



Rubidoux Community Services District

Financial Statements

For the year ended June 30, 2017

Rubidoux Community Services District

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

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Jurupa Valley, California

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of Rubidoux Community Services District (District), as of and for the year ended June 30, 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 of 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rubidoux Community Services District, as of June 30, 2017, and the respective 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 as well as accounting systems prescribed by the State Controller's Office and state regulatory 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 the schedules of the District's share of net pension liability, contributions, and budget and actual 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 schedule of the changes in fund balances, financial trends and graphic financial comparisons, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 our report dated October 19, 2017, on our consideration of Rubidoux Community Service District's internal control over financial report and on our tests of its compliance with certain provision 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 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 Rubidoux Community Service District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 19, 2017

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

Our discussion and analysis of Rubidoux Community Services District's (RCSD or District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements.

Financial Highlights

- The District's net position decreased \$89,981 or 0.17%, as a result of this year's operations and non-operating activities, including capital contributions.
- During the year, the District's total expenses exceeded its revenue and capital contributions by \$89,981.
- Total revenues and capital contributions from all sources amounted to \$17.5 million.
- The cost of all District activities amounted to \$17.6 million.
- Operationally, the Water Fund provided \$1,950,567, the Sewer Fund used \$2,045,277 and the Solid Waste Disposal Fund used \$13,018 to decrease net position \$107,728. The total Governmental activities increased \$17,747.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Reporting the District as a whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues, capital contributions and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the District's property tax base and the types of grants the District applies for to assess the overall financial health of the District.

These two statements are presented in three different reporting categories, as follows:

- The first reporting measure is government-wide financial statements that provide both long-term and short-term information about the District's overall financial status - for both governmental and proprietary funds. The government-wide financial statements combine the structures of the two fund types used by the District - Governmental and Proprietary Funds.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

- The next reporting measure reflects governmental funds statements that tell how general government administration and services were financed in the short-term as well as what remains for future spending.
- The third and final reporting measure is proprietary fund statements that offer short and long-term financial information about the activities the District operates like businesses, such as the water, sewer, and solid waste disposal operations.

The governmental fund activities encompass general administrative responsibilities as well as administrative recording of fire protection and weed abatement efforts. Resultant financial data for these services, reflected in these financial statements, represents the net benefits flowing to the District.

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 10 and the required supplementary information (RSI) section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS).

The net pension liability is measured as the District's prior fiscal year-end. Changes in the net position liability are recorded in the period incurred as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan and additions to/deductions from the plan's 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.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 44.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

The District as a whole

Our analysis focuses on the assets (Table 1) and changes in net position (Table 2) of the District's as a whole:

Table 1
Assets, def. outflows, liabilities, def. inflows and net position, at year-end (in millions)

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Assets</i>										
Current and other assets	\$ 3.6	\$ 3.6	\$ 13.4	\$ 11.6	\$ 5.8	\$ 7.6	\$ 0.2	\$ 0.1	\$ 23.0	\$ 22.9
Capital assets	4.1	4.0	23.6	24.0	16.7	16.6	-	-	44.4	44.6
Deferred outflows	0.5	0.2	0.5	0.2	0.1	-	-	-	1.1	0.4
Total assets and deferred outflows	8.2	7.8	37.5	35.8	22.6	24.2	0.2	0.1	68.5	67.9
<i>Liabilities</i>										
Long-term liabilities	2.2	1.7	10.8	11.2	0.3	0.3	-	-	13.3	13.2
Other liabilities	0.9	0.9	1.0	0.8	0.6	0.1	-	-	2.5	1.8
Deferred inflows	0.1	0.2	0.1	0.2	-	-	-	-	0.2	0.4
Total liabilities and deferred inflows	3.2	2.8	11.9	12.2	0.9	0.4	-	-	16.0	15.4
<i>Net position</i>										
Net investment in capital assets	4.1	4.0	14.1	13.9	16.7	16.6	-	-	34.9	34.5
Restricted	1.3	1.3	6.8	6.7	2.9	3.4	-	-	11.0	11.4
Unrestricted	(0.4)	(0.3)	4.7	3.0	2.1	3.8	0.2	0.1	6.6	6.6
Total net position	\$ 5.0	\$ 5.0	\$ 25.6	\$ 23.6	\$ 21.7	\$ 23.8	\$ 0.2	\$ 0.1	\$ 52.5	\$ 52.5

The District's net position decrease of 0.17% to \$52.5 million comes from the revenues and expense activity recorded in the Statement of Activities.

- Overall government-wide capital assets decreased \$0.3 million due to depreciation of capital assets.
- Long-term water debt increased \$0.2 million due to an increase in the net pension liability. The District made principal payments of \$0.2 million on the Leland J. Thompson Water Facility loan and \$0.4 million on the water certificates of participation.
- Restricted Net Position decreased \$0.2 million due to payment of debt.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

The District as a whole, continued

- Unrestricted Net Position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased \$0.2 million and amounted to \$6.4 million.

Table 2
Changes in net position for the year ended June 30, (in millions)

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Revenues</i>										
Operating revenue:										
Charges for services	\$ 1.3	\$ 1.1	\$ 5.5	\$ 5.0	\$ 2.7	\$ 2.5	\$ 3.1	\$ 3.0	\$ 12.6	\$ 11.6
Property taxes	2.8	2.7	-	-	-	-	-	-	2.8	2.7
Other revenue:										
Capital contributions	-	-	-	(1.6)	-	-	-	-	-	(1.6)
Other/transfers	0.2	0.3	1.9	1.5	0.3	0.3	-	-	2.4	2.1
Total revenue	4.3	4.1	7.4	4.9	3.0	2.8	3.1	3.0	17.8	14.8
<i>Expenses</i>										
Operating/depreciation	4.2	4.0	5.1	4.1	5.0	3.1	3.0	2.8	17.3	14.0
Interest	-	-	0.4	0.4	-	-	-	-	0.4	0.4
Other/transfers	-	-	-	-	-	-	0.2	0.2	0.2	0.2
Total expenses	4.2	4.0	5.5	4.5	5.0	3.1	3.2	3.0	17.9	14.6
Increase (decrease) in net position	\$ 0.1	\$ 0.1	\$ 1.9	\$ 0.4	\$ (2.0)	\$ (0.3)	\$ (0.1)	\$-	\$ (0.1)	\$ 0.2

Financial analysis of the District's unrestricted cash

At year-end the District reported combined unrestricted cash balances of \$10.5 million, which is an increase of \$0.1 million or 1.19% from last year. Note 2 of the financial statements provide additional detail on cash balances.

General Fund budgetary highlights

The Rubidoux Community Services District budget is prepared annually. Over the course of the year, the Board reviews and revises its budget to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2016-2017, no revisions were made to the District's general budget. Capital outlays increased \$50,000.

