

RUNNING SPRINGS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Years Ended June 30, 2017 and 2016

Running Springs Water District
Annual Financial Report
Years Ended June 30, 2017 and 2016

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INTRODUCTORY SECTION



RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT

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

November 7, 2017

Board of Directors
Running Springs Water District

Subject: Letter of Transmittal for Annual Financial Report and Independent Auditor's Report for the fiscal year ending June 30, 2017 and 2016

Honorable Directors:

We are pleased to provide you with this letter of transmittal for the Running Springs Water District's (District) Annual Financial Report and Independent Auditor's Report for the fiscal years ending June 30, 2017 and 2016. The intended purpose of the annual financial report is to provide the Board of Directors, the customers of the District and other interested parties with reliable information on the finances of the District. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Van Lant & Fankhanel, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ending June 30, 2017 and 2016, are free of material misstatement. The independent auditor concluded, based upon the audit, that in their opinion the District's financial statements for the fiscal years ending June 30, 2017 and 2016 present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017 and 2016 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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

In addition to the required components of the Financial Report, the District has elected to prepare this Letter of Transmittal. This Letter of Transmittal is intended to discuss the

District's accomplishments and future direction. It is designed to complement the MD&A and should be read in conjunction with it.

DISTRICT OVERVIEW

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

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

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

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

Government Activities

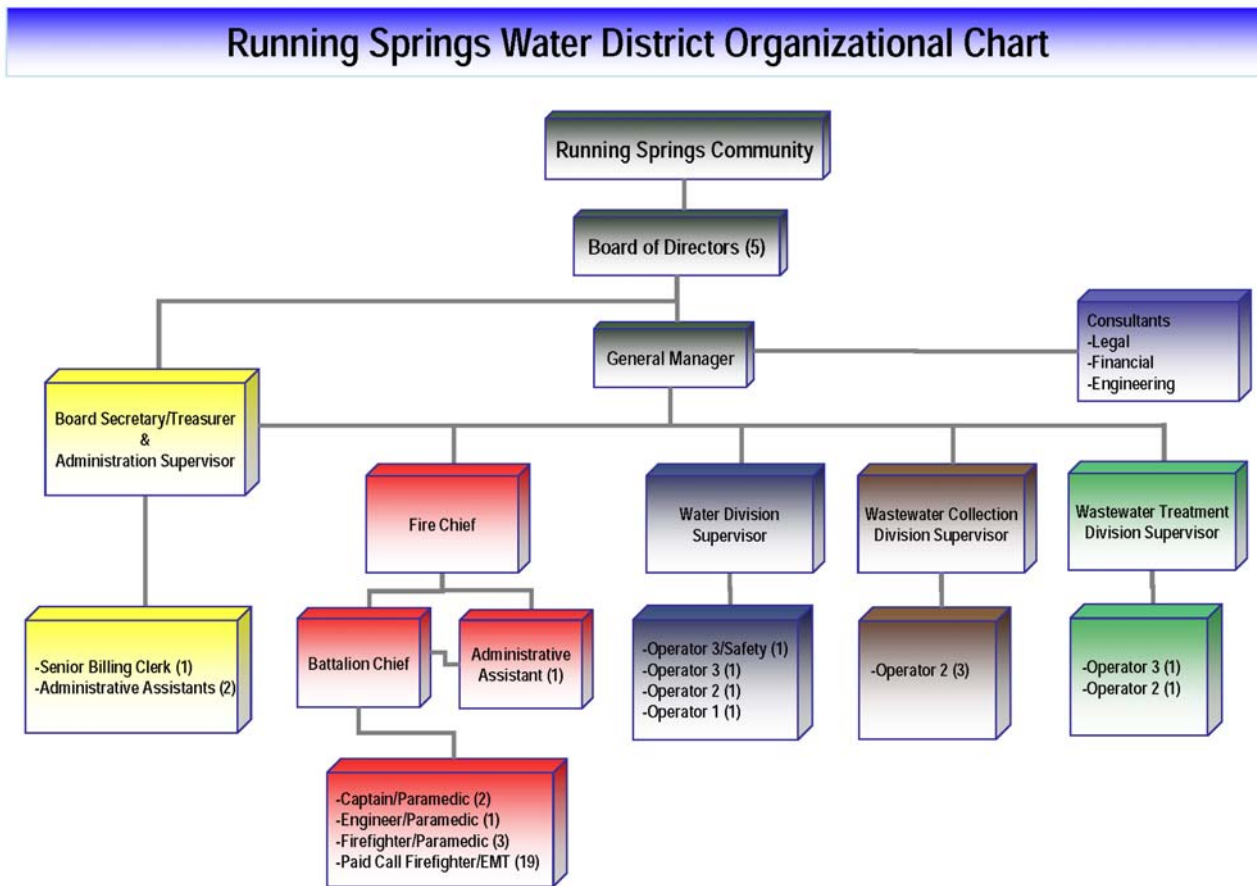
The District's Government Activities include fire protection services for the community of Running Springs.

Business-Type Activities

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

Staffing & Organizational Chart

Day-to-day management of the District is delegated to the General Manager of the District who reports directly to the locally elected Board of Directors. Reporting to the General Manager are the five department heads: Fire Chief, Administration Supervisor, Water Division Supervisor, Collections Division Supervisor and Treatment Division Supervisor. The following figure shows the current organization of the District.

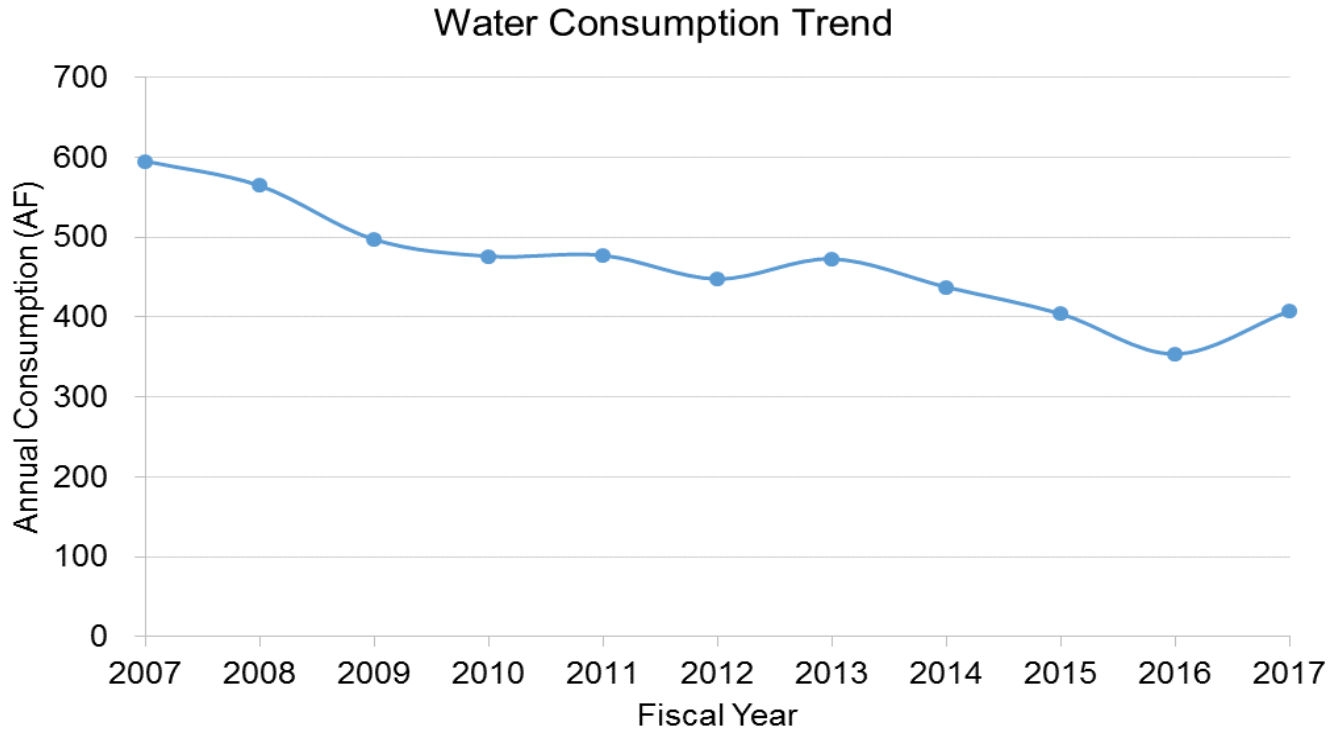


LOCAL ENVIRONMENT

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

WATER RESOURCES MANAGEMENT

The District typically produces more than 50% of its water supply from local District owned groundwater wells. Additional imported groundwater is purchased from Arrowbear Park County Water District and State Water Project water from the Crestline-Lake Arrowhead Water Agency (CLAWA). The District's historical water consumption is shown in the following chart. The amount of purchased water varies with local groundwater production that is tied to precipitation and groundwater well recharge.



WASTEWATER MANAGEMENT

The District must comply with local, state and federal regulations governing the collection, treatment and disposal of the community's wastewater. The agencies regulating the District's wastewater activities include: The State Regional Water Quality Control Board (RWQCB), San Bernardino County Environmental Health and the United States Forest Service (USFS). The District's Wastewater system is operated under a set of Waste Discharge Requirements (WDR) as part of the Santa Ana Regional Water Quality Control Board Order No. 87-8 issued February 11, 1987 by the RWQCB.

The District developed and implemented a Sewer System Management Plan (SSMP) in 2010 to improve its spill prevention and inflow and infiltration (I/I) prevention programs. The primary goal of the program is to prevent all spills from the wastewater collection system. Activities related to minimizing I/I are ongoing. The SSMP was most recently updated in September 2017.

FEES AND CHARGES

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

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

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

FINANCIAL PLANNING

In 2010, the District prepared a Financial Master Plan (FMP) along with Water and Wastewater Master Plans. These documents provided a basis for the strategic direction of the District. The District continues its focus on maintaining the necessary cash fund balances for the financial stability of the District and has adopted a Cash Reserve Policy as a guideline to achieve minimum cash balances in each of its reserve funds. The District's Cash Reserve Policy is a guideline for the priorities of operational revenue sources with the Operating Funds receiving the highest priority. After operational costs and debt service are covered, any free cash flow from operations moves into the Capital Improvement Funds up to an amount equal to annual depreciation plus 10%. Any remainder goes to the Rate Stabilization Funds for a balance not to exceed 20% of annual budgeted revenue.

ACCOUNTING AND INTERNAL CONTROLS

The Administration Division is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, budgeting, billing and collection of service charges, taxes, and other revenues. An outside consultant is used for special financial accounting, financial statement, audit preparation and other analysis.

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The system of internal controls is designed to provide reasonable assurance, not absolute, that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the District's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Board of Directors adopts an annual budget each year which is used as a management control tool for each of the District's divisions. Comparison information is presented to the Board quarterly to monitor revenues and expenditures and provides information regarding any major variances from budget. In addition, monthly comparison reports are provided to all department supervisors to monitor expenditures and to plan the year as it progresses in an effort to stay within the adopted budget.

FINANCIAL CONDITION

The Management's Discussion and Analysis (MD&A), which can be found immediately following the Independent Auditor's Report in the financial section of this report, summarizes the Statements of Net Position and Statements of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual government-wide financial statements are presented on pages 20-25. These government-wide statements are intended to present the District in a more corporate-style basis and provide a view of the big picture.

Additionally, the fund financial statements (starting on page 26) are designed to address the individual funds by category (governmental and proprietary, as well as the fiduciary fund). An explanation of these complementary presentations can be found in the MD&A and in the notes (see Note 1).

Supplementary schedules are presented to give department information for the Proprietary Fund (starting on page 67).

Liquidity is the ability to cover short-term obligations. The Proprietary Fund is similar to a business so the current ratio, which is a measurement of liquidity, can be helpful in assessing the liquidity of the District. The current ratio increased from 3.23 at June 30, 2016 to 4.75 at June 30, 2017. The current ratio from the above condensed summary is as follows:

	2017	2016
Current Ratio		
Current Assets	\$ 2,360,423	\$ 1,901,099
Current Liabilities	497,422	589,250
Current Ratio	4.75	3.23

However, since the current assets subtotal includes assets that are not immediately liquid, such as inventory, a more rigorous form of the ratio includes only cash, temporary investments and receivables. The following calculation shows that ratio as 2.11 at June 30, 2016 increasing to 3.81 at June 30, 2017.

