

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2012 and 2011

Running Springs Water District
Annual Financial Report
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INDEPENDENT AUDITORS' REPORT

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

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 (District), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Running Springs Water District, as of June 30, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xiv and the budgetary information on page 38 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Teaman Ramirez & Smith, Llc.

November 19, 2012

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, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the audit report.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased by \$108,775 and decreased by \$993,491 as of June 30, 2012 and 2011, respectively. The increase for the year ended June 30, 2012 is the combination of an increase in net assets for the Governmental Activities of \$220,957 and a decrease in net assets for the Business-Type Activities of \$112,182. The decrease for the year ended June 30, 2011 was the net result of an increase in net assets for the year ended June 30, 2011 of \$626,620 from the activities of the District and a prior period adjustment, which decreased net assets by \$1,620,111.
- Total revenues decreased \$752,078 for the year ended June 30, 2012 and increased \$497,055 for the year ended June 30, 2011. The decrease in 2012 is a combination of a decrease in revenues from charges for services, decrease in grant revenue, and decrease in miscellaneous revenue from insurance proceeds. The increase in 2011 was primarily a result of higher grant revenue due to the December 2010 winter storms. Approximately 4% of the total revenues for 2012 are sourced from grants compared to approximately 11% for 2011.
- Total expenses decreased \$234,233 for the year ended June 30, 2012 and increased \$185,731 for the year ended June 30, 2011. The decrease in expenses in 2012 was in the Water and Sewer Departments, primarily a result of lower water purchases as well as lowered professional fees and repairs and maintenance as compared to 2011, which were higher due to the projects related to the December 2010 storms.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

Statement of Net Assets

The *Statement of Net Assets* presents information on all of the Running Springs Water District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in

net assets 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 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: ***Statement of Net Assets, Statements of Revenue, Expenses and Changes in Net Assets***, and ***Statements of Cash Flows***. *Statements of Net Assets* present our assets and liabilities 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 Assets* describe 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 assets. 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. Fiduciary funds are *not* reflected in the *Statement of Net Assets* and *Statement of Revenue, Expenses, and Changes in Net Assets* because the resources of the fund are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The basic fiduciary fund financial statements can be found on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16-37 of this report.

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 Assets*. 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 assets may serve over time as a useful indicator of a district's financial position. In the case of the Running Springs Water District, assets exceeded liabilities by \$19,599,921 and \$19,491,146 at the close of June 30, 2012 and 2011 respectively.

The largest portion of the Running Springs Water District's net assets at June 30, 2012 (90 %) and 2011 (90 %) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Running Springs Water District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of the Running Springs Water District also include \$510,177 and \$598,487 restricted for debt service at June 30, 2012 and 2011 respectively. These net assets represent resources subject to external restrictions as to how they may be used by the District.

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

Running Springs Water District's Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Assets:									
Current and Other Assets	\$ 1,610,677	\$ 1,362,558	\$ 1,264,852	\$ 2,554,526	\$ 2,797,935	\$ 3,511,860	\$ 4,165,203	\$ 4,160,493	\$ 4,776,712
Capital Assets	1,098,256	1,130,377	1,159,357	17,331,505	17,446,920	16,761,525	18,429,761	18,577,297	17,920,882
Total Assets	<u>2,708,933</u>	<u>2,492,935</u>	<u>2,424,209</u>	<u>19,886,031</u>	<u>20,244,855</u>	<u>20,273,385</u>	<u>22,594,964</u>	<u>22,737,790</u>	<u>22,697,594</u>
Liabilities:									
Current Liabilities	119,415	90,846	72,540	505,860	514,086	621,855	625,275	604,932	694,395
Noncurrent Liabilities	650,920	684,448	121,640	1,718,848	1,957,264	1,396,922	2,369,768	2,641,712	1,518,562
Total Liabilities	<u>770,335</u>	<u>775,294</u>	<u>194,180</u>	<u>2,224,708</u>	<u>2,471,350</u>	<u>2,018,777</u>	<u>2,995,043</u>	<u>3,246,644</u>	<u>2,212,957</u>
Net Assets:									
Invested in Capital Assets,									
Net of Related Debt	1,098,256	1,130,377	1,159,357	16,503,737	16,452,984	15,222,919	17,601,993	17,583,361	16,382,276
Restricted for Debt Service	-	-	-	510,177	598,487	682,708	510,177	598,487	682,708
Unrestricted	840,342	587,264	1,070,672	647,409	722,034	2,348,981	1,487,751	1,309,298	3,419,653
Total Net Assets	<u>\$ 1,938,598</u>	<u>\$ 1,717,641</u>	<u>\$ 2,230,029</u>	<u>\$ 17,661,323</u>	<u>\$ 17,773,505</u>	<u>\$ 18,254,608</u>	<u>\$ 19,599,921</u>	<u>\$ 19,491,146</u>	<u>\$ 20,484,637</u>

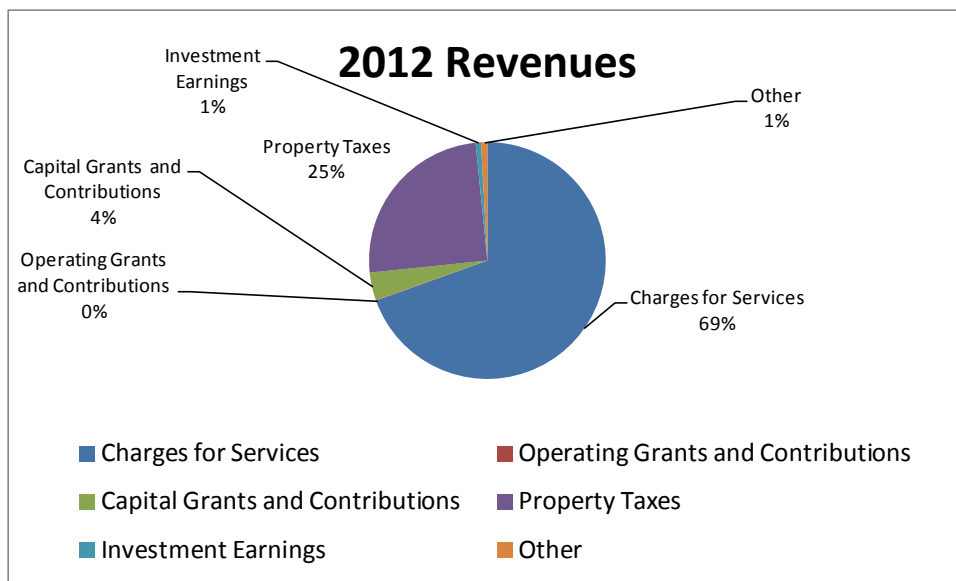
- The assets of Running Springs Water District decreased by \$142,826 and increased by \$40,196 as of June 30, 2012 and 2011 respectively. The decrease in 2012 is a result of depreciation added to accumulated depreciation which exceeded the cost of new capital assets during the year which then resulted in both lower net capital assets and total assets. Factors included in the increase in 2011 are a combination of increases in receivables and construction in progress offset by lower cash, investments and deposits held for workers compensation.
- The Running Springs Water District's total liabilities decreased by \$251,601 and increased by \$1,033,687 as of June 30, 2012 and 2011 respectively. The key factors in the decrease in 2012 are principal payments on long-term debt and payment of compensated absences to personnel. The key factor in the increase in 2011 was a prior period adjustment to record pension related debt for the PERS Side Fund, which was created when the District was added to a risk pool for pension reporting.
- The assets of the Running Springs Water District exceeded its liabilities by \$19,599,921 and \$19,491,146 at the close of June 30, 2012 and 2011 respectively. Of this amount, \$1,487,751 and \$1,309,298 as of June 30, 2012 and 2011, respectively, (*unrestricted net assets*) may be used to meet the District's ongoing obligations to customers and creditors.
- As previously noted, the District's total net assets increased by \$108,775 and decreased by \$993,491 as of June 30, 2012 and 2011, respectively. The increase for the year ended June 30, 2012 is a combination of an overall increase in net assets from Governmental Activities of \$220,957 combined with a decrease in net assets of \$112,182 from the Business-Type Activities. The decrease for the year ended June 30, 2011 was the net result of an increase in net assets for the year ended June 30, 2011 of \$626,620 from the activities of the District and a prior period adjustment, which decreased net assets by \$1,620,111. Prior period adjustments of \$605,572 in Governmental Activities, and \$1,014,539 in Business-Type Activities were made in the year ended June 30, 2011 to report pension related debt for the PERS Side Fund.