An analysis of the District's budget versus actual is provided as a supplemental statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.

The favorable variance of \$196,914 in services and supplies expenditures is primarily due to the District operating efficiently under budget. The favorable variance of \$375,671 in contract services expenditures is primarily due to Cal Fire over-estimating the fire contract for budget purposes.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

Capital asset and debt administration

Capital assets

At June 30, 2017, the District had \$44.3 million invested in a broad range of capital assets for infrastructure and facilities. (See Note 5.) (See Table 3 below.) This amount represents a net decrease of \$0.3 million, or 0.79%, below last year.

Table 3
Capital assets, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2017	2016	2017	2016	2017	2016	2017	2016
Land	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.5	\$ -	\$ -	\$ 1.1	\$ 0.8
CIP	0.8	0.6	0.1	0.1	-	0.1	0.9	0.8
Structures and improvements	3.7	3.7	34.3	34.3	36.4	35.5	74.4	73.5
Equipment	0.8	0.8	1.6	1.5	0.5	0.4	2.9	2.7
Less depreciation	(1.5)	(1.4)	(13.3)	(12.4)	(20.2)	(19.3)	(35.0)	(33.1)
Total	\$ 4.1	\$ 4.0	\$ 23.5	\$ 24.0	\$ 16.7	\$ 16.7	\$ 44.3	\$ 44.7

At June 30, 2017, the District had \$13.3 million in pension liability, loans, certificates of participation, and notes outstanding versus \$13.2 million last year – an increase of 1.63% - as shown in Table 4. (See Notes 8 and 10).

Table 4
Outstanding debt, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2017	2016	2017	2016	2017	2016	2017	2016
Pension liability	\$ 1.8	\$ 1.4	\$ 1.8	\$ 1.4	\$ 0.2	\$ 0.2	\$ 3.8	\$ 3.0
Certificates of participation	-	-	4.6	5.1	-	-	4.6	5.1
Notes/loans payable	-	-	4.9	5.1	-	-	4.9	5.1
Total	\$ 1.8	\$ 1.4	\$ 11.3	\$ 11.6	\$ 0.2	\$ 0.2	\$ 13.3	\$ 13.2

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2017**

Economic factors and next year's comments

There are several factors influencing the economy of the Rubidoux Community Services District (District). The District continues to stress water conservation efforts even in light of abundant local water supplies. In 2009, Governor Schwarzenegger signed the Water Conservation Act (AB 2175) which requires water suppliers to reduce statewide per capita water use by 20% by year 2020. Governor Brown issued a drought state of emergency order number B-29-15 on April 1, 2015, increasing the State's water conservation efforts to 25%. The demand for water is lessening and the District is initiating additional conservation efforts, which will help meet this requirement.

The recovery from the great recession has slowed two major proposed developments, delaying the District's ability to add additional service connections. Emerald Meadows Ranch Properties, a community of 1000+ homes, commercial stores, parks, schools, etc. on approximately 260 acres on the southeast corner of highway 60 and Rubidoux Blvd., is in suspension. The Rio Vista Project, a proposed construction of approximately 1,400+ homes north of highway 60, is another proposed project in suspension. Both projects are cautiously moving forward as the economy continues to improve.

However, as the housing market improves, the District is seeing 100 to 400 home developments moving forward; DR Horton's Sky Park is currently in progress and the Emerald Ridge project is in the early planning stages.

The installation of a MIOX system (disinfection) at the NO3 plant, budgeted at \$300,000, has been delayed. Improvements to the Golden West Booster are budgeted at \$250,000. A new well at 34th and Crestmore is budgeted at \$350,000 with expected completion during FY 18/19.

Replacement of the Jurupa Hills lift station was re-scheduled to commence in FY 16/17. The cost estimate is \$500,000. Construction of new 15" and 12" sewer pipelines in the Tilton/42nd Street area, were completed in FY 16/17. This replaced existing problem lines and increased sewer capacity.

Management continues to be proactive in planning for future growth with new and replacement infrastructure. Enrichment of these District assets will provide for continued solid financial strength into the future.

Contacting the District's financial management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's commitment to accountability. If you have any questions about this report or need additional financial information, contact the District's Accounting Department, at Rubidoux Community Services District, 3590 Rubidoux Blvd., Jurupa Valley, CA 92509.

Rubidoux Community Services District
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 2,967,156	\$ 7,572,068	\$ 10,539,224
Accounts receivable, net (Note 4)	104,122	1,142,366	1,246,488
Internal balances (Note 6)	(768,482)	768,482	-
Interest receivable	9,149	30,207	39,356
Inventory	-	55,055	55,055
Prepayments and deposits	31,187	17,018	48,205
Restricted assets:			
Cash and investments (Notes 2 and 3)	1,298,510	-	1,298,510
Total current assets	3,641,642	9,585,196	13,226,838
Noncurrent assets:			
Restricted - cash and investments (Notes 2 and 3)	-	9,065,159	9,065,159
Restricted - reserve funds (Notes 2 and 3)	-	734,782	734,782
Capital assets, not being depreciated (Note 5)	1,094,997	968,884	2,063,881
Capital assets, being depreciated, net (Note 5)	2,986,463	39,320,231	42,306,694
Total noncurrent assets	4,081,460	50,089,056	54,170,516
Total assets	7,723,102	59,674,252	67,397,354
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 10)	526,371	593,572	1,119,943

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Net Position, continued
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 668,915	\$ 770,342	\$ 1,439,257
Accrued liabilities	123,603	-	123,603
Customer deposits	-	23,159	23,159
Unearned revenue	-	37,726	37,726
Interest payable	-	19,764	19,764
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	125,324	53,686	179,010
Bonds payable and certificates of of participation (Note 8)	-	485,000	485,000
Notes payable (Note 8)	-	254,044	254,044
Total current liabilities	917,842	1,643,721	2,561,563
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	375,970	166,974	542,944
Net pension liability (Note 10)	1,822,552	2,055,218	3,877,770
Bonds payable and certificates of participation (Note 8)	-	4,135,903	4,135,903
Notes payable (Note 8)	-	4,645,371	4,645,371
Total noncurrent liabilities	2,198,522	11,003,466	13,201,988
Total liabilities	3,116,364	12,647,187	15,763,551
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 10)	120,486	135,867	256,353
NET POSITION			
Net investment in capital assets	4,081,460	30,768,797	34,850,257
Restricted for:			
Capital projects	1,298,510	6,589,221	7,887,731
Debt service	-	3,210,720	3,210,720
Unrestricted	(367,347)	6,916,032	6,548,685
Total net position	\$ 5,012,623	\$ 47,484,770	\$ 52,497,393

