

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2014 and 2013

Running Springs Water District
Annual Financial Report
Years Ended June 30, 2014 and 2013

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INTRODUCTORY SECTION



RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

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

November 12, 2014

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, 2014

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, 2014. 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, 2014, 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, 2014 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, 2014 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

DISTRICT OVERVIEW

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

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

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

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

Government Activities

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

Business-Type Activities

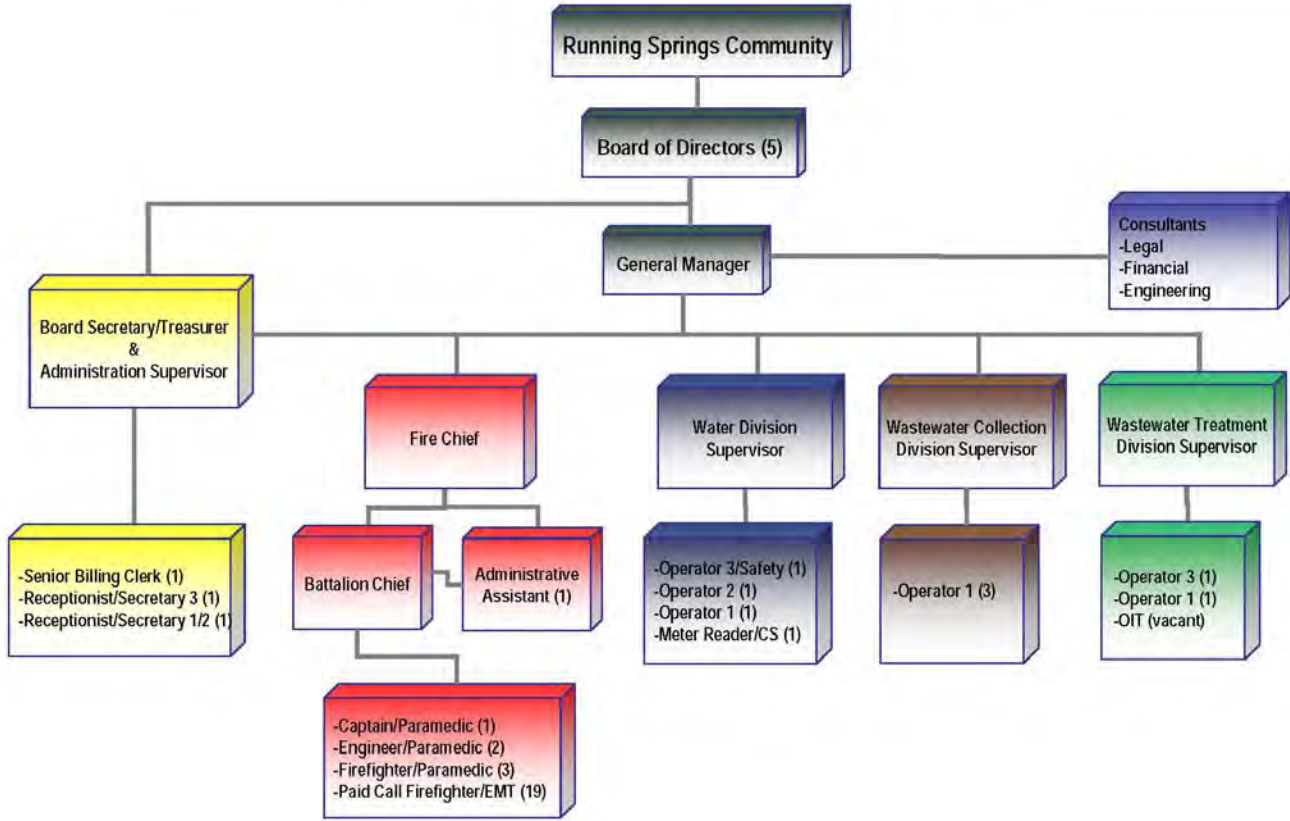
The District's Business-Type Activities include water, ambulance and sewer services where the fees for these services typically cover all or most of the cost of operation including depreciation.

Staffing & Organizational Chart

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

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

Running Springs Water District Organizational Chart



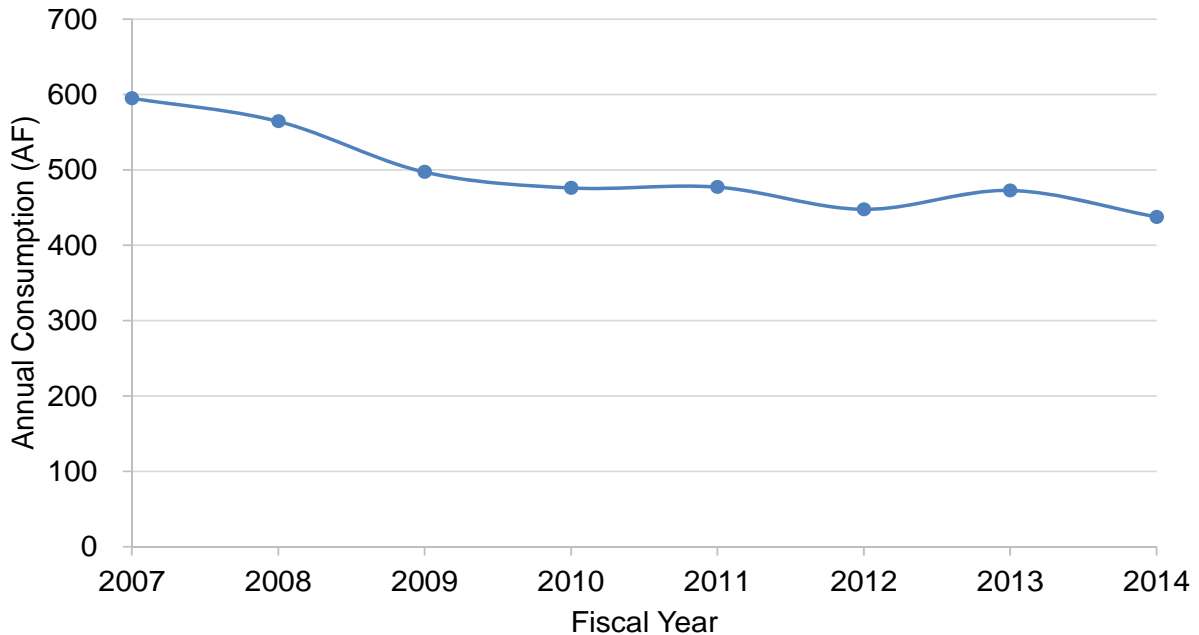
LOCAL ENVIRONMENT

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

WATER RESOURCES MANAGEMENT

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

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.

FEEES AND CHARGES

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

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

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

FINANCIAL PLANNING

In 2010, the District prepared a Financial Master Plan (FMP) along with Water and Wastewater Master Plans. These documents provided a basis for the strategic direction of the District but the recent economic downturn forced the District to deviate from some of the elements in these plans. These plans included additional debt issuance but the District elected to delay this option until 2014.

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 nineteen through twenty-four. These government-wide statements are intended to present the District in a more corporate-style basis and provide a view of the big picture.

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

Supplementary schedules are presented to give department information for the Proprietary Fund (starting on page 60).

The District's total net change in position for the year ended June 30, 2014 is (\$335,845) with (\$33,909) reported in the Governmental Activities column and (\$301,936) reported in the Business-type Activities column. The District's total net change in position 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.

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	
	2014	2013	2014	2013	2014	2013
Operating Revenues	\$ 1,604,220	\$ 1,442,539	\$ 544,982	\$ 609,882	\$ 1,441,351	\$ 1,331,572
Operating Expenses	1,712,540	1,673,824	596,564	772,739	1,787,940	1,717,275
Operating Income (Loss)	<u>(108,320)</u>	<u>(231,285)</u>	<u>(51,582)</u>	<u>(162,857)</u>	<u>(346,589)</u>	<u>(385,703)</u>
Nonoperating Revenues	73,478	198,813	-	2,351	219,251	224,750
Nonoperating Expenses	78,876	52,038	-	-	58,654	67,709
Total Nonoperating Revenues (Expenses)	<u>(5,398)</u>	<u>146,775</u>	<u>-</u>	<u>2,351</u>	<u>160,597</u>	<u>157,041</u>
Income (Loss) before Capital Contributions	(113,718)	(84,510)	(51,582)	(160,506)	(185,992)	(228,662)
Capital Contributions	1,818	1,118	-	-	47,538	163,349
Change in Net Position	<u>\$ (111,900)</u>	<u>\$ (83,392)</u>	<u>\$ (51,582)</u>	<u>\$ (160,506)</u>	<u>\$ (138,454)</u>	<u>\$ (65,313)</u>

The condensed summary above shows that all departments have reported operating losses for both the year ended June 30, 2014 and June 30, 2013, 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.

