

**RESOLUTION NO. 07-13**

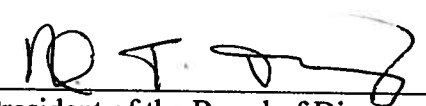
**RESOLUTION OF THE BOARD OF DIRECTORS OF RUNNING SPRINGS WATER DISTRICT ADOPTING THE DISTRICT'S CASH RESERVE POLICY**

**WHEREAS**, the Board of Directors of Running Springs Water District ("District") desires to adopt guidelines for the management of the District's cash funds for the purpose of identifying the source and methods of maintaining the cash funds and specifying the use and target balances of the individual cash funds; and

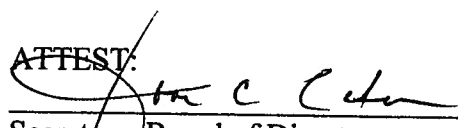
**WHEREAS**, the objective of the Policy is to enhance the District's financial position and provide clear District intent for all interested parties through the establishment and maintenance of specific criteria for the various cash funds of the District in order to enhance the financial stability and flexibility of the District;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of Running Springs Water District does hereby adopt the "Cash Reserve Policy" set forth in Exhibit A attached hereto and incorporated herein.

ADOPTED this 17th day of April, 2013.

  
\_\_\_\_\_  
Vice-President of the Board of Directors  
Running Springs Water District

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors  
Running Springs Water District

# CASH RESERVE POLICY



Adopted: April 17, 2013 by  
Resolution No. 07-13

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# **RUNNING SPRINGS WATER DISTRICT CASH RESERVE POLICY**

Section  
**1.0**

Revision Date  
**April 2013**

## **INTRODUCTION**

### **1.1 Cash Fund Balance Parameters**


The Running Springs Water District (RSWD or District) Board of Directors realizes that maintaining adequate cash balances is an essential part of sound financial management and is critical to ensuring quality, uninterrupted service to the residents who rely on the District for Water, Fire, Emergency Medical and Wastewater services. Adequate cash fund balances help to provide reliable service to customers, financing of long-term capital projects and the availability of emergency funding should the need arise. RSWD is committed to maintaining a financial structure that provides adequate and predictable revenues at the lowest possible cost to meet the forecasted needs and operational objectives of the Water, Wastewater, Ambulance and Fire Department Funds.

The purpose of this policy is to define the various cash fund types for segregation purposes and to direct the priority and funding of each one based upon the District's unique operating and financial plans. It is important to note that the purpose of this policy is to manage "cash" balances and references to "fund" balances in this policy are intended to relate to the District's management of its cash reserves.

The appropriate level and separation of cash funds is necessary for the financial health of RSWD and is required by legal, legislative and contractual obligations. When cash funds and their uses are poorly defined, the segregation of cash funds becomes more difficult and the integrity of their use may deteriorate. When cash levels fall below acceptable levels, additional costs may be incurred and could result in the delay or discontinuance of critical programs.

All cash funds are intended to be used in accordance with their established purpose even if the cash is pooled with other District funds for investment purposes. The defined use of pooled cash funds is self-imposed and can be changed by direction from the Board of Directors at any time. Pooled cash balances will be reallocated annually at year-end in accordance with the cash balance targets as stated in this policy. Within the District's Governmental Activities (Fire) and Business-Type (Ambulance, Water and Wastewater) Activities, separate funds will be managed. Interest earned on cash fund balances shall be credited to the reserve account from which it was earned.

RSWD also maintains restricted funds which have limitations on their use placed by specific legislation or contract. If a specific expenditure qualifies under the defined use of a restricted fund, restricted funds should be utilized before pooled cash is considered.

	<b>RUNNING SPRINGS WATER DISTRICT CASH RESERVE POLICY</b>	<b>Section 2.0</b>
		<b>Revision Date April 2013</b>
<b>POOLED CASH</b>		

## **2.1 Pooled Cash Fund Definitions and Uses**

### **2.1.1 Operating/General Fund**

The District's Business-Type Activities will each maintain an Operating Fund that is predominantly funded by rates and service fees which are accumulated in this fund. The District's Governmental (Fire) Activities will also maintain an Operating Fund which is predominantly funded by general tax revenues and Fire Availability Charges which are accumulated in this fund. The purpose of the Operating Fund is to maintain working capital for current operations and to meet routine cash flow needs for the general operations and debt service payment obligations of the District. This fund will maintain the financial viability of each division's or department's operation despite short-term variability in revenues and expenses.

### **2.1.2 Capital Improvement Fund**

The Water and Wastewater Divisions will each maintain a Capital Improvement Fund. The purpose of this fund is to support capital projects that improve, repair, rehabilitate or replace the capital assets of each of the division's funds. This fund is predominantly funded by rates, service fees and various non-operating revenue.

