



Running Springs Water District

Annual Financial Report and Independent Auditor's Report

Years Ended June 30, 2013 and 2012

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2013 and 2012

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RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

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

October 31, 2013

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, 2013

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, 2013. 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, 2013, 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, 2013 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, 2013 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

DISTRICT OVERVIEW

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

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

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

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

Government Activities

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

Business-Type Activities

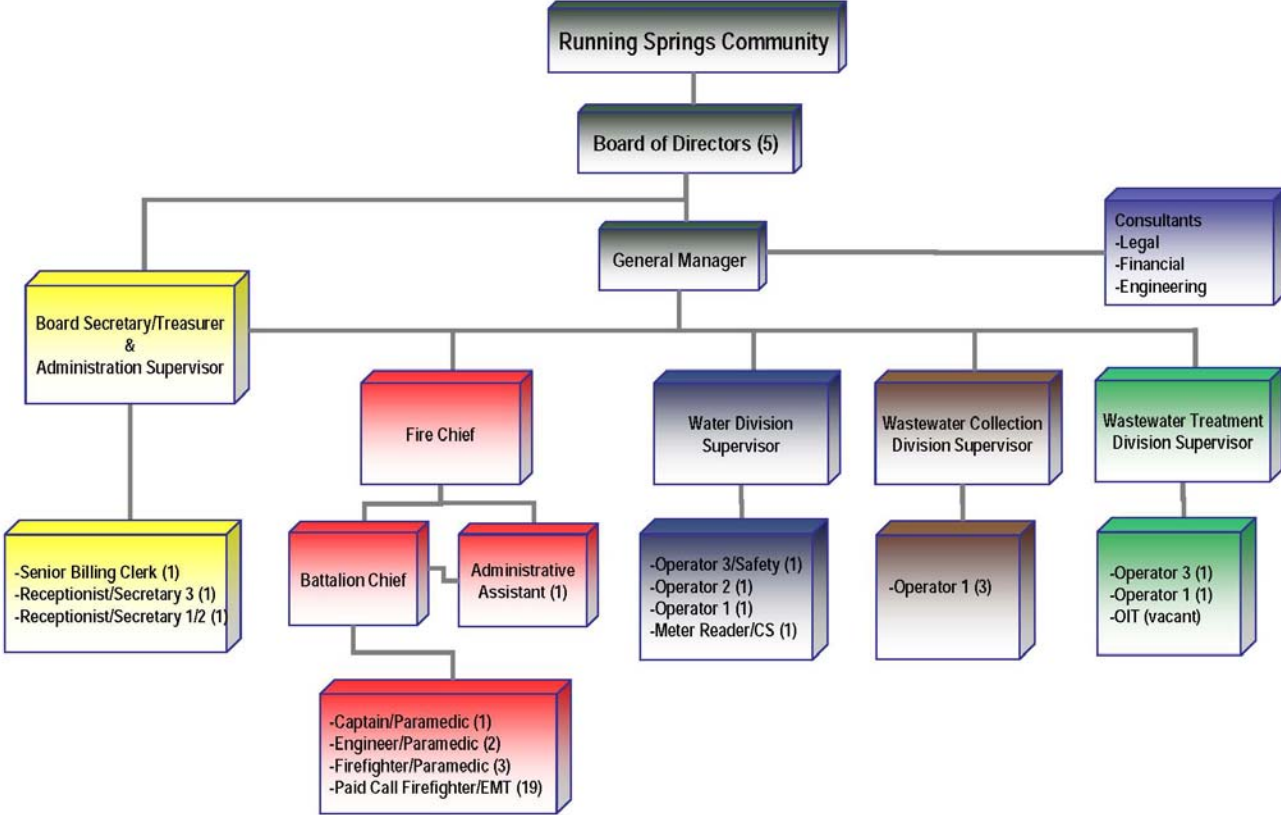
The District's Business-Type Activities include water, ambulance and sewer services where the fees for these services typically cover all or most of the cost of operation including depreciation.

Staffing & Organizational Chart

Day-to-day management of the District is delegated to the General Manager of the District who reports directly to the locally elected Board of Directors. Reporting to the

General Manager are the five department heads: Fire Chief, Administration Supervisor, Water Division Supervisor, Collections Division Supervisor and Treatment Division Supervisor. The following figure shows the current organization of the District.

Running Springs Water District Organizational Chart



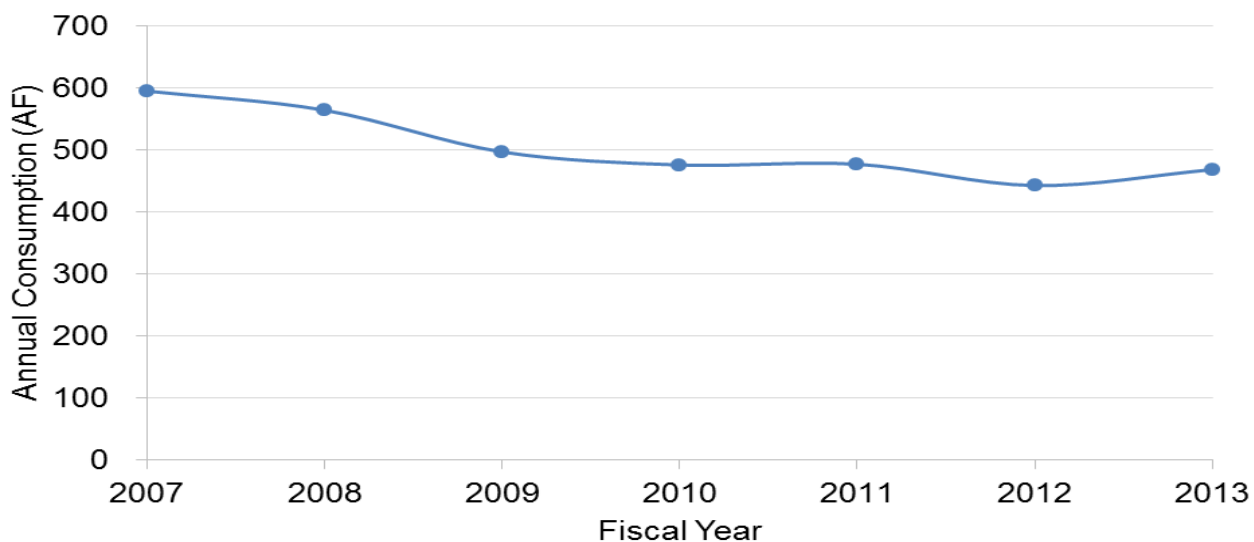
LOCAL ENVIRONMENT

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

WATER RESOURCES MANAGEMENT

The District typically produces more than 50% of its water supply from local District owned groundwater wells. Additional imported groundwater is purchased from Arrowbear Park County Water District and State Water Project water from the Crestline-Lake Arrowhead Water Agency (CLAWA). The District has seen about a 20% 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.

Water Consumption Trend



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 fiscal year 2013/2014 water rates were adjusted to move the \$3.90 Department of Water Resources (DWR) loan fee into the fixed monthly water service charge and adding an additional \$0.75 per month to the monthly fixed water rate. This rate

adjustment was needed as a first step 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 Charge was also increased by \$2.80 per month. The increase in wastewater rates was 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 this rate adjustment.

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 has elected to delay this option and may reconsider it when the local economy stabilizes.

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 internal control structure is designed to provide reasonable assurance 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 one through six. 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 7) 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 42).

The District's net change in position government-wide for the year ended June 30, 2013 is (\$102,909) with \$206,302 reported in the Governmental Activities column and (\$309,211) reported in the Business-type Activities column. The District's net change in position government-wide for the year ended June 30, 2012 was \$108,775 with \$220,957 reported in the Governmental Activities column and (\$112,182) reported in the Business-type Activities column.

It should be noted that the Business-type Activities column in both the current year and the prior year was negative. The Business-type Activities column is the same as the totals reported for the Proprietary Fund. Below is a condensed summary of the Schedules of Revenues, Expenses and Changes in Net Position for the Proprietary Fund by department:

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

	Water Department		Ambulance Department		Sewer Department	
	2013	2012	2013	2012	2013	2012
Operating Revenues	\$ 1,442,539	\$ 1,375,759	\$ 609,882	\$ 577,584	\$ 1,331,572	\$ 1,287,528
Operating Expenses	1,673,824	1,528,154	772,739	755,280	1,717,275	1,640,785
Operating Income (Loss)	<u>(231,285)</u>	<u>(152,395)</u>	<u>(162,857)</u>	<u>(177,696)</u>	<u>(385,703)</u>	<u>(353,257)</u>
Nonoperating Revenues	198,813	214,396	2,351	-	224,750	287,759
Nonoperating Expenses	52,038	46,401	-	688	67,709	73,262
Total Nonoperating Revenues (Expenses)	<u>146,775</u>	<u>167,995</u>	<u>2,351</u>	<u>(688)</u>	<u>157,041</u>	<u>214,497</u>
Income (Loss) before Capital Contributions	(84,510)	15,600	(160,506)	(178,384)	(228,662)	(138,760)
Capital Contributions	1,118	54,725	-	-	163,349	134,637
Change in Net Position	<u>\$ (83,392)</u>	<u>\$ 70,325</u>	<u>\$ (160,506)</u>	<u>\$ (178,384)</u>	<u>\$ (65,313)</u>	<u>\$ (4,123)</u>

The condensed summary above shows that all three departments (Water, Ambulance, and Sewer) in the Proprietary Fund have reported operating losses for both the year ended June 30, 2013 and the prior year ended June 30, 2012, which means charges to customers for sales and services are not covering the costs of delivering those services. Non-operating revenues and capital contributions have helped lessen the effect on the bottom-line, but non-operating sources of revenues cannot be relied on from year to year.

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

The negative change in position contributed to the \$745,033 decrease in the unrestricted portion of net position from \$647,409 at June 30, 2012 to a deficit of \$97,624 at June 30, 2013. Additional investments in noncurrent assets also contributed to the decrease in unrestricted net position.

Below is a condensed summary of the Statements of Net Position – Proprietary Fund – Water, Ambulance and Sewer Departments along with a column to show the change between the current year and the prior year:

**Condensed Summary of Statements of Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments**

	2013	2012	Change
ASSETS			
Current Assets	\$ 1,233,806	\$ 2,005,690	\$ (771,884)
Noncurrent Assets	18,242,074	17,880,341	361,733
Total Assets	<u>19,475,880</u>	<u>19,886,031</u>	<u>(410,151)</u>
LIABILITIES			
Current Liabilities	566,324	505,860	60,464
Noncurrent Liabilities	1,557,444	1,718,848	(161,404)
Total Liabilities	<u>2,123,768</u>	<u>2,224,708</u>	<u>(100,940)</u>
NET POSITION			
Net Investment in Capital Assets	17,032,156	16,503,737	528,419
Restricted for Debt Service	417,580	510,177	(92,597)
Unrestricted (deficit)	(97,624)	647,409	(745,033)
Total Net Position	<u>\$ 17,352,112</u>	<u>\$ 17,661,323</u>	<u>\$ (309,211)</u>

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 3.96 at June 30, 2012 to 2.18 at June 30, 2013. The current ratio from the above condensed summary is as follows:

	2013	2012
Current Ratio		
Current Assets	\$ 1,233,806	\$ 2,005,690
Current Liabilities	566,324	505,860
Current Ratio	2.18	3.96

However, since the current assets subtotal includes assets that are not immediately liquid, such as inventory, a more rigorous form of the ratio includes only cash, temporary investments and receivables. The following calculation shows that ratio as 3.56 at June 30, 2012 decreasing to 1.80 at June 30, 2013.