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**

	2014	2013	Change
ASSETS			
Current Assets	\$ 1,256,068	\$ 1,233,806	\$ 22,262
Noncurrent Assets	17,834,740	18,242,074	(407,334)
Total Assets	<u>19,090,808</u>	<u>19,475,880</u>	<u>(385,072)</u>
LIABILITIES			
Current Liabilities	646,759	566,324	80,435
Noncurrent Liabilities	1,393,873	1,557,444	(163,571)
Total Liabilities	<u>2,040,632</u>	<u>2,123,768</u>	<u>(83,136)</u>
NET POSITION			
Net Investment in Capital Assets	17,019,358	17,032,156	(12,798)
Restricted for Debt Service	320,487	417,580	(97,093)
Unrestricted (deficit)	(289,669)	(97,624)	(192,045)
Total Net Position	<u>\$ 17,050,176</u>	<u>\$ 17,352,112</u>	<u>\$ (301,936)</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 2.18 at June 30, 2013 to 1.94 at June 30, 2014. The current ratio from the above condensed summary is as follows:

	2014	2013
Current Ratio		
Current Assets	\$ 1,256,068	\$ 1,233,806
Current Liabilities	646,759	566,324
Current Ratio	1.94	2.18

However, since the current assets subtotal includes assets that are not immediately liquid, such as inventory, a more rigorous form of the ratio includes only cash, temporary investments and receivables. The following calculation shows that ratio as 1.80 at June 30, 2013 decreasing to 1.51 at June 30, 2014.

	2014	2013
Quick Ratio (more rigorous)		
Cash	\$ 75,032	\$ 123,338
Temporary Investments	-	-
Receivables	898,992	897,490
Cash and Temporary Investments and Receivables	<u>\$ 974,024</u>	<u>\$ 1,020,828</u>
Cash and Temporary Investments	\$ 974,024	\$ 1,020,828
Current Liabilities	646,759	566,324
Quick Ratio	1.51	1.80

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, 2013 to June 30, 2014, with both years at a ratio of 0.11:

Debt Ratio	2014	2013
Total Liabilities	\$ 2,040,632	\$ 2,123,768
Total Assets	19,090,808	19,475,880
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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Running Springs Water District
Running Springs, California

Report on the Financial Statements

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

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, 2014 and 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, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedules listed in the Supplementary Information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the schedules listed in the Supplementary Information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

A handwritten signature in black ink that reads "Van Lant + Fankhanel, LLP". The signature is written in a cursive, flowing style.

November 12, 2014

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, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal (beginning on page i) and the District's basic financial statements (beginning on page 19).

FINANCIAL HIGHLIGHTS

- The District's total net position decreased by \$335,845 and \$102,909 as of June 30, 2014 and 2013, respectively. The decrease for the year ended June 30, 2014 is the combination of a decrease in net position for the Governmental Activities of \$33,909 and a decrease in net position for the Business-Type Activities of \$301,936. The decrease for the year ended June 30, 2013 was 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.
- Total revenues decreased \$14,782 (0.26%) for the year ended June 30, 2014 and increased \$59,636 (1%) for the year ended June 30, 2013. The decrease in 2014 is a combination of an increase in revenues from charges for services, decrease in Sewer Property Contributions, DWR Loan Repayment Charges, Leachate Load Charges, capital grant, ambulance fee, and property taxes. The decrease in 2013 was 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.
- Total expenses increased \$218,154 (4%) for the year ended June 30, 2014 and increased \$271,320 (5%) for the year ended June 30, 2013. All departments except Ambulance department showed slight increases in expenses for the year ended June 30, 2014. The largest increase is in the Fire Department. The Fire Department increased salaries and wages by \$200,495 (33%) and the Ambulance Department decreased salaries and wages by \$189,613 (40%) because the District changed the payroll recording method from 50/50 split to 75/25 split between Fire and Ambulance departments.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

Statement of Net Position

The *Statement of Net Position* presents information on all of the Running Springs Water District's assets, deferred outflows of resources (*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 33 of the Basic Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 34-57 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 \$19,161,167 and \$19,497,012 at the close of June 30, 2014 and 2013 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, 2014 (94%) and 2013 (93%) 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 \$320,487 and \$417,580 restricted for debt service at June 30, 2014 and 2013 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, 2014 the unrestricted net position of the District is \$796,281 which is a decrease of \$212,246 from the June 30, 2013 balance of \$1,008,527. The decrease in unrestricted net position of \$212,246 is a combination of a decrease for the Governmental Activities of \$20,201 and a decrease for the Business-Type Activities of \$192,045.

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		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Assets:									
Current and Other Assets	1,840,907	\$1,875,452	\$1,610,677	1,551,682	1,766,342	2,554,526	\$ 3,392,589	\$ 3,641,794	\$ 4,165,203
Capital Assets	1,025,041	1,038,749	1,098,256	17,539,126	17,709,538	17,331,504	18,564,167	18,748,287	18,429,760
Total Assets	2,865,948	2,914,201	2,708,933	19,090,808	19,475,880	19,886,030	21,956,756	22,390,081	22,594,963
Liabilities:									
Current Liabilities	130,710	148,065	119,415	646,759	566,324	505,860	777,469	714,389	625,275
Noncurrent Liabilities	624,247	621,236	650,920	1,393,873	1,557,444	1,718,847	2,018,120	2,178,680	2,369,767
Total Liabilities	754,957	769,301	770,335	2,040,632	2,123,768	2,224,707	2,795,589	2,893,069	2,995,042
Net Position:									
Invested in Capital Assets,									
Net of Related Debt	1,025,041	1,038,749	1,098,256	17,019,358	17,032,156	16,503,737	18,044,399	18,070,905	17,601,993
Restricted for Debt Service	-	-	-	320,487	417,580	510,177	320,487	417,580	510,177
Unrestricted (deficit)	1,085,950	1,106,151	840,342	(289,669)	(97,624)	647,409	796,281	1,008,527	1,487,751
Total Net Position	\$2,110,991	\$2,144,900	\$1,938,598	\$17,050,176	\$17,352,112	\$17,661,323	\$19,161,167	\$19,497,012	\$19,599,921

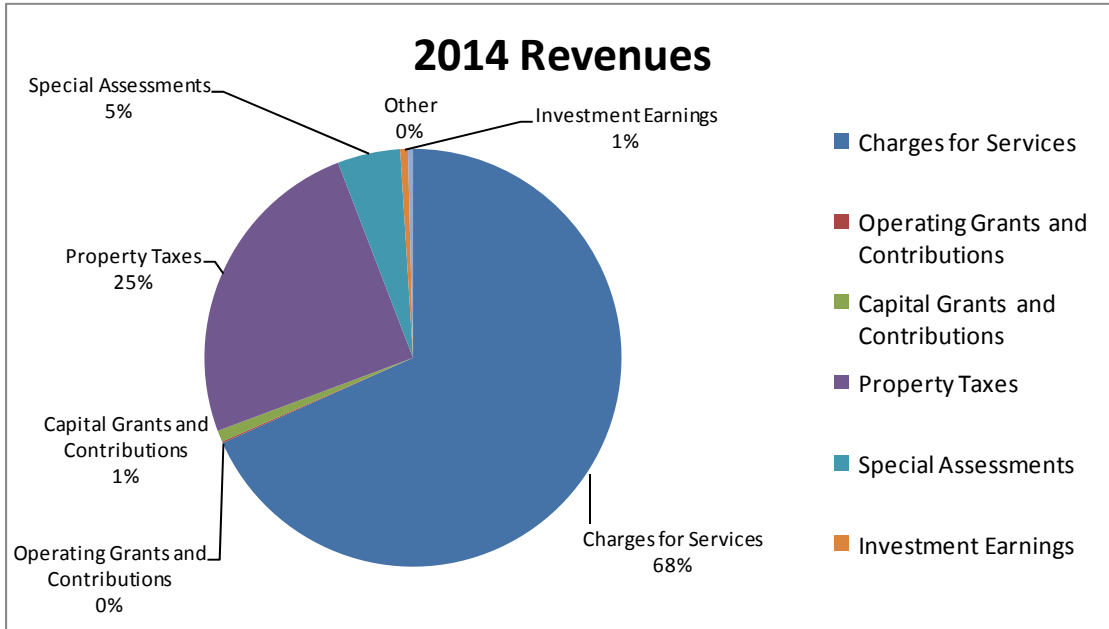
- The assets of Running Springs Water District decreased by \$433,325 and decreased by \$204,882 as of June 30, 2014 and 2013 respectively. The most significant changes in 2014 are a decrease in cash and investments and a decrease in capital assets. The decrease in 2014 was primarily the result of a decrease in net position and depreciation added to accumulated depreciation which exceeded the cost of new capital assets during the year and disposal of obsolete capital assets.
- The Running Springs Water District's total liabilities decreased by \$97,480 and decreased by \$101,973 as of June 30, 2014 and 2013 respectively. The key factors in the decrease in both 2014 and 2013 are principal payments on long-term debt and principal payments applied to the PERS Side Fund.
- The net position of the Running Springs Water District is \$19,161,167 and \$19,497,012 at the close of June 30, 2014 and 2013 respectively. Of this amount, \$796,281 and \$1,008,527 as of June 30, 2014 and 2013, 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 \$335,845 and \$102,909 as of June 30, 2014 and 2013, respectively. The decrease for the year ended June 30, 2014 is a combination of an overall decrease in net position from Governmental Activities of \$33,909 combined with a decrease in net position of \$301,936 from the Business-Type Activities. 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 following condensed financial information summarizes the changes in the total district (government-wide) net position:

