

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2011 and 2010

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 remaining aggregate fund information of the Running Springs Water District (District), as of and for the year ended June 30, 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. The financial statements of the District as of June 30, 2010, were audited by other auditors whose report dated November 10, 2010, expressed an unqualified opinion on those statements.

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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, 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 xiii and the budgetary information on page 39 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 taken as a whole.

Teaman Ramirez & Smith, L.L.C.

October 31, 2011

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, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the audit report.

FINANCIAL HIGHLIGHTS

- The District's total net assets decreased by \$993,491 and increased by \$315,296 as of June 30, 2011 and 2010, respectively. The decrease for the year ended June 30, 2011 is 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 to report pension related debt for the PERS Side Fund, which was created when the District was added to a risk pool for pension reporting. The prior year's financial statement previously disclosed the Side Fund in the notes to the financial statements.
- Total revenues increased \$497,055 for the year ended June 30, 2011 and decreased \$687,301 for the year ended June 30, 2010. The increase in 2011 is primarily a result of higher grant revenue due to the December 2010 winter storms. Approximately 11% of the total revenues for 2011 are sourced from grants compared to slightly more than 1% for 2010. The decrease in revenue in 2010 is largely due to a decrease in other revenue from the insurance company for the Slide Fire. Other revenue in 2010 was about 3% of total revenues compared with approximately 15% in 2009.
- The increase in grant revenues in 2011 from the December storms was partially offset by an increase in repair and maintenance expense and professional fees (engineering) to repair some of the storm damage. Some repairs are considered capital repairs so the costs are capitalized and will be depreciated over the life of the assets.

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 16-38 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 \$19,491,146 and \$20,484,637 at the close of June 30, 2011 and 2010 respectively.

The largest portion of the Running Springs Water District's net assets at June 30, 2011 (90 %) and 2010 (80 %) 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. The increase from 80% at June 30, 2010 to 90% at June 30, 2011 is a result of the overall total change in net assets for 2011 that included a prior period adjustment, which recorded a liability for the PERS Side Fund, which decreased net assets by \$1,620,111.

Net assets of the Running Springs Water District also include \$598,487 and \$682,708 restricted for debt service at June 30, 2011 and 2010 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 government-wide net assets:

Running Springs Water District's Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Assets:									
Current and Other Assets	\$ 1,362,558	\$ 1,264,852	\$ 907,549	\$ 2,797,935	\$ 3,511,860	\$ 3,569,335	\$ 4,160,493	\$ 4,776,712	\$ 4,476,884
Capital Assets	1,130,377	1,159,357	1,235,145	17,446,920	16,761,525	16,999,646	18,577,297	17,920,882	18,234,791
Total Assets	<u>2,492,935</u>	<u>2,424,209</u>	<u>2,142,694</u>	<u>20,244,855</u>	<u>20,273,385</u>	<u>20,568,981</u>	<u>22,737,790</u>	<u>22,697,594</u>	<u>22,711,675</u>
Liabilities:									
Current Liabilities	90,846	72,540	86,008	514,086	621,855	678,442	604,932	694,395	764,450
Noncurrent Liabilities	684,448	121,640	128,960	1,957,264	1,396,922	1,648,924	2,641,712	1,518,562	1,777,884
Total Liabilities	<u>775,294</u>	<u>194,180</u>	<u>214,968</u>	<u>2,471,350</u>	<u>2,018,777</u>	<u>2,327,366</u>	<u>3,246,644</u>	<u>2,212,957</u>	<u>2,542,334</u>
Net Assets:									
Invested in Capital Assets,									
Net of Related Debt	1,130,377	1,159,357	1,235,145	16,452,984	15,222,919	15,127,229	17,583,361	16,382,276	16,362,374
Restricted for Debt Service	-	-	-	598,487	682,708	763,030	598,487	682,708	763,030
Unrestricted	587,264	1,070,672	692,581	722,034	2,348,981	2,351,356	1,309,298	3,419,653	3,043,937
Total Net Assets	<u>\$ 1,717,641</u>	<u>\$ 2,230,029</u>	<u>\$ 1,927,726</u>	<u>\$17,773,505</u>	<u>\$18,254,608</u>	<u>\$18,241,615</u>	<u>\$19,491,146</u>	<u>\$20,484,637</u>	<u>\$20,169,341</u>

- The assets of Running Springs Water District increased by \$40,196 and decreased by \$14,081 as of June 30, 2011 and 2010 respectively. 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 decrease in 2010 is partially due to a combination of increased cash, investments and construction in progress offset by decreases in receivables and deposits held for workers compensation.
- The Running Springs Water District's total liabilities increased by \$1,033,687 and decreased by \$329,377 as of June 30, 2011 and 2010 respectively. The key factor in the increase in 2011 is 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 key factor in the decrease in 2010 is due to principal payments on long-term debt.

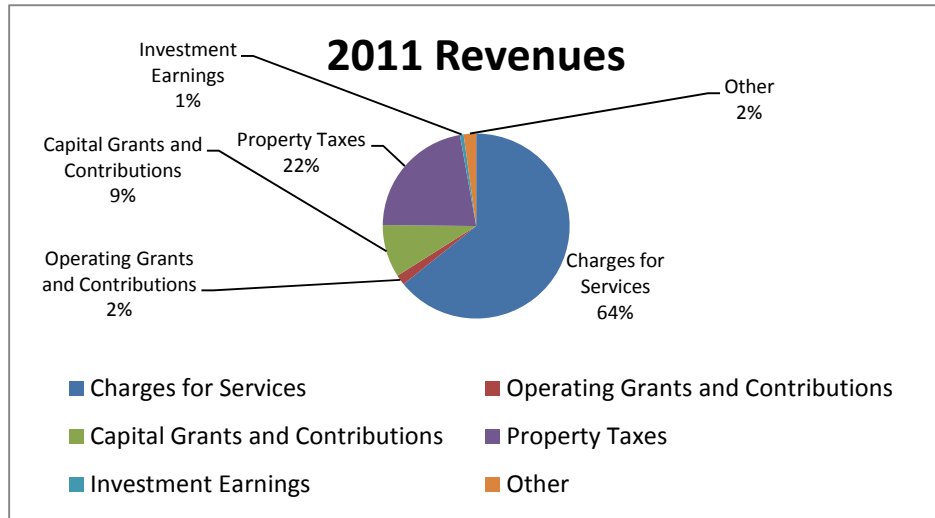
- The assets of the Running Springs Water District exceeded its liabilities by \$19,491,146 and \$20,484,637 at the close of June 30, 2011 and 2010 respectively. Of this amount, \$1,309,298 and \$3,419,653 as of June 30, 2011 and 2010, respectively, (*unrestricted net assets*) may be used to meet the District's ongoing obligations to customers and creditors.
- As previously noted, the District's total net assets decreased by \$993,491 and increased by \$315,296 as of June 30, 2011 and 2010, respectively. The decrease for the year ended June 30, 2011 is 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 to report pension related debt for the PERS Side Fund.