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
Statement of Activities
For the year ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:						
Administrative and support	\$ 2,401,583	\$ 1,258,063	\$ -	\$ (1,143,520)	\$ -	\$ (1,143,520)
Contracted services	1,836,278	-	-	(1,836,278)	-	(1,836,278)
Total governmental activities	4,237,861	1,258,063	-	(2,979,798)	-	(2,979,798)
Business-type activities:						
Water utility	5,445,143	5,538,241	-	-	93,098	93,098
Sewer utility	5,006,196	2,670,956	-	-	(2,335,240)	(2,335,240)
Solid waste disposal	2,967,085	3,111,866	-	-	144,781	144,781
Total business-type activities	13,418,424	11,321,063	-	-	(2,097,361)	(2,097,361)
Total primary government	\$ 17,656,285	\$ 12,579,126	\$ -	(2,979,798)	(2,097,361)	(5,077,159)
General revenues:						
Property taxes				2,812,333	-	2,812,333
Investment earnings				27,413	111,349	138,762
Bond replacement revenue				-	1,170,758	1,170,758
Other non-operating revenue				-	865,325	865,325
Transfers				157,799	(157,799)	-
Total general revenues				2,997,545	1,989,633	4,987,178
Change in net position				17,747	(107,728)	(89,981)
Net position, beginning of year				4,994,876	47,592,498	52,587,374
Net position, end of year				\$ 5,012,623	\$ 47,484,770	\$ 52,497,393

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
Balance Sheet
General Fund
June 30, 2017**

ASSETS

Cash and investments	\$	2,967,156
Accounts receivable, net (Note 4)		104,122
Accrued interest receivable		9,149
Prepayments and deposits		31,187
Restricted assets:		
Cash and investments		<u>1,298,510</u>
 Total assets	 \$	 <u><u>4,410,124</u></u>

LIABILITIES

Accounts payable	\$	668,915
Accrued liabilities		123,603
Internal balances (Note 6)		<u>768,482</u>
 Total liabilities		 <u>1,561,000</u>

FUND BALANCES

Nonspendable		31,187
Restricted		1,298,510
Unassigned		<u>1,519,427</u>
 Total fund balances		 <u>2,849,124</u>
 Total liabilities and fund balances	 \$	 <u><u>4,410,124</u></u>

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
 Reconciliation of the General Fund Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2017**

Fund balances of governmental funds \$ 2,849,124

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,081,460

Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:

Compensated absences	(501,294)
Net pension liability	(1,822,552)

Deferred inflows and outflows of resources related to pensions have not been included in the governmental fund activity.

Deferred outflows of resources	526,371
Deferred inflows of resources	(120,486)
	(120,486)

Net position of governmental activities **\$ 5,012,623**

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the year ended June 30, 2017

REVENUES

Property taxes and weed abatement	\$ 2,812,333
Charges for administrative services	1,200,000
Licenses and permits	5,689
Interest earnings	27,413
Other revenue	52,374
	<hr/>
Total revenues	4,097,809
	<hr/>

EXPENDITURES

General government	2,409,744
Fire protection and weed abatement	1,836,278
	<hr/>
Total expenditures	4,246,022
	<hr/>

Excess of revenues over (under) expenditures	(148,213)
--	-----------

OTHER FINANCING SOURCES (USES)

Transfers in	157,799
	<hr/>

Net change in fund balance	9,586
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Fund balance, beginning of year	2,839,538
	<hr/>

Fund balance, end of year	\$ 2,849,124
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the General Fund to the Government-Wide Statement of Activities
 For the year ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 9,586

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays and asset disposals exceeded depreciation expense in the current period. 94,553

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:

Change in compensated absences	(32,334)
Pension related net adjustments	(54,058)
	<hr/>

Change in net position of governmental activities \$ 17,747

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
Statement of Net Position
Proprietary Funds
June 30, 2017**

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
ASSETS				
Current assets:				
Cash and investments (Note 2)	\$ 5,376,129	\$ 2,195,939	\$ -	\$ 7,572,068
Accounts receivable, net (Note 4)	596,401	393,352	152,613	1,142,366
Due from other funds (Note 6)	481,839	286,643	-	768,482
Interest receivable	21,187	9,020	-	30,207
Inventory	55,055	-	-	55,055
Prepayments and deposits	17,018	-	-	17,018
Total current assets	6,547,629	2,884,954	152,613	9,585,196
Noncurrent assets:				
Restricted - cash and investments (Notes 2 and 3)	6,118,249	2,946,910	-	9,065,159
Restricted - reserve funds (Notes 2 and 3)	734,782	-	-	734,782
Capital assets, not being depreciated (Note 5)	922,038	46,846	-	968,884
Capital assets, being depreciated, net (Note 5)	22,658,805	16,661,426	-	39,320,231
Total noncurrent assets	30,433,874	19,655,182	-	50,089,056
Total assets	36,981,503	22,540,136	152,613	59,674,252
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 10)	526,374	67,198	-	593,572

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Net Position, continued
Proprietary Funds
June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 149,157	\$ 621,185	\$ -	\$ 770,342
Customer deposits	23,159	-	-	23,159
Unearned revenue	37,726	-	-	37,726
Interest payable	19,764	-	-	19,764
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	53,686	-	-	53,686
Bonds payable and certificates of participation (Note 8)	485,000	-	-	485,000
Notes payable (Note 8)	240,480	13,564	-	254,044
Total current liabilities	<u>1,008,972</u>	<u>634,749</u>	<u>-</u>	<u>1,643,721</u>
Noncurrent liabilities:				
Long-term liabilities - due within more than one year:				
Compensated absences (Note 9)	161,058	5,916	-	166,974
Net pension liability (Note 10)	1,822,552	232,666	-	2,055,218
Bonds payable and certificates of participation (Note 8)	4,135,903	-	-	4,135,903
Notes payable (Note 8)	4,631,807	13,564	-	4,645,371
Total noncurrent liabilities	<u>10,751,320</u>	<u>252,146</u>	<u>-</u>	<u>11,003,466</u>
Total liabilities	<u>11,760,292</u>	<u>886,895</u>	<u>-</u>	<u>12,647,187</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 10)	120,486	15,381	-	135,867
NET POSITION				
Net investment in capital assets	14,087,653	16,681,144	-	30,768,797
Restricted				
Capital projects	3,642,311	2,946,910	-	6,589,221
Debt service	3,210,720	-	-	3,210,720
Unrestricted	4,686,415	2,077,004	152,613	6,916,032
Total net position	<u>\$ 25,627,099</u>	<u>\$ 21,705,058</u>	<u>\$ 152,613</u>	<u>\$ 47,484,770</u>