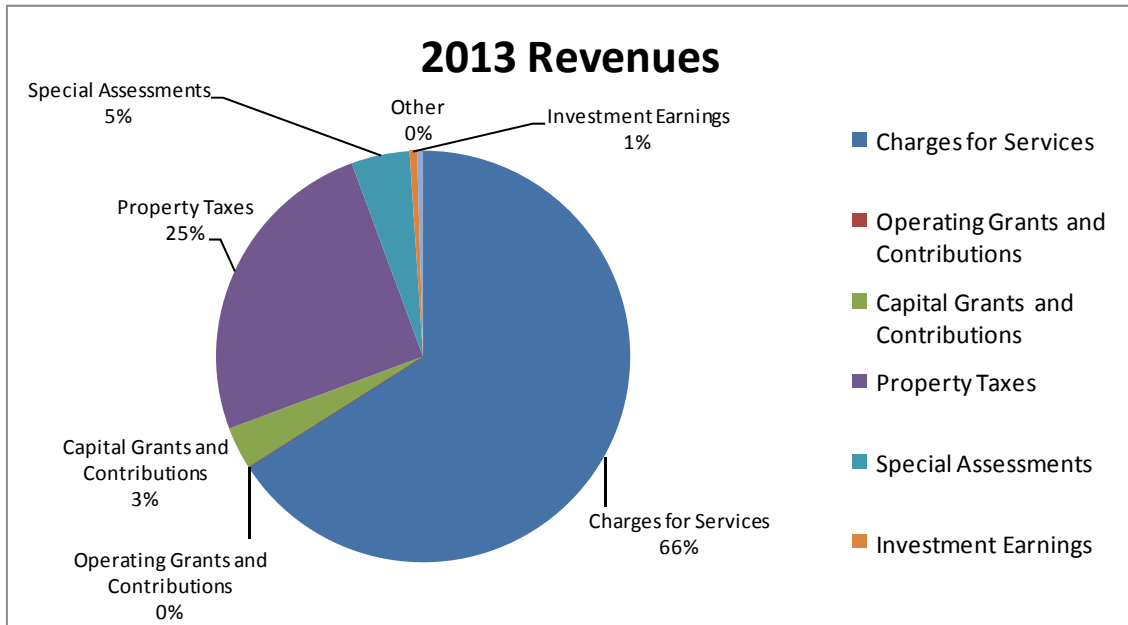
Running Springs Water District's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Revenues:									
Program Revenues:									
Charges for Services	\$ 67,995	\$ 11,317	\$ 6,183	\$ 3,758,807	\$ 3,696,340	\$ 3,600,341	\$ 3,826,802	\$ 3,707,657	\$ 3,606,524
Operating Grants and Contributions	6,294	-	3,865	-	5	119	6,294	5	3,984
Capital Grants and Contributions	-	21,754	21,012	49,356	164,467	189,362	49,356	186,221	210,374
General Revenues:									
Property Taxes	1,392,109	1,406,699	1,391,767	-	-	-	1,392,109	1,406,699	1,391,767
Special Assessments	201,950	201,841	200,743	70,802	55,421	55,293	272,752	257,262	256,036
Investment Earnings	1,337	1,120	1,512	32,189	31,860	39,268	33,526	32,980	40,780
Other	-	-	-	21,484	26,281	48,004	21,484	26,281	48,004
Total Revenues	<u>1,669,685</u>	<u>1,642,731</u>	<u>1,625,082</u>	<u>3,932,638</u>	<u>3,974,374</u>	<u>3,932,387</u>	<u>5,602,323</u>	<u>5,617,105</u>	<u>5,557,469</u>
Expenses:									
Fire Protection	1,703,594	1,436,429	1,404,125	-	-	-	1,703,594	1,436,429	1,404,125
Water	-	-	-	1,791,416	1,725,862	1,574,555	1,791,416	1,725,862	1,574,555
Ambulance	-	-	-	596,564	772,739	755,968	596,564	772,739	755,968
Sewer	-	-	-	1,846,594	1,784,984	1,714,046	1,846,594	1,784,984	1,714,046
Total Expenses	<u>1,703,594</u>	<u>1,436,429</u>	<u>1,404,125</u>	<u>4,234,574</u>	<u>4,283,585</u>	<u>4,044,569</u>	<u>5,938,168</u>	<u>5,720,014</u>	<u>5,448,694</u>
Increase (Decrease) in Net Position	(33,909)	206,302	220,957	(301,936)	(309,211)	(112,182)	(335,845)	(102,909)	108,775
Total Net Position - Beginning	<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>
Total Net Position - Ending	<u>\$2,110,991</u>	<u>\$2,144,900</u>	<u>\$1,938,598</u>	<u>\$17,050,176</u>	<u>\$17,352,112</u>	<u>\$17,661,323</u>	<u>\$19,161,167</u>	<u>\$19,497,012</u>	<u>\$19,599,921</u>

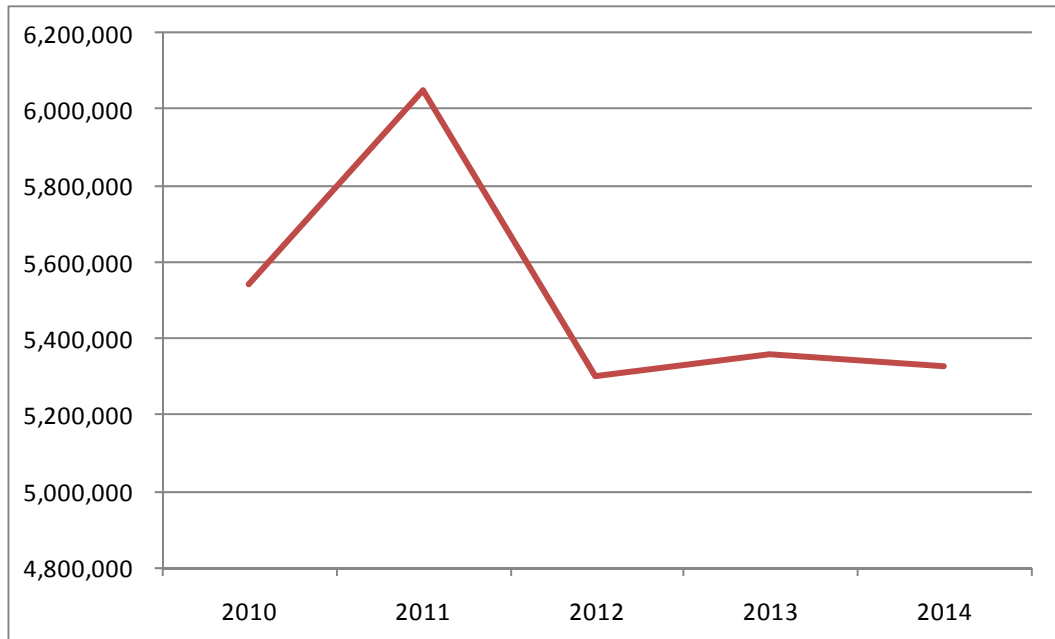
Total revenues decreased \$14,782 (0.26%) for the year ended June 30, 2014.



- The breakdown of each category of revenue (Charges for Services 68%, Operating Grants and Contributions 0%, Capital Grants and Contributions 1%, Property Taxes 25%, Special Assessments 5%, Investment Earnings 1% and Other 0%) was a very slight change as compared to the revenue breakdown for the year ended June 30, 2013 (Charges for Services 66%, Operating Grants and Contributions 0%, Capital Grants and Contributions 3%, Property Taxes 25%, Special Assessments 5%, Investment Earnings 1% and Other 0%).



- The small decrease (0.26%) in total revenues for 2014 when compared to 2013 shows a leveling of some of the extreme fluctuation of revenue over the last several years. The District experienced the December 2010 storms that brought an infusion of grant proceeds in 2011. The graph below illustrates the peaks in revenue in the recent past years which have now started to level out from 2012.



- Total expenses increased \$218,154 (4%) for the year ended June 30, 2014 and increased \$271,320 (5%) for the year ended June 30, 2013. Notable increases in expenses in 2014 are employee salaries and benefits (Sewer and Fire) and decrease is Ambulance salaries. Notable increases in expenses in 2013 are employee benefits (Fire), water purchases (Water) and salaries (Sewer and Ambulance).

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Net position for the Governmental Activities is \$2,110,991 and \$2,144,900 at the close of June 30, 2014 and 2013 respectively. The decrease of \$33,909 for the year ended June 30, 2014 is the result of expenses exceeding revenues (Governmental Activities). Revenues increased 2% for the year ended June 30, 2014 and expenses increased 19% for the year ended June 30, 2014. For the year ended June 30, 2013, the revenues increased 1% and expenses increased 2%.