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

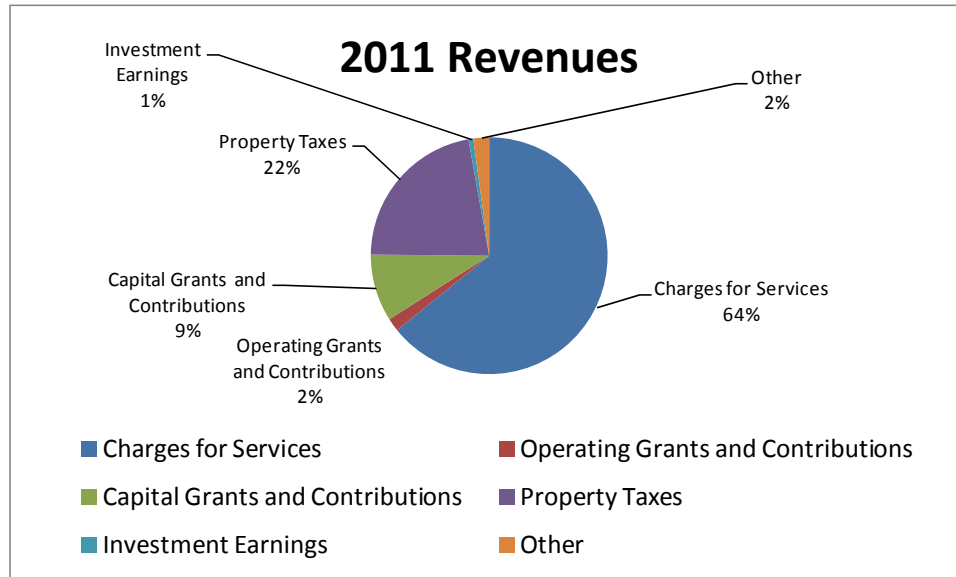
Running Springs Water District's Changes in Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenues:									
Program Revenues:									
Charges for Services	\$ 206,926	\$ 205,082	\$ 206,222	\$ 3,655,634	\$ 3,845,205	\$ 3,783,503	\$ 3,862,560	\$ 4,050,287	\$ 3,989,725
Operating Grants and Contributions	3,865	1,531	12,280	119	111,710	-	3,984	113,241	12,280
Capital Grants and Contributions	21,012	8,263	30,455	189,362	570,515	32,643	210,374	578,778	63,098
General Revenues:									
Property Taxes	1,391,767	1,275,645	1,531,039	-	114,576	-	1,391,767	1,390,221	1,531,039
Investment Earnings	1,512	2,286	1,438	39,269	38,390	49,196	40,781	40,676	50,634
Other	-	-	-	48,004	136,345	165,717	48,004	136,345	165,717
Total Revenues	1,625,082	1,492,807	1,781,434	3,932,388	4,816,741	4,031,059	5,557,470	6,309,548	5,812,493
Expenses:									
Fire Protection	1,404,125	1,399,623	1,479,131	-	-	-	1,404,125	1,399,623	1,479,131
Water	-	-	-	1,574,555	1,635,579	1,696,893	1,574,555	1,635,579	1,696,893
Ambulance	-	-	-	755,968	729,023	633,129	755,968	729,023	633,129
Sewer	-	-	-	1,714,047	1,918,703	1,688,044	1,714,047	1,918,703	1,688,044
Total Expenses	1,404,125	1,399,623	1,479,131	4,044,570	4,283,305	4,018,066	5,448,695	5,682,928	5,497,197
Increase (Decrease) in Net Assets	220,957	93,184	302,303	(112,182)	533,436	12,993	108,775	626,620	315,296
Total Net Assets - Beginning	1,717,641	2,230,029	1,927,726	17,773,505	18,254,608	18,241,615	19,491,146	20,484,637	20,169,341
Prior Period Adjustment	-	(605,572)	-	-	(1,014,539)	-	-	(1,620,111)	-
Total Net Assets - Ending	\$ 1,938,598	\$ 1,717,641	\$ 2,230,029	\$ 17,661,323	\$ 17,773,505	\$ 18,254,608	\$ 19,599,921	\$ 19,491,146	\$ 20,484,637

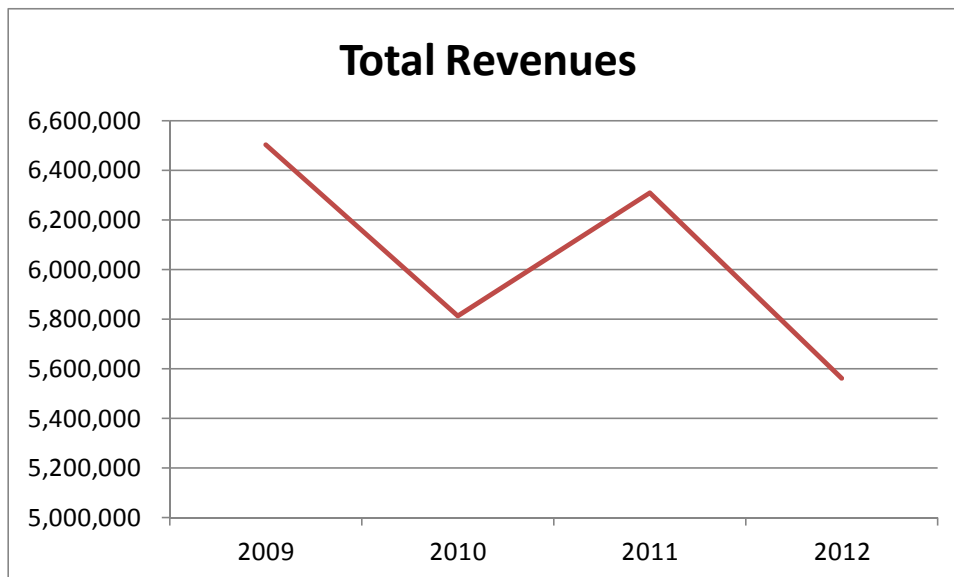
Total revenues decreased \$752,078 (approximately 12%) for the year ended June 30, 2012 partially as a result of lower grant revenue from the December 2010 winter storms. Grant revenues accounted for approximately 4% (4% capital grants and contributions and 0% operating grants and contributions) of the total revenues for 2012. The decrease is also as a result of lower revenue from charges for services and lower miscellaneous income from insurance proceeds from the Slide Fire of 2007.



- In 2011, grant revenue was approximately 11% of total revenues (9% capital grants and contributions and 2% operating grants and contributions). Total revenues increased \$497,055 (approximately 9%) for the year ended June 30, 2011 primarily as a result of higher grant revenue due to the December 2010 winter storms.



- The fluctuation of revenue is best illustrated graphically due to the spikes in revenue from insurance proceeds (2009) and grant revenue (2011). In 2009, other revenue was high due to insurance proceeds from the Slide Fire; then in 2010, revenue dropped back down. Revenue spiked again in 2011 when the District experienced the influx of revenues from grant proceeds as a result of the December 2010 storms; then in 2012, revenue dropped back down.



- Total expenses decreased \$234,233 (approximately 4%) for the year ended June 30, 2012 and increased \$185,731 (approximately 3%) for the year ended June 30, 2011. The decrease in expenses in 2012 is partially due to decreases in purchased water, professional fees and repairs and maintenance. Payments on the PERS side fund, classified as a liability starting in 2011, resulted in

lower expenses classified as employee benefits and larger interest expense in 2012. Notable increases in expenses in 2011 were repairs and professional fees for engineering as a result of the December 2010 winter storms.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Assets exceeded liabilities for the Governmental Activities by \$1,938,598 and \$1,717,641 at the close of June 30, 2012 and 2011 respectively. The increase of \$220,957 for the year ended June 30, 2012 is primarily the result of higher property taxes in the Fire Department. For the year ended June 30, 2011, the decrease of \$512,388 was the net result of an increase in net assets for the year ended June 30, 2011 of \$93,184 from the Governmental Activities during the fiscal year and a prior period adjustment, which decreased net assets by \$605,572.

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

	2012			2011		
	Modified Accrual		Full Accrual	Modified Accrual		Full Accrual
	Protection	Conversion	Protection	Protection	Conversion	Protection
Revenues	\$ 1,625,082	\$ -	\$ 1,625,082	\$ 1,492,807	\$ -	\$ 1,492,807
Expenditures / Expenses	1,400,269	3,856	1,404,125	1,338,249	61,374	1,399,623
Excess of Revenues Over (Under) Expenditures	224,813	(3,856)	220,957	154,558	(61,374)	93,184
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	-	-	-	-	-	-
Net Change	\$ 224,813	\$ (3,856)	\$ 220,957	\$ 154,558	\$ (61,374)	\$ 93,184

	2010		
	Modified Accrual		Full Accrual
	Protection	Conversion	Protection
Revenues	\$ 1,773,434	\$ 8,000	\$ 1,781,434
Expenditures / Expenses	1,417,690	61,441	1,479,131
Excess of Revenues Over (Under) Expenditures	355,744	(53,441)	302,303
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	15,027	(15,027)	-
Net Change	\$ 370,771	\$ (68,468)	\$ 302,303

- The largest change in revenues for 2012 for the Governmental Activities was an increase in property taxes as a result of allocating 100% of the property taxes to the Fire Department. Expenses in the Governmental Activities increase by less than 1% in 2012.