The following condensed financial information summarizes the changes in the government-wide net assets:

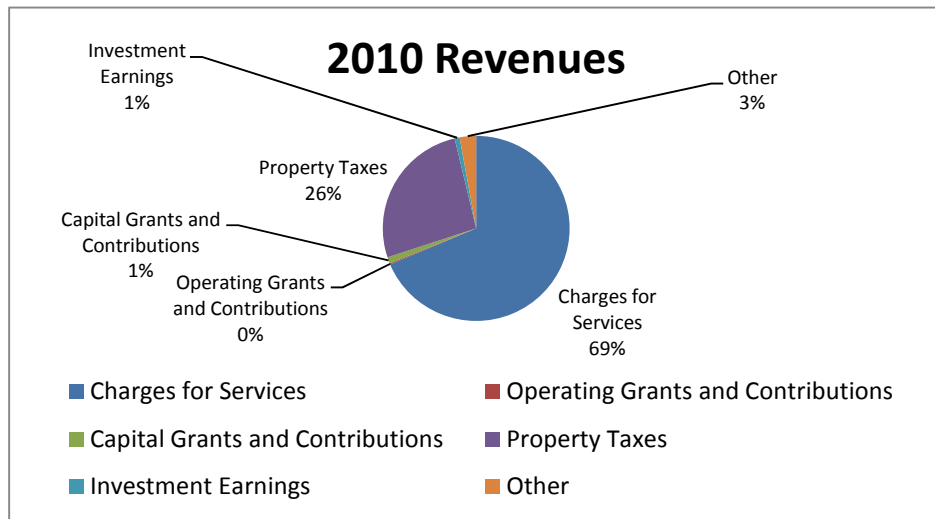
Running Springs Water District's Changes in Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Revenues:									
Program Revenues:									
Charges for Services	\$ 205,082	\$ 206,222	\$ 199,471	\$ 3,845,205	\$ 3,783,503	\$ 3,607,017	\$ 4,050,287	\$ 3,989,725	\$ 3,806,488
Operating Grants and Contributions	1,531	12,280	4,933	111,710	-	28,245	113,241	12,280	33,178
Capital Grants and Contributions	8,263	30,455	721	570,515	32,643	-	578,778	63,098	721
General Revenues:							-	-	-
Property Taxes	1,275,645	1,531,039	1,628,493	114,576	-	-	1,390,221	1,531,039	1,628,493
Investment Earnings	2,286	1,438	3,550	38,390	49,196	76,265	40,676	50,634	79,815
Other	-	-	-	136,345	165,717	951,099	136,345	165,717	951,099
Total Revenues	1,492,807	1,781,434	1,837,168	4,816,741	4,031,059	4,662,626	6,309,548	5,812,493	6,499,794
Expenses:									
Fire Protection	1,399,623	1,479,131	1,555,795	-	-	-	1,399,623	1,479,131	1,555,795
Water	-	-	-	1,635,579	1,696,893	1,855,651	1,635,579	1,696,893	1,855,651
Ambulance	-	-	-	729,023	633,129	590,205	729,023	633,129	590,205
Sewer	-	-	-	1,918,703	1,688,044	1,791,920	1,918,703	1,688,044	1,791,920
Total Expenses	1,399,623	1,479,131	1,555,795	4,283,305	4,018,066	4,237,776	5,682,928	5,497,197	5,793,571
Increase (Decrease) in Net Assets	93,184	302,303	281,373	533,436	12,993	424,850	626,620	315,296	706,223
Total Net Assets - Beginning	2,230,029	1,927,726	1,646,353	18,254,608	18,241,615	17,816,765	20,484,637	20,169,341	19,463,118
Prior Period Adjustment	(605,572)	-	-	(1,014,539)	-	-	(1,620,111)	-	-
Total Net Assets - Ending	\$ 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

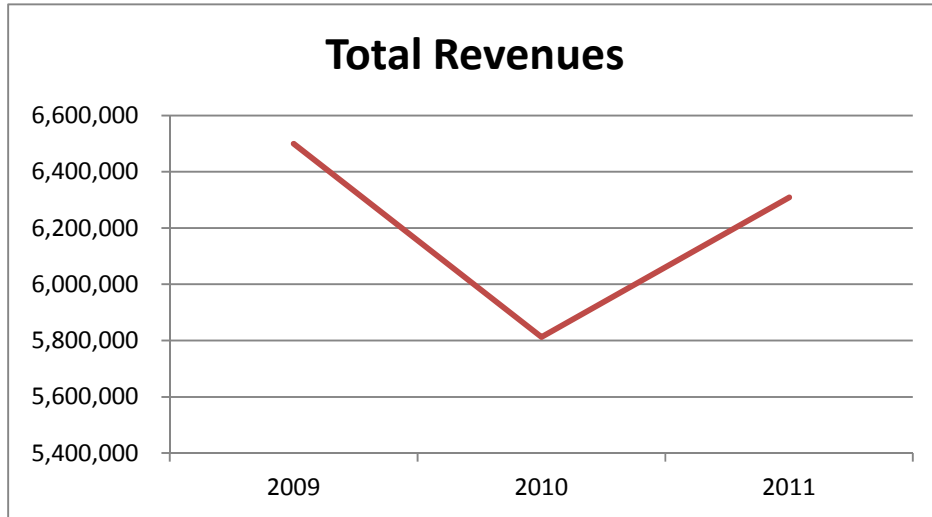
- Total revenues increased \$497,055 (approximately 9%) for the year ended June 30, 2011 primarily as a result of higher grant revenue due to the December 2010 winter storms. Grant revenues accounted for approximately 11% (9% capital grants and contributions and 2% operating grants and contributions)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



- In 2010, grant revenue was slightly higher than 1% of total revenues (1% capital grants and contributions and 0% operating grants and contributions). Total revenues decreased \$687,301 (approximately 11%) for the year ended June 30, 2010 largely due to a decrease in other revenue from the insurance company for the Slide Fire.



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



- Total expenses increased \$185,731 for the year ended June 30, 2011 and decreased \$296,374 for the year ended June 30, 2010. Notable increases in expenses in 2011 were repairs and professional fees for engineering as a result of the December 2010 winter storms. The decrease in expenses in 2010 is due to decreases in purchased water, professional fees and repairs and maintenance.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Assets exceeded liabilities for the Governmental Activities by \$1,717,641 and \$2,230,029 at the close of June 30, 2011 and 2010 respectively. The decrease of \$512,388 for the year ended June 30, 2011 is 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. For the year ended June 30, 2010, the change in net assets was an increase of \$302,303.

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

	2011			2010		
	Modified Accrual	Full Accrual		Modified Accrual	Full Accrual	
Statement of Revenues and Expenditures - Governmental Fund -Fire			Statement of Activities Governmental Activities - Fire Protection			Statement of Activities Governmental Activities - Fire Protection
	Protection	Conversion	- Fire Protection	Protection	Conversion	- Fire Protection
Revenues	\$ 1,492,807	\$ -	\$ 1,492,807	\$ 1,773,434	\$ 8,000	\$ 1,781,434
Expenditures / Expenses	1,338,249	61,374	1,399,623	1,417,690	61,441	1,479,131
Excess of Revenues Over (Under) Expenditures	154,558	(61,374)	93,184	355,744	(53,441)	302,303
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	-	-	-	15,027	(15,027)	-
Net Change	\$ 154,558	\$ (61,374)	\$ 93,184	\$ 370,771	\$ (68,468)	\$ 302,303

2009 (as Restated)

	Modified Accrual		Full Accrual
	Statement of Revenues and Expenditures - Governmental Fund -Fire		
	Protection	Conversion	- Fire Protection
Revenues	\$ 1,837,168	\$ -	\$ 1,837,168
Expenditures / Expenses	1,439,988	115,807	1,555,795
Excess of Revenues Over (Under) Expenditures	397,180	(115,807)	281,373
Other Financing Sources and (Uses) Proceeds From Sale of Capital Assets	-	-	-
Net Change	\$ 397,180	\$ (115,807)	\$ 281,373

- 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.
- The major decrease in revenue in 2010 for the Governmental Activities was attributable to a decrease in property taxes of approximately 6%. The decrease in 2010 was not affected by allocation to the Business-Type Activities but was just a factor of lower revenue. Expenses in for the Governmental Activities decreased by 5% in 2010.

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

Assets exceeded liabilities for the Business-Type activities by \$17,773,505 and \$18,254,608 at the close of June 30, 2011 and 2010 respectively. The decrease of \$481,103 for the year ended June 30, 2011 is 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. For the year ended June 30, 2010, there was an increase in net assets of \$12,993 for the Business-Type Activities.