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

	2014			2013		
	<u>Modified Accrual</u>		<u>Full Accrual</u>	<u>Modified Accrual</u>		<u>Full Accrual</u>
	Statement of Revenues and Expenditures - Governmental Fund -Fire Protection		Statement of Activities Governmental Activities - Fire Protection		Statement of Revenues and Expenditures - Governmental Fund -Fire Protection	
		Conversion			Conversion	
Revenues	\$ 1,669,685	\$ -	\$ 1,669,685	\$ 1,642,731	\$ -	\$ 1,642,731
Expenditures / Expenses	1,689,340	14,254	1,703,594	1,394,790	41,639	1,436,429
Excess of Revenues Over (Under)						
Expenditures	(19,655)	(14,254)	(33,909)	247,941	(41,639)	206,302
Net Change	<u>\$ (19,655)</u>	<u>\$ (14,254)</u>	<u>\$ (33,909)</u>	<u>\$ 247,941</u>	<u>\$ (41,639)</u>	<u>\$ 206,302</u>
	2012					
	Statement of Revenues and Expenditures - Governmental Fund -Fire Protection		Statement of Activities Governmental Activities - Fire Protection		Statement of Revenues and Expenditures - Governmental Fund -Fire Protection	
		Conversion			Conversion	
Revenues	\$ 1,625,082	\$ -	\$ 1,625,082			
Expenditures / Expenses	1,400,269	3,856	1,404,125			
Excess of Revenues Over (Under)						
Expenditures	224,813	(3,856)	220,957			
Net Change	<u>\$ 224,813</u>	<u>\$ (3,856)</u>	<u>\$ 220,957</u>			

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

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

Net position for the Business-Type Activities is \$17,050,176 and \$17,352,112 at the close of June 30, 2014 and 2013 respectively. The decrease of \$301,936 for the year June 30, 2014 and the decrease of \$309,212 for the year ended June 30, 2013 are both results of expenses exceeding revenues. Revenues increased 6% for the year ended June 30, 2014, and expenses decreased 2%. For the year ended June 30, 2013, revenue increased 1% and expenses increased 6%.

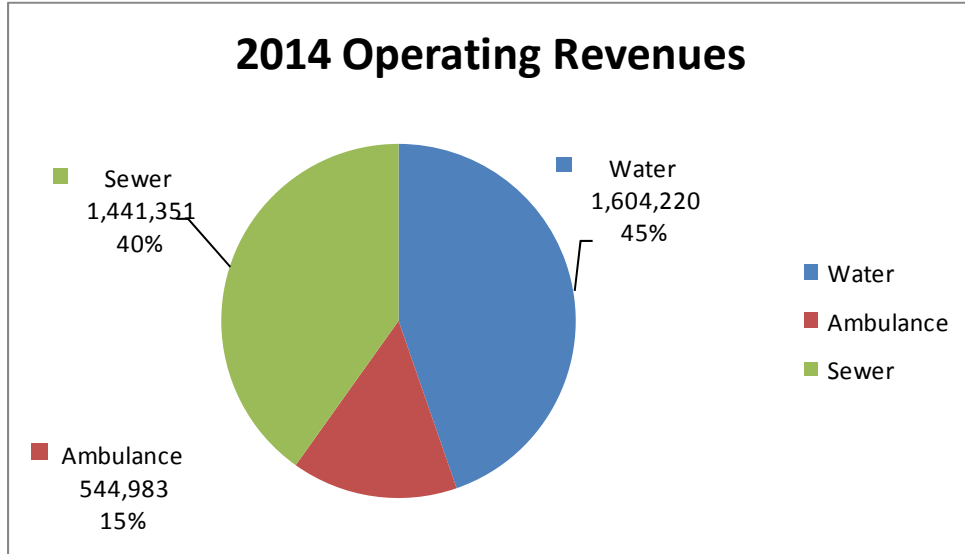
Below is condensed financial information for the Proprietary Fund and Business-Type Activities:

Proprietary Fund - Change in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues			
Water Department	\$ 1,604,220	\$ 1,442,539	\$ 1,375,759
Ambulance Department	544,982	609,882	577,584
Sewer Department	1,441,351	1,331,572	1,287,528
Total Operating Revenues	<u>3,590,553</u>	<u>3,383,993</u>	<u>3,240,871</u>
Operating Expenses			
Water Department	1,712,540	1,673,824	1,528,154
Ambulance Department	596,564	772,739	755,280
Sewer Department	1,787,940	1,717,275	1,640,785
Total Operating Expenses	<u>4,097,044</u>	<u>4,163,838</u>	<u>3,924,219</u>
Operating Income (Loss)	(506,491)	(779,845)	(683,348)
Non-Operating Revenues	292,729	420,809	502,155
Non-Operating Expenses	(137,530)	(114,642)	(120,351)
Income (Loss) Before Property			
Contributions and Transfers	(351,292)	(473,678)	(301,544)
Property contributions	49,356	164,467	189,362
Change in Net Position	<u>\$ (301,936)</u>	<u>\$ (309,211)</u>	<u>\$ (112,182)</u>

Analysis for the Year Ended June 30, 2014:

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



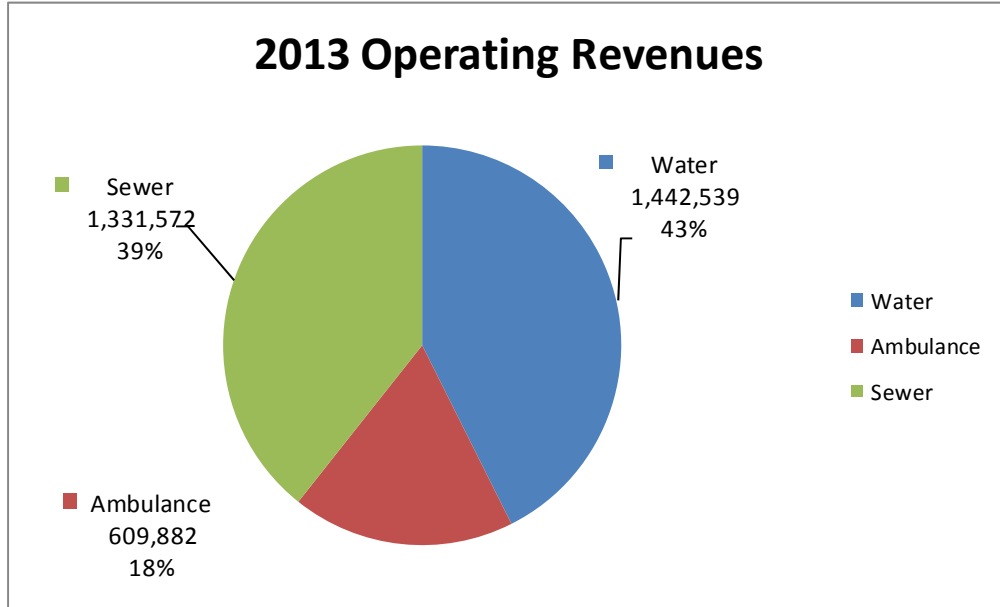
Factors contributing to the Proprietary Fund \$301,936 decrease in net position for the year ended June 30, 2014 are as follows:

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

- Ambulance salaries decreased by \$189,634 (42%) due to changing the payroll split between Fire and Ambulance.
- Sewer Property Contributions decreased by \$106,244 (70%) due to less capital projects in 2014.

Analysis for the Year Ended June 30, 2013:

The following graph shows 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).

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, 2014:

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

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

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.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2014 and 2013 amounts to \$18,564,168 and \$18,748,287 (net of accumulated depreciation) respectively. The investment at June 30, 2014 represents a net decrease (including additions and deductions) of 1% compared to an increase of 2% for the year ended June 30, 2013. 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		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,006,339	\$ 1,006,339	\$ 1,006,339	\$ 1,421,015	\$ 1,421,015	\$ 1,421,015
Construction in Progress			-	543,312	428,637	896,044	543,312	428,637	896,044
Structures and Improvements	126,340	136,201	146,371	-	-	-	126,340	136,201	146,371
Water Plant and Facilities	-	-	-	6,005,535	6,254,951	6,375,246	6,005,535	6,254,951	6,375,246
Sewer Plant and Facilities	-	-	-	9,599,102	9,596,986	8,712,949	9,599,102	9,596,986	8,712,949
Fire Trucks and Mounted Equipment	404,745	400,704	346,993	-	-	-	404,745	400,704	346,993
Trucks and Automobiles			-	335,804	364,471	294,049	335,804	364,471	294,049
Special Purpose Equipment	71,143	76,893	178,939	-	-	-	71,143	76,893	178,939
Furniture and Equipment			-	49,034	58,154	46,878	49,034	58,154	46,878
Office Equipment	661	806	950	-	-	-	661	806	950
Shop and Station Equipment	1,923	2,328	1,599	-	-	-	1,923	2,328	1,599
Communication Equipment	5,554	7,141	8,728	-	-	-	5,554	7,141	8,728
Total	\$1,025,041	\$1,038,749	\$1,098,256	\$17,539,126	\$17,709,538	\$17,331,505	\$18,564,167	\$18,748,287	\$18,429,761

Construction-in-progress jobs open at June 30, 2014 include the following:

- Ayers Acres Groundwater Well Infrastructure
- Water Telemetry System
- County Surplus Property
- Nob Hill/WWTP Irrigation
- Headworks Blower
- Solids Dewatering
- Filter Effluent Enhance / expansion
- Sewer Telemetry system
- Sewer Lift Stations No 1-3

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

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2014 and 2013 are \$2,018,120 and \$2,178,680 respectively. For both 2014 and 2013, liabilities include compensated absences, pension related debt, and bonds payable (net of all amounts due within one year).