- The largest change in revenues for 2011 for the Governmental Activities was a 17% decrease in property tax revenues. For the year ended June 30, 2011, an allocation was made to share property taxes with the Business-Type Activities based on the Board approved budget. Expenses in for the Governmental Activities decreased by 5% in 2011.

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

Assets exceeded liabilities for the Business-Type Activities by \$17,661,323 and \$17,773,505 at the close of June 30, 2012 and 2011 respectively. The decrease of \$112,182 for the year ended June 30, 2012 is a result of expenses exceeding revenues. Expenses in the Water and Sewer Departments were lower than 2011, but grant revenue, property taxes and miscellaneous (insurance proceeds) revenue were also lower. For the year ended June 30, 2011, the overall decrease of \$481,103 was the net result of an increase in net assets for the year ended June 30, 2011 of \$533,436 from the Business-Type Activities during the fiscal year and a prior period adjustment, which decreased net assets by \$1,014,539.

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

Proprietary Fund - Change in Net Assets

	2012	2011	2010
Operating Revenues			
Water Department	\$ 1,375,759	\$ 1,434,354	\$ 1,411,000
Ambulance Department	577,584	428,621	489,488
Sewer Department	1,287,528	1,450,534	1,429,272
Total Operating Revenues	<u>3,240,871</u>	<u>3,313,509</u>	<u>3,329,760</u>
Operating Expenses			
Water Department	1,528,154	1,609,600	1,672,371
Ambulance Department	755,280	727,289	630,172
Sewer Department	1,640,785	1,791,727	1,628,631
Total Operating Expenses	<u>3,924,219</u>	<u>4,128,616</u>	<u>3,931,174</u>
Operating Income (Loss)	(683,348)	(815,107)	(601,414)
Non-Operating Revenues	502,155	932,717	668,656
Non-Operating Expenses	<u>(120,351)</u>	<u>(154,689)</u>	<u>(86,892)</u>
Income (Loss) Before Property			
Contributions and Transfers	(301,544)	(37,079)	(19,650)
Property contributions	<u>189,362</u>	<u>570,515</u>	<u>32,643</u>
Change in Net Assets	<u>\$ (112,182)</u>	<u>\$ 533,436</u>	<u>\$ 12,993</u>

Analysis for the Year Ended June 30, 2012:

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

- No property taxes were allocated to the Water and Sewer Departments in 2012 as opposed to allocations in 2011 of \$57,288 (Water) and \$57,288 (Sewer).
- Grant revenues (operating grants and capital contributions) decreased by \$492,744 in 2012 (Water and Sewer Departments).
- Revenues from Leachate loads (Sewer Department) decreased by 51% over the revenue recognized in 2011.

- Repairs and maintenance and professional fees decreased back to more of a normal rate after the 2011 increase due to work done in response to the winter storm damage (Water and Sewer Departments).
- The expense for purchased water decreased by 13% (Water Department).
- Miscellaneous revenues decreased by 45% in the Water Department and 81% in the Sewer Department primarily because there were no insurance proceeds from the Slide Fire in 2012.
- Expense reimbursements to the Sewer Department from upstream users decreased 36%.
- Ambulance service fees increased by 35% in 2012.
- Employee benefit expenses decreased and interest expense increased both as a result of the prior period adjustment in 2011 which reclassified the PERS side fund as a liability. Now part of the payments that previously were classified as employee benefits expense are classified as interest expense and principal reduction on the liability (Water and Sewer Departments).

Analysis for the Year Ended June 30, 2011:

Factors contributing to the Proprietary Fund \$533,436 increase in net assets for the year ended June 30, 2011 (prior to the change as a result of the prior period adjustment) were as follows:

- There was an allocation of property tax revenue to the Water (\$57,288) and Sewer Departments (\$57,288) in 2011 that was not allocated in 2010.
- Grant revenues (operating grants and capital contributions) increased greatly in 2011 due to accrual of receivables for FEMA amounts recognized as revenues as a result of the winter storms of December 2010 (Water and Sewer Departments).
- Revenues from Leachate loads (Sewer Department) increased 46% over the revenue recognized in 2010.
- Repairs and maintenance and professional fees increased as a result of the work done in response to the winter storm damage (Water and Sewer Departments).
- The expense for purchased water decreased by 37% (Water Department).
- Miscellaneous revenues increased by \$85,079 in the Sewer Department and decreased by \$115,950 in the Water Department. The main explanation of both of those changes was as a result of insurance proceeds from the Slide Fire.
- The Sewer Department had a loss of \$77,651 from disposal of capital assets.
- Ambulance service fees decreased by 12% in 2011.
- There was a 21% increase in salaries allocated to the Ambulance Department in 2011.

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, 2012:

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

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

Analysis for the Year Ended June 30, 2011:

Both the original and final budgets for the year ended June 30, 2011 budgeted a net change in fund balance of \$377,452. The actual net change in fund balance was \$154,558 or 59% less than budgeted. The notable variances for budget to actual are as follows:

- Property taxes revenues were 10% less than the budgeted amount.
- Intergovernmental revenues were 94% less than the budgeted amount.
- Insurance expenditures were 26% higher than the budgeted amount.
- Capital outlays expenditures were 48% lower than the budgeted amount.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2012 and 2011 amounts to \$18,429,761 and \$18,577,297 (net of accumulated depreciation) respectively. The investment at June 30, 2012 represents a net decrease (including additions and deductions) of about 1% compared to an increase of approximately 4% for the year ended June 30, 2011. 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		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,006,339	\$ 1,006,138	\$ 998,514	\$ 1,421,015	\$ 1,420,814	\$ 1,413,190
Construction in Progress	-	-	-	896,044	812,173	159,134	896,044	812,173	159,134
Structures and Improvements	146,371	157,292	169,000	-	-	-	146,371	157,292	169,000
Water Plant and Facilities	-	-	-	6,375,246	6,502,527	6,644,960	6,375,246	6,502,527	6,644,960
Sewer Plant and Facilities	-	-	-	8,712,949	8,770,264	8,661,958	8,712,949	8,770,264	8,661,958
Fire Trucks and Mounted Equipment	346,993	377,109	407,299	-	-	-	346,993	377,109	407,299
Trucks and Automobiles	-	-	-	294,049	295,131	268,928	294,049	295,131	268,928
Special Purpose Equipment	178,939	167,763	164,281	-	-	-	178,939	167,763	164,281
Furniture and Equipment	-	-	-	46,878	60,687	28,031	46,878	60,687	28,031
Office Equipment	950	1,323	1,842	-	-	-	950	1,323	1,842
Shop and Station Equipment	1,599	1,899	2,259	-	-	-	1,599	1,899	2,259
Communication Equipment	8,728	10,315	-	-	-	-	8,728	10,315	-
Total	\$ 1,098,256	\$ 1,130,377	\$ 1,159,357	\$ 17,331,505	\$ 17,446,920	\$ 16,761,525	\$ 18,429,761	\$ 18,577,297	\$ 17,920,882

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

- Ten sets of V-Force turnout coats and pants
- Oxygen generator
- Three heart monitors
- New paving on Harris property
- Pump – 30 hp motor
- Retaining wall
- December 2010 storm Live Oak force main project
- Membrane plates for the treatment plant
- Two Ford Ranger super cab trucks
- The Soutar Project donated water main and sewer system

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

- Radio equipment
- Porta blower, leak detector
- 1998 Ford Ranger
- Gas monitor
- 616 RAM blower
- Computers and office equipment

Construction-in-progress jobs open at June 30, 2012 include the following:

- Ayers Acres
- Wild Life Enhancement
- Wastewater Treatment Plant Expansion
- Outfall Line
- Overflow Tank
- Tank Rehabilitation Project
- Water Telemetry System
- Sewer Telemetry System

Additional information on the Running Springs Water District's capital assets can be found in note 5 on pages 27-30 of this report.

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2012 and 2011 are \$2,369,768 and \$2,641,712 respectively. For both 2012 and 2011, liabilities include compensated absences, pension related debt, and bonds and notes payable (net of all amounts due within one year).