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

Proprietary Fund - Change in Net Assets

	2011	2010	2009
Operating Revenues			
Water Department	\$ 1,434,354	\$ 1,411,000	\$ 1,435,288
Ambulance Department	428,621	489,488	388,599
Sewer Department	1,450,534	1,429,272	1,368,285
Total Operating Revenues	<u>3,313,509</u>	<u>3,329,760</u>	<u>3,192,172</u>
Operating Expenses			
Water Department	1,609,600	1,672,371	1,827,052
Ambulance Department	727,289	630,172	586,387
Sewer Department	1,791,727	1,628,631	1,729,315
Total Operating Expenses	<u>4,128,616</u>	<u>3,931,174</u>	<u>4,142,754</u>
Operating Income (Loss)	(815,107)	(601,414)	(950,582)
Non-Operating Revenues	932,717	668,656	1,442,209
Non-Operating Expenses	<u>(154,689)</u>	<u>(86,892)</u>	<u>(95,022)</u>
Income (Loss) Before Property			
Contributions and Transfers	(37,079)	(19,650)	396,605
Property contributions	<u>570,515</u>	<u>32,643</u>	<u>28,245</u>
Change in Net Assets	<u>\$ 533,436</u>	<u>\$ 12,993</u>	<u>\$ 424,850</u>

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) are 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 is 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.

Analysis for the Year Ended June 30, 2010:

Factors contributing to the Proprietary Fund \$12,993 increase in net assets for the year ended June 30, 2010, which was a decrease of \$411,857 from the change in net assets for 2009, are as follows:

- Operating revenues in the Proprietary Fund increased by 5% in 2010. The increase is partially explained by increased ambulance service fees and expense reimbursements from upstream users.
- Operating expenses in the Proprietary Fund decreased by 5% in 2010. The largest decreases were in purchased water, professional fees, and repairs and maintenance.
- Non-Operating revenues decreased by 54% in 2010. The large decrease was a decrease in miscellaneous revenue attributable mostly to insurance proceeds from the Slide Fire.
- Non-Operating expenses decreased by 9% in 2010 as a result of lower interest on long-term debt.

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

Analysis for the Year Ended June 30, 2010:

Both the original and final budgets for the year ended June 30, 2010 budgeted a net change in fund balance of \$376,138. The actual net change in fund balance was \$370,771 or 1% less than budgeted. The notable variances for budget to actual are as follows:

- Property taxes revenues are 8% higher than the budgeted amount.
- Intergovernmental revenues are 100% more than the budgeted amount.
- Salaries and wages expenditures are 45% higher than the budgeted amount.
- Employee benefits expenditures are 13% higher than the budgeted amount.
- Insurance expenditures are 27% lower than the budgeted amount.
- Capital outlays expenditures are 69% lower than the budgeted amount.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2011 and 2010 amounts to \$18,577,297 and \$17,920,882 (net of accumulated depreciation) respectively. The investment at June 30, 2011 represents a net increase (including additions and deductions) of about 4% compared to a decrease of approximately 2% for the year ended June 30, 2010. 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		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,006,138	\$ 998,514	\$ 967,357	\$ 1,420,814	\$ 1,413,190	\$ 1,382,033
Construction in Progress	-	-	-	812,173	159,134	9,390	812,173	159,134	9,390
Structures and Improvements	157,292	169,000	181,042	-	-	-	157,292	169,000	181,042
Water Plant and Facilities	-	-	-	6,502,527	6,644,960	6,813,062	6,502,527	6,644,960	6,813,062
Sewer Plant and Facilities	-	-	-	8,770,264	8,661,958	8,860,337	8,770,264	8,661,958	8,860,337
Fire Trucks and Mounted Equipment	377,109	407,299	467,740	-	-	-	377,109	407,299	467,740
Trucks and Automobiles	-	-	-	295,131	268,928	321,571	295,131	268,928	321,571
Special Purpose Equipment	167,763	164,281	166,695	-	-	-	167,763	164,281	166,695
Furniture and Equipment	-	-	-	60,687	28,031	27,929	60,687	28,031	27,929
Office Equipment	1,323	1,842	2,361	-	-	-	1,323	1,842	2,361
Shop and Station Equipment	1,899	2,259	2,631	-	-	-	1,899	2,259	2,631
Communication Equipment	10,315	-	-	-	-	-	10,315	-	-
Total	\$ 1,130,377	\$ 1,159,357	\$ 1,235,145	\$ 17,446,920	\$ 16,761,525	\$ 16,999,646	\$ 18,577,297	\$ 17,920,882	\$ 18,234,791

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

- 10 Sets of Lion/Janesville Brass Fusion V-Force turnout coats and pants
- Telephone system
- Bridge (Old City Creek)
- Nob Hill irrigation project
- Custom server with tape drive
- Two Ford Ranger Supercab trucks
- Bridge (Little Mill)
- Membrane plates for the treatment plant
- Wastewater Treatment Plant irrigation project
- Harris property fence

This year's major capital asset transfers between the departments included the following:

- 2007 Ford F350 truck was transferred from the Water Department to the Sewer Department.
- 1997 Ford F350 utility vehicle (previously an ambulance) was now transferred from the Sewer Department to the Water Department.

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

- Disposal of old telephone system
- 1994 Nissan 4 X 4 pickup
- Digester
- 1993 Ford 4 X 4 extended cab pickup
- Jetter

Construction-in-progress jobs open at June 30, 2011 include the following:

- Ayers Acres
- Wild Life Enhancement
- Wastewater Treatment Plant Expansion
- Outfall Line
- Overflow Tank
- Retaining Wall

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, 2011 and 2010 are \$2,641,712 and \$1,518,562 respectively. For 2011, that liability includes compensated absences, pension related debt, and bonds and notes payable (net of all amounts due within one year). For 2010, the amount did not include a liability for pension related debt. The pension related debt is a liability as a result of a prior period adjustment in 2011.

Noncurrent Liabilities

	2011	2010	2009
Governmental Activities:			
Compensated Absences	\$ 179,860	\$ 162,187	\$ 171,947
Pension Related Debt	<u>579,746</u>	<u>-</u>	<u>-</u>
Total	759,606	162,187	171,947
Less: Current Portion	<u>(75,158)</u>	<u>(40,547)</u>	<u>(42,987)</u>
Noncurrent Portion	<u>684,448</u>	<u>121,640</u>	<u>128,960</u>
Business-Type Activities:			
Bonds and Notes Payable:			
2002 Water Refunding Loan Agreement	-	398,467	502,181
Sewer Treatment, 2001 Installment Payable	971,256	1,108,165	1,238,795
2006 Municipal Finance Corporation Installment Payable	-	-	83,740
2008 Municipal Finance Corporation Installment Payable	22,680	44,331	65,000
Less: Deferred Amount on Refunding Water Bonds	<u>-</u>	<u>(12,357)</u>	<u>(17,299)</u>
Total Bonds and Notes Payable	993,936	1,538,606	1,872,417
Compensated Absences	195,123	166,584	153,680
Pension Related Debt	1,000,876	-	-
Less: Current Portion	<u>(232,671)</u>	<u>(308,268)</u>	<u>(377,173)</u>
Noncurrent Portion	<u>1,957,264</u>	<u>1,396,922</u>	<u>1,648,924</u>
Government-Wide Summary			
Compensated Absences	374,983	328,771	325,627
Pension Related Debt	1,580,622	-	-
Bonds and Notes Payable:	<u>993,936</u>	<u>1,538,606</u>	<u>1,872,417</u>
Totals	2,949,541	1,867,377	2,198,044
Less: Current Portion	<u>(307,829)</u>	<u>(348,815)</u>	<u>(420,160)</u>
Noncurrent Portion	<u>\$ 2,641,712</u>	<u>\$ 1,518,562</u>	<u>\$ 1,777,884</u>

The District paid principal payments on the bonds and notes payable of \$557,027 during the year ended June 30, 2011 and \$338,753 during the year ended June 30, 2010.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in note 7 on pages 31-35 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. However, the District is currently in discussions to consolidate fire and sewer services with the County of San Bernardino Special District – County Service Area No. 79 – Green Valley Lake (CSA 79) and County Fire, located within Green Valley Lake. Currently, 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. CSA 79 is one of the upstream users that the District bills for shared cost.