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
OPERATING REVENUES				
Charges for current services	\$ 5,456,657	\$ 2,670,956	\$ 3,111,866	\$ 11,239,479
Other revenue	81,584	-	-	81,584
Total operating revenues	<u>5,538,241</u>	<u>2,670,956</u>	<u>3,111,866</u>	<u>11,321,063</u>
OPERATING EXPENSES				
Salaries and benefits	1,981,484	101,741	-	2,083,225
Contracted services	-	-	2,855,163	2,855,163
Electrical power	386,683	50,364	-	437,047
Operating expense	373,306	9,518	-	382,824
Maintenance and repairs	54,000	106,099	-	160,099
Operating treatment	480,160	2,118,126	-	2,598,286
Insurance	45,274	10,619	-	55,893
Professional fees	60,787	1,204,143	-	1,264,930
Bad debt	22,177	9,124	11,922	43,223
Other	114,732	11,215	-	125,947
Administrative fee	600,000	500,000	100,000	1,200,000
Total operating expenses	<u>4,118,603</u>	<u>4,120,949</u>	<u>2,967,085</u>	<u>11,206,637</u>
Operating income (loss) before depreciation	1,419,638	(1,449,993)	144,781	114,426
Depreciation expense	(945,214)	(885,247)	-	(1,830,461)
Operating income (loss)	<u>474,424</u>	<u>(2,335,240)</u>	<u>144,781</u>	<u>(1,716,035)</u>
NONOPERATING REVENUES (EXPENSES)				
Capital replacement	195,499	-	-	195,499
Capacity fees	417,626	252,200	-	669,826
Bond replacement revenue	1,170,758	-	-	1,170,758
Interest income	73,586	37,763	-	111,349
Interest expense	(381,326)	-	-	(381,326)
Total nonoperating revenues (expenses)	<u>1,476,143</u>	<u>289,963</u>	<u>-</u>	<u>1,766,106</u>
Income before contributions and transfers	1,950,567	(2,045,277)	144,781	50,071
Transfers in (out)	-	-	(157,799)	(157,799)
Change in net position	<u>1,950,567</u>	<u>(2,045,277)</u>	<u>(13,018)</u>	<u>(107,728)</u>
Net position, beginning of year	<u>23,676,532</u>	<u>23,750,335</u>	<u>165,631</u>	<u>47,592,498</u>
Net position, end of year	<u>\$ 25,627,099</u>	<u>\$ 21,705,058</u>	<u>\$ 152,613</u>	<u>\$ 47,484,770</u>

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 5,521,724	\$ 2,660,212	\$ 3,124,884	\$ 11,306,820
Cash paid to employees for salaries and benefits	(1,919,506)	(94,852)	-	(2,014,358)
Cash paid to vendors and suppliers	(1,504,739)	(3,201,851)	(2,867,085)	(7,573,675)
Other receipts (payments)	(600,000)	(500,000)	(100,000)	(1,200,000)
Net cash provided (used) by operating activities	<u>1,497,479</u>	<u>(1,136,491)</u>	<u>157,799</u>	<u>518,787</u>
Cash flows from noncapital financing activities:				
Proceeds from capacity fees	417,626	252,200	-	669,826
Bond replacement revenue	1,170,758	-	-	1,170,758
Other non-operating revenues (expenses), net	176,009	-	-	176,009
Transfers to other funds	-	-	(157,799)	(157,799)
Interfund borrowings	(115,464)	(19,341)	-	(134,805)
Net cash provided (used) by noncapital financing activities	<u>1,648,929</u>	<u>232,859</u>	<u>(157,799)</u>	<u>1,723,989</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(452,092)	(937,648)	-	(1,389,740)
Proceeds from sale of capital assets	28,100	-	-	28,100
Principal payments on capital debt	(699,415)	(13,564)	-	(712,979)
Interest payments on capital debt	(378,685)	-	-	(378,685)
Net cash used by capital and related financing activities	<u>(1,502,092)</u>	<u>(951,212)</u>	<u>-</u>	<u>(2,453,304)</u>
Cash flows from investing activities:				
Interest earnings	64,546	36,536	-	101,082
Net cash provided by investing activities	<u>64,546</u>	<u>36,536</u>	<u>-</u>	<u>101,082</u>
Net increase (decrease) in cash and cash equivalents	1,708,862	(1,818,308)	-	(109,446)
Cash and cash equivalents, beginning of year	<u>10,520,298</u>	<u>6,961,157</u>	<u>-</u>	<u>17,481,455</u>
Cash and cash equivalents, end of year	<u>\$ 12,229,160</u>	<u>\$ 5,142,849</u>	<u>\$ -</u>	<u>\$ 17,372,009</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 5,376,129	\$ 2,195,939	\$ -	\$ 7,572,068
Restricted cash and cash equivalents	6,118,249	2,946,910	-	9,065,159
Restricted reserve funds	734,782	-	-	734,782
Totals	<u>\$ 12,229,160</u>	<u>\$ 5,142,849</u>	<u>\$ -</u>	<u>\$ 17,372,009</u>

The accompanying notes are an integral part of these financial statements.

Rubidoux Community Services District
Statement of Cash Flows, continued
Proprietary Funds
For the year ended June 30, 2017

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 474,424</u>	<u>\$ (2,335,240)</u>	<u>\$ 144,781</u>	<u>\$ (1,716,035)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	945,214	885,247	-	1,830,461
Bad debt	22,177	9,124	11,922	43,223
Changes in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable, net	(39,512)	(19,868)	1,096	(58,284)
Inventory	(28,323)	-	-	(28,323)
Prepayments and deposits	14,164	231	-	14,395
Deferred outflows of resources	(318,200)	(40,623)		(358,823)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	46,539	317,126	-	363,665
Accrued wages and related payables	(7,966)	-	-	(7,966)
Customer deposits	818	-	-	818
Compensated absences	15,889	(11)	-	15,878
Deferred inflows of resources	(61,858)	(7,896)	-	(69,754)
Net pension liability	434,113	55,419	-	489,532
Total adjustments	<u>1,023,055</u>	<u>1,198,749</u>	<u>13,018</u>	<u>2,234,822</u>
Net cash provided (used) by operating activities	<u>\$ 1,497,479</u>	<u>\$ (1,136,491)</u>	<u>\$ 157,799</u>	<u>\$ 518,787</u>

The accompanying notes are an integral part of these financial statements.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies

Rubidoux Community Services District was organized under the provisions of the State of California on November 24, 1952. The District operates under a governing Board of Directors and provides the following services: fire protection, sewer service, solid waste disposal (trash billing and collection), weed control, water service and street lighting. The financial statements of the District have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also follows the Uniform System of Accounts as prescribed by the Controller of the State of California.