	2017	2016
Quick Ratio (more rigorous)		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	935,927	308,031
Receivables	958,309	935,742
Cash, Temporary Investments and Receivables	\$ 1,895,236	\$ 1,244,773
Cash, Temporary Investments and Receivables	\$ 1,895,236	\$ 1,244,773
Current Liabilities	497,422	589,250
Quick Ratio	3.81	2.11

This increase in ratio indicates an increase in the ability of the District to cover short-term obligations.

Solvency is the ability to pay all debts. The debt ratio indicates the District's long-term debt paying ability. The following debt ratio calculation shows an increase from 0.31 at June 30, 2016 to 0.35 at June 30, 2017:

	2017	2016
Debt Ratio		
Total Liabilities	\$ 7,970,634	\$ 6,878,634
Total Assets	22,747,833	22,094,538
Debt Ratio	0.35	0.31

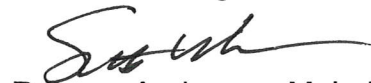
The above calculation is the conservative computation of debt ratio of the Proprietary Fund because it includes all liabilities. The lower the ratio, the better the debt-paying position of the District.

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

Respectfully submitted,



Ryan Gross
General Manager



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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Running Springs Water District
Running Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Running Springs Water District (the "District"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Running Springs Water District, as of June 30, 2017 and 2016, and the changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

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

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

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the supplementary information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

Van Lant & Fankhaed, LLP

November 7, 2017

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, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal (beginning on page i) and the District's basic financial statements (beginning on page 20).

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$598,817 and increased by \$537,780 as of June 30, 2017 and 2016, respectively. The increase for the year ended June 30, 2017 is the combination of an increase in net position for the Governmental Activities of \$298,808 and an increase in net position for the Business Type Activities of \$300,009. These increases are due to rate increases in charge for services, water consumption, Fire payroll reimbursement revenue and an increase in property tax revenue. The increase for the year ended June 30, 2016 is the combination of an increase in net position for the Governmental Activities of \$91,424 and an increase in net position for the Business Type Activities of \$446,356. These increases are due to rate increases in charge for services, Medi-Cal Ground Emergency Medical Transportation (GEMT) Supplemental Reimbursement and an increase in property tax revenue. During the 2015 fiscal year, the Governmental Accounting Standards Board Statement (GASBS) No.68 became effective and required the District to recognize on its statement of net position and balance sheet (proprietary funds) the proportionate share of its net pension liability related to the District's pension plan. The statement required implementation on a retroactive basis which resulted in the increase in net position as of June 30, 2017 and the decrease in net position as of June 30, 2016.
- Total revenues increased \$268,470 (4.15%) for the year ended June 30, 2017 and increased \$678,729 (11.74%) for the year ended June 30, 2016. The increase in 2017 is a combination of rate increases in charge for service, water consumption, Fire payroll reimbursement revenue, and increased property tax revenue. The increase in 2016 is a combination of rate increases in charge for service, Medi-Cal GEMT Supplemental Reimbursement and increased property tax revenue.
- Total expenses increased \$207,433 (3.5%) for the year ended June 30, 2017 and decreased \$202,957 (3.55%) for the year ended June 30, 2016. Water and Ambulance departments showed increases and Sewer and Fire departments showed decreases in expenses for the year ended June 30, 2017. All departments except the Water department showed increases in expenses for the year ended June 30, 2016.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

Statement of Net Position

The *Statement of Net Position* presents information on all of the Running Springs Water District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference, or net, reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Running Springs Water District is improving or deteriorating.

Statement of Activities

The *Statement of Activities* accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's solvency and ability to meet its financial commitments.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* for the Running Springs Water District include statements for the *Governmental Fund*, the *Proprietary Fund* and *Fiduciary Funds*.

The *Governmental Fund* financial statements include: ***Balance Sheets*** and ***Statements of Revenues, Expenditures and Changes in Fund Balances***, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the District's fund balances by law, creditors, and the District's Board. Unassigned fund balance is available for spending for any purpose. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the general government operations and the basic service it provides. Governmental funds will reflect bond proceeds and internal fund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The bottom of the Governmental Fund financial statements provides reconciliations between the fund financial statements and the government-wide financial statements.

The *Proprietary Fund* financial statements include: ***Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position***, and ***Statements of Cash Flows***. *Statements of Net Position* present our assets, deferred outflows, liabilities, deferred inflows and the difference, or net, between what we own and what we owe as of the last day of our fiscal year. *Statements of Revenues, Expenses and Changes in Net Position* describes the financial results of our proprietary operations for the fiscal years reported. The Proprietary Fund presentation produces the same totals as the Business-Type column in the government-wide financial statements. Readers also need to know how we manage our cash resources during the year to effect the changes in net position. This information is conveyed in the *Statements of Cash Flows*. The *Statements of Cash Flows* reconcile the income or loss from operations that are reported on the accrual basis with the actual cash inflows and uses. The *Statements of Cash Flows* also detail how we obtain cash through financing and investing activities and, similarly, how we spend cash for these purposes.

The *Fiduciary Fund* financial statements include: ***Statements of Fiduciary Assets and Liabilities***, which consist solely of trust and agency funds and are used to account for resources held for the benefit of parties outside the government (i.e. Assessment Districts). Fiduciary funds are *not* reflected in the *Statement of Net Position* and *Statement of Revenue, Expenses, and Changes in Net Position* because the resources of the fund are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The basic fiduciary fund financial statements can be found on page 34 of the Basic Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 35-67 of the Basic Financial Statements.

OVERVIEW OF SUPPLEMENTARY INFORMATION

This annual financial report includes required supplementary information and other supplementary information. The required supplementary information consists of a *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund Type – Fire Protection, Schedule of the Districts Proportionate Share of the Net Pension Liability, Schedule of Plan Contributions* and related notes. The budget vs. actual schedule compares revenues and expenditures for Fire Protection with budgeted amounts and details the variance for each line item. The other schedules will eventually provide 10 years of information related to the Districts pension plan.

Other supplementary information consists of three *Schedules of Revenues, Expenses and Changes in Net Position*. One schedule for each department accounted for in the Proprietary Fund, which are the Water Department, the Ambulance Department, and the Sewer Department. Additional supplementary information is presented for the Fiduciary Agency Funds which include two statements: *Combining Statement of Fiduciary Assets and Liabilities* and *Combining Statement of Changes in Assets and Liabilities*.

FINANCIAL ANALYSIS

District-wide Analysis

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

Running Springs Water District's Net Position

	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Assets:									
Current and Other Assets	\$1,543,864	\$1,352,274	\$1,310,561	\$ 2,360,423	\$ 1,901,099	\$ 2,378,011	\$ 3,904,287	\$ 3,253,373	\$ 3,688,572
Capital Assets	874,399	908,614	990,539	20,387,410	20,193,439	17,450,278	21,261,809	21,102,053	18,440,817
Total Assets	<u>2,418,263</u>	<u>2,260,888</u>	<u>2,301,100</u>	<u>22,747,833</u>	<u>22,094,538</u>	<u>19,828,289</u>	<u>25,166,096</u>	<u>24,355,426</u>	<u>22,129,389</u>
Deferred Outflows of									
Resources	1,091,451	643,510	489,533	1,400,501	849,706	492,691	2,491,952	1,493,216	982,224
Liabilities:									
Current Liabilities	92,320	93,833	89,539	497,422	589,250	504,962	589,742	683,083	594,501
Noncurrent Liabilities	2,971,773	2,460,528	2,227,582	7,473,212	6,289,384	3,881,519	10,444,985	8,749,912	6,109,101
Total Liabilities	<u>3,064,093</u>	<u>2,554,361</u>	<u>2,317,121</u>	<u>7,970,634</u>	<u>6,878,634</u>	<u>4,386,481</u>	<u>11,034,727</u>	<u>9,432,995</u>	<u>6,703,602</u>
Deferred Inflows of									
Resources	135,184	338,408	553,307	129,385	317,304	632,549	264,569	655,712	1,185,856
Net Position:									
Net Investment in									
Capital Assets	874,399	908,614	990,539	17,104,684	17,332,575	16,425,621	17,979,083	18,241,189	17,416,160
Restricted for:									
Debt Service	-	-	-	234,484	169,579	433,899	234,484	169,579	433,899
Water & Wastewater Expansion				138,107	324,433	428,189	138,107	324,433	428,189
Upstream Users				-	67,217	144,157	-	67,217	144,157
Unrestricted (deficit)	(563,962)	(896,985)	(1,070,334)	(1,428,960)	(2,145,498)	(2,129,916)	(1,992,922)	(3,042,483)	(3,200,250)
Total Net Position	<u>\$ 310,437</u>	<u>\$ 11,629</u>	<u>\$ (79,795)</u>	<u>\$16,048,315</u>	<u>\$15,748,306</u>	<u>\$15,301,950</u>	<u>\$16,358,752</u>	<u>\$15,759,935</u>	<u>\$15,222,155</u>

- The assets of Running Springs Water District increased by \$810,670 and \$2,226,037 as of June 30, 2017 and 2016 respectively. The most significant changes in 2017 are an increase in cash and temporary investments. The increase in 2017 was primarily the result of the decrease in construction in progress. The most significant changes in 2016 are an increase in construction in progress. The increase in 2016 was primarily the result of the replacement of three sewer lift stations that were 45 years old and passed their useful lives.
- The Running Springs Water District's total liabilities increased by \$1,601,732 and \$2,729,393 as of June 30, 2017 and 2016 respectively. The key factors in the increase in 2017 are an additional loan for the replacement of the three sewer lift stations and the increase in net pension liability. The key factor in the increase in 2016 is a new loan for the replacement of the three sewer lift stations. As mentioned earlier, GASBS No. 68 required the District to recognize its net pension liability related to its pension

plan. The net pension liability is determined using actuarial methods by CalPERS on an annual basis.

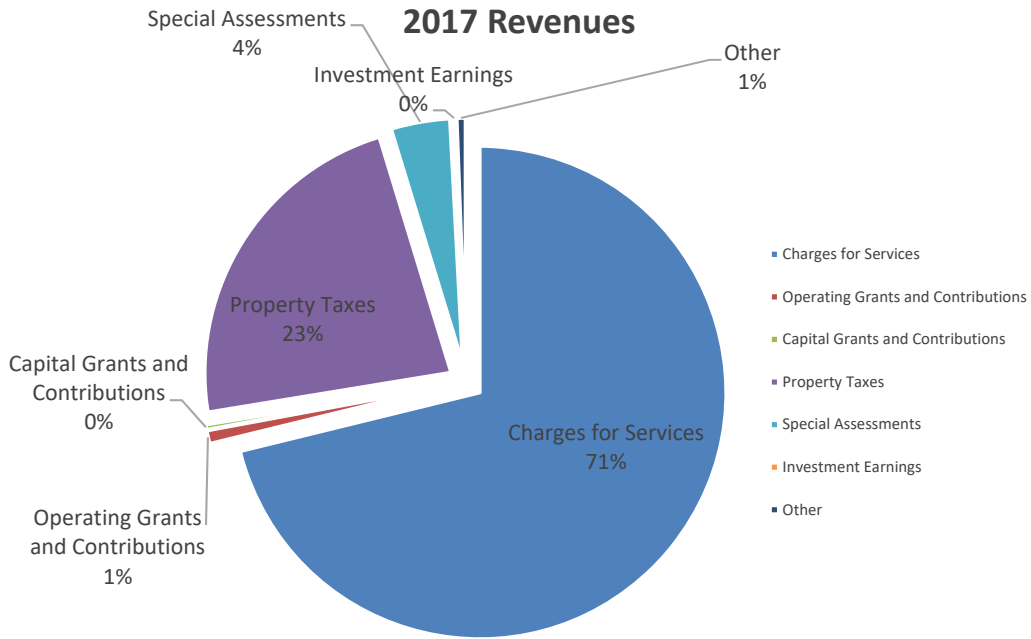
- Net position may serve over time as a useful indicator of a district's financial position. In the case of the Running Springs Water District, net position was \$16,358,752 and \$15,759,935 at the close of June 30, 2017 and 2016, respectively. Of this amount, \$(1,992,922) and \$(3,042,483) as of June 30, 2017 and 2016, respectively, (*unrestricted net position*) may be used to meet the District's ongoing obligations to customers and creditors. Although these amounts are presented in the aggregate, the District must follow certain laws related to the spending of revenues which involve Proposition 218. Water and Sewer resources can only be spent on expenses, programs or projects related to the respective revenue source.