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.

Running Springs Water District
Statements of Net Assets
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
ASSETS				
Cash	\$ -	\$ -	\$ 50,169	\$ 221,343
Temporary Investments	1,276,987	976,528	513,210	1,729,961
Receivables:				
Customers - Net of Allowance	-	-	612,721	510,255
Other	17,718	18,829	711,563	159,962
Taxes	55,224	139,228	4,959	-
Interest	501	-	9,676	13,066
Materials and Supplies Inventory	-	-	77,950	71,386
Prepaid Expenses	1,467	-	283	1,750
Deposit - Workers' Compensation	-	130,267	-	119,554
Restricted Assets:				
Cash	10,661	-	6,667	-
Construction Receivables - Upstream Users	-	-	810,737	682,708
Deferred Charges	-	-	-	1,875
Capital Assets Not Being Depreciated:				
Land	414,676	414,676	1,006,138	998,514
Construction in Progress	-	-	812,173	159,134
Capital Assets Net of Accumulated Depreciation	715,701	744,681	15,628,609	15,603,877
Total Assets	<u>2,492,935</u>	<u>2,424,209</u>	<u>20,244,855</u>	<u>20,273,385</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	14,192	30,466	125,303	145,040
Interest Payable	-	-	13,156	23,595
Other Payables	1,496	1,527	88,895	90,864
Deferred Availability Charges	-	-	54,061	54,088
Long-term Liabilities Due Within One Year	75,158	40,547	232,671	308,268
Noncurrent Liabilities:				
Long-term Liabilities	684,448	121,640	1,957,264	1,396,922
Total Liabilities	<u>775,294</u>	<u>194,180</u>	<u>2,471,350</u>	<u>2,018,777</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,130,377	1,159,357	16,452,984	15,222,919
Restricted for Debt Service	-	-	598,487	682,708
Unrestricted	587,264	1,070,672	722,034	2,348,981
Total Net Assets	<u>\$ 1,717,641</u>	<u>\$ 2,230,029</u>	<u>\$ 17,773,505</u>	<u>\$ 18,254,608</u>

The accompanying notes are an integral part of this statement.

Total

<u>2011</u>	<u>2010</u>
\$ 50,169	\$ 221,343
1,790,197	2,706,489
-	-
612,721	510,255
729,281	178,791
60,183	139,228
10,177	13,066
77,950	71,386
1,750	1,750
-	249,821
-	-
17,328	-
810,737	682,708
-	1,875
-	-
1,420,814	1,413,190
812,173	159,134
<u>16,344,310</u>	<u>16,348,558</u>
<u>22,737,790</u>	<u>22,697,594</u>
139,495	175,506
13,156	23,595
90,391	92,391
54,061	54,088
307,829	348,815
-	-
<u>2,641,712</u>	<u>1,518,562</u>
<u>3,246,644</u>	<u>2,212,957</u>
17,583,361	16,382,276
598,487	682,708
<u>1,309,298</u>	<u>3,419,653</u>
<u>\$ 19,491,146</u>	<u>\$ 20,484,637</u>

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	Program Revenues			
	Expenses	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
Statement of Activities
For the Year Ended June 30, 2010

2010				
Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,479,131	\$ 206,222	\$ 12,280	\$ 30,455
Business-type Activities:				
Water	1,696,893	1,591,969	-	10,505
Ambulance	633,129	489,488	-	-
Sewer	1,688,044	1,702,046	-	22,138
Total Business-type Activities	4,018,066	3,783,503	-	32,643
Total Primary Government	\$ 5,497,197	\$ 3,989,725	\$ 12,280	\$ 63,098

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
\$ (1,230,174)	\$ -	\$ (1,230,174)
-	(94,419)	(94,419)
-	(143,641)	(143,641)
-	36,140	36,140
-	(201,920)	(201,920)
(1,230,174)	(201,920)	(1,432,094)
1,531,039	-	1,531,039
1,438	49,196	50,634
-	9,600	9,600
-	156,117	156,117
1,532,477	214,913	1,747,390
302,303	12,993	315,296
1,927,726	18,241,615	20,169,341
\$ 2,230,029	\$ 18,254,608	\$ 20,484,637

The accompanying notes are an integral part of this statement.

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2011 and 2010

	2011	2010
ASSETS		
Temporary Investments	\$ 1,276,987	\$ 976,528
Restricted Cash	10,661	-
Accounts Receivable:		
Fire Availability Charges	17,718	18,829
Taxes Receivable	55,224	139,228
Interest Receivable	501	-
Prepaid Expenses	1,467	-
Deposit - Workers' Compensation	-	130,267
	<u>\$ 1,362,558</u>	<u>\$ 1,264,852</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 14,192	\$ 30,466
Accrued Compensated Absences	-	40,547
Other Payables	1,496	1,527
	<u>15,688</u>	<u>72,540</u>
Fund Balances:		
Assigned:		
Equipment Replacement	95,288	-
Limited-term Firefighters	48,144	-
Unassigned	1,203,438	1,192,312
	<u>1,346,870</u>	<u>1,192,312</u>
Total Fund Balances	<u>1,346,870</u>	<u>1,192,312</u>
Total Liabilities and Fund Balances	<u>\$ 1,362,558</u>	<u>\$ 1,264,852</u>

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, 2011 and 2010

	2011	2010
Fund balances - total governmental fund	\$ 1,346,870	\$ 1,192,312
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.	1,130,377	1,159,357
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated Absences	(179,860)	(121,640)
Pension Related Debt	(579,746)	-
Net Assets of Governmental Activities	\$ 1,717,641	\$ 2,230,029

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, 2011 and 2010

	2011	2010
REVENUES		
Property Taxes	\$ 1,275,645	\$ 1,531,039
Assessments - Fire Availability Charges	201,740	200,965
Other Revenue	4,842	7,857
Interest Revenue	2,286	1,438
Intergovernmental Revenue	8,294	32,135
Total Revenues	1,492,807	1,773,434
EXPENDITURES		
Salaries and Wages	569,025	707,930
Director Fees	3,384	3,377
Employee Benefits	423,095	407,452
Payroll Taxes	13,509	13,535
Safety Clothing and Personal Supplies	17,667	14,426
Telephone	4,308	5,940
Insurance	108,821	65,033
Maintenance:		
Building	2,714	4,004
Automotive Equipment	14,800	18,275
Special Purpose Equipment	3,415	3,582
Memberships	2,174	1,751
Office	3,425	4,606
Professional Services	23,996	29,018
Education, Training	7,883	9,912
Small Tools and Instruments	3,143	4,705
Special Department Expense - Fire Fighting/Medical Supplies	7,343	9,527
Utilities	10,920	10,644
Dispatching	44,130	45,267
Community Relations - Fire Protection	3,052	3,425
Miscellaneous	7,118	7,794
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	25,734	24,562
Capital Outlay	38,593	22,925
Total Expenditures	1,338,249	1,417,690
OTHER FINANCING SOURCES		
Proceeds from Sale of Capital Assets	-	15,027
Total Other Financing Sources	-	15,027
Net Change in Fund Balance	154,558	370,771
Fund Balances, Beginning	1,192,312	821,541
Fund Balances, Ending	\$ 1,346,870	\$ 1,192,312