The accompanying financial statements present the activities of the District. There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

Basis of Presentation and Basis of Accounting

Basis of Presentation

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Fund Accounting

The financial activities of the District are recorded in individual funds, each of which is deemed to be a separate accounting entity. The District uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the District that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds.

Governmental Funds

General Fund

This fund accounts for all activities of the District not specifically required to be accounted for in other funds. This fund primarily reflects general administrative type activities associated with overall management and record keeping for the District and contracted fire services.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies, continued

Basis of Presentation and Basis of Accounting, continued

Proprietary Funds

When the District charges for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position.

Proprietary fund operating revenues and expenses are related to providing water, waste-water, and solid waste disposal services to the residents and businesses of the District. Revenue and expenses arising from capital and non-capital financing activities are presented as non-operating revenues and expenses.

The District has the following major proprietary funds:

- Water, sewer, and solid waste disposal funds. These funds account for the activities of the District's water supply system, pumping stations, collection systems and contracted sewer capacity arrangements, as well as contracted solid waste disposal operations.

Basis of Accounting

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Government-wide, governmental-net position and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes apply. Property taxes are collected for the District by the County of Riverside. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies, continued

Basis of Presentation and Basis of Accounting, continued

At the beginning of each fiscal year the District files an itemized estimate of anticipated revenue, other than current taxes, and of estimated expenditures for the General Fund with the Riverside County Auditor Controller.

The District's primary sources of revenue are from property taxes levied and controlled by Riverside County and billings by the District's Water Department. Other receipts are from Sewer Service and Solid Waste Disposal and Augmentation Funds from the State of California.

The District's Board of Directors approves total budgeted appropriations and expenditures and adopts the budget on a basis consistent with generally accepted accounting principles (GAAP) of the United States of America. Only the Board of Directors is authorized to transfer or revise budget amounts of any fund.

Unused appropriations for all the annually budgeted funds lapse at the end of the fiscal year.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Financial Statement Elements

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, money market accounts, deposits with financial institutions and deposits in the State of California Local Agency Investment Fund and other investments with initial maturities of three months or less. Deposits in the Local Agency Investment Fund can be withdrawn at any time.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 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 basis.

Credit/Market Risk

The District provides water and wastewater services to local residential and commercial customers. As part of normal operating practices, credit is granted to local customers, on an unsecured basis.

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 (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure direct deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management review all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has been recorded.

Property Taxes and Assessments

The Riverside County Assessor's Office assesses all real and personal property within the County each year. The Riverside County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Riverside County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Riverside County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien data	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Materials and Supplies Inventory

Materials and supplies inventory consists primarily of materials used in the construction and maintenance of the District's water and wastewater systems and is valued at the lower of cost, using the first-in, first-out method, or market.

Deferred Charges

Deferred charges (discount on COP's) are reported net of accumulated amortization. The costs are amortized on the straight-line method based on the estimated term of the related debt. Amortization expense is recorded to interest expense in the financial statements.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Restricted Assets

Various resources of the District are limited as to their use by law or by debt covenants and are classified on the balance sheet as restricted assets. Undisbursed debt proceeds are restricted for repayment of the debt. Also, fees imposed on new real estate developments are restricted by law for the construction of capital improvements which benefit the development projects.

Capital Assets

Capital assets purchased or constructed with a value over \$5,000 and a useful life of 3 or more years are carried at historical cost. Constructed costs include labor, materials and construction period interest expense (net of interest income). Contributed assets are stated at estimated fair market value at the time received by the District. Depreciation is calculated on the straight-line method over the estimated useful lives of the properties, ranging from five to fifty years, as follows:

Governmental Activities

- Land improvements – 30 years
- Structures and equipment – 3 to 30 years

Business-Type Activities

- Land improvements – 30 years
- Structures and improvements – 5 to 30 years
- Water transmission and distribution systems – 50 years
- Wastewater collection systems – 50 years
- Vehicles and equipment – 5 to 30 years

Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

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 of Example'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.

Deferred Inflow/Outflow 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 a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item which qualifies for reporting in this category: pensions. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item which qualifies for reporting in this category: pensions. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- *Net Investment in Capital Assets*. This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- *Restricted Net Position*. This component of net position consists of externally constrained resources imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position*. This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

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

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

- *Restricted Fund Balance*. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

- *Assigned Fund Balance.* This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The District has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- *Unassigned Fund Balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Utility Sales

Utility sales are billed on a monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital connection expenditures or capacity commitment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

New Accounting Pronouncements

The following new pronouncements may have an effect on the District when implemented:

Government Accounting Standards Board Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 76

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for periods beginning after June 15, 2018.

Government Accounting Standards Board Statement No. 84

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018.

Government Accounting Standards Board Statement No. 85

GASB Statement No. 85, *Omnibus 2017*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 86

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 87

GASB Statement No. 87, *Leases*, is effective for periods beginning after December 15, 2019.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 2: Cash and Cash Equivalents

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 2,967,156	\$ 5,376,129	\$2,195,939	\$10,539,224
Restricted - cash and cash equivalents	1,298,510	-	-	1,298,510
Non-current:				
Restricted - cash and cash equivalents	-	6,118,249	2,946,910	9,065,159
Restricted - reserve funds	-	734,782	-	734,782
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and cash equivalents	<u>\$ 4,265,666</u>	<u>\$12,229,160</u>	<u>\$5,142,849</u>	<u>\$21,637,675</u>
Cash and cash equivalents:				
Deposits held with financial institutions	\$ 173,067	\$ 942,482	\$ 75,223	\$ 1,190,772
Cash on hand	-	1,800	-	1,800
Investments (certificates of deposit)	170,000	2,185,000	1,200,000	3,555,000
Local Agency Investment Fund (LAIF)	3,922,599	9,099,878	3,867,626	16,890,103
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and cash equivalents	<u>\$ 4,265,666</u>	<u>\$12,229,160</u>	<u>\$5,142,849</u>	<u>\$21,637,675</u>

Authorized investments

The District's investment policy allows it to invest in US Treasury Bill, Notes, Bonds, US Agency obligations, Local Agency Investment Fund, certificates of deposit, money market mutual funds, commercial paper and savings accounts with certain limitations as explained in the policy.