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

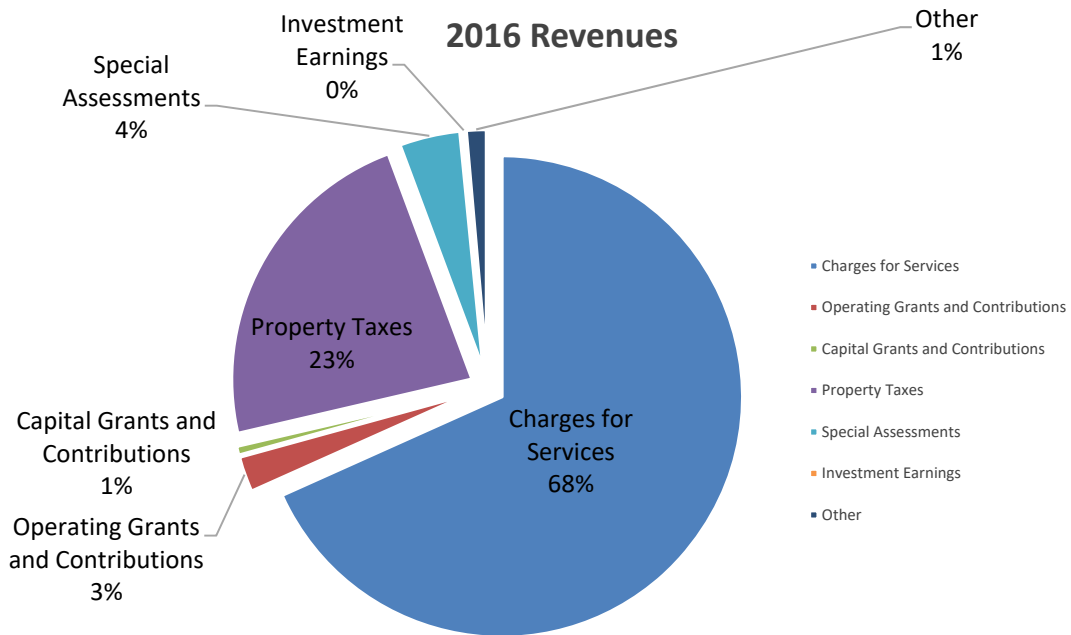
Running Springs Water District's Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Program Revenues:									
Charges for Services	\$ 150,848	\$ 114,977	\$ 16,940	\$ 4,640,530	\$ 4,298,809	\$ 3,845,143	\$ 4,791,378	\$ 4,413,786	\$ 3,862,083
Operating Grants and Contributions	-	-	-	59,977	156,691	-	59,977	156,691	-
Capital Grants and Contributions	5,710	5,423	15,707	17,424	36,259	166,814	23,134	41,682	182,521
General Revenues:									
Property Taxes	1,539,135	1,483,527	1,395,269	-	-	-	1,539,135	1,483,527	1,395,269
Special Assessments	201,264	205,122	204,949	59,755	60,971	67,002	261,019	266,093	271,951
Investment Earnings	11,582	3,659	693	5,041	7,794	9,760	16,623	11,453	10,453
Other	-	-	-	39,678	89,242	61,468	39,678	89,242	61,468
Total Revenues	1,908,539	1,812,708	1,633,558	4,822,405	4,649,766	4,150,187	6,730,944	6,462,474	5,783,745
Expenses:									
Fire Protection	1,609,731	1,721,284	1,652,207	-	-	-	1,609,731	1,721,284	1,652,207
Water	-	-	-	1,823,584	1,757,591	1,775,165	1,823,584	1,757,591	1,775,165
Ambulance	-	-	-	785,220	505,918	419,504	785,220	505,918	419,504
Sewer	-	-	-	1,913,592	1,939,901	1,874,861	1,913,592	1,939,901	1,874,861
Total Expenses	1,609,731	1,721,284	1,652,207	4,522,396	4,203,410	4,069,530	6,132,127	5,924,694	5,721,737
Transfers			(360,000)			360,000	-	-	-
Increase (Decrease) in Net Position	298,808	91,424	(378,649)	300,009	446,356	440,657	598,817	537,780	62,008
Total Net Position - Beginning	11,629	(79,795)	2,110,991	15,748,306	15,301,950	17,050,176	15,759,935	15,222,155	19,161,167
Prior Period Adjustment	-	-	(1,812,137)	-	-	(2,188,883)	-	-	(4,001,020)
Total Net Position - Ending	\$ 310,437	\$ 11,629	\$ (79,795)	\$16,048,315	\$15,748,306	\$15,301,950	\$16,358,752	\$15,759,935	\$15,222,155

Total revenues increased \$268,470 (4.15%) for the year ended June 30, 2017.

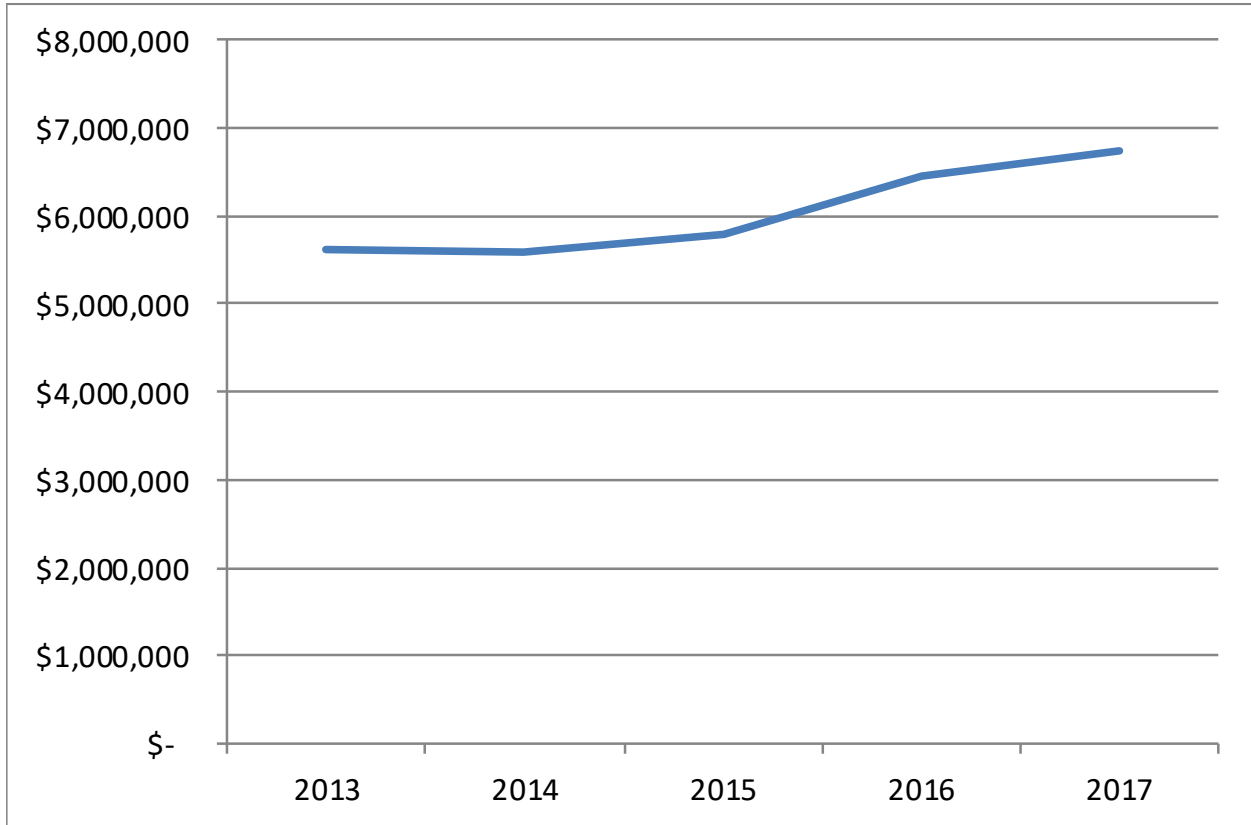


The breakdown of each category of revenue had a slight change as compared to the revenue breakdown for the year ended June 30, 2016 (2016: Charges for Services 68%, Operating Grants and Contributions 3%, Capital Grants and Contributions 1%, Property Taxes 23%, Special Assessments 4%, Investment Earnings 0% and Other 1%).



The increase (4.15%) in total revenues for 2017 when compared to 2016 is primarily due to rate increases in charges for services and increased property tax revenue.

The graph below illustrates the revenue in the recent past years.



District-wide, total expenses increased \$207,433 (3.5%) for the year ended June 30, 2017 and \$202,957 (3.55%) for the year ended June 30, 2016. Notable increases in expenses in both 2017 and 2016 are employee salaries and bad debt expense in the Ambulance Department.

Governmental Fund and Governmental Activities (Fire Protection) Analysis

Net position for the Governmental Activities is \$310,437 and \$11,629 at the close of June 30, 2017 and 2016 respectively. The increase of \$298,808 for the year ended June 30, 2017 is primarily the result of the Fire payroll reimbursement revenue and the decrease of salaries due to the change of Ambulance salary allocation and the credit amount of net pension expense due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 (Governmental Activities). The increase of \$91,424 for the year ended June 30, 2016 is the result of the increase in revenue and expenses stayed about same. For the year ended June 30, 2017, the revenues increased 9% and expense decreased 6%. Revenues increased 11% and expense decreased 0.5% for the year ended June 30, 2016.

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

	2017			2016		
	<u>Modified Accrual</u>		<u>Full Accrual</u>	<u>Modified Accrual</u>		<u>Full Accrual</u>
	Statement of Revenues and Expenditures - Governmental Fund -Fire Protection		Statement of Activities - Fire Protection	Statement of Revenues and Expenditures - Governmental Fund -Fire Protection		Statement of Activities - Fire Protection
		Conversion			Conversion	
Revenues	\$ 1,908,539	\$ -	\$ 1,908,539	\$ 1,812,708	\$ -	\$ 1,812,708
Expenditures/Expenses/Transfers	1,728,846	(119,115)	1,609,731	1,793,451	(72,167)	1,721,284
Excess of Revenues Over (Under)						
Expenditures	179,693	119,115	298,808	19,257	72,167	91,424
Net Change	\$ 179,693	\$ 119,115	\$ 298,808	\$ 19,257	\$ 72,167	\$ 91,424

	2015		
	<u>Modified Accrual</u>		<u>Full Accrual</u>
	Statement of Revenues and Expenditures - Governmental Fund -Fire Protection		Statement of Activities - Fire Protection
		Conversion	
Revenues	\$ 1,633,558	\$ -	\$ 1,633,558
Expenditures / Expenses	2,162,764	(150,557)	2,012,207
Excess of Revenues Over (Under)			
Expenditures	(529,206)	150,557	(378,649)
Net Change	\$ (529,206)	\$ 150,557	\$ (378,649)

- Revenues for the year ended June 30, 2017 increased 5% as a result of an increase in Property taxes, hazard abatement program revenue and other revenue. Expenses in the Governmental Activities decreased 6% for the year ended June 30, 2017 as a result of the increase percentage of salary allocation to Ambulance Fund.
- Revenues for the year ended June 30, 2016 increased 11% as a result of an increase in Property taxes, hazard abatement program revenue and other revenue. Expenses in the Governmental Activities decreased 0.5% for the year ended June 30, 2016.

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

Net position for the Business-Type Activities is \$16,048,315 and \$15,748,306 at the close of June 30, 2017 and 2016 respectively. The increase of \$300,009 for the year June 30, 2017 is the result of the service charge rate increase. The increase of \$446,356 for the year June 30, 2016 is the result of the service charge rate increase and Medi-Cal GEMT Supplemental Reimbursement. Revenues increased 4% for the year ended June 30, 2017, and expenses increased 8%. For the year ended June 30, 2016, revenues increased 12% and expenses increased 3%.