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 2011 and 2010

	2011	2010
Net change in fund balances-total governmental funds	\$ 154,558	\$ 370,771
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	38,593	22,925
Depreciation	(67,573)	(77,624)
Donations of capital assets from outside parties are not recorded in the government fund because current financial resources are not involved. However, in the statement of activities, the contribution is recognized at the fair value of the donated property.		
	-	8,000
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	(12,284)	(177,068)
Accumulated depreciation on disposed assets	12,284	147,979
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	(58,220)	7,320
Pension Related Debt	25,826	-
Change in Net Assets of Governmental Activities	\$ 93,184	\$ 302,303

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, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash	\$ 50,169	\$ 221,343
Temporary Investments	513,210	1,729,961
Receivables:		
Customers - Net of Allowances	612,721	510,255
Other	711,563	159,962
Taxes	4,959	-
Interest	9,676	13,066
Material and Supplies Inventory	77,950	71,386
Prepaid Expenses	283	1,750
Deposit - Workers' Compensation	-	119,554
Restricted:		
Cash	6,667	-
Construction Receivable - Upstream Users	148,649	84,221
Total Current Assets	2,135,847	2,911,498
Noncurrent Assets:		
Restricted: Construction Receivable - Upstream Users	662,088	598,487
Deferred Charges	-	1,875
Capital Assets Not Being Depreciated:		
Land	1,006,138	998,514
Construction in Progress	812,173	159,134
Capital Assets Net of Accumulated Depreciation	15,628,609	15,603,877
Total Noncurrent Assets	18,109,008	17,361,887
Total Assets	20,244,855	20,273,385
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	125,303	145,040
Interest Payable	13,156	23,595
Other Payables	88,895	90,864
Deferred Availability Charges	54,061	54,088
Current Portion of Long-term Liabilities	232,671	308,268
Total Current Liabilities	514,086	621,855
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	1,957,264	1,396,922
Total Noncurrent Liabilities	1,957,264	1,396,922
Total Liabilities	2,471,350	2,018,777
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	16,452,984	15,222,919
Restricted for Debt Service	598,487	682,708
Unrestricted	722,034	2,348,981
Total Net Assets	\$ 17,773,505	\$ 18,254,608

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, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Water Department	\$ 1,434,354	\$ 1,411,000
Ambulance Department	428,621	489,488
Sewer Department	1,450,534	1,429,272
Total Operating Revenues	3,313,509	3,329,760
OPERATING EXPENSES		
Water Department	1,609,600	1,672,371
Ambulance Department	727,289	630,172
Sewer Department	1,791,727	1,628,631
Total Operating Expenses	4,128,616	3,931,174
Operating Income (Loss)	(815,107)	(601,414)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	114,576	-
Grant Revenue	111,710	-
Leasing Revenue	9,600	9,600
Assessments - Water and Sewer Availability Charges	54,447	56,273
Interest	38,390	49,196
Special Meter Charges - Water	144,773	139,571
Special Meter Charges - Treatment Plant	110,440	106,058
Leachate Loads	222,036	151,841
Miscellaneous	126,745	156,117
Gain/(Loss) on Disposal of Capital Assets - Net	(82,139)	(4,683)
Interest on Long-term Debt	(70,474)	(81,251)
Cost of Assessing Availability Charges	(201)	(208)
Bond Issuance Costs	(1,875)	(750)
Total Non-Operating Revenues (Expenses)	778,028	581,764
Income (Loss) Before Contributions	(37,079)	(19,650)
Capital Contributions - Sewer	563,201	22,138
Capital Contributions - Water	7,314	10,505
Change in Net Assets	533,436	12,993
Total Net Assets, Beginning	18,254,608	18,241,615
Prior Period Adjustment	(1,014,539)	-
Total Net Assets, Ending	\$ 17,773,505	\$ 18,254,608

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,193,472	\$ 3,261,042
Cash Payments for Employee Services	(2,062,704)	(2,041,435)
Cash Paid to Suppliers	(1,375,076)	(1,244,834)
Other Revenue	281,650	524,521
	37,342	499,294
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	54,709	55,737
Property Taxes	109,617	-
Grant Revenue	1,841	-
	166,167	55,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(1,357,105)	(322,500)
Proceeds from Sale of Capital Assets	6,362	-
Capital Contributions	94,566	112,965
Special Meter Charges	255,213	245,629
Principal Payments on Debt	(557,027)	(338,753)
Interest Paid	(68,556)	(84,151)
	(1,626,547)	(386,810)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	41,780	55,155
	41,780	55,155
Net Increase (Decrease) in Cash and Cash Equivalents	(1,381,258)	223,376
Cash and Cash Equivalents - Beginning of Year	1,951,304	1,727,928
Cash and Cash Equivalents - End of Year	\$ 570,046	\$ 1,951,304
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENTS OF NET ASSETS		
Current Assets:		
Cash	\$ 50,169	\$ 221,343
Temporary Investments	513,210	1,729,961
Restricted Cash	6,667	-
Totals	\$ 570,046	\$ 1,951,304

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, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (815,107)	\$ (601,414)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	583,209	565,386
Other Income	281,650	317,558
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(120,037)	138,245
(Increase) Decrease in Prepaid Expenses	1,467	(139)
(Increase) Decrease in Deposit - Workers' Compensation	119,554	51,175
(Increase) Decrease in Inventory	(6,564)	4,400
Increase (Decrease) in Accounts Payable	29,424	963
Increase (Decrease) in Accrued Wages and Related Liabilities	(51,130)	10,216
Increase (Decrease) in Accrued Compensated Absences	28,539	12,904
Increase (Decrease) in Pension Related Debt	(13,663)	-
	<u>\$ 37,342</u>	<u>\$ 499,294</u>
NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Amortization of Bond Issuance Costs	\$ 1,875	\$ 750
Acquired Capital Assets with Accounts Payable	-	9,450

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash with Fiscal Agent	\$ 117,900	\$ 136,385
Temporary Investments	299,755	345,387
Assessments Receivable	-	11,048
Total Assets	\$ 417,655	\$ 492,820
LIABILITIES		
Due to Bondholders	417,655	492,820
Total Liabilities	\$ 417,655	\$ 492,820

The accompany notes are an integral part of this statement.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 are as follows:

<u>NAME</u>	<u>OFFICER</u>	<u>TERM EXPIRES</u>
Kenneth Ayers	President	December 2013
Kevin Kellems	Vice-President	December 2011
Pamella Bennett	Director	December 2013
Michael Terry	Director	December 2011
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, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010

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 \$780,152 and \$655,410 at June 30, 2011 and 2010, 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. 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.

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. 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 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Equity – Continued

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

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, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2011 and 2010 are classified in the accompanying financial statements as follows:

	Government Wide Statements of Net Assets	Statements of Fiduciary Assets and Liabilities	2011 Total	2010 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 50,169	\$ -	\$ 50,169	\$ 221,343
Temporary Investments	1,790,197	299,755	2,089,952	3,051,876
Restricted Cash	17,328	-	17,328	-
Cash with Fiscal Agent	<u>-</u>	<u>117,900</u>	<u>117,900</u>	<u>136,385</u>
	<u>\$ 1,857,694</u>	<u>\$ 417,655</u>	<u>\$ 2,275,349</u>	<u>\$ 3,409,604</u>

Cash and Investments consists of the following:

Deposits with Financial Institutions	\$ 66,497	\$ 220,343
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	2,089,952	3,051,876
Held by Bond Trustee:		
Money Market Fund	<u>117,900</u>	<u>136,385</u>
	<u>\$ 2,275,349</u>	<u>\$ 3,409,604</u>

Restricted Cash

Restricted cash of \$17,328 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

2) CASH AND TEMPORARY INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2011 and 2010, the District had the following investments:

	2011 Amount	Maturity Date 12 Months or less	2010 Total
LAIF	\$ 2,089,952	\$ 2,089,952	\$ 3,051,876
Held by Bond Trustee:			
Money Market Fund	117,900	117,900	136,385
	\$ 2,207,852	\$ 2,207,852	\$ 3,188,261

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.

