

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 16, 2016**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 16, 2016 at the hour of 9:00 A.M. at the District office located at 31242 Hilltop Boulevard, Running Springs, California.

The following Directors were present:

Kenneth Ayers, President
Pamella Bennett, Vice-President
Mike Terry, Director
Errol Mackzum, Director

Director Tony Grabow was absent

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Board Secretary/Treasurer/Administration Supervisor
George Corley, Fire Chief
Ward Simmons, Legal Counsel, Best, Best & Krieger

Visitors Present:

Carol Ford-Benson, Running Springs Resident
Gerhard Hilgenfeldt, Running Springs Resident

MEETING MINUTES

AGENDA ITEMS

1. Call Meeting to Order and Pledge of Allegiance

The meeting was called to order at 9:01 A.M. by President Ayers and Director Terry led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

Visitor Carol Ford-Benson commented on an outdated District brochure regarding groundwater protection and asked the District to consider resending the information to customers. Ms. Ford-Benson then voiced opposition to the District proposed downtown well acquisition stating her concerns with liability and state regulation compliance. Ms. Ford-Benson welcomed the newly appointed District Board Members and closed by asking the District to test the drinking water for Pseudomonas Aeruginosa, a biological contaminant.

3. Approval of Consent Items

A. Approve Meeting Minutes

B. Ratify Expenditures and Cash Summary

C. Consider Receiving and Filing the Assessment District No. 10 continuing Disclosure Annual Report for the Fiscal Year Ending June 30, 2016

Upon motion by President Ayers, second by Director Bennett and carried by a 3 to 0 vote with Director Mackzum abstaining, the expenditures were ratified and the consent items were approved, with the October 19, 2016 Regular Board Meeting Minutes tabled to the December Board Meeting.

4. Action Items

A. Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2015-2016 Annual Financial Report and Audit Results

Brett Van Lant, Partner with Van Lant & Fankhanel, LLP (VLF) presented the District's Audit Report for Fiscal Year Ended June 30, 2016. Mr. Van Lant stated VLF conducted the District audit for years ended June 30, 2016 and 2015 and they specialize in governmental accounting and auditing throughout the state including cities and special districts. Mr. Van Lant referred to the Annual Financial Report that states VLF conducted their audit in accordance with governmental accounting standards and the independent auditor concluded, based upon the audit, that in their opinion the District's financial statements for the Fiscal Year ended June 30, 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, 2016 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Mr. Van Lant stated this was an unmodified or clean opinion on the comparative financial statements for years ended June 30, 2015 and 2016 and he said the reports issued included the Opinion on Comparative Financial Statements, Report on Internal Control and Compliance and Report on the District's Appropriations Limits. VLF also conducted a risk assessment to review the internal controls of the District and Mr. Van Lant said they did not identify any material weaknesses or reportable significant deficiencies and in the course of their audit, they did not identify any non-compliance issues in review of District contracts and agreements and there were no concerns regarding calculations of the District appropriations limits. In conclusion, Mr. Van Lant reported on the SAS 114 report that includes required communications, discusses different estimates within the financial statements specifically the District net pension liability through GASB 68 standards and sensitive disclosures. Mr. Van Lant stated they encountered no difficulties or disagreements with management and they did not identify any issues regarding segregation of administrative duties. Discussion

continued regarding the appropriations limits and the CalPERS pension liability actuarial reports. Mr. Van Lant thanked District staff and Rogers, Anderson, Malody and Scott (RAMS) for their support during the audit and he was then excused from the meeting.

Upon **motion** by Director Mackzum, **second** by Director Terry and **carried by a 4 to 0 vote**, Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2015-2016 Annual Financial Report and Audit Results, was approved.