### **2.1.3 Rate Stabilization Fund**

Each division will maintain a Rate Stabilization Fund. The purpose of this fund is to mitigate year-to-year fluctuations in revenues or expenses. The Rate Stabilization Fund should not be used to artificially suppress rates (i.e., to sustain rates at levels below the costs of service), but to enable smooth or level annual adjustments to rates despite uneven changes in underlying costs or variations in annual revenue received. This fund is predominantly funded by rates and service fees.



## **RUNNING SPRINGS WATER DISTRICT CASH RESERVE POLICY**

Section  
**3.0**

Revision Date  
**April 2013**

### **RESTRICTED FUNDS**

#### **3.1 Restricted Fund Definitions and Uses**

Restricted funds include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation or generally accepted accounting rules for governments such as the Governmental Accounting Standards Board Statement No. 54 (GASB 54). A cash fund should be reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants, grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

##### **3.1.1 Facilities Capacity Charge Funds**


The Facilities Capacity Charge Funds are the new water and wastewater service charges collected at the time of connection that are used to purchase capacity in the existing water and wastewater systems. These funds accumulate revenue collected from capacity charges imposed at the time of connection. These resources may be spent on projects which expand the system or replace specific assets as identified in the Facilities Master Plan. There is no minimum balance target for this fund.

##### **3.1.2 Debt Reserve Funds**

Certain debt instruments may require that RSWD set aside specific funds to be held in reserve as long as the debt is outstanding. The purpose of a debt reserve fund is to provide a safeguard for bondholders or other stakeholders in the event that there are insufficient funds to meet annual debt service. The target balance of debt reserves is defined as part of the covenants specific to the debt instrument but is often equivalent to one year of debt service.

##### **3.1.3 Assessment District Funds**

These funds are set aside for the capital facilities constructed in specific geographic areas identified by an assessment district. The source of these funds comes from specific assessments levied on the properties in that assessment district. There is no minimum balance target for these funds. These funds may only be used for the capital facilities in the specific assessment district.

	<b>RUNNING SPRINGS WATER DISTRICT CASH RESERVE POLICY</b>	Section <b>4.0</b>
		Revision Date <b>April 2013</b>
<b>FUND BALANCE TARGETS</b>		

#### **4.1 Fund Balance Targets**

All fund balances are evaluated on an annual basis during the creation of the District's budget and at year-end. As part of the year-end process, the pooled cash available for each division or department will be assessed for each division or department fund separately. The total pooled cash available for that specific fund should be allocated using the following calculations in accordance with the stated priority. Also, for each such fund, the District should budget for a minimum fund balance equal to the same calculations below.

The pooled cash funds available will be allocated to the following funds and in the following priority: 1. Operating Fund, 2. Capital Improvement Fund, 3. Rate Stabilization Fund. If there is an excess in pooled cash after the allocation is complete, the remainder will be made available to the Capital Improvement Fund.

##### **4.1.1 Water Division Operating Fund**

The minimum funding target for the Water Operating Fund should equal four (4) months of budgeted operating expenses. The Operating Fund will have the highest priority for funding from pooled cash within the Water Division.

##### **4.1.2 Wastewater Division Operating Fund**

The minimum funding target for the Wastewater Operating Fund should equal four (4) months of budgeted operating expenses. The Operating Fund will have the highest priority for funding from pooled cash within the Wastewater Division.

##### **4.1.3 Ambulance Department Operating Fund**

The minimum funding target for the Ambulance Department Operating Fund should equal six (6) months of budgeted operating expenses. The Operating Fund will have the highest priority for funding from pooled cash within the Ambulance Department.

##### **4.1.4 Fire Department Operating Fund**

The minimum funding target for the Fire Department Operating Fund should equal six (6) months of budgeted operating expenses. The Operating Fund will have the highest priority for funding from pooled cash within the Fire Department.

#### **4.1.5 Capital Improvement Funds**

The minimum annual allocation amount for the Capital Improvement Fund for each division or department should equal the amount of annual budgeted depreciation specific to that division or department plus 10% for cost increases. This represents the total annual contribution that should be made to this fund, not the minimum balance. This will allow funds to build over time and eventually replace the existing facilities. This also eliminates the risk of “use it or lose it” type spending on infrastructure or equipment. The maximum target balance will vary as specified by the Board of Directors in accordance with the Facilities Master Plan, Fire Department needs or other initiatives. The Capital Improvement Fund for each division or department will be the second fund in priority for funding from pooled cash.