Investment Type	2011 Amount	Minimum Legal Rating	Aaa	Not Rated	2010 Amount
LAIF	\$ 2,089,952	None	\$	\$ 2,089,952	\$ 3,051,876
Held by Bond Trustee:					
Money Market Funds	117,900	N/A	117,900		136,385
	\$ 2,207,852		\$ 117,900	\$ 2,089,952	\$ 3,188,261

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

2) CASH AND TEMPORARY INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2011 and 2010, 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, 2011 and 2010, the District had \$0 and \$6,610, respectively, in deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

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

The yield of LAIF for the quarter ended June 30, 2011 was .48%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2011 was \$66,384,617,119 and \$66,489,270,508, respectively. The District's share of the Pool at June 30, 2011 was approximately .0031432 percent.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2011 and 2010:

	June 30, 2011	June 30, 2010
Customers - Water and Sewer	\$ 266,718	\$ 171,290
Ambulance Receivable	1,126,155	994,375
Allowance for Uncollectible Ambulance Charges	(780,152)	(655,410)
	\$ 612,721	\$ 510,255

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.

4) OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Availability Charges	\$ 17,718	\$ 18,829	\$ 4,782	\$ 5,272
Brookings Mutual Water	-	-	320	1,183
Upstream Users - CSA79 and Arrowbear	-	-	89,141	105,521
San Bernardino County (Leachate)	-	-	74,768	40,183
Insurance	-	-	81,879	5,148
Grants	-	-	457,789	-
Miscellaneous	-	-	2,836	1,433
Payroll Related Items	-	-	48	1,222
	\$ 17,718	\$ 18,829	\$ 711,563	\$ 159,962
Total	\$ 17,718	\$ 18,829	\$ 711,563	\$ 159,962

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

5) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	<u>1,698,361</u>	<u>38,593</u>	<u>12,284</u>	<u>1,724,670</u>
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	<u>953,680</u>	<u>67,573</u>	<u>12,284</u>	<u>1,008,969</u>
Total Capital Assets Being Depreciated, Net	<u>744,681</u>	<u>(28,980)</u>	<u>-</u>	<u>715,701</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,159,357</u>	<u>\$ (28,980)</u>	<u>\$ -</u>	<u>\$ 1,130,377</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010

5) CAPITAL ASSETS - Continued

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	835,972	10,287	118,417	727,842
Special Purpose Equipment	565,672	20,638	40,996	545,314
Office Equipment	19,554	-	-	19,554
Shop and Station Equipment	27,855	-	17,655	10,200
Total Capital Assets Being Depreciated	<u>1,844,504</u>	<u>30,925</u>	<u>177,068</u>	<u>1,698,361</u>
Less Accumulated Depreciation:				
Structures and Improvements	214,409	12,042	-	226,451
Fire Trucks and Mounted Equipment	368,232	41,640	89,329	320,543
Special Purpose Equipment	398,977	23,052	40,996	381,033
Office Equipment	17,193	519	-	17,712
Shop and Station Equipment	25,224	371	17,654	7,941
Total Accumulated Depreciation	<u>1,024,035</u>	<u>77,624</u>	<u>147,979</u>	<u>953,680</u>
Total Capital Assets Being Depreciated, Net	<u>820,469</u>	<u>(46,699)</u>	<u>29,089</u>	<u>744,681</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,235,145</u>	<u>\$ (46,699)</u>	<u>\$ 29,089</u>	<u>\$ 1,159,357</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

5) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets, Not Depreciated:				
Land and Land Rights	\$ 967,357	\$ 31,157	\$ -	\$ 998,514
Construction in Progress	9,390	225,804	76,060	159,134
Total Capital Assets, Not Depreciated	976,747	256,961	76,060	1,157,648
Capital Assets Being Depreciated				
Water Plant and Facilities	9,941,377	18,204	5,833	9,953,748
Sewer Plant and Facilities	14,757,101	120,017	15,443	14,861,675
Furniture and Equipment	383,869	7,885	943	390,811
Trucks and Automobiles	1,223,971	4,943	5,188	1,223,726
Total Capital Assets Being Depreciated	26,306,318	151,049	27,407	26,429,960
Less Accumulated Depreciation				
Water Plant and Facilities	3,128,315	185,274	4,801	3,308,788
Sewer Plant and Facilities	5,896,764	314,745	11,792	6,199,717
Furniture and Equipment	355,940	7,783	943	362,780
Trucks and Automobiles	902,400	57,584	5,186	954,798
Total Accumulated Depreciation	10,283,419	565,386	22,722	10,826,083
Total Capital Assets Being Depreciated, Net	16,022,899	(414,337)	4,685	15,603,877
Business-type Activities Capital Assets, Net	\$ 16,999,646	\$ (157,376)	\$ 80,745	\$ 16,761,525

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

Governmental Activities:	
Fire Protection	\$ 77,624
Business-type Activities	565,386

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2011 and 2010:

	Governmental Activities		Business-Type Activities	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Grants Payable	\$ 1,496	\$ 1,527	\$ 88,892	\$ 90,861
Miscellaneous	-	-	3	3
Total	\$ 1,496	\$ 1,527	\$ 88,895	\$ 90,864

7) LONG-TERM LIABILITIES

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	\$ 162,187	\$ 791,998	\$ 194,579	\$ 759,606	\$ 75,158
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	\$ 1,705,190	\$ 1,120,086	\$ 635,341	\$ 2,189,935	\$ 232,671

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

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

7) LONG-TERM LIABILITIES - Continued

The following is a summary of long-term liabilities the year ended June 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 171,947	\$ 91,577	\$ 101,337	\$ 162,187	\$ 40,547
Governmental-Activities Long-term Liabilities	<u>\$ 171,947</u>	<u>\$ 91,577</u>	<u>\$ 101,337</u>	<u>\$ 162,187</u>	<u>\$ 40,547</u>
Business-type Activities:					
Bonds and Notes Payable:					
2002 Water Refunding Loan Agreement					
Agreement	\$ 502,181	\$ -	\$ 103,714	\$ 398,467	\$ 108,062
Sewer Treatment, 2001					
Installment Payable	1,238,795	-	130,630	1,108,165	136,909
2006 Municipal Finance Corporation Installment Payable					
Corporation Installment Payable	83,740	-	83,740	-	-
2008 Municipal Finance Corporation Installment Payable					
Corporation Installment Payable	65,000	-	20,669	44,331	21,651
Less: Deferred Amount on Refunding Water Bonds					
Refunding Water Bonds	<u>(17,299)</u>	<u>-</u>	<u>(4,942)</u>	<u>(12,357)</u>	<u>-</u>
Total Bonds and Notes Payable	<u>1,872,417</u>	<u>-</u>	<u>333,811</u>	<u>1,538,606</u>	<u>266,622</u>
Compensated Absences	<u>153,680</u>	<u>81,848</u>	<u>68,944</u>	<u>166,584</u>	<u>41,646</u>
Business-type Activities Long-term Liabilities	<u>\$ 2,026,097</u>	<u>\$ 81,848</u>	<u>\$ 400,755</u>	<u>\$ 1,705,190</u>	<u>\$ 308,268</u>