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

Proprietary Fund - Change in Net Position

	2017	2016	2015
Operating Revenues			
Water Department	\$ 1,906,259	\$ 1,751,686	\$ 1,690,238
Ambulance Department	679,869	674,656	364,200
Sewer Department	2,105,870	2,029,158	1,516,978
Total Operating Revenues	<u>4,691,998</u>	<u>4,455,500</u>	<u>3,571,416</u>
Operating Expenses			
Water Department	1,807,352	1,740,121	1,769,592
Ambulance Department	784,077	505,782	419,504
Sewer Department	1,909,468	1,927,347	1,854,320
Total Operating Expenses	<u>4,500,897</u>	<u>4,173,250</u>	<u>4,043,416</u>
Operating Income (Loss)	191,101	282,250	(472,000)
Non-Operating Revenues	112,983	158,007	411,957
Non-Operating Expenses	(21,499)	(30,160)	(26,114)
Income (Loss) Before Property			
Contributions and Transfers	282,585	410,097	(86,157)
Transfers In			360,000
Capital contributions	17,424	36,259	166,814
Change in Net Position	<u>\$ 300,009</u>	<u>\$ 446,356</u>	<u>\$ 440,657</u>

Analysis for the year ended June 30, 2017:

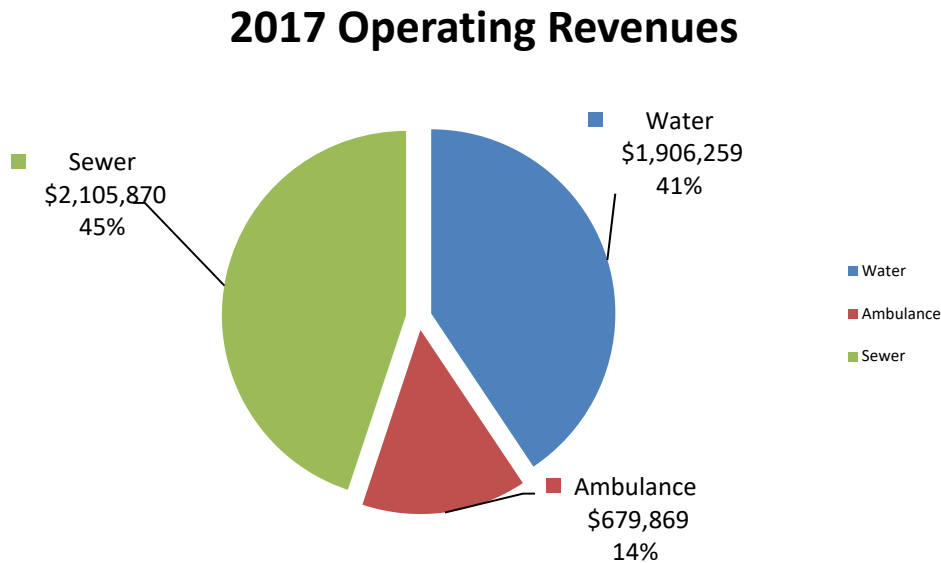
Below is condensed information related to the Proprietary Funds, by department.

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

	Water Department		Ambulance Department		Sewer Department	
	2017	2016	2017	2016	2017	2016
Operating Revenues	\$ 1,906,259	\$ 1,751,686	\$ 679,869	\$ 674,656	\$ 2,105,870	\$ 2,029,158
Operating Expenses	1,807,352	1,740,121	784,077	505,782	1,909,468	1,927,347
Operating Income (Loss)	98,907	11,565	(104,208)	168,874	196,402	101,811
Nonoperating Revenues	77,144	97,829	1,618	4,861	34,221	55,317
Nonoperating Expenses	16,232	17,470	1,143	136	4,124	12,554
Total Nonoperating Revenues (Expenses)	60,912	80,359	475	4,725	30,097	42,763
Income (Loss) before Capital Contributions	159,819	91,924	(103,733)	173,599	226,499	144,574
Capital Contributions	5,382	5,382	-	-	12,042	30,877
Change in Net Position	\$ 165,201	\$ 97,306	\$ (103,733)	\$ 173,599	\$ 238,541	\$ 175,451

The condensed summary above shows that the Ambulance Department reported an operating loss for the year ended June 30, 2017 because of the decrease in operating revenue and the increase of salary allocation percentage. The summary shows an operating income for the year ended June 30, 2016 because of the Medi-Cal GEMT Supplemental Reimbursement which means charges to customers for sales and services did not cover the costs of delivering those services.

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2017:

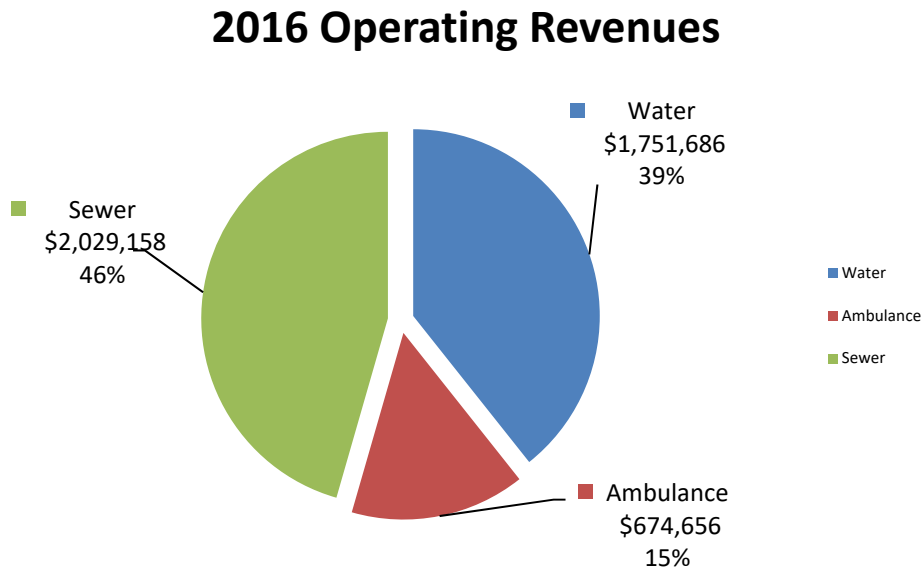


Factors contributing to the Proprietary Fund \$300,009 increase in net position for the year ended June 30, 2017 are as follows:

- Water and wastewater rates were increased in 2017.
- Ambulance salary allocation percentage was increased in 2017.

Analysis for the year ended June 30, 2016:

The following graph shows the breakdown of operating revenues for the Proprietary Fund for the year ending June 30, 2016:



Factors contributing to the Proprietary Fund \$446,356 increase in net position for the year ended June 30, 2016 are as follows:

- Water and wastewater rates were increased in 2016.
- Medi-Cal GEMT Supplemental Reimbursement was received in 2016.

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, 2017:

The final budget projected a net increase in fund balance of \$105,380. The actual was a net increase of \$179,693. The notable variances for budget to actual are as follows:

- Property taxes revenue was \$114,135 higher than the budgeted amount.
- Hazard Abatement Program Revenue was \$9,154 higher than the budgeted amount.
- Other Revenues were \$117,494 higher than the budgeted amounts due to the reimbursement for Fire services provided outside the District.
- Salaries and wages were \$111,771 higher than the budgeted amount due to the fire services provided outside the District.

Analysis for the Year Ended June 30, 2016:

The final budget projected a net decrease in fund balance of \$(32,526). The actual was a net increase of \$51,783. The notable variances for budget to actual are as follows:

- Hazard Abatement Program Revenue was \$18,849 higher than the budgeted amount.
- Other Revenues were \$64,428 higher than the budgeted amounts due to the reimbursement for Fire services provided outside the District.
- Salaries and wages were \$129,980 higher than the budgeted amount due to higher compensated absences payouts.

CAPITAL ASSETS

The Running Springs Water District's investment in capital assets as of June 30, 2017 and 2016 amounts to \$21,261,809 and \$21,102,053 (net of accumulated depreciation) respectively. The investment at June 30, 2017 represents a net increase (including additions and deductions) of 1% compared to an increase of 14% for the year ended June 30, 2016. 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		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Land and Land Rights	\$ 414,676	\$ 414,676	\$ 414,676	\$ 1,014,656	\$ 1,014,656	\$ 1,014,656	\$ 1,429,332	\$ 1,429,332	\$ 1,429,332
Construction in Progress	-	-	-	503,733	3,986,213	787,227	503,733	3,986,213	787,227
Structures and Improvements	127,128	111,193	121,443	-	-	-	127,128	111,193	121,443
Water Plant and Facilities	-	-	-	6,647,943	5,637,325	5,843,886	6,647,943	5,637,325	5,843,886
Sewer Plant and Facilities	-	-	-	11,805,143	9,142,866	9,500,589	11,805,143	9,142,866	9,500,589
Fire Trucks and Mounted Equipment	280,185	335,492	391,664	-	-	-	280,185	335,492	391,664
Trucks and Automobiles	-	-	-	335,634	380,526	269,198	335,634	380,526	269,198
Special Purpose Equipment	31,266	43,388	56,753	-	-	-	31,266	43,388	56,753
Furniture and Equipment	-	-	-	80,301	31,853	34,722	80,301	31,853	34,722
Office Equipment	19,543	374	518	-	-	-	19,543	374	518
Shop and Station Equipment	726	1,113	1,518	-	-	-	726	1,113	1,518
Communication Equipment	875	2,378	3,967	-	-	-	875	2,378	3,967
Total	\$ 874,399	\$ 908,614	\$ 990,539	\$ 20,387,410	\$ 20,193,439	\$ 17,450,278	\$ 21,261,809	\$ 21,102,053	\$ 18,440,817

The most significant construction-in-progress jobs open at June 30, 2017 include the following:

- Tyler/Incode Account Receivable Module implementation
- Automated Meter Reader (AMR) installation
- Wastewater Treatment Plant Membrane Bioreactor (MBR) Upgrade

Additional information on the Running Springs Water District's capital assets can be found in Note 5 on pages 48-51 of the Basic Financial Statements.

NONCURRENT LIABILITIES

The District's noncurrent liabilities at June 30, 2017 and 2016 are \$10,444,985 and \$8,749,912 respectively. During 2017, the District paid off 2001 Sewer Treatment Installment Payable loan. During 2016, the District incurred expenses related to the State Water Resources Control Board Installment Payable 2014 and Ambulance Municipal Finance Corporation Installment Payable 2016. These loans increased the noncurrent liabilities by \$2,021,373 and \$35,000, respectively. Other than the net pension liability, both 2017 and 2016 liabilities included compensated absences and bonds payable (net of all amounts due within one year).

Noncurrent Liabilities

	2017	2016	2015
Governmental Activities:			
Compensated Absences	\$ 90,843	\$ 89,754	\$ 97,000
Net Pension Liability	2,899,099	2,402,353	2,180,323
Total	<u>2,989,942</u>	<u>2,492,107</u>	<u>2,277,323</u>
Less: Current Portion	(18,169)	(31,579)	(49,741)
Noncurrent Portion	<u>2,971,773</u>	<u>2,460,528</u>	<u>2,227,582</u>
Business-Type Activities:			
Bonds and Notes Payable:			
Sewer Treatment, 2001 Installment Payable	-	181,450	354,579
Sewer Treatment, SWRCB 2014 Installment Payable	2,799,936	2,141,451	120,078
Water Supply, 2015 Installment Payable, Ayers	454,313	502,963	550,000
Ambulance, 2016 Installment Payable	28,477	35,000	-
Total Bonds and Notes Payable	<u>3,282,726</u>	<u>2,860,864</u>	<u>1,024,657</u>
Compensated Absences	307,649	259,869	220,883
Net Pension Liability	4,124,914	3,462,011	2,893,234
Less: Current Portion	(242,077)	(293,360)	(257,255)
Noncurrent Portion	<u>7,473,212</u>	<u>6,289,384</u>	<u>3,881,519</u>
Government-Wide Summary			
Compensated Absences	398,492	349,623	317,883
Net Pension Liability	7,024,013	5,864,364	5,073,557
Bonds and Notes Payable:	<u>3,282,726</u>	<u>2,860,864</u>	<u>1,024,657</u>
Totals	<u>10,705,231</u>	<u>9,074,851</u>	<u>6,416,097</u>
Less: Current Portion	(260,246)	(324,939)	(306,996)
Noncurrent Portion	<u>\$10,444,985</u>	<u>\$8,749,912</u>	<u>\$6,109,101</u>

The District paid principal payments on the bonds and notes payable of \$236,623 during the year ended June 30, 2017 and \$220,166 during the year ended June 30, 2016, respectively.