	2013	2012
Quick Ratio (more rigorous)		
Cash	\$ 123,338	\$ 129,588
Temporary Investments	-	833,667
Receivables	897,490	837,632
Cash and Temporary Investments and Receivables	<u>\$ 1,020,828</u>	<u>\$ 1,800,887</u>
Cash and Temporary Investments Current Liabilities	<u>\$ 1,020,828</u>	<u>\$ 1,800,887</u>
	566,324	505,860
	1.80	3.56

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 virtually no change from June 30, 2012 to June 30, 2013, with both years at a ratio of 0.11:

Debt Ratio	2013	2012
Total Liabilities	\$ 2,123,768	\$ 2,224,708
Total Assets	19,475,880	19,886,031
Debt Ratio	0.11	0.11

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

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

Respectfully submitted,

Ryan Gross
General Manager

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Running Springs Water District
Running Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Running Springs Water District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the financial statements of the District for the year ended June 30, 2012 and was audited by other auditors whose report dated November 19, 2012, expressed an unqualified opinion on those statements.

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. 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, 2013, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xiii – xxvii 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 October 28, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

Van Lant & Fankhaed, LLP

October 31, 2013

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, 2013 and 2012. 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 1).

FINANCIAL HIGHLIGHTS

- The District's total net position decreased by \$102,909 and increased by \$108,775 as of June 30, 2013 and 2012, respectively. The decrease for the year ended June 30, 2013 is the combination of an increase in net position for the Governmental Activities of \$206,302 and a decrease in net position for the Business-Type Activities of \$309,211. The increase for the year ended June 30, 2012 was the combination of an increase in net position for the Governmental Activities of \$220,957 and a decrease in net position for the Business-Type Activities of \$112,182.
- Total revenues increased \$59,635 (1%) for the year ended June 30, 2013 and decreased \$752,078 (12%) for the year ended June 30, 2012. The increase in 2013 is a combination of an increase in revenues from charges for services, decrease in grant revenue, an increase in property taxes and a decrease in miscellaneous revenues. The decrease in 2012 was a combination of a decrease in revenues from charges for services, decrease in grant revenue, and decrease in miscellaneous revenue from insurance proceeds.
- Total expenses increased \$271,319 (5%) for the year ended June 30, 2013 and decreased \$234,233 (4%) for the year ended June 30, 2012. All departments showed an increase in expenses for the year ended June 30, 2013. The largest increases are in the Water and Sewer Departments. The Water Department increased water purchases by \$148,906 (129%) and the Sewer Department increased repairs and maintenance for collections by \$65,955 (84%).

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 comprise 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 (*if any*), liabilities, and deferred inflows of resources (*if any*) 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 (*if any*), liabilities, deferred inflows (*if any*) 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 15 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 16-39 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* and related notes. The schedule compares revenues and expenditures for Fire Protection with budgeted amounts and details the variance for each line item.

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

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 \$19,497,012 and \$19,599,921 at the close of June 30, 2013 and 2012 respectively. Net position is reported in three categories: Net Investment in Capital Assets, Restricted for Debt Service and Unrestricted.

Net Investment in Capital Assets

The largest portion of the Running Springs Water District's net position at June 30, 2013 (93%) and 2012 (90%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Running Springs Water District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted for Debt Service

Net position of the Running Springs Water District also includes \$417,580 and \$510,177 restricted for debt service at June 30, 2013 and 2012 respectively. This classification of net position represents resources subject to external restrictions as to how they may be used by the District.

Unrestricted

The unrestricted portion of net position is the residual category of net position. The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors. For the year ended June 30, 2013 the unrestricted net position of the District is \$1,008,527 a decrease of \$479,224 from the June 30, 2012 balance of \$1,487,751. The decrease in unrestricted net position of \$479,224 is a combination of an increase for the Governmental Activities of \$265,809 and a decrease for the Business-Type Activities of \$745,033.

Since the unrestricted portion of net position is the residual category, the changes in the restricted balances affect this balance. For example, the Governmental Activities increase of \$265,809 is the result of the current year change in net position \$206,302 plus the amount of decreased net investment in capital assets of \$59,507. Likewise, the decrease for the Business-Type Activities of \$745,033 is the result of the current year change in net position (\$309,211) less the amount of increased net investment in capital assets of \$528,419 plus the decrease in amount that was restricted for debt service \$92,597. The \$745,033 decrease for the Business-Type Activities took the balance from \$647,409 at June 30, 2012 to a deficit balance of \$97,624 at June 30, 2013.

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		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Assets:									
Current and Other Assets	\$1,875,452	\$1,610,677	\$1,362,558	\$ 1,766,342	\$ 2,554,526	\$ 2,797,935	\$ 3,641,794	\$ 4,165,203	\$ 4,160,493
Capital Assets	1,038,749	1,098,256	1,130,377	17,709,538	17,331,505	17,446,920	18,748,287	18,429,761	18,577,297
Total Assets	<u>2,914,201</u>	<u>2,708,933</u>	<u>2,492,935</u>	<u>19,475,880</u>	<u>19,886,031</u>	<u>20,244,855</u>	<u>22,390,081</u>	<u>22,594,964</u>	<u>22,737,790</u>
Liabilities:									
Current Liabilities	148,065	119,415	90,846	566,324	505,860	514,086	714,389	625,275	604,932
Noncurrent Liabilities	621,236	650,920	684,448	1,557,444	1,718,848	1,957,264	2,178,680	2,369,768	2,641,712
Total Liabilities	<u>769,301</u>	<u>770,335</u>	<u>775,294</u>	<u>2,123,768</u>	<u>2,224,708</u>	<u>2,471,350</u>	<u>2,893,069</u>	<u>2,995,043</u>	<u>3,246,644</u>
Net Position:									
Invested in Capital Assets,									
Net of Related Debt	1,038,749	1,098,256	1,130,377	17,032,156	16,503,737	16,452,984	18,070,905	17,601,993	17,583,361
Restricted for Debt Service	-	-	-	417,580	510,177	598,487	417,580	510,177	598,487
Unrestricted (deficit)	1,106,151	840,342	587,264	(97,624)	647,409	722,034	1,008,527	1,487,751	1,309,298
Total Net Position	<u>\$2,144,900</u>	<u>\$1,938,598</u>	<u>\$1,717,641</u>	<u>\$17,352,112</u>	<u>\$17,661,323</u>	<u>\$17,773,505</u>	<u>\$19,497,012</u>	<u>\$19,599,921</u>	<u>\$19,491,146</u>

- The assets of Running Springs Water District decreased by \$204,883 and decreased by \$142,826 as of June 30, 2013 and 2012 respectively. The most significant changes in 2013 are a decrease in cash and temporary investments and an increase in capital assets. The decrease in 2012 was primarily the result of depreciation added to accumulated depreciation which exceeded the cost of new capital assets during the year.
- The Running Springs Water District's total liabilities decreased by \$101,974 and decreased by \$251,601 as of June 30, 2013 and 2012 respectively. The key factors in the decrease in 2013 are principal payments on long-term debt and principal payments applied to the PERS Side Fund. The key factors in the decrease in 2012 were principal payments on long-term debt and payment of compensated absences to personnel.
- The net position of the Running Springs Water District is \$19,497,012 and \$19,599,921 at the close of June 30, 2013 and 2012 respectively. Of this amount, \$1,008,527 and \$1,487,751 as of June 30, 2013 and 2012, respectively, (*unrestricted net position*) may be used to meet the District's ongoing obligations to customers and creditors.

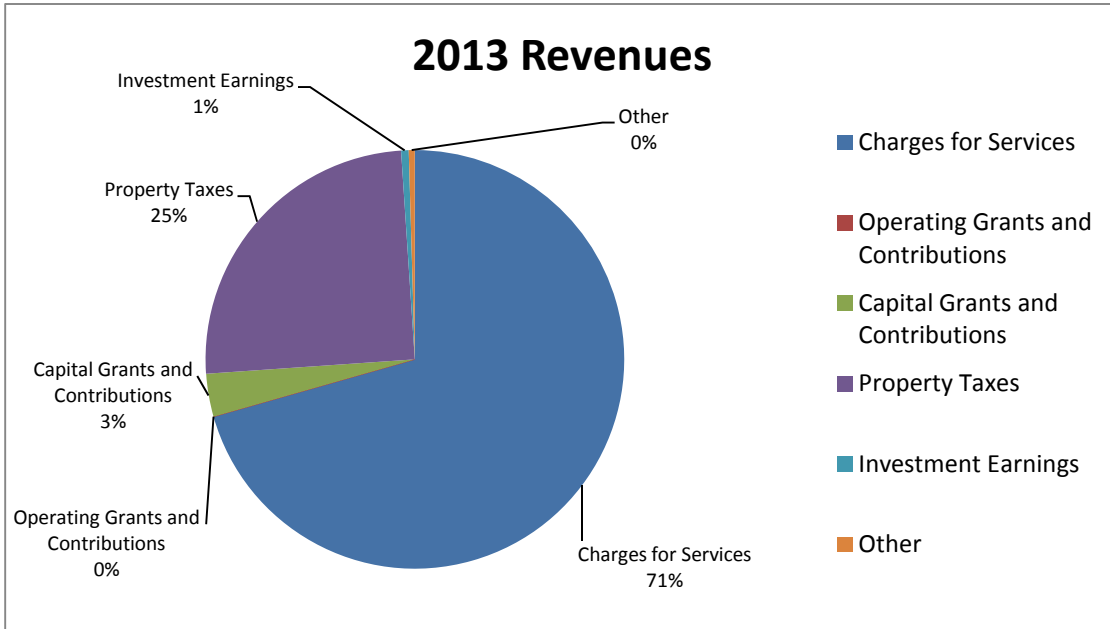
- As previously noted, the District's total net position decreased by \$102,909 and increased by \$108,775 as of June 30, 2013 and 2012, respectively. The decrease for the year ended June 30, 2013 is a combination of an overall increase in net position from Governmental Activities of \$206,302 combined with a decrease in net position of \$309,211 from the Business-Type Activities. The increase for the year ended June 30, 2012 is a combination of an overall increase in net position from Governmental Activities of \$220,957 combined with a decrease in net position of \$112,182 from the Business-Type Activities