2002 Water Refunding Loan Agreement

On December 30, 2002, the District completed a refunding of its Water Refunding Revenue Bond, Series 1993 by issuing the 2002 Water Refunding Loan Agreement in the amount of \$1,042,337 at 4.15% interest rate. The 2002 Water Refunding Loan Agreement is payable in twenty-one semi-annual installments with the first installment due July 1, 2003. The District may, at its option, prepay the unpaid principal components of the loan commencing on January 1, 2004 and on any loan repayment date thereafter, in whole, upon not less than 60 days prior written notice to the lender, at a prepayment price equal to 100% of the principal amount of the loan to be repaid, plus accrued interest on the loan to the prepayment date, plus a prepayment premium equal to 1% of the principal amount of the loan to be prepaid. The District paid off the balance of the loan agreement based on the prepayment price plus accrued interest during the 2010-11 fiscal year and the loan is no longer outstanding.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

7) LONG-TERM LIABILITIES - Continued

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, 2011 the coverage was 6.26 times. Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 143,488	\$ 44,450
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
	<u>\$ 971,256</u>	<u>\$ 156,380</u>

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. Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 22,680	\$ 1,077

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

7) LONG-TERM LIABILITIES – Continued

Pension Related Debt

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

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

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 30,193	\$ 42,178
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>\$ 579,746</u>	<u>\$ 259,521</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

7) LONG-TERM LIABILITIES – Continued

PENSION RELATED DEBT – Continued

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

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 17,722	\$ 74,077
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
	\$ 1,000,876	\$ 738,111

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, 2011, there were outstanding bonds of \$1,005,000.

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 \$175,284 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.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

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 2010-11 were 20.218% for the miscellaneous plan and 27.371% 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.

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

Fiscal Year	Required Contributions	Percent Contributed
6/30/09	\$ 648,277	100%
6/30/10	654,808	100%
6/30/11	652,885	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.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

10) RISK MANAGEMENT - Continued

The purpose of the Authority is to provide risk financing and risk management services by arranging and administering programs of insurance. The District is insured up to \$10,000,000 with \$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, 2011 and 2010.

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, 2010	\$ -	\$ 139,860	\$ 139,860
June 30, 2011	-	104,475	104,475
	\$ -	\$ 244,335	\$ 244,335

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.

Running Springs Water District
Notes to Financial Statements
June 30, 2011 and 2010

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. It is likely that some of the District’s inventory will need to be scrapped as obsolete. As of June 30, 2011, the amount of the loss cannot be reasonably estimated.

14) PRIOR PERIOD ADJUSTMENT

The prior period adjustments of \$605,572 in governmental-activities, and \$1,014,539 in business-type activities and the enterprise fund financial statements, were made to properly report pension-related debt.

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,419,841	\$ 1,419,841	\$1,275,645	\$ (144,196)
Assessments - Fire Availability Charges	199,615	199,615	201,740	2,125
Other Revenue	-	-	4,842	4,842
Interest Revenue	-	-	2,286	2,286
Intergovernmental Revenue	144,433	144,433	8,294	(136,139)
	<u>1,763,889</u>	<u>1,763,889</u>	<u>1,492,807</u>	<u>(271,082)</u>
EXPENDITURES				
Salaries and Wages	550,625	550,625	569,025	(18,400)
Director Fees	4,516	4,516	3,384	1,132
Employee Benefits	436,431	436,431	423,095	13,336
Payroll Taxes	14,671	14,671	13,509	1,162
Safety Clothing and Personal Supplies	19,750	19,750	17,667	2,083
Telephone	4,346	4,346	4,308	38
Insurance	86,374	86,374	108,821	(22,447)
Maintenance:				
Building	7,000	7,000	2,714	4,286
Automotive Equipment	18,000	18,000	14,800	3,200
Special Purpose Equipment	4,275	4,275	3,415	860
Memberships	2,250	2,250	2,174	76
Office	8,190	8,190	3,425	4,765
Professional Services	22,413	22,413	23,996	(1,583)
Education, Training	16,000	16,000	7,883	8,117
Small Tools and Instruments	7,500	7,500	3,143	4,357
Special Department Expense - Fire				
Fighting/Medical Supplies	6,900	6,900	7,343	(443)
Utilities	15,410	15,410	10,920	4,490
Dispatching	48,906	48,906	44,130	4,776
Community Relations - Fire Prevention	4,250	4,250	3,052	1,198
Miscellaneous	8,896	8,896	7,118	1,778
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	25,734	25,734	25,734	-
Capital Outlay	74,000	74,000	38,593	35,407
	<u>1,386,437</u>	<u>1,386,437</u>	<u>1,338,249</u>	<u>48,188</u>
Total Expenditures				
Net Change in Fund Balance	377,452	377,452	154,558	<u>\$ (222,894)</u>
Fund Balance - Beginning	<u>1,192,312</u>	<u>1,192,312</u>	<u>1,192,312</u>	
Fund Balance - Ending	<u>\$ 1,569,764</u>	<u>\$ 1,569,764</u>	<u>\$ 1,346,870</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2011 and 2010

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, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Monthly Service Charges	\$ 692,618	\$ 668,187
Metered Water Sales and Water from Hydrants	677,743	676,149
Turn-on and Shut-off Charges	20,470	22,092
Delinquent Charges and Service Fees	43,523	44,572
Total Operating Revenues	1,434,354	1,411,000
OPERATING EXPENSES		
Source of Supply:		
Supervision, Labor and Expense	22,265	21,338
Maintenance	24,771	5,830
Purchased Water	132,300	211,416
Pumping:		
Maintenance and Repair	2,920	1,379
Purchased Power	87,789	82,938
Water Treatment:		
Supervision, Labor and Expense	26,459	25,357
Water Purification Expense	19,240	24,233
Transmission and Distribution:		
Supervision, Labor and Expense	170,839	163,724
Maintenance and Repair	9,194	6,594
Maintenance - Blacktop and Street	3,976	4,900
Customer's Accounts:		
Supervision, Labor and Expense for Meter Reading and Maintenance	136,182	130,510
Meter Maintenance	10,662	15,231
Uncollectible Accounts	3,388	4,678
Administrative and General:		
Salaries	250,163	283,294
Director's Fees	3,383	3,377
Office Supplies and Expenses	57,221	55,680
Computer Technical Support	25,691	15,614
Truck Expense, Gas and Oil	11,288	8,709
Truck Expense, Repairs and Tractor Expense	8,390	6,533
Utilities	11,143	12,131
Telephone	5,583	5,931
Employee Benefits	259,863	276,114
Payroll Taxes	8,394	9,373
Repairs and Maintenance	12,517	9,065
Permits	12,511	13,475
Professional Services	92,483	76,448
Dues and Subscriptions	3,584	3,918
Miscellaneous Supplies	956	961

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, 2011 and 2010

	2011	2010
OPERATING EXPENSES - Continued		
Administrative and General: - Continued		
Educational Programs	\$ 105	\$ 4,382
Insurance	50,810	43,609
Radio Maintenance and Repair		250
Miscellaneous	3,556	4,649
Depreciation	206,276	203,125
General Expense Allocated to Sewer, Fire and Ambulance Departments	(64,302)	(62,395)
Total Operating Expenses	1,609,600	1,672,371
Operating Income (Loss)	(175,246)	(261,371)
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	57,288	-
Grant Revenues	33,423	-
Assessments - Water Availability Charges	40,008	41,398
Interest Earned on Invested Funds	2,571	13,858
Leasing Revenue	9,600	9,600
Special Meter Charge	144,773	139,571
Miscellaneous	38,989	154,939
Loss on Disposal of Capital Asset	(4,488)	(1,032)
Interest on Long-term Debt	(19,508)	(22,636)
Cost of Assessing Water Availability Charges	(108)	(104)
Bond Issuance Costs	(1,875)	(750)
Total Non-Operating Revenues (Expenses)	300,673	334,844
Income Before Contributions and Transfers	125,427	73,473
Capital Contributions	7,314	10,505
Transfers Out	(6,057)	-
Change in Net Assets	\$ 126,684	\$ 83,978