Noncurrent Liabilities

	2012	2011	2010
Governmental Activities:			
Compensated Absences	\$ 181,788	\$ 179,860	\$ 162,187
Pension Related Debt	549,553	579,746	-
Total	731,341	759,606	162,187
Less: Current Portion	(80,421)	(75,158)	(40,547)
Noncurrent Portion	650,920	684,448	121,640
Business-Type Activities:			
Bonds and Notes Payable:			
2002 Water Refunding Loan Agreement	-	-	398,467
Sewer Treatment, 2001 Installment Payable	827,768	971,256	1,108,165
2006 Municipal Finance Corporation Installment Payable	-	-	-
2008 Municipal Finance Corporation Installment Payable	-	22,680	44,331
Less: Deferred Amount on Refunding Water Bonds	-	-	(12,357)
Total Bonds and Notes Payable	827,768	993,936	1,538,606
Compensated Absences	107,337	195,123	166,584
Pension Related Debt	983,154	1,000,876	-
Less: Current Portion	(199,411)	(232,671)	(308,268)
Noncurrent Portion	1,718,848	1,957,264	1,396,922
Government-Wide Summary			
Compensated Absences	289,125	374,983	328,771
Pension Related Debt	1,532,707	1,580,622	-
Bonds and Notes Payable:	827,768	993,936	1,538,606
Totals	2,649,600	2,949,541	1,867,377
Less: Current Portion	(279,832)	(307,829)	(348,815)
Noncurrent Portion	<u>\$ 2,369,768</u>	<u>\$ 2,641,712</u>	<u>\$ 1,518,562</u>

The District paid principal payments on the bonds and notes payable of \$166,168 during the year ended June 30, 2012 and \$557,027 during the year ended June 30, 2011.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in note 7 on pages 31-34 of this report.

ECONOMIC FACTORS

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 with no financial compensation and incurs shared wastewater treatment costs for upstream users who are billed for reimbursement.

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 Assets
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
ASSETS				
Cash	\$ -	\$ -	\$ 129,588	\$ 50,169
Temporary Investments	1,535,483	1,276,987	833,667	513,210
Receivables:				
Customers - Net of Allowance	-	-	732,764	612,721
Other	18,051	17,718	94,801	711,563
Taxes	43,757	55,224	-	4,959
Interest	343	501	10,037	9,676
Materials and Supplies Inventory	-	-	78,794	77,950
Prepaid Expenses	1,467	1,467	250	283
Restricted Assets:				
Cash	11,576	10,661	6,667	6,667
Construction Receivables - Upstream Users	-	-	667,958	810,737
Capital Assets Not Being Depreciated:				
Land	414,676	414,676	1,006,339	1,006,138
Construction in Progress	-	-	896,044	812,173
Capital Assets Net of Accumulated Depreciation	683,580	715,701	15,429,122	15,628,609
Total Assets	<u>2,708,933</u>	<u>2,492,935</u>	<u>19,886,031</u>	<u>20,244,855</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	37,498	14,192	138,766	125,303
Interest Payable	-	-	10,880	13,156
Other Payables	1,496	1,496	102,883	88,895
Deferred Availability Charges	-	-	53,920	54,061
Long-term Liabilities Due Within One Year	80,421	75,158	199,411	232,671
Noncurrent Liabilities:				
Long-term Liabilities	650,920	684,448	1,718,848	1,957,264
Total Liabilities	<u>770,335</u>	<u>775,294</u>	<u>2,224,708</u>	<u>2,471,350</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,098,256	1,130,377	16,503,737	16,452,984
Restricted for Debt Service	-	-	510,177	598,487
Unrestricted	840,342	587,264	647,409	722,034
Total Net Assets	<u>\$ 1,938,598</u>	<u>\$ 1,717,641</u>	<u>\$ 17,661,323</u>	<u>\$ 17,773,505</u>

The accompanying notes are an integral part of this statement.

Total	
<u>2012</u>	<u>2011</u>
\$ 129,588	\$ 50,169
2,369,150	1,790,197
-	-
732,764	612,721
112,852	729,281
43,757	60,183
10,380	10,177
78,794	77,950
1,717	1,750
-	-
18,243	17,328
667,958	810,737
-	-
1,421,015	1,420,814
896,044	812,173
<u>16,112,702</u>	<u>16,344,310</u>
<u>22,594,964</u>	<u>22,737,790</u>
176,264	139,495
10,880	13,156
104,379	90,391
53,920	54,061
279,832	307,829
-	-
<u>2,369,768</u>	<u>2,641,712</u>
<u>2,995,043</u>	<u>3,246,644</u>
17,601,993	17,583,361
510,177	598,487
<u>1,487,751</u>	<u>1,309,298</u>
<u>\$ 19,599,921</u>	<u>\$ 19,491,146</u>

The accompanying notes are an integral part of this statement.

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

2012				
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,404,125	\$ 206,926	\$ 3,865	\$ 21,012
Business-type Activities:				
Water	1,574,555	1,556,728	-	54,725
Ambulance	755,968	577,584	-	-
Sewer	1,714,047	1,521,322	119	134,637
Total Business-type Activities	4,044,570	3,655,634	119	189,362
Total Primary Government	\$ 5,448,695	\$ 3,862,560	\$ 3,984	\$ 210,374

General Revenues:
Property Taxes
Investment Earnings
Leasing Revenue
Miscellaneous
Total General Revenues
Change in Net Assets
Total Net Assets - Beginning
Total Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Assets

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

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statement of Activities
For the Year Ended June 30, 2011

2011				
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,399,623	\$ 205,082	\$ 1,531	\$ 8,263
Business-type Activities:				
Water	1,635,579	1,619,135	33,423	7,314
Ambulance	729,023	428,621	-	-
Sewer	1,918,703	1,797,449	78,287	563,201
Total Business-type Activities	4,283,305	3,845,205	111,710	570,515
Total Primary Government	\$ 5,682,928	\$ 4,050,287	\$ 113,241	\$ 578,778

General Revenues:	
Property Taxes	
Investment Earnings	
Leasing Revenue	
Miscellaneous	
Total General Revenues	
Change in Net Assets	
Total Net Assets - Beginning	
Prior Period Adjustment	
Total Net Assets - Ending	

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,184,747)	\$ -	\$ (1,184,747)
-	24,293	24,293
-	(300,402)	(300,402)
-	520,234	520,234
-	244,125	244,125
(1,184,747)	244,125	(940,622)
1,275,645	114,576	1,390,221
2,286	38,390	40,676
-	9,600	9,600
-	126,745	126,745
1,277,931	289,311	1,567,242
93,184	533,436	626,620
2,230,029	18,254,608	20,484,637
(605,572)	(1,014,539)	(1,620,111)
<u>\$ 1,717,641</u>	<u>\$ 17,773,505</u>	<u>\$ 19,491,146</u>

The accompanying notes are an integral part of this statement.

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2012 and 2011

	2012	2011
ASSETS		
Temporary Investments	\$ 1,535,483	\$ 1,276,987
Restricted Cash	11,576	10,661
Accounts Receivable:		
Fire Availability Charges and Other	18,051	17,718
Taxes Receivable	43,757	55,224
Interest Receivable	343	501
Prepaid Expenses	1,467	1,467
Total Assets	\$ 1,610,677	\$ 1,362,558
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 37,498	\$ 14,192
Other Payables	1,496	1,496
Total Liabilities	38,994	15,688
Fund Balances:		
Committed:		
Equipment Replacement	85,083	
Limited-term Firefighters	48,541	
Assigned:		
Equipment Replacement		95,288
Limited-term Firefighters		48,144
Unassigned	1,438,059	1,203,438
Total Fund Balances	1,571,683	1,346,870
Total Liabilities and Fund Balances	\$ 1,610,677	\$ 1,362,558

The accompanying notes are an integral part of this statement.

Running Springs Water District
Reconciliation of the Balance Sheets to the Statements of Net Assets
Governmental Fund
June 30, 2012 and 2011

	2012	2011
Fund balances - total governmental fund	\$ 1,571,683	\$ 1,346,870
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,098,256	1,130,377
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(181,788)	(179,860)
Pension Related Debt	(549,553)	(579,746)
Net Assets of Governmental Activities	\$ 1,938,598	\$ 1,717,641

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund - Fire Protection
For the Years Ended June 30, 2012 and 2011

	2012	2011
REVENUES		
Property Taxes	\$ 1,391,767	\$ 1,275,645
Assessments - Fire Availability Charges	200,743	201,740
Other Revenue	9,183	4,842
Interest Revenue	1,512	2,286
Intergovernmental Revenue	21,877	8,294
Total Revenues	1,625,082	1,492,807
EXPENDITURES		
Salaries and Wages	641,380	569,025
Director Fees	4,168	3,384
Employee Benefits	438,159	423,095
Payroll Taxes	13,240	13,509
Safety Clothing and Personal Supplies	9,039	17,667
Telephone	2,799	4,308
Insurance	102,958	108,821
Maintenance:		
Building	5,039	2,714
Automotive Equipment	8,910	14,800
Special Purpose Equipment	3,167	3,415
Memberships	2,282	2,174
Office	3,132	3,425
Professional Services	24,169	23,996
Education, Training	5,556	7,883
Small Tools and Instruments	922	3,143
Special Department Expense - Fire Fighting/Medical Supplies	6,175	7,343
Utilities	12,046	10,920
Dispatching	43,396	44,130
Community Relations - Fire Protection	3,033	3,052
Hazard Abatement	1,183	-
Miscellaneous	5,318	7,118
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	26,449	25,734
Capital Outlay	37,749	38,593
Total Expenditures	1,400,269	1,338,249
Net Change in Fund Balance	224,813	154,558
Fund Balances, Beginning	1,346,870	1,192,312
Fund Balances, Ending	\$ 1,571,683	\$ 1,346,870

The accompanying notes are an integral part of this statement.