B. Financial Presentation

Scott Manno, RAMS Partner, presented the District's Financial Statements for the years ended June 30, 2016 and 2015 and opened by reporting on the financial highlights. The District's total net position increased by \$537,780 from the prior year due to the rate increases in charge for services, Medi-Cal GEMT supplemental reimbursement and property tax revenue. The total net position increased 4% and cash and temporary investments decreased by \$417,174 due to the increase of construction in progress. The increase in construction in progress was primarily the result of the replacement of three (3) sewer lift stations and the key factor in the increase of \$2,640,811 in long-term liability was the new loan for the replacement of the sewer lift stations. Mr. Manno then reviewed the Government Wide Summary and District Balance Sheets for the Governmental Fund (Fire) and Business Type Activities (Water, Sewer and Ambulance) and he referred to the pension plans. In closing, Mr. Manno reported on District operating revenues, expenses and cash flows stating the current ratio for Business Type Activities dropped from 4.71 in 2015 to 3.23 in 2016. Discussion continued regarding the District Financial Report and Mr. Manno and Ms. Kim were excused.

No action was required.

C. Consider Approving Amendment to Extend 1977 Agreement with Arrowbear Park County Water District

Manager Gross stated the Board agreed to extend the 1977 Wastewater Transportation, Treatment and Disposal Agreement with Arrowbear Park County Water District (APCWD) that expires on January 20, 2017, to June 30, 2017 to provide additional months and allow the agreement dates to be consistent with both APCWD and Green Valley Lake (CSA-79). Manager Gross noted a date revision on the amended agreement that should be changed from October 20, 2016 to November 16, 2016.

Upon **motion** by Director Terry, **second** by President Ayers and **carried by a 4 to 0 vote**, the Amendment to Extend 1977 Agreement with Arrowbear Park County Water District, with a revised date of November 16, 2016, was approved.

D. Consider Revising Bank Signature Cards and Policy for Second Signatures on Checks

Supervisor Eaton reported on the revision requirement regarding First Mountain Bank Signature Cards due to the resignation of Directors Brittan and Heredia and appointments of Directors Grabow and Mackzum. Discussion continued regarding the two (2) signature requirement and possibly increasing the limit from \$3,000 to \$5,000 that would be incorporated into the District Purchasing Policy. Supervisor Eaton confirmed there are no fees required by First Mountain Bank regarding dual signatures.

Upon **motion** by President Ayers, **second** by Director Bennett and **carried by a 4 to 0 vote**, revising bank signature cards by removing resigned Directors Brittain and Heredia and adding appointed Directors Grabow and Mackzum and increasing the second signature on check requirements from \$3,000 to \$5,000, was approved.

5. Information Items

A. Ambulance Exclusive Operating Areas (EOAs)

Manager Gross stated this item will be withdrawn from the agenda and tabled.

B. Water Production and Precipitation Report

Manager Gross reported on water usage stating there was a 21% reduction in water use in calendar year 2015 compared to 2013.

6. General Manager's Report

Manager Gross stated the Ayers Acres well circuit board in the variable frequency drive was affected during the recent storms. The well is expected to be back on line by November 17, 2016 and Manager Gross confirmed that the circuit board is under warranty.

Manager Gross also said Sewer Lift Station No. 1 is on line as of November 15, 2016. The Sewer Lift Station project is a \$3 million dollar project financed over twenty (20) years at 1.9% interest.

7. Report From Legal Counsel

Attorney Simmons reported on defeated Proposition 53 that will not require voter approval for state mega projects costing over two (2) billion dollars in state revenue bonds.

8. Board Member Comments

The November 2017 General Election will include four (4) Running Springs Water District Board Director seats.

Discussion continued regarding the Running Springs Fire Department Measure B Proposition to increase the fee for fire suppression and emergency medical, ambulance and advanced life support services that did not pass on November 8, 2016.

Manager Gross provided the Running Springs Fire Department with a resolution and certificate from the Lake Arrowhead Community Services District thanking the department for assistance with the Pilot Fire.

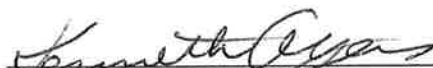
Supervisor Eaton confirmed that Administration staff responded to a customer letter regarding billing issues.

The next Regular Board Meeting will be held on December 21, 2016 at 9:00 A.M. that will include Closed Session discussion.

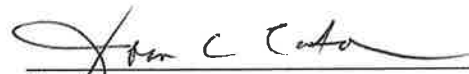
9. Meeting Adjournment

The meeting was adjourned at 10:53 A.M.

Respectfully Submitted,



President, Board of Directors
Running Springs Water District



Secretary of the Board of Directors
Running Springs Water District