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Ambulance Department
For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Ambulance Service Fees	\$ 428,621	\$ 489,488
Total Operating Revenues	428,621	489,488
OPERATING EXPENSES		
Salaries	487,904	404,179
Insurance	7,934	10,535
Telephone	4,122	3,516
Office Expense	1,643	840
Professional Services	21,599	19,671
Dues and Subscriptions	151	101
Medical Supplies	9,254	5,865
Gas, Fuel and Oil	13,633	6,503
Vehicle Repairs and Maintenance	8,555	9,870
Miscellaneous Supplies	626	110
Uncollectible Accounts	131,681	129,697
Depreciation	27,756	27,097
General Expense Allocated to Sewer, Fire and Ambulance Departments	12,431	12,188
Total Operating Expenses	727,289	630,172
Operating Income (Loss)	(298,668)	(140,684)
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous	1,499	-
Interest on Long-term Debt	(1,734)	(2,957)
Total Non-Operating Revenues (Expenses)	(235)	(2,957)
Change in Net Assets	\$ (298,903)	\$ (143,641)

Running Springs Water District
Schedules of Revenues, Expenses and Changes in Net Assets
Proprietary Fund - Sewer Department
For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Sewer Charges	\$ 973,059	\$ 939,209
Usage Charges	94,716	93,035
Expense Reimbursement from Upstream Users	379,560	389,833
California Demand Response Program (EnerNOC)	3,199	7,195
Total Operating Revenues	1,450,534	1,429,272
OPERATING EXPENSES		
Sewage Collections:		
Salaries and Wages	126,659	189,311
Repairs and Maintenance	144,432	46,261
Sewage Treatment:		
Salaries and Wages	258,352	312,472
Utilities, Electricity	124,387	151,791
Operating Supplies	3,022	1,071
Repairs and Maintenance	177,488	136,664
Chemical Analysis	2,966	3,072
Administrative and General:		
Salaries	69,012	25,340
Director's Fees	3,383	3,377
Employee Benefits	203,707	217,529
Payroll Taxes	6,651	6,014
Permits	27,613	26,783
Insurance	66,697	51,017
Maintenance - Truck	19,802	15,074
Memberships and Dues	6,677	5,185
Education and Training	1,031	1,652
Professional Services	159,784	60,369
Small Tools	8,003	8,260
Telephone	5,870	5,783
Office Expense	878	797
Depreciation Expense	349,177	335,164
General Expense Allocated to Sewer, Fire and Ambulance Departments	26,136	25,645
Total Operating Expenses	1,791,727	1,628,631
Operating Income (Loss)	(341,193)	(199,359)

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, 2011 and 2010

	2011	2010
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	\$ 57,288	\$ -
Grant Revenue	78,287	-
Assessments - Sewer Availability Charges	14,439	14,875
Interest Earned on Invested Funds	35,819	35,338
Miscellaneous Income	86,257	1,178
Leachate Loads	222,036	151,841
Special Sewer Charges - Treatment Plant Improvements	110,440	106,058
Loss on Disposal of Capital Asset	(77,651)	(3,651)
Cost of Assessing Water Availability Charges	(93)	(104)
Interest on Long-term Debt	(49,232)	(55,658)
Total Non-Operating Revenues (Expenses)	477,590	249,877
Income Before Contributions and Transfers	136,397	50,518
Capital Contributions	563,201	22,138
Transfers In	6,057	-
Change in Net Assets	\$ 705,655	\$ 72,656

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	Improvement Act of 1911		Bond Act of 1915		Totals	
	No. 5	No. 9	No. 7	No. 10	2011	2010
ASSETS						
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 117,900	\$ 117,900	\$ 136,385
Temporary Investments (LAIF)	6,669	72,633	95,952	124,501	299,755	345,387
Assessments Receivable	-	-	-	-	-	11,048
Total Assets	\$ 6,669	\$ 72,633	\$ 95,952	\$ 242,401	\$ 417,655	\$ 492,820
LIABILITIES						
Due to Bondholders	\$ 6,669	\$ 72,633	\$ 95,952	\$ 242,401	\$ 417,655	\$ 492,820
Total Liabilities	\$ 6,669	\$ 72,633	\$ 95,952	\$ 242,401	\$ 417,655	\$ 492,820

Running Springs Water District
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
<u>ASSESSMENT DISTRICT No. 5</u>				
ASSETS				
Temporary Investments	\$ 6,638	\$ 31	\$ -	\$ 6,669
Total Assets	\$ 6,638	\$ 31	\$ -	\$ 6,669
LIABILITIES				
Due to Bondholders	\$ 6,638	\$ 31	\$ -	\$ 6,669
Total Liabilities	\$ 6,638	\$ 31	\$ -	\$ 6,669
 <u>ASSESSMENT DISTRICT No. 9</u>				
ASSETS				
Temporary Investments	\$ 127,263	\$ 427	\$ 55,057	\$ 72,633
Total Assets	\$ 127,263	\$ 427	\$ 55,057	\$ 72,633
LIABILITIES				
Due to Bondholders	\$ 127,263	\$ 427	\$ 55,057	\$ 72,633
Total Liabilities	\$ 127,263	\$ 427	\$ 55,057	\$ 72,633
 <u>ASSESSMENT DISTRICT No. 6</u>				
ASSETS				
Assessments Receivable	\$ 7,245	\$ -	\$ 7,245	\$ -
Total Assets	\$ 7,245	\$ -	\$ 7,245	\$ -
LIABILITIES				
Due to Bondholders	\$ 7,245	\$ -	\$ 7,245	\$ -
Total Liabilities	\$ 7,245	\$ -	\$ 7,245	\$ -

Continued

Running Springs Water District
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
<u>ASSESSMENT DISTRICT No. 7</u>				
ASSETS				
Temporary Investments	\$ 95,501	\$ 451	\$ -	\$ 95,952
Assessments Receivable	3,803	-	3,803	-
Total Assets	<u>\$ 99,304</u>	<u>\$ 451</u>	<u>\$ 3,803</u>	<u>\$ 95,952</u>
LIABILITIES				
Due to Bondholders	<u>\$ 99,304</u>	<u>\$ 451</u>	<u>\$ 3,803</u>	<u>\$ 95,952</u>
Total Liabilities	<u>\$ 99,304</u>	<u>\$ 451</u>	<u>\$ 3,803</u>	<u>\$ 95,952</u>
<u>ASSESSMENT DISTRICT No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 136,385	\$ 116,591	\$ 135,076	\$ 117,900
Temporary Investments	115,985	146,848	138,332	124,501
Total Assets	<u>\$ 252,370</u>	<u>\$ 263,439</u>	<u>\$ 273,408</u>	<u>\$ 242,401</u>
LIABILITIES				
Due to Bondholders	<u>\$ 252,370</u>	<u>\$ 263,439</u>	<u>\$ 273,408</u>	<u>\$ 242,401</u>
Total Liabilities	<u>\$ 252,370</u>	<u>\$ 263,439</u>	<u>\$ 273,408</u>	<u>\$ 242,401</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash with Fiscal Agent	\$ 136,385	\$ 116,591	\$ 135,076	\$ 117,900
Temporary Investments	345,387	147,757	193,389	299,755
Assessments Receivables	11,048	-	11,048	-
Total Assets	<u>\$ 492,820</u>	<u>\$ 264,348</u>	<u>\$ 339,513</u>	<u>\$ 417,655</u>
LIABILITIES				
Due to Bondholders	<u>\$ 492,820</u>	<u>\$ 264,348</u>	<u>\$ 339,513</u>	<u>\$ 417,655</u>
Total Liabilities	<u>\$ 492,820</u>	<u>\$ 264,348</u>	<u>\$ 339,513</u>	<u>\$ 417,655</u>