Fair value measurements

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 the following recurring fair value measurements as of June 30, 2017:

- Local Agency Investment Fund (General Fund, \$3,922,599, Water \$9,099,878 and Sewer \$3,867,626) of \$16,890,103 is valued at Net Asset Value which approximates fair value. The LAIF is not subject to the fair value hierarchy.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 3: Restricted Assets

The District is required to maintain reserve funds for debt service on outstanding bonds payable and certificates of participation. The following reflects reserve funds for the outstanding debt arrangement and all other restricted assets. Restricted cash funds consisted of the following on June 30, 2017:

	<u>Amount</u>
Certificates of Participation - Series 1998:	
Funds held by fiscal agent in bond reserve	<u>\$ 734,782</u>
Total restricted assets in bond reserve	<u>734,782</u>
Other District funds held for connection/capacity fees and other future uses, as well as receivable amounts due as contribution capital:	
Governmental:	
Fire mitigation	<u>1,298,510</u>
Business-type:	
Sewer connection/capacity fees	2,946,910
Water connection fees	2,753,328
Water - COP's	2,475,938
Water - capital replacement	606,260
Water - field/admin	<u>282,723</u>
Total business-type restricted assets	<u>9,065,159</u>
Total restricted assets	<u><u>\$ 11,098,451</u></u>

Restricted cash and receivable connection/capacity/improvement project fees for each designated purpose is as follows at June 30, 2017:

	<u>Water</u>	<u>Sewer</u>	<u>Fire Mitigation</u>	<u>Total</u>
Restricted cash - current	\$ -	\$ -	\$ 1,298,510	\$ 1,298,510
Restricted cash - non-current	6,118,249	2,946,910	-	9,065,159
Reserve funds	<u>734,782</u>	<u>-</u>	<u>-</u>	<u>734,782</u>
Total	<u><u>\$ 6,853,031</u></u>	<u><u>\$ 2,946,910</u></u>	<u><u>\$ 1,298,510</u></u>	<u><u>\$ 11,098,451</u></u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 4: Accounts Receivable

The detail of accounts receivable is as follows at June 30, 2017:

	<u>Amount</u>
Governmental	
Weed abatement	
Property assessments for weed abatement	\$ 3,718
Governmental Fund taxes/developer charge backs	<u>100,404</u>
Total governmental	<u>104,122</u>
Business-type	
Water Fund	
Billed, net	274,835
Unbilled	<u>321,566</u>
	596,401
Sewer Service Fund	
Sewer billed, net	6,742
Sewer unbilled	38,534
Regional billed	255,355
Regional unbilled	<u>92,721</u>
	393,352
Solid Waste Disposal Fund	
Billed, net	5,684
Unbilled	<u>146,929</u>
	152,613
Total business-type	<u>1,142,366</u>
Total accounts receivable	<u><u>\$ 1,246,488</u></u>

Allowance for doubtful accounts at June 30, 2017, is provided as follows:

Water fund	\$ 43,894
Sewer fund	22,677
Solid waste disposal fund	<u>15,360</u>
Total	<u><u>\$ 81,931</u></u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 5: Capital Assets

Property, plant and equipment were comprised of the following at June 30, 2017:

<i>Governmental-type activities</i>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 308,117	\$ -	\$ -	\$ 308,117
Construction in progress	582,976	203,904	-	786,880
 Total capital assets, not being depreciated	 891,093	 203,904	 -	 1,094,997
Capital assets, being depreciated:				
Structures and improvements	3,718,183	-	-	3,718,183
Equipment	814,393	32,452	(38,427)	808,418
 Total capital assets, being depreciated	 4,532,576	 32,452	 (38,427)	 4,526,601
 Total accumulated depreciation	 (1,436,762)	 (133,987)	 30,611	 (1,540,138)
 Total capital assets, being depreciated, net	 3,095,814	 (101,535)	 (7,816)	 2,986,463
 Governmental activities capital assets, net	 <u>\$ 3,986,907</u>	 <u>\$ 102,369</u>	 <u>\$ (7,816)</u>	 <u>\$ 4,081,460</u>
		Depreciation Expense		
Administration and support	<u>\$ 133,987</u>			

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 5: Capital Assets, continued

Business-type Activities

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 525,285	\$ 261,890	\$ -	\$ 787,175
Construction in progress	92,191	42,672	-	134,863
Total capital assets, not being depreciated	617,476	304,562	-	922,038
Capital assets, being depreciated:				
Structures and improvements	34,343,536	-	(14,400)	34,329,136
Equipment	1,530,435	147,530	(75,996)	1,601,969
Total capital assets, being depreciated	35,873,971	147,530	(90,396)	35,931,105
Less accumulated depreciation	(12,408,872)	(945,214)	81,786	(13,272,300)
Total capital assets, being depreciated, net	23,465,099	(797,684)	(8,610)	22,658,805
Total Water Utility capital assets, net	24,082,575	(493,122)	(8,610)	23,580,843
<u>Sewer Utility</u>				
Capital assets, not being depreciated:				
Land	17,825	-	-	17,825
Construction in progress	73,504	831,899	(876,382)	29,021
Total capital assets, not being depreciated	91,329	831,899	(876,382)	46,846
Capital assets, being depreciated:				
Structures and improvements	35,506,415	876,382	-	36,382,797
Equipment	400,750	105,749	-	506,499
Total capital assets, being depreciated	35,907,165	982,131	-	36,889,296
Less accumulated depreciation	(19,342,623)	(885,247)	-	(20,227,870)
Total capital assets, being depreciated, net	16,564,542	96,884	-	16,661,426
Total Sewer Utility capital assets, net	16,655,871	928,783	(876,382)	16,708,272
Total Business-type Activities capital assets, net	\$ 40,738,446	\$ 435,661	\$ (884,992)	\$ 40,289,115

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 6: Reconciliation of Interfund Receivables and Payables

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement.

Interfund balances are as follows as of June 30, 2017:

Due From	Due To			
	General Fund	Water Fund	Sewer Fund	Total
General Fund	\$ -	\$ 1,519,355	\$ (750,872)	\$ 768,483
Water Utility Fund	(1,519,355)	-	1,037,515	(481,840)
Sewer Utility Fund	750,873	(1,037,516)	-	(286,643)
Total	\$ (768,482)	\$ 481,839	\$ 286,643	\$ -

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended. The Solid Waste fund transferred \$157,799 to the General Fund.