Additional information on the Running Springs Water District's noncurrent liabilities can be found in Note 7 on pages 52-55 of the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Running Springs Water District's finances for all those with an interest in the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the General Manager, Running Springs Water District, PO Box 2206, Running Springs, California, 92382.

BASIC FINANCIAL STATEMENTS

Running Springs Water District
Statements of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
ASSETS				
Cash	\$ 133,425	\$ 459,549	\$ 1,000	\$ 1,000
Temporary Investments	1,334,521	821,155	935,927	308,031
Receivables:				
Customers - Net of Allowance	-	-	848,679	825,715
Other	17,301	14,899	106,348	107,497
Taxes	42,034	45,980	2,153	1,647
Interest	5,023	-	1,129	883
Materials and Supplies Inventory	-	-	86,581	88,430
Prepaid Expenses	869	-	4,731	-
Restricted Assets:				
Cash	10,691	10,691	373,875	500,679
Construction Receivables - Upstream Users	-	-	-	67,217
Capital Assets, Not Being Depreciated				
Land	414,676	414,676	1,014,656	1,014,656
Construction in Progress	-	-	503,733	3,986,213
Capital Assets Net of Accumulated Depreciation	459,723	493,938	18,869,021	15,192,570
Total Assets	<u>2,418,263</u>	<u>2,260,888</u>	<u>22,747,833</u>	<u>22,094,538</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Items	<u>1,091,451</u>	<u>643,510</u>	<u>1,400,501</u>	<u>849,706</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	74,151	62,254	170,719	219,564
Interest Payable	-	-	4,392	7,242
Other Payables	-	-	27,646	16,209
Unearned Availability Charges	-	-	52,588	52,875
Long-term Liabilities Due Within One Year	18,169	31,579	242,077	293,360
Noncurrent Liabilities:				
Long-term Liabilities	2,971,773	2,460,528	7,473,212	6,289,384
Total Liabilities	<u>3,064,093</u>	<u>2,554,361</u>	<u>7,970,634</u>	<u>6,878,634</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Related Items	<u>135,184</u>	<u>338,408</u>	<u>129,385</u>	<u>317,304</u>
NET POSITION				
Net Investment in Capital Assets	874,399	908,614	17,104,684	17,332,575
Restricted For Debt Service	-	-	234,484	169,579
Restricted for Wastewater Expansion	-	-	138,107	324,433
Restricted for Upstream Users	-	-	-	67,217
Unrestricted (deficit)	<u>(563,962)</u>	<u>(896,985)</u>	<u>(1,428,960)</u>	<u>(2,145,498)</u>
Total Net Position	<u>\$ 310,437</u>	<u>\$ 11,629</u>	<u>\$ 16,048,315</u>	<u>\$ 15,748,306</u>

Total	
2017	2016
\$ 134,425	\$ 460,549
2,270,448	1,129,186
848,679	825,715
123,649	122,396
44,187	47,627
6,152	883
86,581	88,430
5,600	-
384,566	511,370
-	67,217
1,429,332	1,429,332
503,733	3,986,213
19,328,744	15,686,508
<u>25,166,096</u>	<u>24,355,426</u>
<u>2,491,952</u>	<u>1,493,216</u>
244,870	281,818
4,392	7,242
27,646	16,209
52,588	52,875
260,246	324,939
10,444,985	8,749,912
<u>11,034,727</u>	<u>9,432,995</u>
<u>264,569</u>	<u>655,712</u>
17,979,083	18,241,189
234,484	169,579
138,107	324,433
-	67,217
<u>(1,992,922)</u>	<u>(3,042,483)</u>
<u>\$ 16,358,752</u>	<u>\$ 15,759,935</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,609,731	\$ 150,848	\$ -	\$ 5,710
Business-type Activities:				
Water	1,823,584	1,906,259	-	5,382
Ambulance	785,220	619,892	59,977	-
Sewer	1,913,592	2,114,379	-	12,042
Total Business-type Activities	4,522,396	4,640,530	59,977	17,424
Total Primary Government	\$ 6,132,127	\$ 4,791,378	\$ 59,977	\$ 23,134

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,453,173)	\$ -	\$ (1,453,173)
-	88,057	88,057
-	(105,351)	(105,351)
-	212,829	212,829
-	195,535	195,535
(1,453,173)	195,535	(1,257,638)
1,539,135	-	1,539,135
201,264	59,755	261,019
11,582	5,041	16,623
-	10,636	10,636
-	29,042	29,042
1,751,981	104,474	1,856,455
298,808	300,009	598,817
11,629	15,748,306	15,759,935
<u>\$ 310,437</u>	<u>\$ 16,048,315</u>	<u>\$ 16,358,752</u>

Running Springs Water District
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,721,284	\$ 114,977	\$ -	\$ 5,423
Business-type Activities:				
Water	1,757,591	1,751,686	-	5,382
Ambulance	505,918	517,965	156,691	-
Sewer	1,939,901	2,029,158	-	30,877
Total Business-type Activities	4,203,410	4,298,809	156,691	36,259
Total Primary Government	\$ 5,924,694	\$ 4,413,786	\$ 156,691	\$ 41,682

General Revenues:
Property Taxes
Special Assessments - Availability Charges
Investment Earnings
Leasing Revenue
Gain on Sale of Capital Assets
Miscellaneous
Transfers

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,600,884)	\$ -	\$ (1,600,884)
-	(523)	(523)
-	168,738	168,738
-	120,134	120,134
-	288,349	288,349
(1,600,884)	288,349	(1,312,535)
1,483,527	-	1,483,527
205,122	60,971	266,093
3,659	7,794	11,453
-	10,432	10,432
-	-	-
-	78,810	78,810
-	-	-
1,692,308	158,007	1,850,315
91,424	446,356	537,780
(79,795)	15,301,950	15,222,155
<u>\$ 11,629</u>	<u>\$ 15,748,306</u>	<u>\$ 15,759,935</u>

Running Springs Water District
Balance Sheets
Governmental Fund - Fire Protection
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 133,425	\$ 459,549
Temporary Investments	1,334,521	821,155
Restricted Cash	10,691	10,691
Accounts Receivable:		
Fire Availability Charges and Other	17,301	14,899
Taxes Receivable	42,034	45,980
Interest Receivable	5,023	-
Prepaid Expenses	869	-
	\$ 1,543,864	\$ 1,352,274
Total Assets	\$ 1,543,864	\$ 1,352,274
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 74,151	\$ 62,254
	74,151	62,254
Total Liabilities	74,151	62,254
Fund Balances:		
Nonspendable:		
Prepays	869	-
Committed:		
Equipment Replacement - General	12,188	12,188
Equipment Replacement - Breathing Apparatus	76,923	76,923
Assigned:		
Workers' Compensation Fund	12,432	12,956
Unassigned	1,367,301	1,187,953
	1,469,713	1,290,020
Total Fund Balances	1,469,713	1,290,020
Total Liabilities and Fund Balances	\$ 1,543,864	\$ 1,352,274

The accompanying notes are an integral part of this statement.

Running Springs Water District
Reconciliation of the Balance Sheets to the Statements of Net Position
Governmental Fund
June 30, 2017 and 2016

	2017	2016
Fund balances - total governmental fund	\$ 1,469,713	\$ 1,290,020
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Capital Assets	2,245,520	2,199,211
Accumulated Depreciation	(1,371,121)	(1,290,597)
<p>Amounts for deferred inflows and deferred outflows related to the District's Net Pension Liability are not reported in the funds.</p>		
Deferred Outflows Related to Pensions	1,091,451	643,510
Deferred Inflows Related to Pensions	(135,184)	(338,408)
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Compensated Absences	(90,843)	(89,754)
Net Pension Liability	(2,899,099)	(2,402,353)
Net Position of Governmental Activities	\$ 310,437	\$ 11,629

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Fund - Fire Protection
Years Ended June 30, 2017 and 2016

	2017	2016
REVENUES		
Property Taxes	\$ 1,539,135	\$ 1,483,527
Assessments - Fire Availability Charges	201,264	205,122
Hazard Abatement Program Revenue	16,654	6,458
Other Revenue	134,194	108,519
Interest Revenue	11,582	3,659
Intergovernmental Revenue	5,710	5,423
Total Revenues	1,908,539	1,812,708
 EXPENDITURES		
Salaries and Wages	852,403	992,849
Director Fees	1,868	9,436
Employee Benefits	534,416	472,496
Payroll Taxes	12,141	14,065
Community Relations - Fire Prevention	2,703	2,643
Dispatching	45,682	43,375
Education, Training	5,030	7,573
Hazard Abatement	7,934	563
Insurance	54,880	89,922
Maintenance:		
Automotive Equipment	22,971	22,167
Building	6,714	6,379
Memberships	3,360	7,641
Miscellaneous	6,961	4,305
Office	4,450	4,067
Professional Services	32,365	32,145
Safety Clothing and Personal Supplies	35,543	27,275
Utilities	22,700	23,624
General Operating Expenses Allocated from Water Department -		
Salaries, Utilities, etc.	30,416	32,926
Capital Outlay	46,309	-
Total Expenditures	1,728,846	1,793,451
Excess (Deficiency) of Revenues Over Expenditures	179,693	19,257
Net Change in Fund Balances	179,693	19,257
Fund Balance, Beginning of Year	1,290,020	1,270,763
Fund Balance, End of Year	\$ 1,469,713	\$ 1,290,020

Running Springs Water District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund
Balance of Governmental Fund to the Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Net change in fund balances - governmental fund	\$ 179,693	\$ 19,257
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlay	46,309	-
Depreciation	(80,524)	(81,925)
Amounts for deferred inflows and deferred outflows related to the District's net pension liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability.		
Deferred Outflows Related to Pensions	447,941	153,977
Deferred Inflows Related to Pensions	203,224	214,899
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences	(1,089)	7,246
Net Pension Liability	(496,746)	(222,030)
Change in Net Position of Governmental Activities	\$ 298,808	\$ 91,424

The accompanying notes are an integral part of this statement.

Running Springs Water District
Statements of Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	935,927	308,031
Receivables:		
Customers - Net of Allowances	848,679	825,715
Other	106,348	107,497
Taxes	2,153	1,647
Interest	1,129	883
Material and Supplies Inventory	86,581	88,430
Prepaid Expenses	4,731	-
Restricted:		
Cash	373,875	500,679
Construction Receivable - Upstream Users	-	67,217
Total Current Assets	2,360,423	1,901,099
Noncurrent Assets:		
Capital Assets Not Being Depreciated:		
Land	1,014,656	1,014,656
Construction in Progress	503,733	3,986,213
Capital Assets, Net of Accumulated Depreciation	18,869,021	15,192,570
Total Noncurrent Assets	20,387,410	20,193,439
Total Assets	22,747,833	22,094,538
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Items	1,400,501	849,706
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	170,719	219,564
Interest Payable	4,392	7,242
Other Payables	27,646	16,209
Unearned Availability Charges	52,588	52,875
Current Portion of Long-term Liabilities	242,077	293,360
Total Current Liabilities	497,422	589,250
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Liabilities	7,473,212	6,289,384
Total Noncurrent Liabilities	7,473,212	6,289,384
Total Liabilities	7,970,634	6,878,634
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Items	129,385	317,304
NET POSITION		
Net Investment in Capital Assets	17,104,684	17,332,575
Restricted for Debt Service	234,484	169,579
Restricted for Wastewater Expansion	138,107	324,433
Restricted for Upstream Users	-	67,217
Unrestricted (deficit)	(1,428,960)	(2,145,498)
Total Net Position	\$ 16,048,315	\$ 15,748,306