Noncurrent Liabilities

	2014	2013	2012
Governmental Activities:			
Compensated Absences	\$ 241,954	\$ 198,894	\$ 181,788
Pension Related Debt	472,065	514,579	549,553
Total	<u>714,019</u>	<u>713,473</u>	<u>731,341</u>
Less: Current Portion	(89,772)	(92,237)	(80,421)
Noncurrent Portion	<u>624,247</u>	<u>621,236</u>	<u>650,920</u>
Business-Type Activities:			
Bonds and Notes Payable:			
Sewer Treatment, 2001 Installment Payable	519,768	677,382	827,768
Total Bonds and Notes Payable	<u>519,768</u>	<u>677,382</u>	<u>827,768</u>
Compensated Absences	187,617	144,424	107,337
Pension Related Debt	929,358	960,962	983,154
Less: Current Portion	(242,870)	(225,324)	(199,411)
Noncurrent Portion	<u>1,393,873</u>	<u>1,557,444</u>	<u>1,718,848</u>
Government-Wide Summary			
Compensated Absences	429,571	343,318	289,125
Pension Related Debt	1,401,423	1,475,541	1,532,707
Bonds and Notes Payable:	<u>519,768</u>	<u>677,382</u>	<u>827,768</u>
Totals	<u>2,350,762</u>	<u>2,496,241</u>	<u>2,649,600</u>
Less: Current Portion	(332,642)	(317,561)	(279,832)
Noncurrent Portion	<u>\$2,018,120</u>	<u>\$2,178,680</u>	<u>\$2,369,768</u>

The District paid principal payments on the bonds and notes payable of \$157,614 during the year ended June 30, 2014 and \$150,386 during the year ended June 30, 2013, respectively.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

The Residential and Commercial Sewer Monthly Base Charges were also increased for the fiscal years ending 2015-2019. The increase in wastewater rates is primarily due to the loss of the non-operating revenue that has been collected since 2002 from the County of San Bernardino for the disposal of leachate from the

Heap's Peak landfill. The loss of this non-operating revenue along with the need to move forward with several deferred capital replacement projects that were identified in the District's Wastewater Master Plan, including the replacement of aging infrastructure that has been deferred, was the driving force for these rate increases.

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, 2014 and 2013

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
ASSETS				
Cash	\$ 8,501	\$ 30,546	\$ 75,032	\$ 123,338
Temporary Investments	1,557,358	1,776,973	-	-
Receivables:				
Customers - Net of Allowance	-	-	811,182	792,619
Other	12,298	15,472	80,219	98,398
Taxes	47,742	39,881	-	-
Interest	-	194	7,951	6,473
Materials and Supplies Inventory	-	-	79,096	77,218
Prepaid Expenses	5,424	1,650	9,959	133
Internal Balances	198,893	-	(198,893)	-
Restricted Assets:				
Cash	10,691	10,736	6,667	6,667
Construction Receivables - Upstream Users	-	-	481,576	661,496
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,006,339	1,006,339
Construction in Progress	-	-	543,312	428,637
Capital Assets Net of Accumulated Depreciation	610,365	624,073	15,989,475	16,274,562
Total Assets	2,865,948	2,914,201	18,891,915	19,475,880
LIABILITIES				
Accounts Payable and Accrued Liabilities	40,938	55,828	131,023	192,102
Interest Payable	-	-	6,832	8,903
Other Payables	-	-	13,961	13,961
Unearned Availability Charges	-	-	53,180	126,034
Long-term Liabilities Due Within One Year	89,772	92,237	242,870	225,324
Noncurrent Liabilities:				
Long-term Liabilities	624,247	621,236	1,393,873	1,557,444
Total Liabilities	754,957	769,301	1,841,739	2,123,768
NET POSITION				
Net Investment in Capital Assets	1,025,041	1,038,749	17,019,358	17,032,156
Restricted For Debt Service	-	-	320,487	417,580
Unrestricted (deficit)	1,085,950	1,106,151	(289,669)	(97,624)
Total Net Position	\$ 2,110,991	\$ 2,144,900	\$ 17,050,176	\$ 17,352,112

Total	
<u>2014</u>	<u>2013</u>
\$ 83,533	\$ 153,884
1,557,358	1,776,973
811,182	792,619
92,517	113,870
47,742	39,881
7,951	6,667
79,096	77,218
15,383	1,783
-	-
17,358	17,403
481,576	661,496
1,421,015	1,421,015
543,312	428,637
<u>16,599,840</u>	<u>16,898,635</u>
<u>21,757,863</u>	<u>22,390,081</u>
171,961	247,930
6,832	8,903
13,961	13,961
53,180	126,034
332,642	317,561
<u>2,018,120</u>	<u>2,178,680</u>
<u>2,596,696</u>	<u>2,893,069</u>
18,044,399	18,070,905
320,487	417,580
<u>796,281</u>	<u>1,008,527</u>
<u>\$ 19,161,167</u>	<u>\$ 19,497,012</u>

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

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

General Revenues:

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,629,305)	\$ -	\$ (1,629,305)
-	(183,428)	(183,428)
-	(51,582)	(51,582)
-	(191,401)	(191,401)
-	(426,411)	(426,411)
(1,629,305)	(426,411)	(2,055,716)
1,392,109	-	1,392,109
201,950	70,802	272,752
1,337	32,189	33,526
-	9,275	9,275
-	12,209	12,209
1,595,396	124,475	1,719,871
(33,909)	(301,936)	(335,845)
2,144,900	17,352,112	19,497,012
<u>\$ 2,110,991</u>	<u>\$ 17,050,176</u>	<u>\$ 19,161,167</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	\$ 11,317	\$ -	\$ 21,754
Business-type Activities:				
Water	1,725,862	1,577,046	5	1,118
Ambulance	772,739	609,882	-	-
Sewer	1,784,984	1,509,412	-	163,349
Total Business-type Activities	<u>4,283,585</u>	<u>3,696,340</u>	<u>5</u>	<u>164,467</u>
Total Primary Government	<u>\$ 5,720,014</u>	<u>\$ 3,707,657</u>	<u>\$ 5</u>	<u>\$ 186,221</u>

General Revenues:

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,403,358)	\$ -	\$ (1,403,358)
-	(147,693)	(147,693)
-	(162,857)	(162,857)
-	(112,223)	(112,223)
-	(422,773)	(422,773)
(1,403,358)	(422,773)	(1,826,131)
1,406,699	-	1,406,699
201,841	55,421	257,262
1,120	31,860	32,980
-	9,988	9,988
-	16,293	16,293
1,609,660	113,562	1,723,222
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
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash	\$ 8,501	\$ 30,546
Temporary Investments	1,557,358	1,776,973
Restricted Cash	10,691	10,736
Accounts Receivable:		
Fire Availability Charges and Other	12,298	15,472
Taxes Receivable	47,742	39,881
Interest Receivable	-	194
Due from Other Funds	198,893	-
Prepaid Expenses	5,424	1,650
Total Assets	\$ 1,840,907	\$ 1,875,452
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 40,938	\$ 55,828
Total Liabilities	40,938	55,828
Fund Balances:		
Nonspendable:		
Prepays	5,424	1,650
Committed:		
Equipment Replacement - General	205,635	46,914
Equipment Replacement - Breathing Apparatus	76,528	38,415
Limited-term Firefighters	-	48,681
Assigned:		
Workers' Compensation Fund	50,418	57,936
Unassigned	1,461,964	1,626,028
Total Fund Balances	1,799,969	1,819,624
Total Liabilities and Fund Balances	\$ 1,840,907	\$ 1,875,452

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, 2014 and 2013

	2014	2013
Fund balances - total governmental fund	\$ 1,799,969	\$ 1,819,624
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.	1,025,041	1,038,749
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(241,954)	(198,894)
Pension Related Debt	(472,065)	(514,579)
Net Position of Governmental Activities	\$ 2,110,991	\$ 2,144,900