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

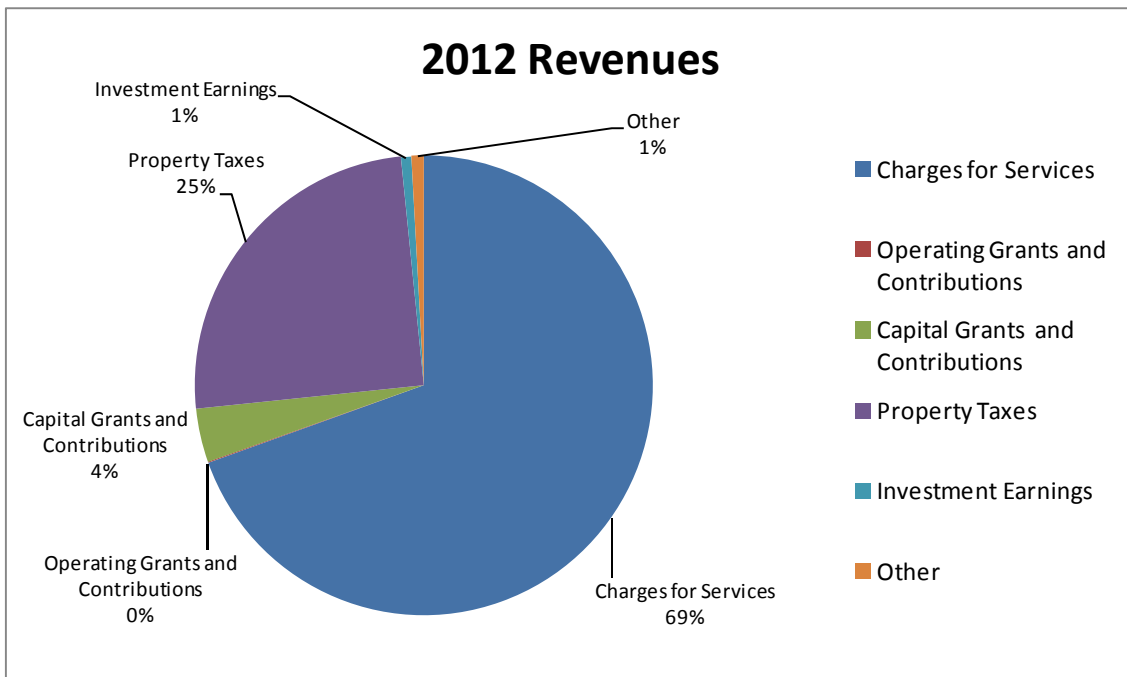
Running Springs Water District's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenues:									
Program Revenues:									
Charges for Services	\$ 213,158	\$ 206,926	\$ 205,082	\$ 3,751,761	\$ 3,655,634	\$ 3,845,205	\$ 3,964,919	\$ 3,862,560	\$ 4,050,287
Operating Grants and Contributions	-	3,865	1,531	5	119	111,710	5	3,984	113,241
Capital Grants and Contributions	21,754	21,012	8,263	164,467	189,362	570,515	186,221	210,374	578,778
General Revenues:									
Property Taxes	1,406,699	1,391,767	1,275,645	-	-	114,576	1,406,699	1,391,767	1,390,221
Investment Earnings	1,120	1,512	2,286	31,860	39,269	38,390	32,980	40,781	40,676
Other	-	-	-	26,281	48,004	136,345	26,281	48,004	136,345
Total Revenues	1,642,731	1,625,082	1,492,807	3,974,374	3,932,388	4,816,741	5,617,105	5,557,470	6,309,548
Expenses:									
Fire Protection	1,436,429	1,404,125	1,399,623	-	-	-	1,436,429	1,404,125	1,399,623
Water	-	-	-	1,725,862	1,574,555	1,635,579	1,725,862	1,574,555	1,635,579
Ambulance	-	-	-	772,739	755,968	729,023	772,739	755,968	729,023
Sewer	-	-	-	1,784,984	1,714,047	1,918,703	1,784,984	1,714,047	1,918,703
Total Expenses	1,436,429	1,404,125	1,399,623	4,283,585	4,044,570	4,283,305	5,720,014	5,448,695	5,682,928
Increase (Decrease) in Net Position	206,302	220,957	93,184	(309,211)	(112,182)	533,436	(102,909)	108,775	626,620
Total Net Position - Beginning	1,938,598	1,717,641	2,230,029	17,661,323	17,773,505	18,254,608	19,599,921	19,491,146	20,484,637
Prior Period Adjustment	-	-	(605,572)	-	-	(1,014,539)	-	-	(1,620,111)
Total Net Position - Ending	\$2,144,900	\$1,938,598	\$1,717,641	\$17,352,112	\$17,661,323	\$17,773,505	\$19,497,012	\$19,599,921	\$19,491,146

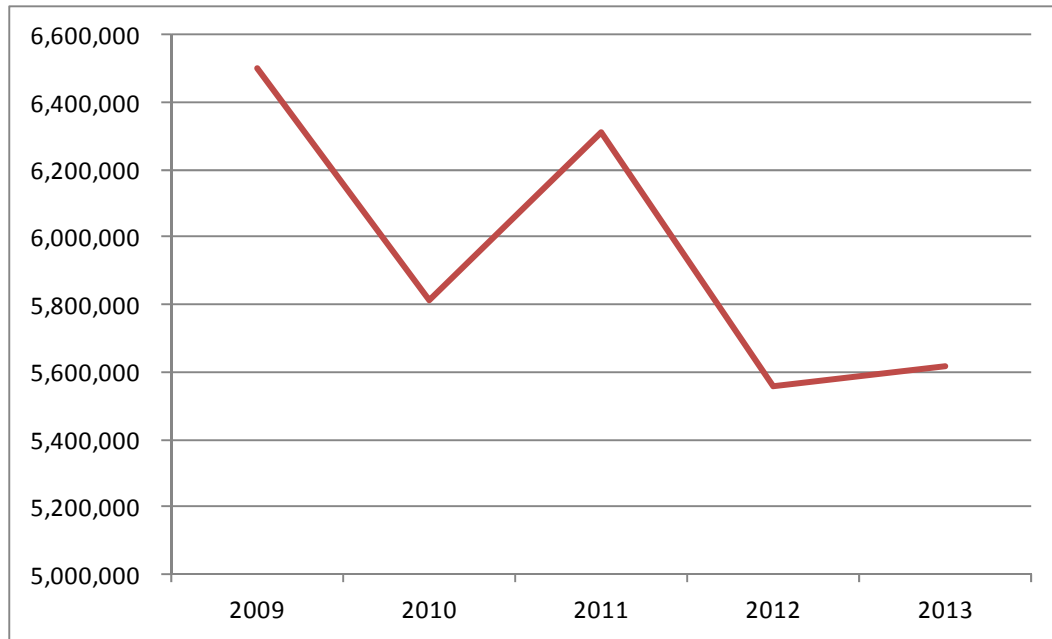
Total revenues increased \$59,635 (1%) for the year ended June 30, 2013.



- The breakdown of each category of revenue (Charges for Services 71%, Operating Grants and Contributions 0%, Capital Grants and Contributions 3%, Property Taxes 25%, Investment Earnings 1% and Other 0%) was a very slight change as compared to the revenue breakdown for the year ended June 30, 2012 (Charges for Services 69%, Operating Grants and Contributions 0%, Capital Grants and Contributions 4%, Property Taxes 25%, Investment Earnings 1% and Other 1%).



- The small increase (1%) in total revenues for 2013 when compared to 2012 shows a leveling of some of the extreme fluctuation of revenue over the last several years. The District experienced the Slide Fire of 2007 which brought an infusion of insurance proceeds in 2009 and the December 2010 storms that brought an infusion of grant proceeds in 2011. The graph below illustrates the peaks in revenue in the recent past years which have now started to level out with 2012 and 2013.



- Total expenses increased \$271,319 (5%) for the year ended June 30, 2013 and decreased \$234,233 (4%) for the year ended June 30, 2012. Notable increases in expenses in 2013 are employee benefits (Fire), water purchases (Water), salaries (Sewer and Ambulance). The decrease in expenses in 2012 was partially due to decreases in purchased water, professional fees and repairs and maintenance.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Net position for the Governmental Activities is \$2,144,900 and \$1,938,598 at the close of June 30, 2013 and 2012 respectively. The increase of \$206,302 for the year ended June 30, 2013 is the result of revenues exceeding expenses (Governmental Activities). Revenues increased 1% for the year ended June 30, 2013 and expenses increased 2% for the year ended June 30, 2013. For the year ended June 30, 2012, the revenues increased 9% and expenses were practically unchanged from the year ended June 30, 2011 which netted an increase of \$220,957.

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

	2013			2012		
	<u>Modified Accrual</u>		<u>Full Accrual</u>	<u>Modified Accrual</u>		<u>Full Accrual</u>
	Statement of Revenues and Expenditures - Governmental Fund - Fire Protection	Conversion	Statement of Activities Governmental Activities - Fire Protection	Statement of Revenues and Expenditures - Governmental Fund - Fire Protection	Conversion	Statement of Activities Governmental Activities - Fire Protection
Revenues	\$ 1,642,731	\$ -	\$ 1,642,731	\$ 1,625,082	\$ -	\$ 1,625,082
Expenditures / Expenses	1,394,790	41,639	1,436,429	1,400,269	3,856	1,404,125
Excess of Revenues Over (Under) Expenditures	247,941	(41,639)	206,302	224,813	(3,856)	220,957
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	-	-	-	-	-	-
Net Change	<u>\$ 247,941</u>	<u>\$ (41,639)</u>	<u>\$ 206,302</u>	<u>\$ 224,813</u>	<u>\$ (3,856)</u>	<u>\$ 220,957</u>

	2011		
	<u>Modified Accrual</u>		<u>Full Accrual</u>
	Statement of Revenues and Expenditures - Governmental Fund - Fire Protection	Conversion	Statement of Activities Governmental Activities - Fire Protection
Revenues	\$ 1,492,807	\$ -	\$ 1,492,807
Expenditures / Expenses	1,338,249	61,374	1,399,623
Excess of Revenues Over (Under) Expenditures	154,558	(61,374)	93,184
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	-	-	-
Net Change	<u>\$ 154,558</u>	<u>\$ (61,374)</u>	<u>\$ 93,184</u>

- Revenues for the year ended June 30, 2013 increased 1% directly as a result of a 1% increase in property taxes. Expenses in the Governmental Activities increased 2% for the year ended June 30, 2013. Notable changes in expenses are increased employee benefits (11%) and decreased insurance (25%).
- The largest change in revenues for 2012 for the Governmental Activities was an increase in property taxes as a result of allocating 100% of the property taxes to the Fire Department. Expenses in the Governmental Activities increase by less than 1% in 2012.

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

Net position for the Business-Type Activities is \$17,352,112 and \$17,661,323 at the close of June 30, 2013 and 2012 respectively. The decrease of \$309,211 for the year June 30, 2013 and the decrease of \$112,182 for the year ended June 30, 2012 are both results of expenses exceeding revenues. Revenues increased 1% for the year ended June 30, 2013, but expenses increased 6%. For the year ended June 30, 2012, revenue decreased 18% and expenses decreased 6%.