Note 7: Real Properties

Properties owned by the District are as follows:

Property Site - Wilson Street and Agua Mansa Boulevard
Treatment Plant (approximately 10 acres)
Main Office - 3590 Rubidoux Boulevard
Field Office Building - Pacific Street at Riverview Avenue
9 water well sites
Vacant lot - South Sedona Drive
Vacant lot – Mission Avenue

Vacant lot - Golden West Avenue
Nitrate Wellhead Treatment Facility
Manganese Treatment Facility
Well sites #17 & #18 - 34th Street
Fort Fremont Parcel
Land adjacent to District Office
Goldenwest Reservoir Site
7 Reservoir tanks
Mission / Avalon Fire Station

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 8: Long-term Liabilities

Below is a schedule of the changes in long-term liabilities for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental activities:</u>					
Net pension liability	\$ 1,388,439	\$ 603,206	\$ (169,093)	\$ 1,822,552	\$ -
<u>Business-type activities:</u>					
Water Utility Fund:					
1998 Certificates of Participation	5,120,000	-	(465,000)	4,655,000	485,000
Less: amortized discount	(38,695)	-	4,598	(34,097)	-
Note payable - State Drinking Water	5,106,702	-	(234,415)	4,872,287	240,480
Net pension liability	1,388,439	603,206	(169,093)	1,822,552	-
Sewer Utility Fund:					
Note payable - State Drinking Water	40,692	-	(13,564)	27,128	13,564
Net pension liability	177,247	77,005	(21,586)	232,666	-
Total Business-type	11,794,385	680,212	(899,061)	11,575,536	739,044
Total	<u>\$ 13,182,824</u>	<u>\$ 1,283,418</u>	<u>\$ (1,068,154)</u>	<u>\$ 13,398,088</u>	<u>\$ 739,044</u>

Certificates of participation consisted of the following at June 30, 2017:

	Balance	Payments
Water Utility		
<i>Certificates of Participation</i>		
Series 1998, (Refunding issue of Series 95) maturing 2024. Interest payable semiannually on June 1 and December 1. Principal due in annual installments on December 1. Final payment due December 1, 2024.	\$ 4,655,000	\$ 465,000
Less unamortized discount	(34,097)	
Less current portion	(485,000)	
Long-term portion	<u>\$ 4,135,903</u>	

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 8: Long-term Liabilities, continued

Maturities of the certificates of participation, net of bond discount, are as follows:

Fiscal year ending June 30,	1998 Series Certificates of Participation		
	Principal	Interest	Total
2018	\$ 485,000	\$ 224,916	\$ 709,916
2019	510,000	199,665	709,665
2020	535,000	173,018	708,018
2021	565,000	144,968	709,968
2022	590,000	115,515	705,515
2023 - 2025	1,970,000	154,020	2,124,020
Total	<u>\$ 4,655,000</u>	<u>\$ 1,012,101</u>	<u>\$ 5,667,101</u>

Notes payable consisted of the following at June 30, 2017:

<i>Note Payable</i>	Balance	Payments
State of California Department of Public Health for the construction of the Leland J. Thompson Water Facility. Semiannual payments of \$182,098, including interest at 2.5707%, payable on July and January 1. Matures January 1, 2034. Interest paid at June 30 was \$135,693.	\$ 4,872,287	\$ 234,415
Less current portion	<u>(240,480)</u>	
Long-term portion	<u>\$ 4,631,807</u>	

Maturities of the note payable are as follows:

Fiscal year ending June 30,	State of California Note Payable		
	Principal	Interest	Total
2018	\$ 240,480	\$ 123,716	\$ 364,196
2019	246,701	117,495	364,196
2020	253,084	111,112	364,196
2021	259,632	104,564	364,196
2022	266,349	97,847	364,196
2023 - 2027	1,438,747	382,232	1,820,980
2028 - 2032	1,634,748	186,231	1,820,980
2033 - 2035	532,545	13,748	546,294
Total	<u>\$ 4,872,287</u>	<u>\$ 1,136,945</u>	<u>\$ 6,009,233</u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 8: Long-term Liabilities, continued

Loans payable consisted of the following at June 30, 2017:

<i>Loan Payable</i>	<u>Balance</u>	<u>Payments</u>
Sewer Utility		
State of California Department of Public Health for the construction of the Headworks Project. Principal payments payable in annual installments of \$13,564 on October 1, per annum. The loan is non-interest bearing and matures October 1, 2018.		
Less current portion	\$ 27,128	\$ 13,564
	<u>(13,564)</u>	
Long-term portion	<u>\$ 13,564</u>	

Maturities of the loan payable are as follows:

Fiscal year ending June 30,	State of California Loan Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 13,564	\$ -	\$ 13,564
2019	<u>13,564</u>	<u>-</u>	<u>13,564</u>
Total	<u>\$ 27,128</u>	<u>\$ -</u>	<u>\$ 27,128</u>

Note 9: Compensated Absences

In concurrence with the Districts' Memorandum of Understanding (MOU), dated July 1, 2015, employees accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. Once a year, the District "cashes out" to employees their sick leave hours in excess of 600 hours. Current period additions or accruals totaled \$32,334, \$15,889 in the General and Water Funds, respectively, while the Sewer Fund incurred a reduction to expense of \$11. All appropriate accruals were recorded in the respective funds. Accrued balances at June 30, 2017, totaled \$501,294, \$214,744 and \$5,916 in the General, Water and Sewer Funds, respectively for a total of \$721,954.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within Balance</u>
Governmental Activities	\$ 468,960	\$ 32,334	\$ -	\$ 501,294	\$ 125,324
Business-Type Activities					
Water	198,855	15,889	-	214,744	53,686
Sewer	5,927	-	(11)	5,916	-
Total	<u>\$ 673,742</u>	<u>\$ 48,223</u>	<u>\$ (11)</u>	<u>\$ 721,954</u>	<u>\$ 179,010</u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 10: Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (two miscellaneous and one safety). 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, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' 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	3% @ 60	3% @ 60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	Various	12.657%
	Safety*	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employer contribution rates	0.000%	0.00%

*As of 1990, the District elected to contract its fire services and no longer has safety employees.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 10: Pension Plan, continued

A. General Information about the Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017 were \$400,178. The actual employer payments of \$362,251 made to CalPERS by the District during the measurement period ended June 30, 2016 differed from the District's proportionate share of the employer's contributions of \$464,279 by \$101,353, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	Varies by entry age and service
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

- (1) Annual increases vary by category, entry age, and duration of service
- (2) Net pension plan investment and administrative expenses; includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov under Forms and Publications.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Change of Assumptions

There were no changes of assumptions

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Discount Rate, continued

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

The following tables show the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (Valuation Date)	\$ 15,801,012	\$ 12,846,887	\$ 2,954,125
Balance at: 6/30/2016 (Measurement Date)	\$ 16,592,507	\$ 12,714,737	\$ 3,877,770
Net Changes During 2015-2016	\$ 791,495	\$ (132,150)	\$ 923,645

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017

Note 10: Pension Plan, continued

C. Proportionate Share of Net Pension Liability, 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 each 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 determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportionate Share of NPL - June 30, 2015	0.09658%
Proportionate Share of NPL - June 30, 2016	0.10014%
Change - Increase (Decrease)	0.00356%

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 of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 6,116,799	\$ 3,877,770	\$ 2,030,820

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 10: Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

Recognition of Gains and Losses, continued

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2015-2016 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2015), the District's net pension liability is \$2,954,125 (the net pension liability of the aggregate plan as of June 30, 2015 is \$6,863,911,531).