Running Springs Water District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Water Department	\$ 1,906,259	\$ 1,751,686
Ambulance Department	679,869	674,656
Sewer Department	2,105,870	2,029,158
Total Operating Revenues	4,691,998	4,455,500
OPERATING EXPENSES		
Water Department	1,807,352	1,740,121
Ambulance Department	784,077	505,782
Sewer Department	1,909,468	1,927,347
Total Operating Expenses	4,500,897	4,173,250
Operating Income (Loss)	191,101	282,250
NONOPERATING REVENUES (EXPENSES)		
Leasing Revenue	10,636	10,432
Assessments - Water and Sewer Availability Charges	59,755	60,971
Interest	5,041	7,794
Leachate Loads	8,509	-
Miscellaneous	29,042	78,810
Interest on Long-term Debt	(21,499)	(30,160)
Total Nonoperating Revenue (Expenses)	91,484	127,847
Income (Loss) Before Transfers and Capital Contributions	282,585	410,097
Capital Contributions - Sewer	12,042	30,877
Capital Contributions - Water	5,382	5,382
Change in Net Position	300,009	446,356
Net Position, Beginning of Year	15,748,306	15,301,950
Net Position, End of Year	\$ 16,048,315	\$ 15,748,306

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 4,669,034	\$ 4,449,640
Cash Payments for Employee Services	(2,527,792)	(2,231,226)
Cash Paid to Suppliers	(1,234,834)	(1,298,180)
Other Revenue	47,681	91,147
Net Cash Provided (Used) by Operating Activities	954,089	1,011,381
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Availability Charges	60,617	32,489
Net Cash Provided (Used) by Non-Capital Financing Activities	60,617	32,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(1,000,563)	(3,398,387)
Proceeds from Installments Payable	658,485	2,056,373
Capital Contributions	84,641	113,199
Principal Payments on Debt	(236,623)	(220,166)
Interest Paid	(24,349)	(33,114)
Net Cash Provided (Used) by Capital and Related Financing Activities	(518,409)	(1,482,095)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	4,795	8,637
Net Cash Provided (Used) by Investing Activities	4,795	8,637
Net Increase (Decrease) in Cash and Cash Equivalents	501,092	(429,588)
Cash and Cash Equivalents, Beginning of Year	809,710	1,239,298
Cash and Cash Equivalents, End of Year	\$ 1,310,802	\$ 809,710
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Current Assets:		
Cash	\$ 1,000	\$ 1,000
Temporary Investments	935,927	308,031
Restricted Cash	373,875	500,679
Totals	\$ 1,310,802	\$ 809,710

Running Springs Water District
Statements of Cash Flows
Proprietary Fund - Water, Ambulance and Sewer Departments - Continued
Years Ended June 30, 2017 and 2016

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	2017	2016
Operating Income (Loss)	\$ 191,101	\$ 282,250
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided (Used) by Operating Activities:		
Depreciation	698,935	737,513
Other Income	47,681	91,147
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(22,964)	(5,860)
(Increase) Decrease in Prepaid Expenses	(4,731)	-
(Increase) Decrease in Inventory	1,849	1,927
(Increase) Decrease in Deferred Outflows - Pensions	(550,796)	(357,015)
Increase (Decrease) in Accounts Payable	42,246	(25,383)
Increase (Decrease) in Accrued Wages and Related Liabilities	28,003	(5,716)
Increase (Decrease) in Compensated Absences	47,780	38,986
Increase (Decrease) in Net Pension Liability	662,903	568,777
Increase (Decrease) in Deferred Inflows - Pensions	(187,918)	(315,245)
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 954,089	\$ 1,011,381
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets on Account	\$ -	\$ 107,657

Running Springs Water District
Statements of Fiduciary Assets and Liabilities
Agency Fund (Assessment Districts)
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash with Fiscal Agent	\$ 118,031	\$ 117,906
Temporary Investments	290,483	246,151
Total Assets	\$ 408,514	\$ 364,057
LIABILITIES		
Accounts Payable	\$ 764	\$ -
Due to Bondholders	407,750	364,057
Total Liabilities	\$ 408,514	\$ 364,057

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 are as follows:

NAME	OFFICER	TERM EXPIRES
Kenneth Ayers	President	December 2018
Pamella Bennett	Vice-President	December 2018
Michael Terry	Director	December 2020
Tony Grabow	Director	December 2018
Errol Mackzum	Director	December 2018
Ryan Gross	General Manager	
Joan Eaton	Secretary/Treasurer	

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

Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and 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, 2017 and 2016

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:

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has three items that qualify for reporting in this category. Each of these items are a result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 9 – Pension Plans for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, that

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Deferred Outflows/Inflows of Resources - Continued

qualifies for reporting in this category and is the result of the District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

E. Net Position Flow Assumption

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

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

F. Cash and Investments

Investments for the District are reported at fair value.

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

G. Customer Billings and Allowance for Uncollectible Accounts

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

Ambulance customers are billed after service has been provided. The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of the ambulance receivables. The allowance for uncollectible ambulance fees was \$1,558,274 and \$1,427,840 at June 30, 2017 and 2016, respectively.

H. Inventories

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

I. Restricted Assets

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

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year except for movable assets (assets that are freestanding and movable - vehicles, furniture, software and equipment) which are capitalized with initial cost of \$1,000 or more. As the District acquires or constructs capital assets they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. For the current fiscal year no interest was capitalized. Total interest charged to expense for the 2016-17 and 2015-16 fiscal years was \$21,499 and \$30,160, respectively.

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

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

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

K. Compensated Absences Liability

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

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Compensated Absences Liability - Continued

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

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

L. Fund Balance

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

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

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

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

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

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance - Continued

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

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

M. Use of Estimates

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

N. Property Tax

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

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

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

O. Reclassifications

Certain amounts in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P. New Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting requirements in the future:

GASB 83: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 86: This Statement establishes reporting requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. In financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB 87: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments at June 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Statement of Fiduciary Assets and Liabilities	2017 Total	2016 Total
Cash	\$ 134,425	\$ -	\$ 134,425	\$ 460,549
Temporary Investments	2,270,448	290,483	2,560,931	1,375,337
Restricted Cash	384,566	-	384,566	511,370
Cash with Fiscal Agent	-	118,031	118,031	117,906
Total	\$ 2,789,439	\$ 408,514	\$ 3,197,953	\$ 2,465,162

Cash and investments consist of the following at June 30, 2017 and 2016:

	2017	2016
Deposits with Financial Institutions	\$ 150,783	\$ 476,907
Petty Cash	1,000	1,000
Local Agency Investment Fund (LAIF)	2,928,139	1,869,349
Held by Bond Trustee:		
Money Market Fund	118,031	117,906
Total Cash and Investments	\$ 3,197,953	\$ 2,465,162

Restricted Cash

As of June 30, 2017 and 2016, the District had the following cash balances restricted for specific purposes:

	Restricted Cash	
Restricted for:	2017	2016
Workers' Compensation Insurance Claims	\$ 17,358	\$ 17,358
SRF Loan Debt Service Reserve	234,484	169,579
Water and Wastewater Capacity Expansion	132,724	324,433
Total	\$ 384,566	\$ 511,370

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, 2017 and 2016

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, 2017 and 2016, the District had the following investments:

	2017 Amount	2017 Maturity Date 12 Months or Less	2016 Amount	2016 Maturity Date 12 Months or Less
LAIF	\$ 2,928,139	\$ 2,928,139	\$ 1,869,349	\$ 1,869,349
Held by Bond Trustee:				
Money Market Fund	118,031	118,031	117,906	117,906
Total	<u>\$ 3,046,170</u>	<u>\$ 3,046,170</u>	<u>\$ 1,987,255</u>	<u>\$ 1,987,255</u>

Disclosures Relating to Credit Risk

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

Investment Type	2017 Amount	Minimum Legal Rating	Aaa	Not Rated	2016 Amount
LAIF	\$ 2,928,139	None	\$ -	\$ 2,928,139	\$ 1,869,349
Held by Bond Trustee:					
Money Market Fund	118,031	N/A	118,031	-	117,906
Total	<u>\$ 3,046,170</u>		<u>\$ 118,031</u>	<u>\$ 2,928,139</u>	<u>\$ 1,987,255</u>

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2017 and 2016, the District had no investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

2) CASH AND TEMPORARY INVESTMENTS – Continued

Custodial Credit Risk

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

As of June 30, 2017, the District did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments subject to GASB 72 fair value measurements.

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 \$65,000,000 in the Fund. Investments in LAIF are highly liquid assets and are secured by the full faith and credit of the State of California. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

3) ACCOUNTS RECEIVABLE - CUSTOMERS

Accounts receivable from customers consists of the following at June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Customers - Water and Sewer	\$ 397,276	\$ 349,485
Ambulance Receivable	2,009,677	1,904,070
Allowance for Uncollectible Ambulance Charges	(1,558,274)	(1,427,840)
	\$ 848,679	\$ 825,715

Management considers the receivables from water and sewer customers to be fully collectible; accordingly, no allowance for doubtful accounts for water and sewer customers has been established.

4) OTHER RECEIVABLES

Other receivables consist of the following at June 30, 2017 and 2016:

	Governmental Activities		Business-Type Activities	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Availability Charges	\$ 17,301	\$ 14,852	\$ 24,614	\$ 25,579
Brookings Mutual Water	-	-	320	320
Upstream Users - CSA79 and Arrowbear	-	-	81,414	81,598
Miscellaneous	-	47	-	-
Total	\$ 17,301	\$ 14,899	\$ 106,348	\$ 107,497

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets Being Depreciated:				
Structures and Improvements	400,461	27,000	-	427,461
Fire Trucks and Mounted Equipment	1,074,096	-	-	1,074,096
Special Purpose Equipment	280,482	-	-	280,482
Office Equipment	7,133	19,309	-	26,442
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,784,535	46,309	-	1,830,844
Less Accumulated Depreciation:				
Structures and Improvements	(289,268)	(11,066)	-	(300,334)
Fire Trucks and Mounted Equipment	(738,604)	(55,307)	-	(793,911)
Special Purpose Equipment	(237,094)	(12,122)	-	(249,216)
Office Equipment	(6,759)	(140)	-	(6,899)
Shop and Station Equipment	(10,142)	(387)	-	(10,529)
Intangible Assets	-	-	-	-
Communication Equipment	(8,730)	(1,503)	-	(10,233)
Total Accumulated Depreciation	(1,290,597)	(80,524)	-	(1,371,121)
Total Capital Assets Being Depreciated, Net	493,938	(34,215)	-	459,723
Governmental Activities Capital Assets, Net	<u>\$ 908,614</u>	<u>\$ (34,215)</u>	<u>\$ -</u>	<u>\$ 874,399</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Depreciated				
Land and Land Rights	\$ 1,014,656	\$ -	\$ -	\$ 1,014,656
Construction in Progress	3,986,213	912,396	(4,394,876)	503,733
Total Capital Assets Not Depreciated	5,000,869	912,396	(4,394,876)	1,518,389
Capital Assets Being Depreciated:				
Water Plant and Facilities	9,935,451	1,197,031	-	11,132,482
Sewer Plant and Facilities	17,471,741	3,080,798	-	20,552,539
Furniture and Equipment	285,133	97,557	-	382,690
Trucks and Automobiles	1,591,713	-	-	1,591,713
Total Capital Assets Being Depreciated	29,284,038	4,375,386	-	33,659,424
Less Accumulated Depreciation:				
Water Plant and Facilities	(4,298,126)	(186,413)	-	(4,484,539)
Sewer Plant and Facilities	(8,328,875)	(418,521)	-	(8,747,396)
Furniture and Equipment	(253,280)	(49,109)	-	(302,389)
Trucks and Automobiles	(1,211,187)	(44,892)	-	(1,256,079)
Total Accumulated Depreciation	(14,091,468)	(698,935)	-	(14,790,403)
Total Capital Assets Being Depreciated, Net	15,192,570	3,676,451	-	18,869,021
Business-Type Activities				
Capital Assets, Net	\$ 20,193,439	\$ 4,588,847	\$ (4,394,876)	\$ 20,387,410

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

Governmental Activities:	
Fire Protection	\$ 80,524
Business-type Activities	698,935

