4,901	3,403
Repairs and Maintenance	136,482	96,444
Chemical Analysis	7,625	5,306
Administrative and General:		
Salaries	-	53,427
Director's Fees	2,343	4,694
Employee Benefits	220,943	224,428
Payroll Taxes	9,194	8,020
Permits	38,748	36,248
Insurance	43,327	57,034
Maintenance - Truck	19,231	19,398
Memberships and Dues	7,109	7,045
Education and Training	502	1,249
Professional Services	57,421	51,865
Small Tools	7,906	11,036
Telephone	460	2,761
Office Expense	754	1,139
Depreciation Expense	475,054	446,096
General Expense Allocated to Sewer, Fire and Ambulance Departments	29,742	29,644
Total Operating Expenses	1,927,347	1,854,320
Operating Income (Loss)	(86,286)	(337,342)

Continued

**Running Springs Water District**  
**Schedules of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Sewer Department - Continued**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Assessments - Sewer Availability Charges	\$ 16,504	\$ 19,156
Interest	5,768	8,590
Special Sewer Charges - Treatment Plant Improvements	103,319	107,653
Special Sewer Charges - R&R Fee	84,778	82,256
Miscellaneous	33,045	25,776
Gain (Loss) on Disposal of Capital Assets - Net	-	3,325
Leachate Loads	-	12,207
Interest on Long-term Debt	(12,554)	(20,541)
Total Nonoperating Revenues (Expenses)	230,860	238,422
Income (Loss) Before Capital Contributions	144,574	(98,920)
Capital Contributions	30,877	150,331
Transfers In	-	360,000
Change in Net Position	\$ 175,451	\$ 411,411

**Running Springs Water District**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
June 30, 2016 and 2015

	Improvement Act of 1911		Bond Act of 1915		Totals	
	Assessment	Assessment	Assessment	Assessment	2016	2015
	District No. 5	District No. 9	District No. 7	District No. 10		
<b>ASSETS</b>						
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,906	\$ 117,906	\$ 117,900
Temporary Investments	2,895	57,111	25,053	161,092	246,151	239,767
<b>Total Assets</b>	<b>\$ 2,895</b>	<b>\$ 57,111</b>	<b>\$ 25,053</b>	<b>\$ 278,998</b>	<b>\$ 364,057</b>	<b>\$ 357,667</b>
<b>LIABILITIES</b>						
Due to Bondholders	\$ 2,895	\$ 57,111	\$ 25,053	\$ 278,998	\$ 364,057	\$ 357,667
<b>Total Liabilities</b>	<b>\$ 2,895</b>	<b>\$ 57,111</b>	<b>\$ 25,053</b>	<b>\$ 278,998</b>	<b>\$ 364,057</b>	<b>\$ 357,667</b>



**Running Springs Water District**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
Year Ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Assessment District No. 5</u></b>				
<b>ASSETS</b>				
Temporary Investments	\$ 2,884	\$ 11	\$ -	\$ 2,895
Total Assets	<u>\$ 2,884</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 2,895</u>
<b>LIABILITIES</b>				
Due to Bondholders	\$ 2,884	\$ 11	\$ -	\$ 2,895
Total Liabilities	<u>\$ 2,884</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 2,895</u>

<b><u>Assessment District No. 9</u></b>				
<b>ASSETS</b>				
Temporary Investments	\$ 62,076	\$ 217	\$ 5,182	\$ 57,111
Total Assets	<u>\$ 62,076</u>	<u>\$ 217</u>	<u>\$ 5,182</u>	<u>\$ 57,111</u>
<b>LIABILITIES</b>				
Due to Bondholders	\$ 62,076	\$ 217	\$ 5,182	\$ 57,111
Total Liabilities	<u>\$ 62,076</u>	<u>\$ 217</u>	<u>\$ 5,182</u>	<u>\$ 57,111</u>

<b><u>Assessment District No. 7</u></b>				
<b>ASSETS</b>				
Temporary Investments	\$ 26,909	\$ 93	\$ 1,949	\$ 25,053
Total Assets	<u>\$ 26,909</u>	<u>\$ 93</u>	<u>\$ 1,949</u>	<u>\$ 25,053</u>
<b>LIABILITIES</b>				
Due to Bondholders	\$ 26,909	\$ 93	\$ 1,949	\$ 25,053
Total Liabilities	<u>\$ 26,909</u>	<u>\$ 93</u>	<u>\$ 1,949</u>	<u>\$ 25,053</u>

Continued

**Running Springs Water District**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued**  
**Agency Funds**  
Year Ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Assessment District No. 10</u></b>				
<b>ASSETS</b>				
Cash with Fiscal Agent	\$ 117,900	\$ 6	\$ -	\$ 117,906
Temporary Investments	147,898	161,926	148,732	161,092
Total Assets	<u>\$ 265,798</u>	<u>\$ 161,932</u>	<u>\$ 148,732</u>	<u>\$ 278,998</u>
<b>LIABILITIES</b>				
Due to Bondholders	\$ 265,798	\$ 161,932	\$ 148,732	\$ 278,998
Total Liabilities	<u>\$ 265,798</u>	<u>\$ 161,932</u>	<u>\$ 148,732</u>	<u>\$ 278,998</u>
 <b><u>Total All Agency Funds</u></b>				
<b>ASSETS</b>				
Cash with Fiscal Agent	\$ 117,900	\$ 6	\$ -	\$ 117,906
Temporary Investments	239,767	162,247	155,863	246,151
Total Assets	<u>\$ 357,667</u>	<u>\$ 162,253</u>	<u>\$ 155,863</u>	<u>\$ 364,057</u>
<b>LIABILITIES</b>				
Due to Bondholders	\$ 357,667	\$ 162,253	\$ 155,863	\$ 364,057
Total Liabilities	<u>\$ 357,667</u>	<u>\$ 162,253</u>	<u>\$ 155,863</u>	<u>\$ 364,057</u>