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, 2014 and 2013

	2014	2013
REVENUES		
Property Taxes	\$ 1,392,109	\$ 1,406,699
Assessments - Fire Availability Charges	201,950	201,841
Hazard Abatement Program Revenue	15,794	9,059
Other Revenue	54,201	2,258
Interest Revenue	1,337	1,120
Intergovernmental Revenue	4,294	21,754
Total Revenues	1,669,685	1,642,731
EXPENDITURES		
Salaries and Wages	816,571	616,076
Director Fees	2,469	2,650
Employee Benefits	528,151	487,833
Payroll Taxes	13,008	13,158
Safety Clothing and Personal Supplies	12,033	11,303
Telephone	4,005	3,021
Insurance	65,274	77,672
Maintenance:		
Building	4,050	1,711
Automotive Equipment	11,757	16,695
Special Purpose Equipment	4,077	3,386
Memberships	3,013	4,221
Office	3,264	4,124
Professional Services	21,723	21,150
Education, Training	6,454	2,340
Small Tools and Instruments	10,675	8,076
Special Department Expense - Fire Fighting/Medical Supplies	8,454	6,719
Utilities	14,066	13,776
Dispatching	44,965	43,050
Community Relations - Fire Protection	2,752	2,198
Hazard Abatement	13,114	15,497
Miscellaneous	11,227	4,142
General Operating Expenses Allocated from Water Department -		
Salaries, Utilities, etc.	31,788	24,909
Capital Outlay	56,450	11,083
Total Expenditures	1,689,340	1,394,790
Net Change in Fund Balances	(19,655)	247,941
Fund Balance, Beginning of Year	1,819,624	1,571,683
Fund Balance, End of Year	\$ 1,799,969	\$ 1,819,624

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, 2014 and 2013

	2014	2013
Net change in fund balances - governmental fund	\$ (19,655)	\$ 247,941
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	56,450	11,083
Depreciation	(70,158)	(70,590)
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	(43,060)	(17,106)
Pension related debt	42,514	34,974
Change in Net Position of Governmental Activities	\$ (33,909)	\$ 206,302

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, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash	\$ 75,032	\$ 123,338
Receivables:		
Customers - Net of Allowances	811,182	792,619
Other	80,219	98,398
Interest	7,951	6,473
Material and Supplies Inventory	79,096	77,218
Prepaid Expenses	9,959	133
Restricted:		
Cash	6,667	6,667
Construction Receivable - Upstream Users	185,962	128,960
Total Current Assets	1,256,068	1,233,806
Noncurrent Assets:		
Restricted: Construction Receivable - Upstream Users	295,614	532,536
Capital Assets Not Being Depreciated:		
Land	1,006,339	1,006,339
Construction in Progress	543,312	428,637
Capital Assets, Net of Accumulated Depreciation	15,989,475	16,274,562
Total Noncurrent Assets	17,834,740	18,242,074
Total Assets	19,090,808	19,475,880
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	131,023	192,102
Interest Payable	6,832	8,903
Other Payables	13,961	13,961
Due to Other Funds	198,893	-
Unearned Availability Charges	53,180	126,034
Current Portion of Long-term Liabilities	242,870	225,324
Total Current Liabilities	646,759	566,324
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	1,393,873	1,557,444
Total Noncurrent Liabilities	1,393,873	1,557,444
Total Liabilities	2,040,632	2,123,768
NET POSITION		
Net Investment in Capital Assets	17,019,358	17,032,156
Restricted for Debt Service	320,487	417,580
Unrestricted (deficit)	(289,669)	(97,624)
Total Net Position	\$ 17,050,176	\$ 17,352,112

Running Springs Water District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Water Department	\$ 1,604,220	\$ 1,442,539
Ambulance Department	544,982	609,882
Sewer Department	1,441,351	1,331,572
Total Operating Revenues	3,590,553	3,383,993
OPERATING EXPENSES		
Water Department	1,712,540	1,673,824
Ambulance Department	596,564	772,739
Sewer Department	1,787,940	1,717,275
Total Operating Expenses	4,097,044	4,163,838
Operating Income (Loss)	(506,491)	(779,845)
NONOPERATING REVENUES (EXPENSES)		
Grant Revenue	-	5
Leasing Revenue	9,275	9,988
Assessments - Water and Sewer Availability Charges	70,802	55,421
Interest	32,189	31,860
Special Meter Charges - Water	1,950	134,507
Special Meter Charges - Treatment Plant	140,009	106,191
Leachate Loads	26,295	66,544
Miscellaneous	12,209	16,293
Gain (Loss) on Disposal of Capital Assets - Net	(43,133)	(6,278)
Interest on Long-term Debt	(94,214)	(108,167)
Cost of Assessing Availability Charges	(183)	(197)
Total Nonoperating Revenue (Expenses)	155,199	306,167
Income (Loss) Before Capital Contributions	(351,292)	(473,678)
Capital Contributions - Sewer	47,538	163,349
Capital Contributions - Water	1,818	1,118
Change in Net Position	(301,936)	(309,211)
Net Position, Beginning of Year	17,352,112	17,661,323
Net Position, End of Year	\$ 17,050,176	\$ 17,352,112

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,603,116	\$ 3,324,138
Cash Payments for Employee Services	(1,964,979)	(2,004,468)
Cash Paid to Suppliers	(1,535,856)	(1,503,246)
Other Revenue	47,779	92,825
Net Cash Provided (Used) by Operating Activities	150,060	(90,751)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	57,580	127,338
Cash Received from Other Funds	198,893	-
Grant Revenue	-	5
Net Cash Provided (Used) by Non-Capital Financing Activities	256,473	127,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(530,125)	(975,616)
Proceeds from Sale of Capital Assets	-	5,105
Capital Contributions	156,516	167,332
Special Meter Charges	141,959	240,698
Principal Payments on Debt	(157,614)	(150,386)
Interest Paid	(96,286)	(110,144)
Grant Repayments	-	(88,922)
Net Cash Provided (Used) by Capital and Related Financing Activities	(485,550)	(911,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	30,711	35,424
Net Cash Provided (Used) by Investing Activities	30,711	35,424
Net Increase (Decrease) in Cash and Cash Equivalents	(48,306)	(839,917)
Cash and Cash Equivalents, Beginning of Year	130,005	969,922
Cash and Cash Equivalents, End of Year	\$ 81,699	\$ 130,005
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Current Assets:		
Cash	\$ 75,032	\$ 123,338
Restricted Cash	6,667	6,667
Totals	\$ 81,699	\$ 130,005

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments - Continued
Years Ended June 30, 2014 and 2013

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ (506,491)	\$ (779,845)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	699,403	615,576
Other Income	47,779	92,825
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	12,563	(59,855)
(Increase) Decrease in Prepaid Expenses	(9,826)	117
(Increase) Decrease in Inventory	(1,133)	1,576
Increase (Decrease) in Accounts Payable	(77,207)	7,240
Increase (Decrease) in Accrued Wages and Related Liabilities	(26,616)	16,720
Increase (Decrease) in Compensated Absences	43,192	37,087
Increase (Decrease) in Pension Related Debt	<u>(31,604)</u>	<u>(22,192)</u>
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 150,060</u></u>	<u><u>\$ (90,751)</u></u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets on Account	\$ 41,999	\$ 33,955

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund (Assessment Districts)
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash with Fiscal Agent	\$ 117,900	\$ 117,900
Temporary Investments	252,252	277,672
Assessment Receivable	1,350	-
Total Assets	\$ 371,502	\$ 395,572
LIABILITIES		
Due to Bondholders	\$ 371,502	\$ 395,572
Total Liabilities	\$ 371,502	\$ 395,572

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Summary of Significant Accounting Policies	35-42
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Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 are as follows:

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

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

Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 \$1,082,036 and \$896,254 at June 30, 2014 and 2013, respectively.

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Inventories

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

I. Restricted Assets

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

J. Capital Assets

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. For the current fiscal year no interest was capitalized. Total interest charged to expense for the 2013-14 and 2012-13 fiscal years was \$94,214 and \$108,167, 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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation.

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

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The District has elected not to early implement GASB No. 68 and has not determined its effect on the District's financial statements.

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Assets	Statement of Fiduciary Assets and Liabilities	2014 Total	2013 Total
Cash	\$ 83,533	\$ -	\$ 83,533	\$ 153,884
Temporary Investments	1,557,358	252,252	1,809,610	2,054,645
Restricted Cash	17,358	-	17,358	17,403
Cash with Fiscal Agent	-	117,900	117,900	117,900
	<u>\$ 1,658,249</u>	<u>\$ 370,152</u>	<u>\$ 2,028,401</u>	<u>\$ 2,343,832</u>

Cash and Investments consists of the following:

	2014	2013
Deposits with Financial Institutions	\$ 99,891	\$ 170,287
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	1,809,610	2,054,645
Held by Bond Trustee:		
Money Market Fund	117,900	117,900
	<u>\$ 2,028,401</u>	<u>\$ 2,343,832</u>

Restricted Cash

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

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

2) CASH AND TEMPORARY INVESTMENTS – Continued

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2014 and 2013, the District had the following investments:

	2014 Amount	2014 Maturity Date 12 Months or Less	2013 Amount	2013 Maturity Date 12 Months or Less
LAIF	\$ 1,809,610	\$ 1,809,610	\$ 2,054,645	\$ 2,054,645
Held by Bond Trustee Money Market Fund	117,900	117,900	117,900	117,900
	<u>\$ 1,927,510</u>	<u>\$ 1,927,510</u>	<u>\$ 2,172,545</u>	<u>\$ 2,172,545</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	2014 Amount	Minimum Legal Rating	Aaa	Not Rated	2013 Amount
LAIF	\$1,809,610	None	\$ -	\$1,809,610	\$2,054,645
Held by Bond Trustee Money Market Fund	117,900	N/A	117,900	-	117,900
	<u>\$1,927,510</u>		<u>\$ 117,900</u>	<u>\$1,809,610</u>	<u>\$2,172,545</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

2) CASH AND TEMPORARY INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2014 and 2013, the District had no investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

Custodial Credit Risk

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

As of June 30, 2014 and 2013, the District had no deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

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

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

2) CASH AND TEMPORARY INVESTMENTS - Continued

Investment in State Investment Pool - Continued

The yield of LAIF for the quarter ended June 30, 2014 was .228%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2014 was \$64,850,840,279 and \$64,870,214,443, respectively. The District's share of the Pool at June 30, 2014 was approximately .002788 percent.