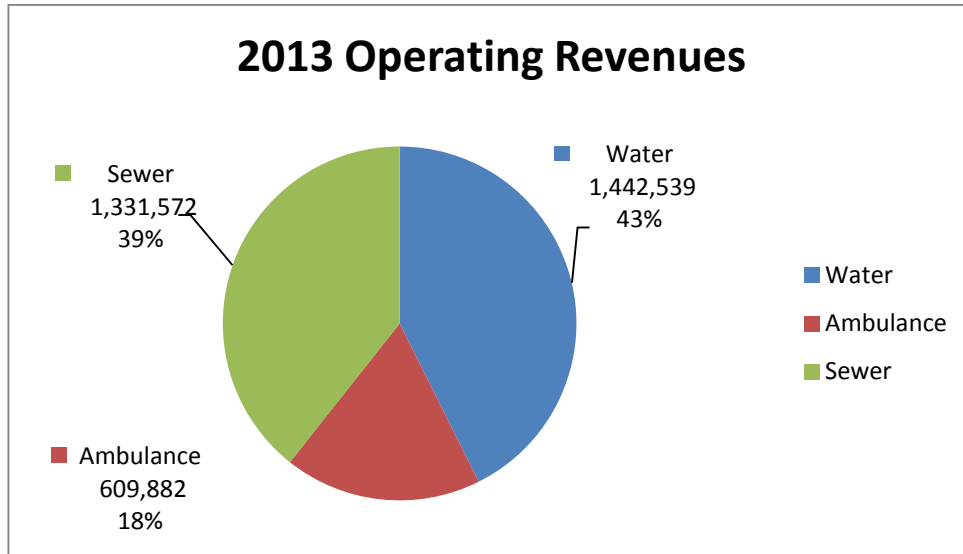
Below is condensed financial information for the Proprietary Fund and Business-Type Activities:

Proprietary Fund - Change in Net Position

	2013	2012	2011
Operating Revenues			
Water Department	\$ 1,442,539	\$ 1,375,759	\$ 1,434,354
Ambulance Department	609,882	577,584	428,621
Sewer Department	1,331,572	1,287,528	1,450,534
Total Operating Revenues	<u>3,383,993</u>	<u>3,240,871</u>	<u>3,313,509</u>
Operating Expenses			
Water Department	1,673,824	1,528,154	1,609,600
Ambulance Department	772,739	755,280	727,289
Sewer Department	1,717,275	1,640,785	1,791,727
Total Operating Expenses	<u>4,163,838</u>	<u>3,924,219</u>	<u>4,128,616</u>
Operating Income (Loss)	(779,845)	(683,348)	(815,107)
Non-Operating Revenues	420,809	502,155	932,717
Non-Operating Expenses	(114,642)	(120,351)	(154,689)
Income (Loss) Before Property			
Contributions and Transfers	(473,678)	(301,544)	(37,079)
Property contributions	164,467	189,362	570,515
Change in Net Position	<u>\$ (309,211)</u>	<u>\$ (112,182)</u>	<u>\$ 533,436</u>

Analysis for the Year Ended June 30, 2013:

The following graph show the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2013:



The breakdown of operating revenues for the year ending June 30, 2013 is: Water 43%, Ambulance 18% and Sewer 39%.

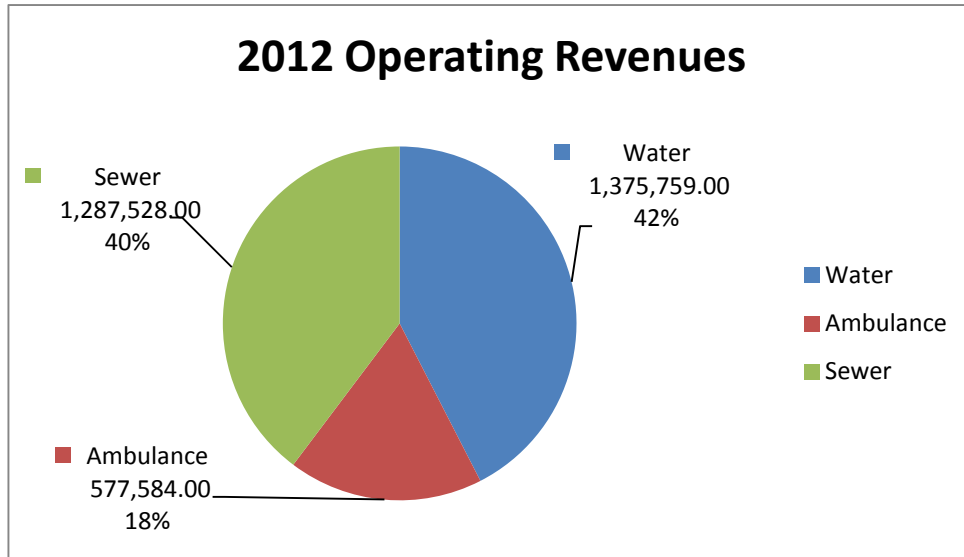
Factors contributing to the Proprietary Fund \$309,211 decrease in net position for the year ended June 30, 2013 are as follows:

- No property taxes are allocated to the Water and Sewer Departments in 2013, which was the same in 2012.
- Non-operating revenues from Leachate loads (Sewer Department) decreased by 39% from the revenue recognized in 2012.
- Employee benefits increased 11% in the Fire Department.
- Salaries treated as current year expenses increased \$54,819 (2%).
- Losses (Water Department) exceeded gains (Sewer Department) on disposed capital assets.
- Repairs and maintenance in the Sewer Department (collections) jumped by \$65,955 (84%).
- The expense for purchased water increased dramatically \$148,906 (129%), which also resulted in lower cost for power for pumping \$8,420 (9%) (Water Department).
- Miscellaneous revenues decreased by 44% in the Water Department and 89% in the Sewer Department due to no reimbursements for outside projects or damages to District property that occurred in the prior year.
- Expense reimbursements to the Sewer Department from upstream users increased \$20,868 (9%).

- Ambulance service fees increased by \$32,298 (6%) in 2013.
- Contributions were 13% lower than 2012 (Water and Sewer Departments).

Analysis for the Year Ended June 30, 2012:

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2012:



The breakdown of operating revenues for the year ending June 30, 2012 is: Water 42%, Ambulance 18% and Sewer 40%.

Factors contributing to the Proprietary Fund \$112,182 decrease in net position for the year ended June 30, 2012 are as follows:

- No property taxes were allocated to the Water and Sewer Departments in 2012 as opposed to allocations in 2011 of \$57,288 (Water) and \$57,288 (Sewer).
- Grant revenues (operating grants and capital contributions) decreased by \$492,744 in 2012 (Water and Sewer Departments).
- Revenues from Leachate loads (Sewer Department) decreased by 51% over the revenue recognized in 2011.
- Repairs and maintenance and professional fees decreased back to more of a normal rate after the 2011 increase due to work done in response to the winter storm damage (Water and Sewer Departments).
- The expense for purchased water decreased by 13% (Water Department).
- Miscellaneous revenues decreased by 45% in the Water Department and 81% in the Sewer Department primarily because there were no insurance proceeds from the Slide Fire in 2012.

- Expense reimbursements to the Sewer Department from upstream users decreased 36%.
- Ambulance service fees increased by 35% in 2012.
- Employee benefit expenses decreased and interest expense increased both as a result of the prior period adjustment in 2011 which reclassified the PERS side fund as a liability. Now part of the payments that previously were classified as employee benefits expense are classified as interest expense and principal reduction on the liability (Water and Sewer Departments).

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, 2013:

The final budget projected a net change in fund balance of \$193,508. The actual net change in fund balance was \$247,941 or 28% higher than budgeted. The notable variances for budget to actual are as follows:

- Property taxes revenues are 5% higher than the budgeted amount.
- Other revenues were 47% less than the amount budgeted due to inadvertent inclusion of projected transferred funds as revenue on the budget.
- Intergovernmental revenues were received and not budgeted.
- Salaries and wages were 21% higher than the budgeted amount.
- Employee benefits were 11% higher than the budgeted amount.
- Insurance expenditures are 15% lower than the budgeted amount.
- Education and training are 85% lower than the budgeted amount.
- Hazard abatement expenditures are 14 times higher than the budgeted amount.
- Capital outlay expenditures are 89% lower than the budgeted amount.

Analysis for the Year Ended June 30, 2012:

The final budget changed from the original budget during the year ended June 30, 2012 due to Board action during the year. The final budget projected a net change in fund balance of \$355,597. The actual net change in fund balance was \$224,813 or 37% less than budgeted. The notable variances for budget to actual are as follows:

- Property taxes revenues are 4% less than the budgeted amount.
- Other revenues were 79% less than the amount budgeted due to inadvertent inclusion of projected transferred funds as revenue on the budget.
- Intergovernmental revenues were received and not budgeted.
- Salaries and wages were 26% higher as a result of the buying back sick, vacation and holiday pay of Fire Department employees.
- Insurance expenditures are 13% lower than the budgeted amount.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2013 and 2012 amounts to \$18,748,287 and \$18,429,761 (net of accumulated depreciation) respectively. The investment at June 30, 2013 represents a net increase (including additions and deductions) of 2% compared to a decrease of 1% for the year ended June 30, 2012. 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		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,006,339	\$ 1,006,339	\$ 1,006,138	\$ 1,421,015	\$ 1,421,015	\$ 1,420,814
Construction in Progress	-	-	-	428,637	896,044	812,173	428,637	896,044	812,173
Structures and Improvements	136,201	146,371	157,292	-	-	-	136,201	146,371	157,292
Water Plant and Facilities	-	-	-	6,254,951	6,375,246	6,502,527	6,254,951	6,375,246	6,502,527
Sewer Plant and Facilities	-	-	-	9,596,986	8,712,949	8,770,264	9,596,986	8,712,949	8,770,264
Fire Trucks and Mounted Equipment	400,704	346,993	377,109	-	-	-	400,704	346,993	377,109
Trucks and Automobiles	-	-	-	364,471	294,049	295,131	364,471	294,049	295,131
Special Purpose Equipment	76,893	178,939	167,763	-	-	-	76,893	178,939	167,763
Furniture and Equipment	-	-	-	58,154	46,878	60,687	58,154	46,878	60,687
Office Equipment	806	950	1,323	-	-	-	806	950	1,323
Shop and Station Equipment	2,328	1,599	1,899	-	-	-	2,328	1,599	1,899
Communication Equipment	7,141	8,728	10,315	-	-	-	7,141	8,728	10,315
Total	\$1,038,749	\$1,098,256	\$1,130,377	\$17,709,538	\$17,331,505	\$17,446,920	\$18,748,287	\$18,429,761	\$18,577,297

This year's major capital asset additions included the following:

- Portable and dash-mount radios - \$12,982
- Luring Pines tank rehabilitation project - \$76,231
- Billing machine (auto folder / inserter) - \$14,052
- SCADA improvements projects (Water and Sewer) - \$116,886
- Paving at Lift Station 2 - \$8,394
- Paving at Wilderness Lift Station - \$6,000
- Lift Station 5 upgrade - \$5,981
- Lift Station 2 forcemain - \$6,950
- Wastewater treatment expansion / improvements project - \$675,766
- Outfall line project - \$531,140
- Mixers - \$11,029

Inter-departmental transfers and classification changes included the following:

- 2002 Ford Ranger two-door truck was transferred from the Water Department to the Sewer Department.
- 2000 KME Fire truck previously classified with Fire Special Purpose Equipment was reclassified to Fire Trucks and Mounted Equipment.

This year's major capital asset deletions included the following:

- Hydrogeologic study
- Various pumps and motors
- Neopost vertical folder / inserter
- Security system
- 1996 Ford F-150 4 X 4 pick-up

Construction-in-progress jobs open at June 30, 2013 include the following:

- Huber Biosolids Dewatering Equipment
- Ayers Acres Groundwater Well Infrastructure
- Lift Station #1 – Overflow Tank
- SCADA System Improvements

Additional information on the Running Springs Water District's capital assets can be found in Note 5 on pages 29-32 of the Basic Financial Statements.