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

5) CAPITAL ASSETS - Continued

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Land Rights	\$ 414,676	\$ -	\$ -	\$ 414,676
Total Capital Assets Not Depreciated	414,676	-	-	414,676
Capital Assets Being Depreciated:				
Structures and Improvements	400,461	-	-	400,461
Fire Trucks and Mounted Equipment	1,074,096	-	-	1,074,096
Special Purpose Equipment	302,445	-	(21,963)	280,482
Office Equipment	15,169	-	(8,036)	7,133
Shop and Station Equipment	11,255	-	-	11,255
Communication Equipment	11,108	-	-	11,108
Total Capital Assets Being Depreciated	1,814,534	-	(29,999)	1,784,535
Less Accumulated Depreciation:				
Structures and Improvements	(279,018)	(10,250)	-	(289,268)
Fire Trucks and Mounted Equipment	(682,432)	(56,172)	-	(738,604)
Special Purpose Equipment	(245,692)	(13,365)	21,963	(237,094)
Office Equipment	(14,651)	(144)	8,036	(6,759)
Shop and Station Equipment	(9,737)	(405)	-	(10,142)
Communication Equipment	(7,141)	(1,589)	-	(8,730)
Total Accumulated Depreciation	(1,238,671)	(81,925)	29,999	(1,290,597)
Total Capital Assets Being Depreciated, Net	575,863	(81,925)	-	493,938
Governmental Activities				
Capital Assets, Net	\$ 990,539	\$ (81,925)	\$ -	\$ 908,614

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Depreciated				
Land and Land Rights	\$ 1,014,656	\$ -	\$ -	\$ 1,014,656
Construction in Progress	787,227	3,380,255	(181,269)	3,986,213
Total Capital Assets Not Depreciated	1,801,883	3,380,255	(181,269)	5,000,869
Capital Assets Being Depreciated:				
Water Plant and Facilities	9,935,451	-	-	9,935,451
Sewer Plant and Facilities	17,392,643	79,098	-	17,471,741
Furniture and Equipment	273,688	11,445	-	285,133
Trucks and Automobiles	1,420,793	191,145	(20,225)	1,591,713
Total Capital Assets Being Depreciated	29,022,575	281,688	(20,225)	29,284,038
Less Accumulated Depreciation:				
Water Plant and Facilities	(4,091,565)	(206,561)	-	(4,298,126)
Sewer Plant and Facilities	(7,892,054)	(436,821)	-	(8,328,875)
Furniture and Equipment	(238,966)	(14,314)	-	(253,280)
Trucks and Automobiles	(1,151,595)	(79,817)	20,225	(1,211,187)
Total Accumulated Depreciation	(13,374,180)	(737,513)	20,225	(14,091,468)
Total Capital Assets Being Depreciated, Net	15,648,395	(455,825)	-	15,192,570
Business-Type Activities Capital Assets, Net	\$ 17,450,278	\$ 2,924,430	\$ (181,269)	\$ 20,193,439

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

Governmental Activities:	
Fire Protection	\$ 81,925
Business-type Activities	737,513

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

6) OTHER PAYABLES

Other payables consist of the following at June 30, 2017 and 2016:

	Governmental Activities		Business-Type Activities	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Grants Payable	\$ -	\$ -	\$ -	\$ 13,958
Customer Deposits	-	-	27,598	2,200
Miscellaneous	-	-	48	51
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,646</u>	<u>\$ 16,209</u>

7) LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 89,754	\$ 32,668	\$ 31,579	\$ 90,843	\$ 18,169
Net Pension Liability	2,402,353	496,746	-	2,899,099	-
Total	<u>\$ 2,492,107</u>	<u>\$ 529,414</u>	<u>\$ 31,579</u>	<u>\$ 2,989,942</u>	<u>\$ 18,169</u>
Business-Type Activities					
Sewer Treatment, 2001					
Installment Payable	\$ 181,450	\$ -	\$ 181,450	\$ -	\$ -
Sewer Treatment, SWRCB					
Installment Payable, 2014	2,141,451	658,485	-	2,799,936	123,476
Water Supply, 2015					
Installment Payable, Ayers	502,963	-	48,650	454,313	50,318
Ambulance, 2016					
Installment Payable	35,000	-	6,523	28,477	6,753
Compensated Absences	259,869	104,517	56,737	307,649	61,530
Net Pension Liability	3,462,011	662,903	-	4,124,914	-
Total	<u>\$ 6,582,744</u>	<u>\$ 1,425,905</u>	<u>\$ 293,360</u>	<u>\$ 7,715,289</u>	<u>\$ 242,077</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

7) LONG-TERM LIABILITIES – Continued

The following is a summary of long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 97,000	\$ 81,566	\$ 88,812	\$ 89,754	\$ 31,579
Net Pension Liability	2,180,323	546,930	324,900	2,402,353	-
Total	<u>\$ 2,277,323</u>	<u>\$ 628,496</u>	<u>\$ 413,712</u>	<u>\$ 2,492,107</u>	<u>\$ 31,579</u>
Business-Type Activities					
Sewer Treatment, 2001					
Installment Payable	\$ 354,579	\$ -	\$ 173,129	\$ 181,450	\$ 181,450
Sewer Treatment, SWRCB					
Installment Payable, 2014	120,078	2,021,373	-	2,141,451	-
Water Supply, 2015					
Installment Payable, Ayers	550,000	-	47,037	502,963	48,650
Ambulance, 2016					
Installment Payable	-	35,000	-	35,000	6,523
Compensated Absences	220,883	169,714	130,728	259,869	56,737
Net Pension Liability	2,893,234	920,650	351,873	3,462,011	-
Total	<u>\$ 4,138,774</u>	<u>\$ 3,146,737</u>	<u>\$ 702,767</u>	<u>\$ 6,582,744</u>	<u>\$ 293,360</u>

2001 Installment Payable

On December 21, 2001, the District issued Sewer Treatment 2001 Installment Payable in the amount of \$2,000,000 at 4.75% to pay for sewer treatment plant improvements. The installment payable is being repaid in thirty semi-annual installments with the first installment due September 21, 2002. Section 5.03 of the Installment Payable agreement requires the net revenues of the sewer department to exceed operating expenses (excluding depreciation) by at least 1.15 times the current year debt service payments. The installment was paid off during the fiscal year ended June 30, 2017.

2014 SWRCB Installment Payable

The District entered into an installment sale agreement as of May 15, 2015, with the California State Water Resources Control Board (SWRCB), to finance improvements to certain sewer lift stations (project). The SWRCB agreed to provide project funds of up to \$2,800,000, of which the District had received \$2,799,936 as of June 30, 2017. The District will be required to repay amounts borrowed upon completion of the project. Installment payments will include principal and interest at 1.9% per annum. The term of the agreement is from September 8, 2014 to July 31, 2036, and the following represents the future debt service requirements assuming the entire \$2,800,000 is drawn down upon project completion:

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

7) LONG-TERM LIABILITIES – Continued

Year Ending June 30,	Principal	Interest
2018	\$ 123,476	\$ 45,667
2019	118,289	50,854
2020	120,537	48,607
2021	122,827	46,316
2022	125,160	43,983
2023-2027	662,390	183,325
2028-2032	727,754	117,961
2033-2037	799,567	46,147
Total	<u>\$ 2,800,000</u>	<u>\$ 582,860</u>

2015 Installment Payable

The District entered into an installment sale agreement on March 1, 2015, with the Municipal Finance Corporation, to finance the District’s share of the costs of constructing certain improvements to the water supply facilities. The District received \$550,000 under the agreement, which is to be repaid over a 10-year period, including interest at 3.4%. The District’s obligation to pay the installment payments is limited solely to the net revenues of the water enterprise. The net revenues, as defined by the installment agreement, are irrevocably pledged to the payment of the installment payments and any parity obligations. The District has covenanted to set rates and fees which are sufficient to yield net revenues which are at least equal to 115% of the aggregate amount of installment payments each year.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 50,318	\$ 15,022
2019	52,043	13,297
2020	53,828	11,513
2021	55,674	9,667
2022	57,583	7,758
2023	59,557	5,784
2024	61,599	3,741
2025	63,711	1,629
Total	<u>\$ 454,313</u>	<u>\$ 68,411</u>

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

7) LONG-TERM LIABILITIES – Continued

2016 Ambulance Installment Payable

On April 27, 2016, the District entered into an installment agreement with the Municipal Finance Corporation for the purchase of an ambulance. Installment payments are due in ten biannual payments, including interest at the rate of 3.5% per annum. Future debt service requirements for this installment agreement are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 6,753	\$ 938
2019	6,992	700
2020	7,238	453
2021	7,494	197
Total	\$ 28,477	\$ 2,288

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, 2017, there were outstanding bonds of \$605,000.

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 \$62,792 in excess assessments from the three Assessment Districts. These funds are being used to fund improvements and operations and maintenance in the three Assessment Districts, and are reported in the Agency Funds.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS

General Information about the Defined Benefit Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous and Safety Employee Pension Plans, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS’ website under Forms and Publications.

The Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average
Required employee contribution rates	8%	6.25%
Required employer contribution rates	11.634% + \$245,861	6.555%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	3% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of eligible compensation	Highest single year	3-year average
Required employee contribution rates	9%	11.5%
Required employer contribution rates	19.536% + \$178,708	12.082%

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS - Continued

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District pays the required employee contribution on behalf of the employees for Miscellaneous and Safety employees hired prior to April 1, 2014. Employees hired after April 1, 2014 pay the required employee contributions. Also, effective July 1, 2015, the District’s Board adopted resolutions to phase out, over a 4-year period, the contributions paid by the District on behalf of the employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability was \$424,569 in fiscal year 2017.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 420,148	\$ 365,222

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 4,124,914
Safety	2,899,099
Total Net Pension Liability	\$ 7,024,013

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS - Continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2016 and 2015 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2015	0.12619%	0.05830%
Proportion - June 30, 2016	0.11874%	0.05598%
Change - Increase (Decrease)	-0.00745%	-0.00232%

For the year ended June 30, 2017, the District recognized pension expense of \$555,141. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 785,370	\$ -
Differences between actual and expected experience	10,541	25,220
Changes in assumptions	-	239,349
Change in employer's proportion and differences	298,583	-
Differences between the employer's contributions and the employer's proportionate share of contributions	183,804	-
Net differences between projected and actual earnings on plan investments	1,213,654	-
Total	\$ 2,491,952	\$ 264,569

\$785,370 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS - Continued

Year Ending June 30,		
2018	\$	310,156
2019		267,052
2020		549,742
2021		315,063
2022		-
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

- (1) Depending on age, service and type of employment
(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS – Continued

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Running Springs Water District
Notes to Financial Statements
June 30, 2017 and 2016

9) PENSION PLANS – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 5,902,946	\$ 4,246,006
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 4,124,914	\$ 2,899,099
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 2,655,459	\$ 1,793,426

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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, 2017 and 2016

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 a \$500 deductible per occurrence for property damage claims and \$1,000 per occurrence for property damage losses and up to \$5,000,000 for workers' compensation liability with no deductible. The District is also insured under the Authority for automobile, property, employment practices, employee dishonesty, public officials and employee liability, and various other claims with various coverage limits. Separate financial statements of Authority may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. There were no claims liabilities reported in these financial statements as of June 30, 2017 and 2016.

11) SALVAGE VALUES PERTAINING TO GRANT MONIES

The District received a Volunteer Fire Assistance (VFA) award from the State of California Department of Forestry and Fire Protection in the amount of \$180,000 during the year ended June 30, 2006. The grant was to assist with the purchase of the Type II Wildland Fire Engine, which was purchased in September 2005. Under the grant agreement, the Federal Government has a vested interest in the fire engine until such time as the fair market value is less than \$5,000. The VFA percentage used to purchase the equipment will be applied to the sale price and recovered for the Federal Government during the sale. The Federal Government may not have to be reimbursed if the disposal sale amounts to a fair market value of less than \$5,000.

12) LOSS CONTINGENCY

On January 1, 2010, Section 2 of Section 116875 of the Health and Safety Code of California became operative. The section modified the allowed content of lead in pipes and plumbing supplies in order to be considered "lead free." Management is in the process of evaluating the effects that this modified law will have on the District. The District has identified and removed obsolete inventory and there is the potential for additional inventory to be scrapped as obsolete. As of June 30, 2017, the amount of the loss on the additional inventory cannot be reasonably estimated.

13) COMMITMENTS

At June 30, 2017, in the opinion of the District's management, there are no other outstanding matters which could have a significant effect on the financial position of the funds of the District.