#### **4.1.6 Rate Stabilization Funds**

Allocation of cash to the Rate Stabilization Fund for each division occurs after pooled cash has first been allocated to the Operating Fund and the Capital Improvement Fund for each division. The maximum target for the Rate Stabilization Funds will be 20% of budgeted revenue.





# RUNNING SPRINGS WATER DISTRICT CASH RESERVE POLICY

Section  
5.0  
Revision Date  
April 2013

## CASH RESERVE FUND BALANCES

Designated Reserve Fund	Fund Balance as of 1/31/13
<b>Fire &amp; Ambulance Department</b>	
Breathing Apparatus Equipment Replacement	\$76,129
Limited Term Firefighters	\$48,623
Future Equipment Replacement	\$85,228
Fire Department Designated Fund	\$107,947
Workers Comp PASIS Outstanding Claims	\$61,979
<b>Fire Department Operating Fund Balance</b>	
<b>Subtotal Fire &amp; Ambulance Department Designated Reserve Funds</b>	<b>\$379,906</b>
<b>Recommended Reserve Fund Target (50%/6 mos. Operating Expenses)</b>	<b>\$931,949</b>
	<b>Shortfall (\$552,043)</b>
<b>Wastewater Division</b>	
Assessment District No. 7	\$32,625
Leachate Reserve Fund	\$441,825
Filtration Project	\$58,702
Arrowbear Filtration Project	\$81,632
CSA 79 Filtration Project	\$122,739
Wastewater System Capacity Charges	\$61,475
Arrowbear Connection	\$21,738
Lift Stations	\$6,436
Assessment District No. 5	\$6,704
<b>Subtotal Wastewater Division Designated Reserve Funds</b>	<b>\$833,876</b>
<b>Subtotal Wastewater Division Designated Reserve Funds (not including ADs)</b>	<b>\$794,547</b>
<b>Recommended Reserve Fund Target (30%/4 mos. Operating Expenses)</b>	<b>\$459,989</b>
	<b>Surplus \$334,558</b>
<b>Water Division</b>	
San Bernardino County Lease Payments	\$21,214
Zone 3 Reservoir	\$4,374
Water Development (Groundwater Investigation Underway)	\$20,016
Water Treatment	\$277,030
Water System Capacity Charges	\$107,637
Assessment District No. 9 Construction Funds	\$71,044
Assessment District No. 10 Construction Funds	\$30,084
Assessment District No. 10 O&M	\$131,433
Safe Drinking Water Loan	(\$92,170)
<b>Subtotal Water Division Designated Reserve Funds</b>	<b>\$570,662</b>
<b>Subtotal Water Division Designated Reserve Funds (not including ADs)</b>	<b>\$338,101</b>
<b>Recommended Reserve Fund Target (30%/4 mos. Operating Expenses)</b>	<b>\$515,880</b>
	<b>Shortfall (\$177,779)</b>
<b>Total District Designated Reserve Funds</b>	<b>\$1,784,444</b>
<b>General Fund</b>	<b>\$177,563</b>
<b>Combined Pooled Cash</b>	<b>\$1,962,007</b>
<b>Checking Account</b>	<b>\$107,617</b>
<b>LAIF</b>	<b>\$1,853,390</b>
<b>Petty Cash</b>	<b>\$1,000</b>
<b>Combined Pooled Cash</b>	<b>\$1,962,007</b>



**RUNNING SPRINGS WATER DISTRICT  
CASH RESERVE POLICY**

**Section  
6.0**  
**Revision Date  
April 2013**

**RESOLUTION NO. 17-11 FUND BALANCE POLICY**

COPY

RESOLUTION NO. 17-11

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RUNNING SPRINGS WATER DISTRICT APPROVING ADOPTION OF GASB 54 STANDARDS AND APPLICATIONS

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued its Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* with the intent of improving financial reporting by providing fund balance categories that will be more easily understood and to improve the comparability of governmental fund financial statements; and

WHEREAS, the Board of Directors has considered Policy No. 01-2011 entitled "Fund Balance Policy" which outlines the policy and procedures enacted to accurately categorize and report fund balances; and

WHEREAS, Policy No. 01-2011 entitled "Fund Balance Policy" provides that the Board of Directors may commit fund balances for specific purposes by taking formal action, and these committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same formal action taken to establish the commitment; and

WHEREAS, Policy No. 01-2011 entitled "Fund Balance Policy" designates the General Manager (in addition to the Board of Directors) as the District's official to determine and define the amounts of those components of fund balance that are classified as "Assigned Fund Balance"; and

WHEREAS, Policy No. 01-2011 entitled "Fund Balance Policy" sets the order in which classified fund balance is spent when amounts in more than one classification are available for a particular purpose; and

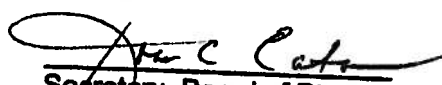
WHEREAS, the classification and reporting of fund balance components, as required by Governmental Accounting Standards Board Statement No. 54, became effective starting with the fiscal year ending June 30, 2011,

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of Running Springs Water District that Policy No. 01-2011 entitled "Fund Balance Policy" for the Running Springs Water District is approved.