Running Springs Water District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statements of Activities
For the Years Ended 2012 and 2011

	2012	2011
Net change in fund balances-total governmental funds	\$ 224,813	\$ 154,558
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as an expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlay	37,749	38,593
Depreciation	(69,870)	(67,573)
Governmental funds report only proceeds from the sale of capital assets. The statement of activities reports a gain or loss on disposal based on the net book value at the time of disposal. Disposal activity included the following:		
Cost of assets disposed	(60,904)	(12,284)
Accumulated depreciation on disposed assets	60,904	12,284
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	(1,928)	(58,220)
Pension Related Debt	30,193	25,826
Change in Net Assets of Governmental Activities	\$ 220,957	\$ 93,184

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Net Assets
Proprietary Fund - Water, Ambulance and Sewer Departments
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash	\$ 129,588	\$ 50,169
Temporary Investments	833,667	513,210
Receivables:		
Customers - Net of Allowances	732,764	612,721
Other	94,801	711,563
Taxes	-	4,959
Interest	10,037	9,676
Material and Supplies Inventory	78,794	77,950
Prepaid Expenses	250	283
Restricted:		
Cash	6,667	6,667
Construction Receivable - Upstream Users	119,122	148,649
Total Current Assets	2,005,690	2,135,847
Noncurrent Assets:		
Restricted: Construction Receivable - Upstream Users	548,836	662,088
Capital Assets Not Being Depreciated:		
Land	1,006,339	1,006,138
Construction in Progress	896,044	812,173
Capital Assets Net of Accumulated Depreciation	15,429,122	15,628,609
Total Noncurrent Assets	17,880,341	18,109,008
Total Assets	19,886,031	20,244,855
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	138,766	125,303
Interest Payable	10,880	13,156
Other Payables	102,883	88,895
Deferred Availability Charges	53,920	54,061
Current Portion of Long-term Liabilities	199,411	232,671
Total Current Liabilities	505,860	514,086
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	1,718,848	1,957,264
Total Noncurrent Liabilities	1,718,848	1,957,264
Total Liabilities	2,224,708	2,471,350
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	16,503,737	16,452,984
Restricted for Debt Service	510,177	598,487
Unrestricted	647,409	722,034
Total Net Assets	\$ 17,661,323	\$ 17,773,505

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Water, Ambulance and Sewer Departments
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Water Department	\$ 1,375,759	\$ 1,434,354
Ambulance Department	577,584	428,621
Sewer Department	1,287,528	1,450,534
Total Operating Revenues	3,240,871	3,313,509
OPERATING EXPENSES		
Water Department	1,528,154	1,609,600
Ambulance Department	755,280	727,289
Sewer Department	1,640,785	1,791,727
Total Operating Expenses	3,924,219	4,128,616
Operating Income (Loss)	(683,348)	(815,107)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	-	114,576
Grant Revenue	119	111,710
Leasing Revenue	9,757	9,600
Assessments - Water and Sewer Availability Charges	55,293	54,447
Interest	39,269	38,390
Special Meter Charges - Water	140,137	144,773
Special Meter Charges - Treatment Plant	106,907	110,440
Leachate Loads	109,041	222,036
Miscellaneous	38,247	126,745
Gain (Loss) on Disposal of Capital Assets - Net	3,385	(82,139)
Other Expenses	(2,828)	-
Interest on Long-term Debt	(117,330)	(70,474)
Cost of Assessing Availability Charges	(193)	(201)
Bond Issuance Costs	-	(1,875)
Total Non-Operating Revenues (Expenses)	381,804	778,028
Income (Loss) Before Contributions	(301,544)	(37,079)
Capital Contributions - Sewer	134,637	563,201
Capital Contributions - Water	54,725	7,314
Change in Net Assets	(112,182)	533,436
Total Net Assets, Beginning	17,773,505	18,254,608
Prior Period Adjustment	-	(1,014,539)
Total Net Assets, Ending	\$ 17,661,323	\$ 17,773,505

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,193,726	\$ 3,193,472
Cash Payments for Employee Services	(2,038,350)	(2,062,704)
Cash Paid to Suppliers	(1,353,398)	(1,375,076)
Other Revenue	238,924	281,650
Net Cash Provided (Used) By Operating Activities	40,902	37,342
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	59,155	54,709
Property Taxes	4,959	109,617
Grant Revenue	107,160	1,841
Net Cash Provided (Used) By Non-Capital Financing Activities	171,274	166,167
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(496,539)	(1,357,105)
Proceeds from Sale of Capital Assets	4,000	6,362
Capital Contributions	680,061	94,566
Special Meter Charges	247,044	255,213
Principal Payments on Debt	(166,168)	(557,027)
Interest Paid	(119,606)	(68,556)
Net Cash Provided (Used) By Capital and Related Financing Activities	148,792	(1,626,547)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	38,908	41,780
Net Cash Provided (Used) By Investing Activities	38,908	41,780
Net Increase (Decrease) in Cash and Cash Equivalents	399,876	(1,381,258)
Cash and Cash Equivalents - Beginning of Year	570,046	1,951,304
Cash and Cash Equivalents - End of Year	\$ 969,922	\$ 570,046
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENTS OF NET ASSETS		
Current Assets:		
Cash	\$ 129,588	\$ 50,169
Temporary Investments	833,667	513,210
Restricted Cash	6,667	6,667
Totals	\$ 969,922	\$ 570,046

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments - Continued
For the Years Ended June 30, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (683,348)	\$ (815,107)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	611,339	583,209
Other Income	238,924	281,650
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(47,145)	(120,037)
(Increase) Decrease in Prepaid Expenses	33	1,467
(Increase) Decrease in Deposit - Workers' Compensation	-	119,554
(Increase) Decrease in Inventory	(844)	(6,564)
Increase (Decrease) in Accounts Payable	4,327	29,424
Increase (Decrease) in Accrued Wages and Related Liabilities	23,124	(51,130)
Increase (Decrease) in Accrued Compensated Absences	(87,786)	28,539
Increase (Decrease) in Pension Related Debt	(17,722)	(13,663)
	\$ 40,902	\$ 37,342

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash with Fiscal Agent	\$ 117,900	\$ 117,900
Temporary Investments	228,716	299,755
Total Assets	\$ 346,616	\$ 417,655
LIABILITIES		
Due to Bondholders	\$ 346,616	\$ 417,655
Total Liabilities	\$ 346,616	\$ 417,655

The accompany notes are an integral part of this statement.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

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Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

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, 2012 are as follows:

<u>NAME</u>	<u>OFFICER</u>	<u>TERM EXPIRES</u>
Kenneth Ayers	President	December 2013
Michael Terry	Vice-President	December 2015
Pamella Bennett	Director	December 2013
Ed Brittain	Director	December 2015
Paul Shouse	Director	December 2013
Sam Massey	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 Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements - Continued

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

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

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

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

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

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

The District reports the following major governmental fund:

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

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D) 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. 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 \$963,670 and \$780,152 at June 30, 2012 and 2011, respectively.

F. Inventories

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

G. 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.

H. 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 live 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.

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Capital Assets - Continued

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

	Years
Plant and Facilities	20 - 75
Furniture and Equipment	3 - 10
Trucks and Automobiles	5

I. 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 subsection (9). 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.

J. Fund Equity

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. The District considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Equity – Continued

of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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.

K. 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.

L. 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	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Property Tax - Continued

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.

M. Reclassifications

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 presentation.