REQUIRED SUPPLEMENTARY INFORMATION

**Running Springs Water District
Required Supplementary Information
June 30, 2017 and 2016**

**Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years***

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2016	0.08117%	\$ 7,024,013	\$ 2,662,089	263.85%	69.63%
2015	0.08544%	5,864,364	2,439,595	240.38%	73.14%
2014	0.08361%	5,073,557	2,299,525	220.64%	76.35%

Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability

Benefit Changes: None

Changes in Assumptions: None

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

**Running Springs Water District
Required Supplementary Information
June 30, 2017 and 2016**

**Schedule of Plan Contributions
Last 10 Years***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 785,370	\$ (785,370)	\$ -	\$ 2,662,089	29.50%
2016	709,356	(709,356)	-	2,439,565	29.08%
2015	666,615	(666,615)	-	2,299,525	28.99%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2015

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Running Springs Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund - Fire Protection
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,539,135	\$ 114,135
Assessments - Fire Availability Charges	205,000	205,000	201,264	(3,736)
Hazard Abatement Program Revenue	7,500	7,500	16,654	9,154
Other Revenue	16,700	16,700	134,194	117,494
Interest Revenue	1,500	1,500	11,582	10,082
Intergovernmental Revenue	-	-	5,710	5,710
	<u>1,655,700</u>	<u>1,655,700</u>	<u>1,908,539</u>	<u>252,839</u>
Total Revenues				
EXPENDITURES				
Salaries and Wages	740,632	740,632	852,403	(111,771)
Director Fees	2,850	2,850	1,868	982
Employee Benefits	513,474	513,474	534,416	(20,942)
Payroll Taxes	10,739	10,739	12,141	(1,402)
Safety Clothing and Personal Supplies	31,500	31,500	35,543	(4,043)
Insurance	56,670	56,670	54,880	1,790
Maintenance:				
Building	8,500	8,500	6,714	1,786
Automotive Equipment	20,355	20,355	22,971	(2,616)
Memberships	4,340	4,340	3,360	980
Office	3,300	3,300	4,450	(1,150)
Professional Services	36,200	36,200	32,365	3,835
Education, Training	6,500	6,500	5,030	1,470
Utilities	18,696	18,696	22,700	(4,004)
Dispatching	49,630	49,630	45,682	3,948
Community Relations - Fire Prevention	2,600	2,600	2,703	(103)
Hazard Abatement	7,500	7,500	7,934	(434)
Miscellaneous	6,436	6,436	6,961	(525)
General Operating Expenses Allocated from Water Department - Salaries, Utilities, etc.	30,398	30,398	30,416	(18)
Capital Assets	-	-	46,309	(46,309)
	<u>1,550,320</u>	<u>1,550,320</u>	<u>1,728,846</u>	<u>(178,526)</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>105,380</u>	<u>105,380</u>	<u>179,693</u>	<u>74,313</u>
Net Change in Fund Balances	105,380	105,380	179,693	<u>\$ 74,313</u>
Fund Balance, Beginning of Year	<u>1,290,020</u>	<u>1,290,020</u>	<u>1,290,020</u>	
Fund Balance, End of Year	<u>\$ 1,395,400</u>	<u>\$ 1,395,400</u>	<u>\$ 1,469,713</u>	

Running Springs Water District
Notes to Required Supplementary Information
June 30, 2017 and 2016

BUDGETARY DATA

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

Total expenditures in the Governmental Fund – Fire Protection exceeded appropriations by \$178,526.

SUPPLEMENTARY INFORMATION

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Monthly Service Charges	\$ 1,058,989	\$ 1,005,844
Metered Water Sales and Water from Hydrants	727,487	627,198
Special Meter Charges - Water	5,183	-
Special Water Charges - R&R Fee	66,794	67,547
Turn-on and Shut-off Charges	12,055	10,510
Delinquent Charges and Service Fees	35,751	40,587
Total Operating Revenues	1,906,259	1,751,686
OPERATING EXPENSES		
Source of Supply:		
Maintenance	9,581	6,853
Purchased Water	176,493	218,965
Pumping:		
Purchased Power	62,239	48,101
Water Treatment:		
Water Purification Expense	26,704	22,562
Transmission and Distribution:		
Maintenance and Repairs	329	672
Customer's Accounts:		
Meter Maintenance	-	5,927
Uncollectible Accounts	2,025	-
Administrative and General:		
Salaries	791,334	726,153
Employee Benefits	322,529	302,927
Payroll Taxes	11,960	10,053
Directors' Fees	1,978	2,343
Dues and Subscriptions	4,651	5,164
Educational Programs	2,154	2,176
Insurance	33,014	32,300
Miscellaneous	979	-
Miscellaneous Supplies	-	3,944
Office supplies and expenses	52,941	52,740
Permits	32,710	12,866
Professional Services	86,314	86,550
Repairs and Maintenance	21,382	11,052

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Water Department - Continued
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING EXPENSES - Continued		
Administrative and General: - Continued		
Truck expense, gas and oil	\$ 6,690	\$ 8,136
Truck expense, repairs and tractor expense	8,396	5,611
Utilities	13,350	14,074
Depreciation	208,942	230,706
General Expense Allocated to Sewer, Fire and Ambulance Departments	(69,343)	(69,754)
Total Operating Expenses	1,807,352	1,740,121
Operating Income (Loss)	98,907	11,565
NONOPERATING REVENUES (EXPENSES)		
Leasing Revenue	10,636	10,432
Assessments - Water Availability Charges	45,321	44,467
Interest	3,593	1,631
Miscellaneous	17,594	41,299
Interest on Long-term Debt	(16,232)	(17,470)
Total Nonoperating Revenues (Expenses)	60,912	80,359
Income (Loss) Before Capital Contributions	159,819	91,924
Capital Contributions	5,382	5,382
Change in Net Position	\$ 165,201	\$ 97,306

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Ambulance Department
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Ambulance Service Fees	\$ 679,869	\$ 674,656
Total Operating Revenues	679,869	674,656
OPERATING EXPENSES		
Salaries	447,978	231,590
Dues and Subscriptions	3,435	5,256
Gas, Fuel, and Oil	7,329	7,628
Insurance	7,232	7,294
Medical Supplies	22,539	18,171
Miscellaneous Supplies	7,139	1,332
Office Expense	1,622	411
Professional Services	27,107	27,813
Telephone	1,417	950
Uncollectible Accounts	187,641	156,640
Vehicle Repairs and Maintenance	19,073	9,633
Depreciation	41,880	31,753
General Expense Allocated to Sewer, Fire and Ambulance Departments	9,685	7,311
Total Operating Expenses	784,077	505,782
Operating Income (Loss)	(104,208)	168,874
NONOPERATING REVENUES (EXPENSES)		
Interest	1,448	395
Miscellaneous	170	4,466
Interest on Long-term Debt	(1,143)	(136)
Total Nonoperating Revenues (Expenses)	475	4,725
Change in Net Position	\$ (103,733)	\$ 173,599

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sewer Charges	\$ 1,405,723	\$ 1,292,507
Usage Charges	102,015	89,271
Special Sewer Charges - Treatment Plant Improvements	233	103,319
Special Sewer Charges - R&R Fee	188,744	84,778
Expense Reimbursement from Upstream Users	406,753	455,872
California Demand Response Program (EnerNOC)	2,402	3,411
	<u>2,105,870</u>	<u>2,029,158</u>
Total Operating Revenues		
OPERATING EXPENSES		
Sewage Collection:		
Salaries and Wages	275,668	339,915
Repairs and Maintenance	42,706	94,345
Sewage Treatment:		
Salaries and Wages	405,771	315,552
Utilities, Electricity	124,220	115,853
Operating Supplies	770	4,901
Repairs and Maintenance	113,270	136,199
Chemical Analysis	18,612	7,625
Administrative and General:		
Director's Fees	3,563	2,343
Employee Benefits	230,856	220,943
Payroll Taxes	7,216	9,194
Education and Training	1,810	502
Insurance	43,433	43,327
Maintenance - Truck	22,917	19,231
Memberships and Dues	8,460	7,109
Miscellaneous Supplies	10,692	8,589
Office Expense	1,584	754
Permits	37,264	38,748
Professional Services	83,301	57,421
Depreciation Expense	448,113	475,054
General Expense Allocated to Sewer, Fire and Ambulance Departments	29,242	29,742
	<u>1,909,468</u>	<u>1,927,347</u>
Total Operating Expenses		
Operating Income (Loss)	<u>196,402</u>	<u>101,811</u>

Continued

Running Springs Water District
Schedules of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - Sewer Department - Continued
Years Ended June 30, 2017 and 2016

	2017	2016
NONOPERATING REVENUES (EXPENSES)		
Assessments - Sewer Availability Charges	\$ 14,434	\$ 16,504
Interest	-	5,768
Miscellaneous	11,278	33,045
Leachate Loads	8,509	-
Interest on Long-term Debt	(4,124)	(12,554)
Total Nonoperating Revenues (Expenses)	30,097	42,763
Income (Loss) Before Capital Contributions	226,499	144,574
Capital Contributions	12,042	30,877
Change in Net Position	\$ 238,541	\$ 175,451

Running Springs Water District
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017 and 2016

	Improvement Act of 1911		Bond Act of 1915		Totals	
	Assessment District No. 5	Assessment District No. 9	Assessment District No. 7	Assessment District No. 10	2017	2016
	ASSETS					
Cash with Fiscal Agent	\$ -	\$ -	\$ -	\$ 118,031	\$ 118,031	\$ 117,906
Temporary Investments	-	37,739	25,053	227,691	290,483	246,151
Total Assets	<u>\$ -</u>	<u>\$ 37,739</u>	<u>\$ 25,053</u>	<u>\$ 345,722</u>	<u>\$ 408,514</u>	<u>\$ 364,057</u>
LIABILITIES						
Accounts Payable	\$ -	\$ 577	\$ -	\$ 187	\$ 764	\$ -
Due to Bondholders	-	37,162	25,053	345,535	407,750	364,057
Total Liabilities	<u>\$ -</u>	<u>\$ 37,739</u>	<u>\$ 25,053</u>	<u>\$ 345,722</u>	<u>\$ 408,514</u>	<u>\$ 364,057</u>

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2017

	Beginning Balance	Additions	Deletions	Ending Balance
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Assessment District No. 5

ASSETS

Temporary Investments	\$ 2,895	\$ -	\$ 2,895	\$ -
Total Assets	\$ 2,895	\$ -	\$ 2,895	\$ -

LIABILITIES

Due to Bondholders	\$ 2,895	\$ -	\$ 2,895	\$ -
Total Liabilities	\$ 2,895	\$ -	\$ 2,895	\$ -

Assessment District No. 9

ASSETS

Temporary Investments	\$ 57,111	\$ -	\$ 19,372	\$ 37,739
Total Assets	\$ 57,111	\$ -	\$ 19,372	\$ 37,739

LIABILITIES

Accounts Payable	\$ -	\$ 19,949	\$ 19,372	\$ 577
Due to Bondholders	57,111	-	19,949	37,162
Total Liabilities	\$ 57,111	\$ 19,949	\$ 39,321	\$ 37,739

Assessment District No. 7

ASSETS

Temporary Investments	\$ 25,053	\$ -	\$ -	\$ 25,053
Total Assets	\$ 25,053	\$ -	\$ -	\$ 25,053

LIABILITIES

Due to Bondholders	\$ 25,053	\$ -	\$ -	\$ 25,053
Total Liabilities	\$ 25,053	\$ -	\$ -	\$ 25,053

Continued

Running Springs Water District
Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2017

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assessment District No. 10</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,906	\$ 6,025	\$ 5,900	\$ 118,031
Temporary Investments	161,092	207,352	140,753	227,691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 278,998</u>	<u>\$ 213,377</u>	<u>\$ 146,653</u>	<u>\$ 345,722</u>
LIABILITIES				
Due to Bondholders	\$ 278,998	\$ 207,352	\$ 140,815	\$ 345,535
Accounts Payable	-	25,737	25,550	187
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 278,998</u>	<u>\$ 233,089</u>	<u>\$ 166,365</u>	<u>\$ 345,722</u>
 <u>Total All Agency Funds</u>				
ASSETS				
Cash with Fiscal Agent	\$ 117,906	\$ 6,025	\$ 5,900	\$ 118,031
Temporary Investments	246,151	207,352	163,020	290,483
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 364,057</u>	<u>\$ 213,377</u>	<u>\$ 168,920</u>	<u>\$ 408,514</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 45,686	\$ 44,922	\$ 764
Due to Bondholders	364,057	207,352	163,659	407,750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 364,057</u>	<u>\$ 253,038</u>	<u>\$ 208,581</u>	<u>\$ 408,514</u>