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2014 and 2013:

	June 30, 2014	June 30, 2013
Customers - Water and Sewer	\$ 312,467	\$ 294,932
Ambulance Receivable	1,580,751	1,393,941
Allowance for Uncollectible Ambulance Charges	(1,082,036)	(896,254)
	\$ 811,182	\$ 792,619

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, 2014 and 2013:

	Governmental Activities		Business-Type Activities	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Availability Charges	\$ 12,251	\$ 15,425	\$ 16,093	\$ 3,147
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	63,578	86,758
San Bernardino County (Leachate)	-	-	-	8,104
Miscellaneous	47	47	228	69
Total	\$ 12,298	\$ 15,472	\$ 80,219	\$ 98,398

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 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	985,770	47,850	-	1,033,620
Special Purpose Equipment	293,845	8,600	-	302,445
Office Equipment	15,169	-	-	15,169
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,712,598	56,450	-	1,769,048
Less Accumulated Depreciation:				
Structures and Improvements	259,250	9,860	-	269,110
Fire Trucks and Mounted Equipment	585,066	43,810	-	628,876
Special Purpose Equipment	216,952	14,352	-	231,304
Office Equipment	14,363	144	-	14,507
Shop and Station Equipment	8,927	405	-	9,332
Communication Equipment	3,967	1,587	-	5,554
Total Accumulated Depreciation	1,088,525	70,158	-	1,158,683
Total Capital Assets Being Depreciated, Net	624,073	(13,708)	-	610,365
Governmental Activities Capital Assets, Net	<u>\$ 1,038,749</u>	<u>\$(13,708)</u>	<u>\$ -</u>	<u>\$ 1,025,041</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

5) CAPITAL ASSETS - Continued

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, 2014 and 2013

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	\$17,331,505	\$1,797,851	\$1,419,818	\$17,709,538

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, 2014 and 2013

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2014 and 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Grants Payable	\$ -	\$ -	\$ 13,958	\$ 13,958
Miscellaneous	-	-	3	3
Total	\$ -	\$ -	\$ 13,961	\$ 13,961

7) LONG-TERM LIABILITIES

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

7) LONG-TERM LIABILITIES - Continued

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
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	<u>\$ 731,341</u>	<u>\$141,206</u>	<u>\$ 159,074</u>	<u>\$ 713,473</u>	<u>\$ 92,237</u>
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	<u>\$ 1,918,259</u>	<u>\$111,591</u>	<u>\$ 247,082</u>	<u>\$ 1,782,768</u>	<u>\$ 225,324</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, 2014 the coverage was 1.84 times.

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

7) LONG-TERM LIABILITIES - Continued

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 165,189	\$ 22,750
2016	173,129	14,811
2017	181,450	6,489
	\$ 519,768	\$ 44,050

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.

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

Year Ending June 30,	Principal	Interest
2015	\$ 46,713	\$ 33,735
2016	49,072	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
	\$ 472,065	\$ 140,648

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

7) LONG-TERM LIABILITIES – Continued

Pension Related Debt - Continued

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

Year Ending June 30,	Principal	Interest
2015	\$ 34,489	\$ 68,531
2016	36,463	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
	\$ 929,358	\$ 520,691

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, 2014, there were outstanding bonds of \$830,000.

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 \$92,697 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

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 2013-14 were 22.974% for the Miscellaneous Plan, and 34.542% for the Safety Plan, of covered payroll for employees hired before the effective date of the Public Employees Pension Reform Act (PEPRA), which was January 1, 2013, and those who meet the definition of a classic member as per PEPRA. For employees hired after January 1, 2013, who meet the definition of a new member as per PEPRA, the District's contribution rate for the year ending June 30, 2014 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:

Year	Contributions	Contributed
6/30/12	\$ 582,660	100%
6/30/13	639,894	100%
6/30/14	714,739	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.*

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

10) RISK MANAGEMENT

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, 2014 and 2013.

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, 2014, the amount of the loss on the additional inventory cannot be reasonably estimated.

Running Springs Water District
Notes to Financial Statements
June 30, 2014 and 2013

13) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/From Other Funds

Amounts due to and due from other funds represent amounts payable or receivable that are expected to be paid within one year, unless otherwise noted. The \$198,893 represents amount owed to the Fire Governmental Fund from the Ambulance Enterprise Fund for salaries incurred by the Ambulance Fund based on a 75/25 split between Fire and Ambulance. The payments were originally made by the Fire Governmental Fund. This amount is anticipated to be repaid from future operations.

14) COMMITMENTS

At June 30, 2014, 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,390,000	\$ 1,390,000	\$ 1,392,109	\$ 2,109
Assessments - Fire Availability Charges	200,000	200,000	201,950	1,950
Hazard Abatement Program Revenue	35,272	35,272	15,794	(19,478)
Other Revenue	-	-	54,201	54,201
Interest Revenue	-	-	1,337	1,337
Intergovernmental Revenue	-	-	4,294	4,294
	<u>1,625,272</u>	<u>1,625,272</u>	<u>1,669,685</u>	<u>44,413</u>
EXPENDITURES				
Salaries and Wages	781,565	781,565	816,571	(35,006)
Director Fees	4,517	4,517	2,469	2,048
Employee Benefits	488,849	488,849	528,151	(39,302)
Payroll Taxes	15,190	15,190	13,008	2,182
Safety Clothing and Personal Supplies	12,250	12,250	12,033	217
Telephone	4,346	4,346	4,005	341
Insurance	67,832	67,832	65,274	2,558
Maintenance:				
Building	4,000	4,000	4,050	(50)
Automotive Equipment	14,700	14,700	11,757	2,943
Special Purpose Equipment	3,675	3,675	4,077	(402)
Memberships	2,600	2,600	3,013	(413)
Office	3,640	3,640	3,264	376
Professional Services	27,249	27,249	21,723	5,526
Education, Training	9,500	9,500	6,454	3,046
Small Tools and Instruments	4,000	4,000	10,675	(6,675)
Special Department Expense - Fire				
Fighting/Medical Supplies	7,400	7,400	8,454	(1,054)
Utilities	12,564	12,564	14,066	(1,502)
Dispatching	47,617	47,617	44,965	2,652
Community Relations - Fire Prevention	3,100	3,100	2,752	348
Hazard Abatement	35,272	35,272	13,114	22,158
Miscellaneous	9,164	9,164	11,227	(2,063)
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	31,165	31,165	31,788	(623)
Capital Outlay	45,672	45,672	56,450	(10,778)
	<u>1,635,867</u>	<u>1,635,867</u>	<u>1,689,340</u>	<u>(53,473)</u>
Net Change in Fund Balances	(10,595)	(10,595)	(19,655)	<u>\$ (9,060)</u>
Fund Balance, Beginning of Year	<u>1,819,624</u>	<u>1,819,624</u>	<u>1,819,624</u>	
Fund Balance, End of Year	<u>\$ 1,809,029</u>	<u>\$ 1,809,029</u>	<u>\$ 1,799,969</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2014 and 2013

BUDGETARY DATA

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

Total expenditures in the Governmental Fund – Fire Protection exceeded appropriations by \$53,473.