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2012 and 2011 are classified in the accompanying financial statements as follows:

	Government Wide Statements of Net Assets	Statements of Fiduciary Assets and Liabilities	2012 Total	2011 Total
Cash	\$ 129,588	\$ -	\$ 129,588	\$ 50,169
Temporary Investments	2,369,150	228,716	2,597,866	2,089,952
Restricted Cash	18,243	-	18,243	17,328
Cash with Fiscal Agent	-	117,900	117,900	117,900
	<u>\$ 2,516,981</u>	<u>\$ 346,616</u>	<u>\$ 2,863,597</u>	<u>\$ 2,275,349</u>

Cash and Investments consists of the following:

Deposits with Financial Institutions	\$ 146,831	\$ 66,497
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	2,597,866	2,089,952
Held by Bond Trustee:		
Money Market Fund	117,900	117,900
	<u>\$ 2,863,597</u>	<u>\$ 2,275,349</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

2) CASH AND TEMPORARY INVESTMENTS - Continued

Restricted Cash

Restricted cash of \$18,243 represent deposits with a financial institution for payment of workers' compensation insurances claims.

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

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

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

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2012 and 2011, the District had the following investments:

	2012 Amount	Maturity Date 12 Months or less	2011 Total
LAIF	\$ 2,597,866	\$ 2,597,866	\$ 2,089,952
Held by Bond Trustee:			
Money Market Fund	117,900	117,900	117,900
	\$ 2,715,766	\$ 2,715,766	\$ 2,207,852

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 years ended for each investment type.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

2) CASH AND TEMPORARY INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

<u>Investment Type</u>	<u>2012 Amount</u>	<u>Minimum Legal Rating</u>	<u>Aaa</u>	<u>Not Rated</u>	<u>2011 Amount</u>
LAIF	\$ 2,597,866	None	\$ -	\$ 2,597,866	\$ 2,089,952
Held by Bond Trustee:					
Money Market Funds	<u>117,900</u>	N/A	<u>117,900</u>	<u>-</u>	<u>117,900</u>
	<u>\$ 2,715,766</u>		<u>\$ 117,900</u>	<u>\$ 2,597,866</u>	<u>\$ 2,207,852</u>

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2012 and 2011, 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, 2012 and 2011, the District had no deposits with financial institutions in excess of federal depository insurance limits.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

2) CASH AND TEMPORARY INVESTMENTS - Continued

Investment in State Investment Pool

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

The yield of LAIF for the quarter ended June 30, 2012 was .36%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2012 was \$60,514,457,551 and \$60,588,263,603, respectively. The District's share of the Pool at June 30, 2012 was approximately .0042877 percent.

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2012 and 2011:

	June 30, 2012	June 30, 2011
Customers - Water and Sewer	\$ 285,983	\$ 266,718
Ambulance Receivable	1,410,450	1,126,155
Allowance for Uncollectible Ambulance Charges	(963,669)	(780,152)
	\$ 732,764	\$ 612,721

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

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

4) OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2012 and 2011:

	Governmental Activities		Business-Type Activities	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Availability Charges	\$ 17,737	\$ 17,718	\$ 586	\$ 4,782
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	67,280	89,141
San Bernardino County (Leachate)	-	-	22,623	74,768
Insurance	-	-	-	81,879
Grants	-	-	-	457,789
Miscellaneous	-	-	3,992	2,836
Payroll Related Items	314	-	-	48
Total	\$ 18,051	\$ 17,718	\$ 94,801	\$ 711,563

5) CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Capital Assets Being Depreciated:				
Structures and Improvements	395,451	-	-	395,451
Fire Trucks and Mounted Equipment	727,842	-	-	727,842
Special Purpose Equipment	560,515	37,749	56,519	541,745
Office Equipment	19,554	-	4,385	15,169
Shop and Station Equipment	10,200	-	-	10,200
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,724,670	37,749	60,904	1,701,515

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

5) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities: - Continued				
Less Accumulated Depreciation:				
Structures and Improvements	\$ 238,159	\$ 10,921	\$ -	\$ 249,080
Fire Trucks and Mounted Equipment	350,733	30,116	-	380,849
Special Purpose Equipment	392,752	26,573	56,519	362,806
Office Equipment	18,231	373	4,385	14,219
Shop and Station Equipment	8,301	300	-	8,601
Communication Equipment	793	1,587	-	2,380
Total Accumulated Depreciation	<u>1,008,969</u>	<u>69,870</u>	<u>60,904</u>	<u>1,017,935</u>
Total Capital Assets Being Depreciated, Net	<u>715,701</u>	<u>(32,121)</u>	<u>-</u>	<u>683,580</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,130,377</u>	<u>\$ (32,121)</u>	<u>\$ -</u>	<u>\$ 1,098,256</u>
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 1,006,138	\$ 201	\$ -	\$ 1,006,339
Construction in Progress	812,173	147,863	63,992	896,044
Total Capital Assets, Not Depreciated	<u>1,818,311</u>	<u>148,064</u>	<u>63,992</u>	<u>1,902,383</u>
Capital Assets Being Depreciated				
Water Plant and Facilities	9,968,329	60,278	1,693	10,026,914
Sewer Plant and Facilities	15,171,235	288,696	951	15,458,980
Furniture and Equipment	375,426	1,791	100,014	277,203
Trucks and Automobiles	1,270,895	61,702	61,833	1,270,764
Total Capital Assets Being Depreciated	<u>26,785,885</u>	<u>412,467</u>	<u>164,491</u>	<u>27,033,861</u>
Less Accumulated Depreciation				
Water Plant and Facilities	3,465,802	187,559	1,693	3,651,668
Sewer Plant and Facilities	6,400,971	346,011	951	6,746,031
Furniture and Equipment	314,739	14,985	99,399	230,325
Trucks and Automobiles	975,764	62,784	61,833	976,715
Total Accumulated Depreciation	<u>11,157,276</u>	<u>611,339</u>	<u>163,876</u>	<u>11,604,739</u>
Total Capital Assets Being Depreciated, Net	<u>15,628,609</u>	<u>(198,872)</u>	<u>615</u>	<u>15,429,122</u>
Business-type Activities Capital Assets, Net	<u>\$ 17,446,920</u>	<u>\$ (50,808)</u>	<u>\$ 64,607</u>	<u>\$ 17,331,505</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

5) CAPITAL ASSETS - Continued

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

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

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Capital Assets Being Depreciated:				
Structures and Improvements	395,451	-	-	395,451
Fire Trucks and Mounted Equipment	727,842	-	-	727,842
Special Purpose Equipment	545,314	27,485	12,284	560,515
Office Equipment	19,554	-	-	19,554
Shop and Station Equipment	10,200	-	-	10,200
Communication Equipment	-	11,108	-	11,108
Total Capital Assets Being Depreciated	1,698,361	38,593	12,284	1,724,670
Less Accumulated Depreciation:				
Structures and Improvements	226,451	11,708	-	238,159
Fire Trucks and Mounted Equipment	320,543	30,190	-	350,733
Special Purpose Equipment	381,033	24,003	12,284	392,752
Office Equipment	17,712	519	-	18,231
Shop and Station Equipment	7,941	360	-	8,301
Communication Equipment	-	793	-	793
Total Accumulated Depreciation	953,680	67,573	12,284	1,008,969
Total Capital Assets Being Depreciated, Net	744,681	(28,980)	-	715,701
Governmental Activities Capital Assets, Net	\$ 1,159,357	\$ (28,980)	\$ -	\$ 1,130,377

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

5) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 998,514	\$ 7,624	\$ -	\$ 1,006,138
Construction in Progress	159,134	697,040	44,001	812,173
Total Capital Assets, Not Depreciated	1,157,648	704,664	44,001	1,818,311
Capital Assets Being Depreciated				
Water Plant and Facilities	9,953,748	50,487	35,906	9,968,329
Sewer Plant and Facilities	14,861,675	509,688	200,128	15,171,235
Furniture and Equipment	390,811	43,177	58,562	375,426
Trucks and Automobiles	1,223,726	93,089	45,920	1,270,895
Total Capital Assets Being Depreciated	26,429,960	696,441	340,516	26,785,885
Less Accumulated Depreciation				
Water Plant and Facilities	3,308,788	186,175	29,161	3,465,802
Sewer Plant and Facilities	6,199,717	319,627	118,373	6,400,971
Furniture and Equipment	362,780	10,521	58,562	314,739
Trucks and Automobiles	954,798	66,886	45,920	975,764
Total Accumulated Depreciation	10,826,083	583,209	252,016	11,157,276
Total Capital Assets Being Depreciated, Net	15,603,877	113,232	88,500	15,628,609
Business-type Activities Capital Assets, Net	\$ 16,761,525	\$ 817,896	\$ 132,501	\$ 17,446,920

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

Governmental Activities:	
Fire Protection	\$ 67,573
Business-type Activities	583,209

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2012 and 2011:

	Governmental Activities		Business-Type Activities	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Grants Payable	\$ 1,496	\$ 1,496	\$ 102,880	\$ 88,892
Miscellaneous	-	-	3	3
Total	\$ 1,496	\$ 1,496	\$ 102,883	\$ 88,895