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2013 and 2012 are \$2,178,680 and \$2,369,768 respectively. For both 2013 and 2012, liabilities include compensated absences, pension related debt, and bonds payable (net of all amounts due within one year).

Noncurrent Liabilities

	2013	2012	2011
Governmental Activities:			
Compensated Absences	\$ 198,894	\$ 181,788	\$ 179,860
Pension Related Debt	514,579	549,553	579,746
Total	713,473	731,341	759,606
Less: Current Portion	(92,237)	(80,421)	(75,158)
Noncurrent Portion	621,236	650,920	684,448
Business-Type Activities:			
Bonds and Notes Payable:			
2002 Water Refunding Loan Agreement	-	-	-
Sewer Treatment, 2001 Installment Payable	677,382	827,768	971,256
2006 Municipal Finance Corp. Installment Payable	-	-	-
2008 Municipal Finance Corp. Installment Payable	-	-	22,680
Less: Deferred Amount on Refunding Water Bonds	-	-	-
Total Bonds and Notes Payable	677,382	827,768	993,936
Compensated Absences	144,424	107,337	195,123
Pension Related Debt	960,962	983,154	1,000,876
Less: Current Portion	(225,324)	(199,411)	(232,671)
Noncurrent Portion	1,557,444	1,718,848	1,957,264
Government-Wide Summary			
Compensated Absences	343,318	289,125	374,983
Pension Related Debt	1,475,541	1,532,707	1,580,622
Bonds and Notes Payable:	677,382	827,768	993,936
Totals	2,496,241	2,649,600	2,949,541
Less: Current Portion	(317,561)	(279,832)	(307,829)
Noncurrent Portion	\$2,178,680	\$2,369,768	\$2,641,712

The District paid principal payments on the bonds payable of \$150,386 during the year ended June 30, 2013 and principal payments of on the bonds and notes payable of \$166,168 during the year ended June 30, 2012.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in Note 7 on pages 33-36 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.

The District's Board of Director's considered several factors in completing the fiscal year 2013/2014 budget. More than ten public meetings on the District's budget and rates were held in 2013, and on June 19, 2013, the District's Board of Directors adopted certain rate adjustments that are expected to increase revenue for the water and sewer enterprises. These new rates went into effect on July 1, 2013. For the District's business-type activities (water and sewer) we expect that the fiscal year 2013/2014 results will slightly improve based on these recent rate adjustments.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 68 will have a major impact on many governments' government-wide and proprietary financial statements when implemented.

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, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2013	2012	2013	2012
ASSETS				
Cash	\$ 30,546	\$ -	\$ 123,338	\$ 129,588
Temporary Investments	1,776,973	1,535,483	-	833,667
Receivables:				
Customers - Net of Allowance	-	-	792,619	732,764
Other	15,472	18,051	98,398	94,801
Taxes	39,881	43,757	-	-
Interest	194	343	6,473	10,037
Materials and Supplies Inventory	-	-	77,218	78,794
Prepaid Expenses	1,650	1,467	133	250
Restricted Assets:				
Cash	10,736	11,576	6,667	6,667
Construction Receivables - Upstream Users	-	-	661,496	667,958
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,006,339	1,006,339
Construction in Progress	-	-	428,637	896,044
Capital Assets Net of Accumulated Depreciation	624,073	683,580	16,274,562	15,429,122
Total Assets	<u>2,914,201</u>	<u>2,708,933</u>	<u>19,475,880</u>	<u>19,886,031</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	55,828	37,498	192,102	138,766
Interest Payable	-	-	8,903	10,880
Other Payables	-	1,496	13,961	102,883
Unearned Availability Charges	-	-	126,034	53,920
Long-term Liabilities Due Within One Year	92,237	80,421	225,324	199,411
Noncurrent Liabilities:				
Long-term Liabilities	621,236	650,920	1,557,444	1,718,848
Total Liabilities	<u>769,301</u>	<u>770,335</u>	<u>2,123,768</u>	<u>2,224,708</u>
NET POSITION				
Net Investment in Capital Assets	1,038,749	1,098,256	17,032,156	16,503,737
Restricted For Debt Service	-	-	417,580	510,177
Unrestricted (deficit)	1,106,151	840,342	(97,624)	647,409
Total Net Position	<u>\$ 2,144,900</u>	<u>\$ 1,938,598</u>	<u>\$ 17,352,112</u>	<u>\$ 17,661,323</u>

Total	
<u>2013</u>	<u>2012</u>
\$ 153,884	\$ 129,588
1,776,973	2,369,150
792,619	732,764
113,870	112,852
39,881	43,757
6,667	10,380
77,218	78,794
1,783	1,717
17,403	18,243
661,496	667,958
1,421,015	1,421,015
428,637	896,044
<u>16,898,635</u>	<u>16,112,702</u>
<u>22,390,081</u>	<u>22,594,964</u>
247,930	176,264
8,903	10,880
13,961	104,379
126,034	53,920
317,561	279,832
<u>2,178,680</u>	<u>2,369,768</u>
<u>2,893,069</u>	<u>2,995,043</u>
18,070,905	17,601,993
417,580	510,177
<u>1,008,527</u>	<u>1,487,751</u>
<u><u>\$ 19,497,012</u></u>	<u><u>\$ 19,599,921</u></u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,436,429	\$ 213,158	\$ -	\$ 21,754
Business-type Activities:				
Water	1,725,862	1,617,953	5	1,118
Ambulance	772,739	609,882	-	-
Sewer	1,784,984	1,523,926	-	163,349
Total Business-type Activities	<u>4,283,585</u>	<u>3,751,761</u>	<u>5</u>	<u>164,467</u>
Total Primary Government	<u>\$ 5,720,014</u>	<u>\$ 3,964,919</u>	<u>\$ 5</u>	<u>\$ 186,221</u>

General Revenues:

Property Taxes
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>
\$ (1,201,517)	\$ -	\$ (1,201,517)
-	(106,786)	(106,786)
-	(162,857)	(162,857)
-	(97,709)	(97,709)
-	(367,352)	(367,352)
(1,201,517)	(367,352)	(1,568,869)
1,406,699	-	1,406,699
1,120	31,860	32,980
-	9,988	9,988
-	16,293	16,293
1,407,819	58,141	1,465,960
206,302	(309,211)	(102,909)
1,938,598	17,661,323	19,599,921
<u>\$ 2,144,900</u>	<u>\$ 17,352,112</u>	<u>\$ 19,497,012</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,404,125	\$ 206,926	\$ 3,865	\$ 21,012
Business-type Activities:				
Water	1,574,555	1,556,728	-	54,725
Ambulance	755,968	577,584	-	-
Sewer	1,714,047	1,521,322	119	134,637
Total Business-type Activities	<u>4,044,570</u>	<u>3,655,634</u>	<u>119</u>	<u>189,362</u>
Total Primary Government	<u>\$ 5,448,695</u>	<u>\$ 3,862,560</u>	<u>\$ 3,984</u>	<u>\$ 210,374</u>

General Revenues:

Property Taxes
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>\$ (1,172,322)</u>	<u>\$ -</u>	<u>\$ (1,172,322)</u>
-	36,898	36,898
-	(178,384)	(178,384)
-	(57,969)	(57,969)
-	(199,455)	(199,455)
<u>(1,172,322)</u>	<u>(199,455)</u>	<u>(1,371,777)</u>
1,391,767	-	1,391,767
1,512	39,269	40,781
-	9,757	9,757
-	38,247	38,247
<u>1,393,279</u>	<u>87,273</u>	<u>1,480,552</u>
220,957	(112,182)	108,775
<u>1,717,641</u>	<u>17,773,505</u>	<u>19,491,146</u>
<u>\$ 1,938,598</u>	<u>\$ 17,661,323</u>	<u>\$ 19,599,921</u>

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 30,546	\$ -
Temporary Investments	1,776,973	1,535,483
Restricted Cash	10,736	11,576
Accounts Receivable:		
Fire Availability Charges and Other	15,472	18,051
Taxes Receivable	39,881	43,757
Interest Receivable	194	343
Prepaid Expenses	1,650	1,467
Total Assets	\$ 1,875,452	\$ 1,610,677
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 55,828	\$ 37,498
Other Payables	-	1,496
Total Liabilities	55,828	38,994
Fund Balances:		
Committed:		
Equipment Replacement - General	46,914	46,779
Equipment Replacement - Breathing Apparatus	38,415	38,304
Limited-term Firefighters	48,681	48,541
Assigned:		
Workers' Compensation Fund	57,936	-
Unassigned	1,627,678	1,438,059
Total Fund Balances	1,819,624	1,571,683
Total Liabilities and Fund Balances	\$ 1,875,452	\$ 1,610,677

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, 2013 and 2012

	2013	2012
Fund balances - total governmental fund	\$ 1,819,624	\$ 1,571,683
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.	1,038,749	1,098,256
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(198,894)	(181,788)
Pension Related Debt	(514,579)	(549,553)
Net Position of Governmental Activities	\$ 2,144,900	\$ 1,938,598

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, 2013 and 2012

	2013	2012
REVENUES		
Property Taxes	\$ 1,406,699	\$ 1,391,767
Assessments - Fire Availability Charges	201,841	200,743
Other Revenue	11,317	9,183
Interest Revenue	1,120	1,512
Intergovernmental Revenue	21,754	21,877
Total Revenues	1,642,731	1,625,082
EXPENDITURES		
Salaries and Wages	616,076	641,380
Director Fees	2,650	4,168
Employee Benefits	487,833	438,159
Payroll Taxes	13,158	13,240
Safety Clothing and Personal Supplies	11,303	9,039
Telephone	3,021	2,799
Insurance	77,672	102,958
Maintenance:		
Building	1,711	5,039
Automotive Equipment	16,695	8,910
Special Purpose Equipment	3,386	3,167
Memberships	4,221	2,282
Office	4,124	3,132
Professional Services	21,150	24,169
Education, Training	2,340	5,556
Small Tools and Instruments	8,076	922
Special Department Expense - Fire Fighting/Medical Supplies	6,719	6,175
Utilities	13,776	12,046
Dispatching	43,050	43,396
Community Relations - Fire Protection	2,198	3,033
Hazard Abatement	15,497	1,183
Miscellaneous	4,142	5,318
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	24,909	26,449
Capital Outlay	11,083	37,749
Total Expenditures	1,394,790	1,400,269
Net Change in Fund Balances	247,941	224,813
Fund Balance, Beginning of Year	1,571,683	1,346,870
Fund Balance, End of Year	\$ 1,819,624	\$ 1,571,683

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, 2013 and 2012

	2013	2012
Net change in fund balances - governmental fund	\$ 247,941	\$ 224,813
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	11,083	37,749
Depreciation	(70,590)	(69,870)
Governmental Funds report only proceeds from the sale of capital assets. The statement of activities reports a gain or loss on disposal based on the net book value at the time of disposal. Disposal activity included the following:		
Cost of assets disposed	-	(60,904)
Accumulated depreciation on disposed assets	-	60,904
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	(17,106)	(1,928)
Pension related debt	34,974	30,193
Change in Net Position of Governmental Activities	\$ 206,302	\$ 220,957