ADOPTED this 21st of September 2011.

  
President, Board of Directors  
Running Springs Water District

ATTEST

  
Secretary, Board of Directors  
Running Springs Water District

**RUNNING SPRINGS WATER DISTRICT  
FUND BALANCE POLICY  
Policy No.: 01-2011**

**PURPOSE:**

To comply with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with the intent of improving financial reporting by providing fund balance categories that will be more easily understood. The categories are more clearly defined to make the nature and extent of the constraints placed on a government's fund balance more transparent.

**POLICY:**

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the financial statements. Fund balance is an element on governmental fund statements. Running Springs Water District's governmental fund consists of **the Fire Department**.

Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes the General Manager/Administration Supervisor to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54.

**PROCEDURES:**

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent.

- *Nonspendable Fund Balance (inherently nonspendable)*
- *Restricted Fund Balance (externally enforceable limitations on use)*
- *Committed Fund Balance (self-imposed limitations on use)*
- *Assigned Fund Balance (limitation resulting from intended use)*
- *Unassigned Fund Balance (residual net resources)*

The five separate components are defined below.

***Nonspendable Fund Balance (inherently nonspendable)***

This category includes amounts that literally cannot be spent because of their physical form or because legal/contractual requirements prevent them from being spent. Examples include prepaid expenses, inventories, long-term receivables and land held for resale.

***Restricted Fund Balance (externally enforceable limitations on use)***

This category includes amounts that are spendable, but must be used as directed by an external party such as a donor, other government body or by enabling legislation or constitution provision.

**PROCEDURES (continued):**

***Committed Fund Balance (self-imposed limitations on use)***

This category includes amounts that can only be used as specified by the "formal action of the government's highest level of decision-making authority". These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use through the same type of formal action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

***Assigned Fund Balance (limitation resulting from intended use)***

Amounts that are constrained by the Board of Directors' intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This category does not require a formal action by the highest level of decision-making authority. For all governmental funds, except the general fund, this category includes all amounts (except for deficits) not accounted for as nonspendable, restricted or committed.

Amounts can be assigned by the governing body or by a person given such authority by the governing body. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the General Manager for the purpose of reporting these amounts in the annual financial statements.

***Unassigned Fund Balance (residual net resources)***

This category reports amounts that are available for any purposes and are reported in the general fund. If the other governmental funds, however, spend more on a specific purpose than the resources available for that purpose in the fund, then the negative amount would be reported as unassigned fund balance. Basically, unassigned fund balance is the remaining fund balance (positive or negative) after all categories above have been determined.

**FUND BALANCE CLASSIFICATION:**

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.



**RUNNING SPRINGS WATER DISTRICT  
CASH RESERVE POLICY**

**Section  
7.0**

**Revision Date  
April 2013**

**RESOLUTION NO. 18-11 COMMITMENTS OF FUND BALANCE**

RESOLUTION NO. 18-11

COPY

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RUNNING SPRINGS  
WATER DISTRICT APPROVING COMMITMENTS OF FUND BALANCE  
UNDER GASB 54

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued its Statement No. 54, Fund Balance and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood and to improve the comparability of governmental fund financial statements; and

WHEREAS, the Board of Directors has considered Policy No. 01-2011 entitled "Fund Balance Policy" which outlines the policy and procedures enacted to accurately categorize and report fund balances; and

WHEREAS, Policy No. 01-2011 entitled "Fund Balance Policy" provides that the Board of Directors may commit fund balances for specific purposes by taking formal action, and these committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same formal action taken to establish the commitment; and

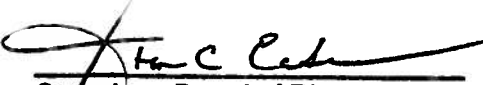
NOW THEREFORE, BE IT RESOLVED by the Board of Directors of Running Springs Water District that Board of Directors commits the following fund balances:

- |   |          |
|---|----------|
| • Breathing apparatus equipment replacement | \$38,000 |
| • Limited term firefighters                 | 48,144   |
| • Future general equipment replacement      | 57,288   |

ADOPTED this 21<sup>st</sup> day of September 2011.

  
President, Board of Directors  
Running Springs Water District

ATTEST:

  
Secretary, Board of Directors  
Running Springs Water District