7) LONG-TERM LIABILITIES

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

7) LONG-TERM LIABILITIES - Continued

The following is a summary of long-term liabilities the year ended June 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 162,187	\$ 186,426	\$ 168,753	\$ 179,860	\$ 44,965
Pension Related Debt	-	605,572 *	25,826	579,746	30,193
Governmental-Activities Long-term Liabilities	<u>\$ 162,187</u>	<u>\$ 791,998</u>	<u>\$ 194,579</u>	<u>\$ 759,606</u>	<u>\$ 75,158</u>
Business-type Activities:					
Bonds and Notes Payable:					
2002 Water Refunding Loan Agreement					
	\$ 398,467	\$ -	\$ 398,467	\$ -	\$ -
Sewer Treatment, 2001 Installment Payable					
	1,108,165	-	136,909	971,256	143,488
2008 Municipal Finance Corporation Installment Payable					
	44,331	-	21,651	22,680	22,680
Less: Deferred Amount on Refunding Water Bonds					
	(12,357)	-	(12,357)	-	-
Total Bonds and Notes Payable	1,538,606	-	544,670	993,936	166,168
Compensated Absences	166,584	105,547	77,008	195,123	48,781
Pension Related Debt	-	1,014,539 *	13,663	1,000,876	17,722
Business-type Activities Long-term Liabilities	<u>\$ 1,705,190</u>	<u>\$ 1,120,086</u>	<u>\$ 635,341</u>	<u>\$ 2,189,935</u>	<u>\$ 232,671</u>

*These amounts represent prior period adjustments to record the June 30, 2010 balance for Pension Related Debt.

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, 2012 the coverage was 2.35 times. Debt service requirements to maturity are as follows:

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

7) LONG-TERM LIABILITIES - Continued

Fiscal Year Ending June 30,	Principal	Interest
2013	\$ 150,385	\$ 37,554
2014	157,614	30,326
2015	165,189	22,750
2016	173,130	14,811
2017	181,450	6,489
	\$ 827,768	\$ 111,930

2008 Municipal Finance Corporation Installment Payable

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

Pension Related Debt

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

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

7) LONG-TERM LIABILITIES – Continued

Pension Related Debt - Continued

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

Fiscal Year Ending June 30,	Principal	Interest
2013	\$ 34,974	\$ 39,749
2014	40,205	36,946
2015	45,924	33,735
2016	52,170	30,077
2017	58,988	25,932
2018	66,425	21,256
2019	74,531	16,000
2020	83,361	10,112
2021	92,975	3,536
	<u>\$ 549,553</u>	<u>\$ 217,343</u>

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

Fiscal Year Ending June 30,	Principal	Interest
2013	\$ 22,192	\$ 72,590
2014	27,109	70,753
2015	32,512	68,531
2016	38,440	65,887
2017	44,939	62,779
2018	52,056	59,163
2019	59,842	54,991
2020	68,354	50,211
2021	77,651	44,767
2022	87,799	38,598
2023	98,867	31,637
2024	110,932	23,814
2025	124,075	15,050
2026	138,386	5,263
	<u>\$ 983,154</u>	<u>\$ 664,034</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

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, 2012, there were outstanding bonds of \$950,000.

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 \$112,321 in excess assessments from the three Assessment Districts. These funds are being used to fund improvements in the three Assessment Districts, and are reported in the Agency Funds.

9) PENSION PLAN

Plan Description

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

Funding Policy

Participants are required to contribute 8% for the Miscellaneous Plan or 9% for the Safety Plan of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is also required to contribute at an actuarially determined rate; the contribution rates for the fiscal year 2011-12 were 21.592% for the miscellaneous plan and 31.424% for the safety plan of covered payroll. The contribution requirements for plan members and the District are established by State statute and may be amended by PERS.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

9) PENSION PLAN - Continued

Funding Policy - Continued

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

Fiscal Year	Required Contributions	Percent Contributed
6/30/10	654,808	100%
6/30/11	652,885	100%
6/30/12	655,031	100%

10) RISK MANAGEMENT

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

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

The purpose of the Authority is to provide risk financing and risk management services by arranging and administering programs of insurance. The District is insured up to \$10,000,000 with \$500 deductible for general liability 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, 2012 and 2011.

Running Springs Water District
Notes to Financial Statements
June 30, 2012 and 2011

11) INSURANCE RECOVERIES

The District has received insurance recoveries for the Slide Fire that have been included in other revenue and miscellaneous revenue as follows:

	Governmental Activities	Business-Type Activities	Total
June 30, 2011	\$ -	\$ 104,475	\$ 104,475
June 30, 2012	-	-	-
	\$ -	\$ 104,475	\$ 104,475

12) 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.

13) 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, 2012, the amount of the loss on the additional inventory cannot be reasonably estimated.

14) COMMITMENTS

The District has entered into various construction contracts. The amounts contracted are based on the contractors estimated cost of construction. As of June 30, 2012, the total unpaid amounts on these contracts was \$188,040.

At June 30, 2012, 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
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,454,594	\$ 1,454,594	\$1,391,767	\$ (62,827)
Assessments - Fire Availability Charges	199,615	199,615	200,743	1,128
Other Revenue	44,307	44,307	9,183	(35,124)
Interest Revenue	-	-	1,512	1,512
Intergovernmental Revenue	-	-	21,877	21,877
Total Revenues	1,698,516	1,698,516	1,625,082	(73,434)
EXPENDITURES				
Salaries and Wages	507,444	507,444	641,380	(133,936)
Director Fees	4,516	4,516	4,168	348
Employee Benefits	436,576	436,576	438,159	(1,583)
Payroll Taxes	13,220	13,220	13,240	(20)
Safety Clothing and Personal Supplies	14,750	14,750	9,039	5,711
Telephone	4,346	4,346	2,799	1,547
Insurance	118,877	118,877	102,958	15,919
Maintenance:				
Building	7,000	7,000	5,039	1,961
Automotive Equipment	18,000	18,000	8,910	9,090
Special Purpose Equipment	4,275	4,275	3,167	1,108
Memberships	2,250	2,250	2,282	(32)
Office	6,690	6,690	3,132	3,558
Professional Services	27,274	27,274	24,169	3,105
Education, Training	16,000	16,000	5,556	10,444
Small Tools and Instruments	7,500	7,500	922	6,578
Special Department Expense - Fire				
Fighting/Medical Supplies	6,900	6,900	6,175	725
Utilities	12,891	12,891	12,046	845
Dispatching	51,146	51,146	43,396	7,750
Community Relations - Fire Prevention	4,750	4,750	3,033	1,717
Hazard Abatement	45,720	1,183	1,183	
Miscellaneous	12,098	12,098	5,318	6,780
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	26,449	26,449	26,449	-
Capital Outlay	38,784	38,784	37,749	1,035
Total Expenditures	1,387,456	1,342,919	1,400,269	(57,350)
Net Change in Fund Balance	311,060	355,597	224,813	<u>\$ (130,784)</u>
Fund Balance - Beginning	1,346,870	1,346,870	1,346,870	
Fund Balance - Ending	<u>\$ 1,657,930</u>	<u>\$ 1,702,467</u>	<u>\$ 1,571,683</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2012 and 2011

BUDGETARY DATA

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

SUPPLEMENTARY INFORMATION

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Water Department
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Monthly Service Charges	\$ 679,023	\$ 692,618
Metered Water Sales and Water from Hydrants	638,645	677,743
Turn-on and Shut-off Charges	18,130	20,470
Delinquent Charges and Service Fees	39,961	43,523
	1,375,759	1,434,354
OPERATING EXPENSES		
Source of Supply:		
Supervision, Labor and Expense	11,654	22,265
Maintenance	6,894	24,771
Purchased Water	115,013	132,300
Pumping:		
Maintenance and Repair	10,975	2,920
Purchased Power	89,781	87,789
Water Treatment:		
Supervision, Labor and Expense	27,376	26,459
Water Purification Expense	24,621	19,240
Transmission and Distribution:		
Supervision, Labor and Expense	176,759	170,839
Maintenance and Repair	7,475	9,194
Maintenance - Blacktop and Street	2,352	3,976
Customer's Accounts:		
Supervision, Labor and Expense for Meter Reading and		
Maintenance	140,901	136,182
Meter Maintenance	9,637	10,662
Uncollectible Accounts	511	3,388
Administrative and General:		
Salaries	266,593	250,163
Director's Fees	4,166	3,383
Office Supplies and Expenses	54,186	57,221
Computer Technical Support	22,686	25,691
Truck Expense, Gas and Oil	13,554	11,288
Truck Expense, Repairs and Tractor Expense	10,651	8,390
Utilities	10,193	11,143
Telephone	5,741	5,583
Employee Benefits	216,802	259,863
Payroll Taxes	8,445	8,394
Repairs and Maintenance	8,843	12,517
Permits	14,406	12,511
Professional Services	63,817	92,483
Dues and Subscriptions	4,049	3,584
Miscellaneous Supplies	1,458	956