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, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash	\$ 123,338	\$ 129,588
Temporary Investments	-	833,667
Receivables:		
Customers - Net of Allowances	792,619	732,764
Other	98,398	94,801
Interest	6,473	10,037
Material and Supplies Inventory	77,218	78,794
Prepaid Expenses	133	250
Restricted:		
Cash	6,667	6,667
Construction Receivable - Upstream Users	128,960	119,122
Total Current Assets	1,233,806	2,005,690
Noncurrent Assets:		
Restricted: Construction Receivable - Upstream Users	532,536	548,836
Capital Assets Not Being Depreciated:		
Land	1,006,339	1,006,339
Construction in Progress	428,637	896,044
Capital Assets, Net of Accumulated Depreciation	16,274,562	15,429,122
Total Noncurrent Assets	18,242,074	17,880,341
Total Assets	19,475,880	19,886,031
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	192,102	138,766
Interest Payable	8,903	10,880
Other Payables	13,961	102,883
Unearned Availability Charges	126,034	53,920
Current Portion of Long-term Liabilities	225,324	199,411
Total Current Liabilities	566,324	505,860
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	1,557,444	1,718,848
Total Noncurrent Liabilities	1,557,444	1,718,848
Total Liabilities	2,123,768	2,224,708
NET POSITION		
Net Investment in Capital Assets	17,032,156	16,503,737
Restricted for Debt Service	417,580	510,177
Unrestricted (deficit)	(97,624)	647,409
Total Net Position	\$ 17,352,112	\$ 17,661,323

Running Springs Water District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Water Department	\$ 1,442,539	\$ 1,375,759
Ambulance Department	609,882	577,584
Sewer Department	1,331,572	1,287,528
Total Operating Revenues	3,383,993	3,240,871
OPERATING EXPENSES		
Water Department	1,673,824	1,528,154
Ambulance Department	772,739	755,280
Sewer Department	1,717,275	1,640,785
Total Operating Expenses	4,163,838	3,924,219
Operating Income (Loss)	(779,845)	(683,348)
NONOPERATING REVENUES (EXPENSES)		
Grant Revenue	5	119
Leasing Revenue	9,988	9,757
Assessments - Water and Sewer Availability Charges	55,421	55,293
Interest	31,860	39,269
Special Meter Charges - Water	134,507	140,137
Special Meter Charges - Treatment Plant	106,191	106,907
Leachate Loads	66,544	109,041
Miscellaneous	16,293	38,247
Gain (Loss) on Disposal of Capital Assets - Net	(6,278)	3,385
Other Expenses	-	(2,828)
Interest on Long-term Debt	(108,167)	(117,330)
Cost of Assessing Availability Charges	(197)	(193)
Total Nonoperating Revenue (Expenses)	306,167	381,804
Income (Loss) Before Capital Contributions	(473,678)	(301,544)
Capital Contributions - Sewer	163,349	134,637
Capital Contributions - Water	1,118	54,725
Change in Net Position	(309,211)	(112,182)
Net Position, Beginning of Year	17,661,323	17,773,505
Net Position, End of Year	\$ 17,352,112	\$ 17,661,323

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,324,138	\$ 3,193,726
Cash Payments for Employee Services	(2,004,468)	(2,038,350)
Cash Paid to Suppliers	(1,503,246)	(1,353,398)
Other Revenue	<u>92,825</u>	<u>238,924</u>
Net Cash Provided (Used) by Operating Activities	<u>(90,751)</u>	<u>40,902</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	127,338	59,155
Property Taxes	-	4,959
Grant Revenue	<u>5</u>	<u>107,160</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>127,343</u>	<u>171,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(975,616)	(496,539)
Proceeds from Sale of Capital Assets	5,105	4,000
Capital Contributions	167,332	680,061
Special Meter Charges	240,698	247,044
Principal Payments on Debt	(150,386)	(166,168)
Interest Paid	(110,144)	(119,606)
Grant Repayments	<u>(88,922)</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(911,933)</u>	<u>148,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>35,424</u>	<u>38,908</u>
Net Cash Provided (Used) by Investing Activities	<u>35,424</u>	<u>38,908</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(839,917)	399,876
Cash and Cash Equivalents, Beginning of Year	<u>969,922</u>	<u>570,046</u>
Cash and Cash Equivalents, End of Year	<u>\$ 130,005</u>	<u>\$ 969,922</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Current Assets:		
Cash	\$ 123,338	\$ 129,588
Temporary Investments	-	833,667
Restricted Cash	<u>6,667</u>	<u>6,667</u>
Totals	<u>\$ 130,005</u>	<u>\$ 969,922</u>

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments - Continued
Years Ended June 30, 2013 and 2012

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>2013</u>	<u>2012</u>
Operating Income (Loss)	\$ (779,845)	\$ (683,348)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	615,576	611,339
Other Income	92,825	238,924
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(59,855)	(47,145)
(Increase) Decrease in Prepaid Expenses	117	33
(Increase) Decrease in Inventory	1,576	(844)
Increase (Decrease) in Accounts Payable	7,240	4,327
Increase (Decrease) in Accrued Wages and Related Liabilities	16,720	23,124
Increase (Decrease) in Compensated Absences	37,087	(87,786)
Increase (Decrease) in Pension Related Debt	<u>(22,192)</u>	<u>(17,722)</u>
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (90,751)</u></u>	<u><u>\$ 40,902</u></u>
 SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets on Account	\$ 33,955	\$ 6,435

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund (Assessment Districts)
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash with Fiscal Agent	\$ 117,900	\$ 117,900
Temporary Investments	277,672	228,716
Total Assets	\$ 395,572	\$ 346,616
LIABILITIES		
Due to Bondholders	\$ 395,572	\$ 346,616
Total Liabilities	\$ 395,572	\$ 346,616

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

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, 2013 are as follows:

<u>NAME</u>	<u>OFFICER</u>	<u>TERM EXPIRES</u>
Kenneth Ayers	President	December 2013
Michael Terry	Vice-President	December 2015
Pamella Bennett	Director	December 2013
Ed Brittain	Director	December 2015
Paul Shouse	Director	December 2013
Ryan Gross	General Manager	
Joan Eaton	Secretary/Treasurer	

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

Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements - Continued

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

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

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

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The District reports the following major governmental fund:

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

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

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

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has no items that qualify for reporting in this category.

E. Net Position Flow Assumption

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

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

F. Cash and Investments

Investments for the District are reported at fair value.

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

G. Customer Billings and Allowance for Uncollectible Accounts

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

Ambulance customers are billed after service has been provided. The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of the ambulance receivables. Allowance for uncollectible ambulance fees was \$896,254 and \$963,669 at June 30, 2013 and 2012, respectively.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Inventories

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

I. Restricted Assets

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

J. Capital Assets

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. For the current fiscal year no interest was capitalized. Total interest charged to expense for the 2012-13 and 2011-12 fiscal years was \$108,167 and \$117,330, respectively.

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Compensated Absences Liability

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

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

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

L. Fund Balance

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance - Continued

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

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

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

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

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

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

M. Use of Estimates

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

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Property Tax

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

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

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

O. Reclassifications

Certain amounts in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 presentation.

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2013 and 2012 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Assets	Statement of Fiduciary Assets and Liabilities	2013 Total	2012 Total
Cash	\$ 153,884	\$ -	\$ 153,884	\$ 129,588
Temporary Investments	1,776,973	277,672	2,054,645	2,597,866
Restricted Cash	17,403	-	17,403	18,243
Cash with Fiscal Agent	-	117,900	117,900	117,900
	<u>\$ 1,948,260</u>	<u>\$ 395,572</u>	<u>\$ 2,343,832</u>	<u>\$ 2,863,597</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

2) CASH AND TEMPORARY INVESTMENTS – Continued

Cash and Investments consists of the following:	2013	2012
Deposits with Financial Institutions	\$ 170,287	\$ 146,831
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	2,054,645	2,597,866
Held by Bond Trustee:		
Money Market Fund	117,900	117,900
	\$ 2,343,832	\$ 2,863,597

Restricted Cash

Restricted cash of \$17,403 represent deposits with a financial institution for payment of workers' compensation insurances claims.

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

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

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

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

2) CASH AND TEMPORARY INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

As of June 30, 2013 and 2012, the District had the following investments:

	2013 Amount	Maturity Date 12 Months or Less	2012 Total
LAIF	\$ 2,054,645	\$ 2,054,645	\$ 2,597,866
Held by Bond Trustee			
Money Market Fund	<u>117,900</u>	<u>117,900</u>	<u>117,900</u>
	<u>\$ 2,172,545</u>	<u>\$ 2,172,545</u>	<u>\$ 2,715,766</u>

Disclosures Relating to Credit Risk

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

Investment Type	2013 Amount	Minimum Legal Rating	Aaa	Not Rated	2012 Amount
LAIF	\$2,054,645	None	\$ -	\$2,054,645	\$2,597,866
Held by Bond Trustee					
Money Market Fund	<u>117,900</u>	N/A	<u>117,900</u>	<u>-</u>	<u>117,900</u>
	<u>\$2,172,545</u>		<u>\$ 117,900</u>	<u>\$2,054,645</u>	<u>\$2,715,766</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, 2013 and 2012, the District had no investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

2) CASH AND TEMPORARY INVESTMENTS - Continued

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, 2013 and 2012, the District had no deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

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

The yield of LAIF for the quarter ended June 30, 2013 was .24%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2013 was \$58,812,406,570 and \$58,828,474,533, respectively. The District's share of the Pool at June 30, 2013 was approximately .0034926 percent.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2013 and 2012:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Customers - Water and Sewer	\$ 294,932	\$ 285,983
Ambulance Receivable	1,393,941	1,410,450
Allowance for Uncollectible Ambulance Charges	(896,254)	(963,669)
	<u>\$ 792,619</u>	<u>\$ 732,764</u>

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

4) OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2013 and 2012:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Availability Charges	\$ 15,425	\$ 17,737	\$ 3,147	\$ 586
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	86,758	67,280
San Bernardino County (Leachate)	-	-	8,104	22,623
Miscellaneous	47	-	69	3,992
Payroll Related Items	-	314	-	-
Total	<u>\$ 15,472</u>	<u>\$ 18,051</u>	<u>\$ 98,398</u>	<u>\$ 94,801</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets, Being Depreciated:				
Structures and Improvements	395,451	-	-	395,451
Fire Trucks and Mounted Equipment	727,842	257,928	-	985,770
Special Purpose Equipment	541,745	10,028	257,928	293,845
Office Equipment	15,169	-	-	15,169
Shop and Station Equipment	10,200	1,055	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,701,515	269,011	257,928	1,712,598
Less Accumulated Depreciation:				
Structures and Improvements	249,080	10,170	-	259,250
Fire Trucks and Mounted Equipment	380,849	204,217	-	585,066
Special Purpose Equipment	362,806	15,351	161,205	216,952
Office Equipment	14,219	144	-	14,363
Shop and Station Equipment	8,601	326	-	8,927
Communication Equipment	2,380	1,587	-	3,967
Total Accumulated Depreciation	1,017,935	231,795	161,205	1,088,525
Total Capital Assets Being Depreciated, Net	683,580	37,216	96,723	624,073
Governmental Activities Capital Assets, Net	<u>\$ 1,098,256</u>	<u>\$ 37,216</u>	<u>\$ 96,723</u>	<u>\$ 1,038,749</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

5) CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,006,339	\$ -	\$ -	\$ 1,006,339
Construction in Progress	896,044	941,028	1,408,435	428,637
Total Capital Assets Not Depreciated	1,902,383	941,028	1,408,435	1,434,976
Capital Assets, Being Depreciated:				
Water Plant and Facilities	10,026,914	79,075	73,431	10,032,558
Sewer Plant and Facilities	15,458,980	1,234,231	-	16,693,211
Furniture and Equipment	277,203	25,849	7,297	295,755
Trucks and Automobiles	1,270,764	133,244	28,711	1,375,297
Total Capital Assets Being Depreciated	27,033,861	1,472,399	109,439	28,396,821
Less Accumulated Depreciation:				
Water Plant and Facilities	3,651,668	188,720	62,781	3,777,607
Sewer Plant and Facilities	6,746,031	350,194	-	7,096,225
Furniture and Equipment	230,325	14,573	7,297	237,601
Trucks and Automobiles	976,715	62,089	27,978	1,010,826
Total Accumulated Depreciation	11,604,739	615,576	98,056	12,122,259
Total Capital Assets Being Depreciated, Net	15,429,122	856,823	11,383	16,274,562
Business-Type Activities				
Capital Assets, Net	<u>\$17,331,505</u>	<u>\$ 1,797,851</u>	<u>\$1,419,818</u>	<u>\$17,709,538</u>

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

Governmental Activities:	
Fire Protection	\$ 70,590
Business-type Activities	615,576

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

5) CAPITAL ASSETS - Continued

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets, Being Depreciated:				
Structures and Improvements	395,451	-	-	395,451
Fire Trucks and Mounted Equipment	727,842	-	-	727,842
Special Purpose Equipment	560,515	37,749	56,519	541,745
Office Equipment	19,554	-	4,385	15,169
Shop and Station Equipment	10,200	-	-	10,200
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,724,670	37,749	60,904	1,701,515
Less Accumulated Depreciation:				
Structures and Improvements	238,159	10,921	-	249,080
Fire Trucks and Mounted Equipment	350,733	30,116	-	380,849
Special Purpose Equipment	392,752	26,573	56,519	362,806
Office Equipment	18,231	373	4,385	14,219
Shop and Station Equipment	8,301	300	-	8,601
Communication Equipment	793	1,587	-	2,380
Total Accumulated Depreciation	1,008,969	69,870	60,904	1,017,935
Total Capital Assets Being Depreciated, Net	715,701	(32,121)	-	683,580
Governmental Activities Capital Assets, Net	\$ 1,130,377	\$(32,121)	\$ -	\$ 1,098,256

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,006,138	\$ 201	\$ -	\$ 1,006,339
Construction in Progress	812,173	147,863	63,992	896,044
Total Capital Assets Not Depreciated	1,818,311	148,064	63,992	1,902,383
Capital Assets, Being Depreciated:				
Water Plant and Facilities	9,968,329	60,278	1,693	10,026,914
Sewer Plant and Facilities	15,171,235	288,696	951	15,458,980
Furniture and Equipment	375,426	1,791	100,014	277,203
Trucks and Automobiles	1,270,895	61,702	61,833	1,270,764
Total Capital Assets Being Depreciated	26,785,885	412,467	164,491	27,033,861
Less Accumulated Depreciation:				
Water Plant and Facilities	3,465,802	187,559	1,693	3,651,668
Sewer Plant and Facilities	6,400,971	346,011	951	6,746,031
Furniture and Equipment	314,739	14,985	99,399	230,325
Trucks and Automobiles	975,764	62,784	61,833	976,715
Total Accumulated Depreciation	11,157,276	611,339	163,876	11,604,739
Total Capital Assets Being Depreciated, Net	15,628,609	(198,872)	615	15,429,122
Business-Type Activities				
Capital Assets, Net	\$17,446,920	\$(50,808)	\$ 64,607	\$17,331,505

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

Governmental Activities:	
Fire Protection	\$ 69,870
Business-type Activities	611,339

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2013 and 2012:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Grants Payable	\$ -	\$ 1,496	\$ 13,958	\$ 102,880
Miscellaneous	-	-	3	3
Total	\$ -	\$ 1,496	\$ 13,961	\$ 102,883

7) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 181,788	\$141,206	\$ 124,100	\$ 198,894	\$ 49,723
Pension Related Debt	549,553	-	34,974	514,579	42,514
Governmental Activities Long-term Liabilities	\$ 731,341	\$141,206	\$ 159,074	\$ 713,473	\$ 92,237
Business-Type Activities					
Sewer Treatment, 2001 Installment Payable	\$ 827,768	\$ -	\$ 150,386	\$ 677,382	\$ 157,614
Compensated Absences	107,337	111,591	74,504	144,424	36,106
Pension Related Debt	983,154	-	22,192	960,962	31,604
Business-Type Activities Long-term Liabilities	\$ 1,918,259	\$111,591	\$ 247,082	\$ 1,782,768	\$ 225,324

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

7) LONG-TERM LIABILITIES - Continued

The following is a summary of long-term liabilities for the year ended June 30, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 179,860	\$158,267	\$ 156,339	\$ 181,788	\$ 45,447
Pension Related Debt	579,746	-	30,193	549,553	34,974
Governmental Activities Long-term Liabilities	<u>\$ 759,606</u>	<u>\$158,267</u>	<u>\$ 186,532</u>	<u>\$ 731,341</u>	<u>\$ 80,421</u>
Business-Type Activities					
Bonds and Notes Payable:					
Sewer Treatment, 2001					
Installment Payable	\$ 971,256	\$ -	\$ 143,488	\$ 827,768	\$ 150,385
2008 Municipal Finance					
Corporation Installment Payable	22,680	-	22,680	-	-
Total Bonds and Notes Payable	<u>993,936</u>	<u>-</u>	<u>166,168</u>	<u>827,768</u>	<u>150,385</u>
Compensated Absences	195,123	114,797	202,583	107,337	26,834
Pension Related Debt	1,000,876	-	17,722	983,154	22,192
Business-Type Activities Long-term Liabilities	<u>\$ 2,189,935</u>	<u>\$114,797</u>	<u>\$ 386,473</u>	<u>\$ 1,918,259</u>	<u>\$ 199,411</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, 2013 the coverage was 2.00 times.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

7) LONG-TERM LIABILITIES - Continued

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 157,614	\$ 30,326
2015	165,189	22,750
2016	173,129	14,811
2017	181,450	6,489
	\$ 677,382	\$ 74,376

2008 Municipal Finance Corporation Installment Payable

On December 30, 2008, the District executed an installment sale agreement with Municipal Finance Corporation in the amount of \$65,000 at 4.75% to pay for the purchase of a new 2007 Chevy Type II leader van ambulance. The agreement dictates that the ambulance purchased is collateral for the loan. The installment payable is to be paid in three annual installments beginning February 18, 2010. The District paid off the balance of the loan during the 2011-12 fiscal year and the loan is no longer outstanding.

Pension Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the District’s multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the District’s Safety and Miscellaneous Plans converted from an “agent” multiple-employer plan to a “cost-sharing” multiple-employer plan. Although a portion of the District’s annual required contributions are actuarially determined and shared by all employers of the risk pool, the District is also required to make annual payments on a “Side Fund” which was created when the District entered the risk pool. The responsibility for funding the Side Fund is specific to the District and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures of the governmental fund and the principal is reported as a reduction of the liability in the proprietary fund.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

7) LONG-TERM LIABILITIES – Continued

Pension Related Debt - Continued

The future debt service requirements on the Safety Plan Side Fund are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 42,514	\$ 36,946
2015	43,615	33,735
2016	52,170	30,077
2017	58,988	25,932
2018	66,425	21,256
2019	74,531	16,000
2020	83,361	10,112
2021	92,975	3,536
	<u>\$ 514,579</u>	<u>\$ 177,594</u>

The future debt service requirements on the Miscellaneous Plan Side Fund are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 31,604	\$ 70,753
2015	32,512	68,531
2016	38,440	65,887
2017	44,939	62,779
2018	52,056	59,163
2019	59,842	54,991
2020	63,859	50,211
2021	77,651	44,767
2022	87,799	38,598
2023	98,867	31,637
2024	110,932	23,814
2025	124,075	15,050
2026	138,386	5,263
	<u>\$ 960,962</u>	<u>\$ 591,444</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

8) NO-COMMITMENT DEBT

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

The Bonds are limited obligations of the District payable solely from the installments of unpaid assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the Bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or the interest on the Bonds. Therefore none of the limited obligation improvement bonds have been included in the accompanying financial statements. As of June 30, 2013, there were outstanding bonds of \$890,000.

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 \$103,682 in excess assessments from the three Assessment Districts. These funds are being used to fund improvements and operations and maintenance in the three Assessment Districts, and are reported in the Agency Funds.

9) PENSION PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% for the Miscellaneous Plan or 9% for the Safety Plan of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is also required to contribute at an actuarially determined rate; the contribution rates for the fiscal year 2012-13 were 22.591% for the Miscellaneous Plan, and 32.414% for the Safety Plan, of covered payroll for employees hired before the effective date of the Public Employees Pension Reform Act (PEPRA), which was

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

9) PENSION PLAN - Continued

Funding Policy – Continued

January 1, 2013, and those who meet the definition of a classic member as per PEPR. For employees hired after January 1, 2013, who meet the definition of a new member as per PEPR, the District's contribution rate for the year ending June 30, 2013 was 6.25% for the Miscellaneous Plan and 11.50% for the Safety Plan. The contribution requirements for plan members and the District are established by State statute and may be amended by PERS.

The following represents the required contributions for both the miscellaneous and safety plans for the past three years:

Fiscal Year	Required Contributions	Percent Contributed
6/30/11	\$ 652,885	100%
6/30/12	655,031	100%
6/30/13	714,617	100%

10) RISK MANAGEMENT

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

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

The purpose of the Authority is to provide risk financing and risk management services by arranging and administering programs of insurance. The District is insured up to \$10,000,000 with a \$500 deductible per occurrence for property damage claims and \$1,000 per occurrence for property damage losses and up to \$5,000,000 for workers' compensation liability with no deductible. The District is also insured under the Authority for automobile, property, employment practices, employee 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, 2013 and 2012.

Running Springs Water District
Notes to Financial Statements
June 30, 2013 and 2012

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, 2013, the amount of the loss on the additional inventory cannot be reasonably estimated.

13) COMMITMENTS

The District has entered into various construction contracts. The amounts contracted are based on the contractors estimated cost of construction. As of June 30, 2013, the total unpaid amounts on these contracts was \$428,636.