SUPPLEMENTARY INFORMATION

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Monthly Service Charges	\$ 874,317	\$ 696,005
Metered Water Sales and Water from Hydrants	675,621	690,048
Turn-on and Shut-off Charges	13,700	15,650
Delinquent Charges and Service Fees	40,582	40,836
Total Operating Revenues	1,604,220	1,442,539
OPERATING EXPENSES		
Source of Supply:		
Supervision, Labor and Expense	22,660	21,976
Maintenance	2,939	811
Purchased Water	275,245	263,919
Pumping:		
Maintenance and Power	3,547	6,609
Purchased Power	57,081	81,361
Water Treatment:		
Supervision, Labor and Expense	26,927	27,321
Water Purification Expense	22,907	19,454
Transmission and Distribution:		
Supervision, Labor and Expense	173,864	176,403
Maintenance and Repairs	8,585	7,662
Maintenance - Blacktop and Street	1,980	600
Customer's Accounts:		
Supervision, Labor and Expense for Meter Reading and Maintenance	138,593	140,617
Meter Maintenance	1,016	7,918
Uncollectible Accounts	176	1,212
Administrative and General:		
Salaries	304,604	283,076
Director's Fees	2,469	2,650
Office Supplies and Expenses	50,911	47,835
Computer Technical Support	36,468	27,713
Truck Expenses, Gas and Oil	9,348	12,378
Truck Expenses, Repairs and Tractor Expense	5,576	5,656
Utilities	11,728	10,909
Telephone	5,320	6,410
Employee Benefits	208,723	203,505
Payroll Taxes	10,881	10,616
Repairs and Maintenance	10,710	9,886
Permits	16,280	27,863
Professional Services	70,966	61,750

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING EXPENSES		
Administrative and General: - Continued		
Dues and Subscriptions	\$ 6,767	\$ 5,394
Miscellaneous Supplies	3,077	1,514
Educational Programs	1,914	2,744
Insurance	40,095	43,060
Radio Maintenance	1,393	1,220
Miscellaneous	3,800	4,760
Depreciation	243,698	212,626
General Expense Allocated to Sewer, Fire and Ambulance Departments	(67,708)	(63,604)
Total Operating Expenses	1,712,540	1,673,824
Operating Income (Loss)	(108,320)	(231,285)
NONOPERATING REVENUES (EXPENSES)		
Grant Revenue	-	5
Leasing Revenue	9,275	9,988
Assessments - Water Availability Charges	53,453	40,907
Interest	1,483	1,284
Special Meter Charges - Water	1,950	134,507
Miscellaneous	7,317	12,122
Gain (Loss) on Disposal of Capital Assets - Net	(43,133)	(11,383)
Interest on Long-term Debt	(35,651)	(40,556)
Cost of Assessing Availability Charges	(92)	(99)
Total Nonoperating Revenue (Expenses)	(5,398)	146,775
Income (Loss) Before Capital Contributions	(113,718)	(84,510)
Capital Contributions	1,818	1,118
Change in Net Position	\$ (111,900)	\$ (83,392)

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Ambulance Department
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Ambulance Service Fees	\$ 544,982	\$ 609,882
Total Operating Revenues	544,982	609,882
OPERATING EXPENSES		
Salaries	286,544	476,157
Insurance	7,786	8,701
Telephone	2,548	2,521
Office Expense	1,702	1,739
Professional Services	18,293	19,760
Permits and Fees	275	-
Dues and Subscriptions	1,336	480
Medical Supplies	8,861	9,322
Gas, Fuel, and Oil	10,231	12,876
Vehicle Repairs and Maintenance	12,835	13,973
Miscellaneous Supplies	2,365	1,173
Uncollectible Accounts	207,095	184,926
Depreciation	29,720	29,474
General Expense Allocated to Sewer, Fire and Ambulance Departments	6,973	11,637
Total Operating Expenses	596,564	772,739
Operating Income (Loss)	(51,582)	(162,857)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	-	2,351
Total Nonoperating Revenue (Expenses)	-	2,351
Change in Net Position	\$ (51,582)	\$ (160,506)

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sewer Charges	\$ 1,092,979	\$ 973,725
Usage Charges	98,931	88,408
Expense Reimbursement from Upstream Users	244,485	264,566
California Demand Response Program (EnerNOC)	4,956	4,873
Total Operating Revenues	1,441,351	1,331,572
OPERATING EXPENSES		
Sewage Collection:		
Salaries and Wages	271,606	220,459
Repairs and Maintenance	84,441	144,662
Sewage Treatment:		
Salaries and Wages	260,793	221,165
Utilities, Electricity	132,525	103,300
Operating Supplies	1,978	1,969
Repairs and Maintenance	137,728	178,610
Chemical Analysis	6,926	4,974
Administrative and General:		
Salaries	52,129	63,731
Director's Fees	2,469	2,650
Employee Benefits	185,495	179,732
Payroll Taxes	7,132	6,025
Permits	35,448	32,038
Insurance	52,221	55,611
Maintenance - Truck	24,316	18,517
Memberships and Dues	7,485	8,447
Education and Training	1,686	1,670
Professional Services	51,032	58,280
Repairs and Maintenance	281	549
Small Tools	11,858	7,859
Telephone	4,368	4,977
Office Expense	1,091	1,516
Depreciation Expense	425,985	373,476
General Expense Allocated to Sewer, Fire and Ambulance Departments	28,947	27,058
Total Operating Expenses	1,787,940	1,717,275
Operating Income (Loss)	(346,589)	(385,703)

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
NONOPERATING REVENUES (EXPENSES)		
Assessments - Sewer Availability Charges	\$ 17,349	\$ 14,514
Interest	30,706	30,576
Special Sewer Charges - Treatment Plant Improvements	140,009	106,191
Miscellaneous	4,892	1,820
Gain (Loss) on Disposal of Capital Assets - Net	-	5,105
Leachate Loads	26,295	66,544
Cost of Assessing Availability Charges	(91)	(98)
Interest on Long-term Debt	(58,563)	(67,611)
Total Nonoperating Revenue (Expenses)	160,597	157,041
Income (Loss) Before Capital Contributions	(185,992)	(228,662)
Capital Contributions	47,538	163,349
Change in Net Position	\$ (138,454)	\$ (65,313)

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014 and 2013

	Improvement Act of 1911		Bond Act of 1915		Totals	
	Assessment District No. 5	Assessment District No. 9	Assessment District No. 7	Assessment District No. 10	2014	2013
	ASSETS					
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,900	\$ 117,900	\$ 117,900
Temporary Investments	2,880	62,966	26,851	159,555	252,252	277,672
Assessments Receivable	-	-	-	1,350	1,350	-
Total Assets	\$ 2,880	\$ 62,966	\$ 26,851	\$ 278,805	\$ 371,502	\$ 395,572
LIABILITIES						
Due to Bondholders	\$ 2,880	\$ 62,966	\$ 26,851	\$ 278,805	\$ 371,502	\$ 395,572
Total Liabilities	\$ 2,880	\$ 62,966	\$ 26,851	\$ 278,805	\$ 371,502	\$ 395,572

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 5</u>				
ASSETS				
Temporary Investments	\$ 6,712	\$ 5	\$ 3,837	\$ 2,880
Total Assets	<u>\$ 6,712</u>	<u>\$ 5</u>	<u>\$ 3,837</u>	<u>\$ 2,880</u>

LIABILITIES				
Due to Bondholders	\$ 6,712	\$ 5	\$ 3,837	\$ 2,880
Total Liabilities	<u>\$ 6,712</u>	<u>\$ 5</u>	<u>\$ 3,837</u>	<u>\$ 2,880</u>

<u>Assessment District No. 9</u>				
ASSETS				
Temporary Investments	\$ 63,241	\$ 152	\$ 427	\$ 62,966
Total Assets	<u>\$ 63,241</u>	<u>\$ 152</u>	<u>\$ 427</u>	<u>\$ 62,966</u>

LIABILITIES				
Due to Bondholders	\$ 63,241	\$ 152	\$ 427	\$ 62,966
Total Liabilities	<u>\$ 63,241</u>	<u>\$ 152</u>	<u>\$ 427</u>	<u>\$ 62,966</u>

<u>Assessment District No. 7</u>				
ASSETS				
Temporary Investments	\$ 33,729	\$ 59	\$ 6,937	\$ 26,851
Total Assets	<u>\$ 33,729</u>	<u>\$ 59</u>	<u>\$ 6,937</u>	<u>\$ 26,851</u>

LIABILITIES				
Due to Bondholders	\$ 33,729	\$ 59	\$ 6,937	\$ 26,851
Total Liabilities	<u>\$ 33,729</u>	<u>\$ 59</u>	<u>\$ 6,937</u>	<u>\$ 26,851</u>

Continued

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 110,115	\$ 110,115	\$ 117,900
Temporary Investments	173,990	120,349	134,784	159,555
Assessments Receivable	-	1,350	-	1,350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 291,890</u>	<u>\$ 231,814</u>	<u>\$ 244,899</u>	<u>\$ 278,805</u>
LIABILITIES				
Due to Bondholders	<u>\$ 291,890</u>	<u>\$ 231,814</u>	<u>\$ 244,899</u>	<u>\$ 278,805</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 291,890</u>	<u>\$ 231,814</u>	<u>\$ 244,899</u>	<u>\$ 278,805</u>
 <u>Total All Agency Funds</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 110,115	\$ 110,115	\$ 117,900
Temporary Investments	277,672	120,565	145,985	252,252
Assessments Receivable	-	1,350	-	1,350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 395,572</u>	<u>\$ 232,030</u>	<u>\$ 256,100</u>	<u>\$ 371,502</u>
LIABILITIES				
Due to Bondholders	<u>\$ 395,572</u>	<u>\$ 232,030</u>	<u>\$ 256,100</u>	<u>\$ 371,502</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 395,572</u>	<u>\$ 232,030</u>	<u>\$ 256,100</u>	<u>\$ 371,502</u>