Continued

Running Springs Water District
Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Water Department - Continued
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING EXPENSES - Continued		
Administrative and General: - Continued		
Educational Programs	\$ 1,572	\$ 105
Insurance	47,781	50,810
Miscellaneous	4,743	3,556
Depreciation	210,976	206,276
General Expense Allocated to Sewer, Fire and Ambulance Departments	(66,457)	(64,302)
Total Operating Expenses	1,528,154	1,609,600
Operating Income (Loss)	(152,395)	(175,246)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	-	57,288
Grant Revenues	-	33,423
Assessments - Water Availability Charges	40,832	40,008
Interest Earned on Invested Funds	2,054	2,571
Leasing Revenue	9,757	9,600
Special Meter Charge	140,137	144,773
Miscellaneous	21,616	38,989
Loss on Disposal of Capital Asset	-	(4,488)
Other Expenses	(2,828)	-
Interest on Long-term Debt	(43,476)	(19,508)
Cost of Assessing Water Availability Charges	(97)	(108)
Bond Issuance Costs	-	(1,875)
Total Non-Operating Revenues (Expenses)	167,995	300,673
Income Before Contributions and Transfers	15,600	125,427
Capital Contributions	54,725	7,314
Transfers Out	-	(6,057)
Change in Net Assets	\$ 70,325	\$ 126,684

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Ambulance Department
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Ambulance Service Fees	\$ 577,584	\$ 428,621
Total Operating Revenues	577,584	428,621
OPERATING EXPENSES		
Salaries	466,803	487,904
Insurance	8,671	7,934
Telephone	2,869	4,122
Office Expense	1,746	1,643
Professional Services	20,338	21,599
Dues and Subscriptions	255	151
Medical Supplies	8,356	9,254
Gas, Fuel and Oil	11,266	13,633
Vehicle Repairs and Maintenance	9,285	8,555
Miscellaneous Supplies	1,360	626
Uncollectible Accounts	184,067	131,681
Depreciation	28,656	27,756
General Expense Allocated to Sewer, Fire and Ambulance Departments	11,608	12,431
Total Operating Expenses	755,280	727,289
Operating Income (Loss)	(177,696)	(298,668)
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous	-	1,499
Interest on Long-term Debt	(688)	(1,734)
Total Non-Operating Revenues (Expenses)	(688)	(235)
Change in Net Assets	\$ (178,384)	\$ (298,903)

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Sewer Department
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Sewer Charges	\$ 954,664	\$ 973,059
Usage Charges	87,129	94,716
Expense Reimbursement from Upstream Users	243,698	379,560
California Demand Response Program (EnerNOC)	2,037	3,199
	1,287,528	1,450,534
OPERATING EXPENSES		
Sewage Collections:		
Salaries and Wages	176,139	126,659
Repairs and Maintenance	78,707	144,432
Sewage Treatment:		
Salaries and Wages	237,247	258,352
Utilities, Electricity	102,466	124,387
Operating Supplies	3,983	3,022
Repairs and Maintenance	179,596	177,249
Chemical Analysis	6,786	2,966
Administrative and General:		
Salaries	62,488	69,012
Director's Fees	4,166	3,383
Employee Benefits	176,565	203,707
Payroll Taxes	5,916	6,651
Permits	31,304	27,613
Insurance	60,425	66,697
Maintenance - Truck	27,930	19,802
Memberships and Dues	6,475	6,677
Education and Training	1,212	1,031
Professional Services	65,065	159,784
Repairs and Maintenance	-	239
Small Tools	7,100	8,003
Telephone	5,509	5,870
Office Expense	1,599	878
Depreciation Expense	371,707	349,177
General Expense Allocated to Sewer, Fire and Ambulance Departments	28,400	26,136
	1,640,785	1,791,727
Operating Income (Loss)	(353,257)	(341,193)

Continued

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Sewer Department - Continued
For the Years Ended June 30, 2012 and 2011

	2012	2011
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	\$ -	\$ 57,288
Grant Revenue	119	78,287
Assessments - Sewer Availability Charges	14,461	14,439
Interest Earned on Invested Funds	37,215	35,819
Miscellaneous Income	16,631	86,257
Leachate Loads	109,041	222,036
Special Sewer Charges - Treatment Plant Improvements	106,907	110,440
Gain (Loss) on Disposal of Capital Asset	3,385	(77,651)
Cost of Assessing Water Availability Charges	(96)	(93)
Interest on Long-term Debt	(73,166)	(49,232)
Total Non-Operating Revenues (Expenses)	214,497	477,590
Income Before Contributions and Transfers	(138,760)	136,397
Capital Contributions	134,637	563,201
Transfers In	-	6,057
Change in Net Assets	\$ (4,123)	\$ 705,655

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

	Improvement Act of 1911		Bond Act of 1915		Totals	
	No. 5	No. 9	No. 7	No. 10	2012	2011
ASSETS						
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,900	\$ 117,900	\$ 117,900
Temporary Investments (LAIF)	6,693	71,463	34,165	116,395	228,716	299,755
Total Assets	<u>\$ 6,693</u>	<u>\$ 71,463</u>	<u>\$ 34,165</u>	<u>\$ 234,295</u>	<u>\$ 346,616</u>	<u>\$ 417,655</u>
LIABILITIES						
Due to Bondholders	\$ 6,693	\$ 71,463	\$ 34,165	\$ 234,295	\$ 346,616	\$ 417,655
Total Liabilities	<u>\$ 6,693</u>	<u>\$ 71,463</u>	<u>\$ 34,165</u>	<u>\$ 234,295</u>	<u>\$ 346,616</u>	<u>\$ 417,655</u>

Running Springs Water District
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

	Beginning Balance	Additions	Deletions	Ending Balance
<u>ASSESSMENT DISTRICT No. 5</u>				
ASSETS				
Temporary Investments	\$ 6,669	\$ 24	\$ -	\$ 6,693
Total Assets	<u>\$ 6,669</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 6,693</u>
LIABILITIES				
Due to Bondholders	\$ 6,669	\$ 24	\$ -	\$ 6,693
Total Liabilities	<u>\$ 6,669</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 6,693</u>
<u>ASSESSMENT DISTRICT No. 9</u>				
ASSETS				
Temporary Investments	\$ 72,633	\$ 255	\$ 1,425	\$ 71,463
Total Assets	<u>\$ 72,633</u>	<u>\$ 255</u>	<u>\$ 1,425</u>	<u>\$ 71,463</u>
LIABILITIES				
Due to Bondholders	\$ 72,633	\$ 255	\$ 1,425	\$ 71,463
Total Liabilities	<u>\$ 72,633</u>	<u>\$ 255</u>	<u>\$ 1,425</u>	<u>\$ 71,463</u>
<u>ASSESSMENT DISTRICT No. 7</u>				
ASSETS				
Temporary Investments	\$ 95,952	\$ 177	\$ 61,964	\$ 34,165
Assessments Receivable	-	-	-	-
Total Assets	<u>\$ 95,952</u>	<u>\$ 177</u>	<u>\$ 61,964</u>	<u>\$ 34,165</u>
LIABILITIES				
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -
Due to Bondholders	\$ 95,952	\$ 177	\$ 61,964	\$ 34,165
Total Liabilities	<u>\$ 95,952</u>	<u>\$ 177</u>	<u>\$ 61,964</u>	<u>\$ 34,165</u>

Continued

Running Springs Water District
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2012

	Beginning Balance	Additions	Deletions	Ending Balance
<u>ASSESSMENT DISTRICT No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 111,023	\$ 111,023	\$ 117,900
Cash with Fiscal Agent				
Temporary Investments	124,501	126,918	135,024	116,395
Total Assets	\$ 242,401	\$ 237,941	\$ 246,047	\$ 234,295
LIABILITIES				
Due to Bondholders	\$ 242,401	\$ 237,941	\$ 246,047	\$ 234,295
Total Liabilities	\$ 242,401	\$ 237,941	\$ 246,047	\$ 234,295
 <u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,900	\$ 111,023	\$ 111,023	\$ 117,900
Temporary Investments	299,755	127,374	198,413	228,716
Assessments Receivables	-	-	-	-
Total Assets	\$ 417,655	\$ 238,397	\$ 309,436	\$ 346,616
LIABILITIES				
Due to Bondholders	\$ 417,655	\$ 238,397	\$ 309,436	\$ 346,616
Total Liabilities	\$ 417,655	\$ 238,397	\$ 309,436	\$ 346,616