At June 30, 2013, 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
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund - Fire Protection
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 1,339,770	\$ 1,339,770	\$ 1,406,699	\$ 66,929
Assessments - Fire Availability Charges	199,615	199,615	201,841	2,226
Other Revenue	21,212	21,212	11,317	(9,895)
Interest Revenue	-	-	1,120	1,120
Intergovernmental Revenue	-	-	21,754	21,754
	<u>1,560,597</u>	<u>1,560,597</u>	<u>1,642,731</u>	<u>82,134</u>
EXPENDITURES				
Salaries and Wages	508,923	508,923	616,076	(107,153)
Director Fees	4,516	4,516	2,650	1,866
Employee Benefits	440,437	440,437	487,833	(47,396)
Payroll Taxes	14,759	14,759	13,158	1,601
Safety Clothing and Personal Supplies	14,750	14,750	11,303	3,447
Telephone	4,346	4,346	3,021	1,325
Insurance	91,459	91,459	77,672	13,787
Maintenance:				
Building	5,000	5,000	1,711	3,289
Automotive Equipment	16,000	16,000	16,695	(695)
Special Purpose Equipment	4,275	4,275	3,386	889
Memberships	2,600	2,600	4,221	(1,621)
Office	6,390	6,390	4,124	2,266
Professional Services	24,912	24,912	21,150	3,762
Education, Training	16,000	16,000	2,340	13,660
Small Tools and Instruments	7,500	7,500	8,076	(576)
Special Department Expense - Fire				
Fighting/Medical Supplies	7,400	7,400	6,719	681
Utilities	12,564	12,564	13,776	(1,212)
Dispatching	48,451	48,451	43,050	5,401
Community Relations - Fire Prevention	3,100	3,100	2,198	902
Hazard Abatement	1,000	1,000	15,497	(14,497)
Miscellaneous	11,098	11,098	4,142	6,956
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	24,909	24,909	24,909	-
Capital Outlay	96,700	96,700	11,083	85,617
	<u>1,367,089</u>	<u>1,367,089</u>	<u>1,394,790</u>	<u>(27,701)</u>
Net Change in Fund Balances	193,508	193,508	247,941	<u>\$ 54,433</u>
Fund Balance, Beginning of Year	<u>1,571,683</u>	<u>1,571,683</u>	<u>1,571,683</u>	
Fund Balance, End of Year	<u>\$ 1,765,191</u>	<u>\$ 1,765,191</u>	<u>\$ 1,819,624</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2013 and 2012

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.

SUPPLEMENTARY INFORMATION

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Monthly Service Charges	\$ 696,005	\$ 679,023
Metered Water Sales and Water from Hydrants	690,048	638,645
Turn-on and Shut-off Charges	15,650	18,130
Delinquent Charges and Service Fees	40,836	39,961
Total Operating Revenues	1,442,539	1,375,759
OPERATING EXPENSES		
Source of Supply:		
Supervision, Labor and Expense	21,976	11,654
Maintenance	811	6,894
Purchased Water	263,919	115,013
Pumping:		
Maintenance and Power	6,609	10,975
Purchased Power	81,361	89,781
Water Treatment:		
Supervision, Labor and Expense	27,321	27,376
Water Purification Expense	19,454	24,621
Transmission and Distribution:		
Supervision, Labor and Expense	176,403	176,759
Maintenance and Repairs	7,662	7,475
Maintenance - Blacktop and Street	600	2,352
Customer's Accounts:		
Supervision, Labor and Expense for Meter Reading and Maintenance	140,617	140,901
Meter Maintenance	7,918	9,637
Uncollectible Accounts	1,212	511
Administrative and General:		
Salaries	283,076	266,593
Director's Fees	2,650	4,166
Office Supplies and Expenses	47,835	54,186
Computer Technical Support	27,713	22,686
Truck Expenses, Gas and Oil	12,378	13,554
Truck Expenses, Repairs and Tractor Expense	5,656	10,651
Utilities	10,909	10,193
Telephone	6,410	5,741
Employee Benefits	203,505	216,802
Payroll Taxes	10,616	8,445
Repairs and Maintenance	9,886	8,843
Permits	27,863	14,406
Professional Services	61,750	63,817

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING EXPENSES		
Administrative and General: - Continued		
Dues and Subscriptions	\$ 5,394	\$ 4,049
Miscellaneous Supplies	1,514	1,458
Educational Programs	2,744	1,572
Insurance	43,060	47,781
Radio Maintenance	1,220	-
Miscellaneous	4,760	4,743
Depreciation	212,626	210,976
General Expense Allocated to Sewer, Fire and Ambulance Departments	(63,604)	(66,457)
Total Operating Expenses	1,673,824	1,528,154
Operating Income (Loss)	(231,285)	(152,395)
NONOPERATING REVENUES (EXPENSES)		
Grant Revenue	5	-
Leasing Revenue	9,988	9,757
Assessments - Water Availability Charges	40,907	40,832
Interest	1,284	2,054
Special Meter Charges - Water	134,507	140,137
Miscellaneous	12,122	21,616
Gain (Loss) on Disposal of Capital Assets - Net	(11,383)	-
Other Expenses	-	(2,828)
Interest on Long-term Debt	(40,556)	(43,476)
Cost of Assessing Availability Charges	(99)	(97)
Total Nonoperating Revenue (Expenses)	146,775	167,995
Income (Loss) Before Capital Contributions	(84,510)	15,600
Capital Contributions	1,118	54,725
Change in Net Position	\$ (83,392)	\$ 70,325

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Ambulance Department
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Ambulance Service Fees	\$ 609,882	\$ 577,584
Total Operating Revenues	609,882	577,584
OPERATING EXPENSES		
Salaries	476,157	466,803
Insurance	8,701	8,671
Telephone	2,521	2,869
Office Expense	1,739	1,746
Professional Services	19,760	20,338
Dues and Subscriptions	480	255
Medical Supplies	9,322	8,356
Gas, Fuel, and Oil	12,876	11,266
Vehicle Repairs and Maintenance	13,973	9,285
Miscellaneous Supplies	1,173	1,360
Uncollectible Accounts	184,926	184,067
Depreciation	29,474	28,656
General Expense Allocated to Sewer, Fire and Ambulance Departments	11,637	11,608
Total Operating Expenses	772,739	755,280
Operating Income (Loss)	(162,857)	(177,696)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	2,351	-
Interest on Long-term Debt	-	(688)
Total Nonoperating Revenue (Expenses)	2,351	(688)
Change in Net Position	\$ (160,506)	\$ (178,384)

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Sewer Charges	\$ 973,725	\$ 954,664
Usage Charges	88,408	87,129
Expense Reimbursement from Upstream Users	264,566	243,698
California Demand Response Program (EnerNOC)	4,873	2,037
Total Operating Revenues	1,331,572	1,287,528
OPERATING EXPENSES		
Sewage Collection:		
Salaries and Wages	220,459	176,139
Repairs and Maintenance	144,662	78,707
Sewage Treatment:		
Salaries and Wages	221,165	237,247
Utilities, Electricity	103,300	102,466
Operating Supplies	1,969	3,983
Repairs and Maintenance	178,610	179,596
Chemical Analysis	4,974	6,786
Administrative and General:		
Salaries	63,731	62,488
Director's Fees	2,650	4,166
Employee Benefits	179,732	176,565
Payroll Taxes	6,025	5,916
Permits	32,038	31,304
Insurance	55,611	60,425
Maintenance - Truck	18,517	27,930
Memberships and Dues	8,447	6,475
Education and Training	1,670	1,212
Professional Services	58,280	65,065
Repairs and Maintenance	549	-
Small Tools	7,859	7,100
Telephone	4,977	5,509
Office Expense	1,516	1,599
Depreciation Expense	373,476	371,707
General Expense Allocated to Sewer, Fire and Ambulance Departments	27,058	28,400
Total Operating Expenses	1,717,275	1,640,785
Operating Income (Loss)	(385,703)	(353,257)

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
NONOPERATING REVENUES (EXPENSES)		
Grant Revenue	\$ -	\$ 119
Assessments - Sewer Availability Charges	14,514	14,461
Interest	30,576	37,215
Special Sewer Charges - Treatment Plant Improvements	106,191	106,907
Miscellaneous	1,820	16,631
Gain (Loss) on Disposal of Capital Assets - Net	5,105	3,385
Leachate Loads	66,544	109,041
Cost of Assessing Availability Charges	(98)	(96)
Interest on Long-term Debt	(67,611)	(73,166)
Total Nonoperating Revenue (Expenses)	157,041	214,497
Income (Loss) Before Capital Contributions	(228,662)	(138,760)
Capital Contributions	163,349	134,637
Change in Net Position	\$ (65,313)	\$ (4,123)

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013 and 2012

	Improvement Act of 1911		Bond Act of 1915		Totals	
	Assessment	Assessment	Assessment	Assessment	2013	2012
	District No. 5	District No. 9	District No. 7	District No. 10		
ASSETS						
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,900	\$ 117,900	\$ 117,900
Temporary Investments (LAIF)	6,712	63,241	33,729	173,990	277,672	228,716
Total Assets	\$ 6,712	\$ 63,241	\$ 33,729	\$ 291,890	\$ 395,572	\$ 346,616
LIABILITIES						
Due to Bondholders	\$ 6,712	\$ 63,241	\$ 33,729	\$ 291,890	\$ 395,572	\$ 346,616
Total Liabilities	\$ 6,712	\$ 63,241	\$ 33,729	\$ 291,890	\$ 395,572	\$ 346,616

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 5</u>				
ASSETS				
Temporary Investments	\$ 6,693	\$ 19	\$ -	\$ 6,712
Total Assets	\$ 6,693	\$ 19	\$ -	\$ 6,712

LIABILITIES				
Due to Bondholders	\$ 6,693	\$ 19	\$ -	\$ 6,712
Total Liabilities	\$ 6,693	\$ 19	\$ -	\$ 6,712

<u>Assessment District No. 9</u>				
ASSETS				
Temporary Investments	\$ 71,463	\$ 203	\$ 8,425	\$ 63,241
Total Assets	\$ 71,463	\$ 203	\$ 8,425	\$ 63,241

LIABILITIES				
Due to Bondholders	\$ 71,463	\$ 203	\$ 8,425	\$ 63,241
Total Liabilities	\$ 71,463	\$ 203	\$ 8,425	\$ 63,241

<u>Assessment District No. 7</u>				
ASSETS				
Temporary Investments	\$ 34,165	\$ 97	\$ 533	\$ 33,729
Total Assets	\$ 34,165	\$ 97	\$ 533	\$ 33,729

LIABILITIES				
Due to Bondholders	\$ 34,165	\$ 97	\$ 533	\$ 33,729
Total Liabilities	\$ 34,165	\$ 97	\$ 533	\$ 33,729

Continued

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 113,175	\$ 113,175	\$ 117,900
Temporary Investments	116,395	214,475	156,880	173,990
Total Assets	<u>\$ 234,295</u>	<u>\$ 327,650</u>	<u>\$ 270,055</u>	<u>\$ 291,890</u>
LIABILITIES				
Due to Bondholders	\$ 234,295	\$ 327,650	\$ 270,055	\$ 291,890
Total Liabilities	<u>\$ 234,295</u>	<u>\$ 327,650</u>	<u>\$ 270,055</u>	<u>\$ 291,890</u>
 <u>Total All Agency Funds</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 113,175	\$ 113,175	\$ 117,900
Temporary Investments	228,716	214,794	165,838	277,672
Total Assets	<u>\$ 346,616</u>	<u>\$ 327,969</u>	<u>\$ 279,013</u>	<u>\$ 395,572</u>
LIABILITIES				
Due to Bondholders	\$ 346,616	\$ 327,969	\$ 279,013	\$ 395,572
Total Liabilities	<u>\$ 346,616</u>	<u>\$ 327,969</u>	<u>\$ 279,013</u>	<u>\$ 395,572</u>



VLF Van Lant &
Fankhanel, LLP
— Certified Public Accountants —