For the measurement period ending June 30, 2016 (the measurement date), the District incurred a pension expense of \$115,013.

As of June 30, 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,743	\$ (2,912)
Changes of Assumptions	-	(139,487)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	648,642	-
Change in Employer's Proportion	56,380	-
Difference in Actual vs Projected Contributions	-	(113,954)
Pension Contributions Subsequent to Measurement Date	400,178	-
Total	\$ 1,119,943	\$ (256,353)

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2017**

Note 10: Pension Plans, continued

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, continued

These amounts above are net of outflows and inflows recognized in the 2015-2016 measurement period expense. The \$400,178 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 upcoming fiscal year ended. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2017	\$ (2,385)
2018	11,762
2019	288,855
2020	165,180
2021	-
Remaining	-

E. Payable to the Pension Plan

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

Note 11: Contributed Capital/Financing Arrangement

On a cumulative basis, contributed capital received by the District in prior periods and during the current fiscal year is summarized as follows:

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cumulatively to June 30, 2016	\$ 4,426,019	\$ 10,648,046	\$ 20,644,482	\$ 35,718,547
Fiscal year, June 30, 2017	-	-	-	-
Total	<u>\$ 4,426,019</u>	<u>\$ 10,648,046</u>	<u>\$ 20,644,482</u>	<u>\$ 35,718,547</u>

Note 12: Commitments and Contingencies

Litigation

During the fiscal year 2014, a case was filed by the City of Riverside for a declaratory relief action seeking to require the District's financial participation in Riverside's Regional Sewage Treatment Plant. The District intends to vigorously defend the action. The fiscal impact is still unknown, therefore has not been accrued, but could be a maximum of \$15,000,000 if Riverside prevails.

REQUIRED SUPPLEMENTARY INFORMATION

**Rubidoux Community Services District
Schedule of Plan's Proportionate Share of Net Pension Liability
For the year ended June 30, 2017**

	Measurement Date		
	6/30/2014	6/30/2015	6/30/2016
Employer's Proportion of the Collective Net Pension Liability ¹	0.09513%	0.09658%	0.10014%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 2,588,133	\$ 2,954,125	\$ 3,877,770
Employer's Covered Payroll ²	\$ 1,868,407	\$ 1,973,814	\$ 2,048,593
Employer's Proportionate Share of the Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	138.52%	149.67%	189.29%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	82.83%	162.06%	151.57%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

² Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement date 6/30/2016 (fiscal year 2017) was the 3rd year of implementation, therefore, only three years are shown.

**Rubidoux Community Services District
Schedule of Plan Contributions
For the year ended June 30, 2017**

	Fiscal Year		
	6/30/2015	6/30/2016	6/30/2017
Contractually Determined Contributions	\$ 360,072	\$ 362,251	\$ 400,178
Contributions in Relation to the Contractually Determined Contributions	(360,072)	(362,251)	(400,178)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Employer's Covered Payroll ¹	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588
Contributions as a Percentage of Covered Payroll	18.24%	17.68%	19.47%

¹ Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Fiscal year ending 6/30/2017 was the 3rd year of implementation, therefore, only three years are shown.

Notes to Schedule:

Change in Benefit Terms: None
Change in Assumptions: None

**Rubidoux Community Services District
Schedule of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes and weed abatement	\$ 2,805,991	\$ 2,805,991	\$ 2,812,333	\$ 6,342
Charges for administrative services	1,200,000	1,200,000	1,200,000	-
Licenses and permits	7,000	7,000	5,689	(1,311)
Interest earnings	3,900	3,900	27,413	23,513
Other revenue	33,000	33,000	52,374	19,374
Total revenues	4,049,891	4,049,891	4,097,809	47,918
EXPENDITURES				
General government				
Salaries and benefits (including pension)	1,689,926	1,689,926	1,706,148	(16,222)
Services and supplies	664,154	664,154	467,240	196,914
Capital outlays	190,000	240,000	236,356	3,644
Fire protection and weed abatement				
Contract services	2,191,991	2,191,991	1,816,320	375,671
Utilities	24,000	24,000	19,958	4,042
Total expenditures	4,760,071	4,810,071	4,246,022	564,049
Excess of revenue over (under) expenditures	(710,180)	(760,180)	(148,213)	611,967
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	157,799	157,799
Net change in fund balance	(710,180)	(760,180)	9,586	769,766
Fund balance, beginning of year	2,839,538	2,839,538	2,839,538	-
Fund balance, end of year	\$ 2,129,358	\$ 2,079,358	\$ 2,849,124	\$ 769,766

**Rubidoux Community Services District
Notes to Required Supplementary Information
For the year ended June 30, 2017**

Note 1: Schedule of Revenues and Expenditures - Budget and Actual:

The District maintains its accounting records on a budgetary basis which differs from the basis used for financial statement purposes in the accompanying statement. The financial statements have been prepared using the modified accrual basis of accounting as prescribed by generally accepted accounting principles. The budget is prepared on a modified cash basis for cash flow and management's monitoring purposes. This budget is used throughout the year and compared with internal accounting reports prepared using the same method of accounting.

The differences relate primarily to the following:

- Accrual items at year-end.
- Capital outlay is reflected as additions to utility plant in the audited financial statements, but included as expenditures for budgeting purposes.

OTHER INFORMATION

**Rubidoux Community Services District
Combining Schedule of Revenue, Expenditures and
Changes in Fund Balances – General Fund
For the year ended June 30, 2017**

	General Fund	Protection/ Weed Abatement	Reported General Fund
REVENUES			
Property tax and weed abatement	\$ 2,802,561	\$ 9,772	\$ 2,812,333
Charges for administrative services	1,200,000	-	1,200,000
License and permits	5,689	-	5,689
Interest earnings	27,413	-	27,413
Other revenue	52,374	-	52,374
	<u>4,088,037</u>	<u>9,772</u>	<u>4,097,809</u>
EXPENDITURES			
Current:			
General government	2,409,744	-	2,409,744
Fire protection and weed abatement	-	1,836,278	1,836,278
	<u>2,409,744</u>	<u>1,836,278</u>	<u>4,246,022</u>
Excess of revenues over (under) expenditures	<u>1,678,293</u>	<u>(1,826,506)</u>	<u>(148,213)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	157,799	1,813,965	1,971,764
Transfer out	(1,813,965)	-	(1,813,965)
	<u>(1,656,166)</u>	<u>1,813,965</u>	<u>157,799</u>
Net change in fund balances	22,127	(12,541)	9,586
Fund balances, beginning of year	<u>2,018,368</u>	<u>821,170</u>	<u>2,839,538</u>
Fund balances, end of year	<u>\$ 2,040,495</u>	<u>\$ 808,629</u>	<u>\$ 2,849,124</u>

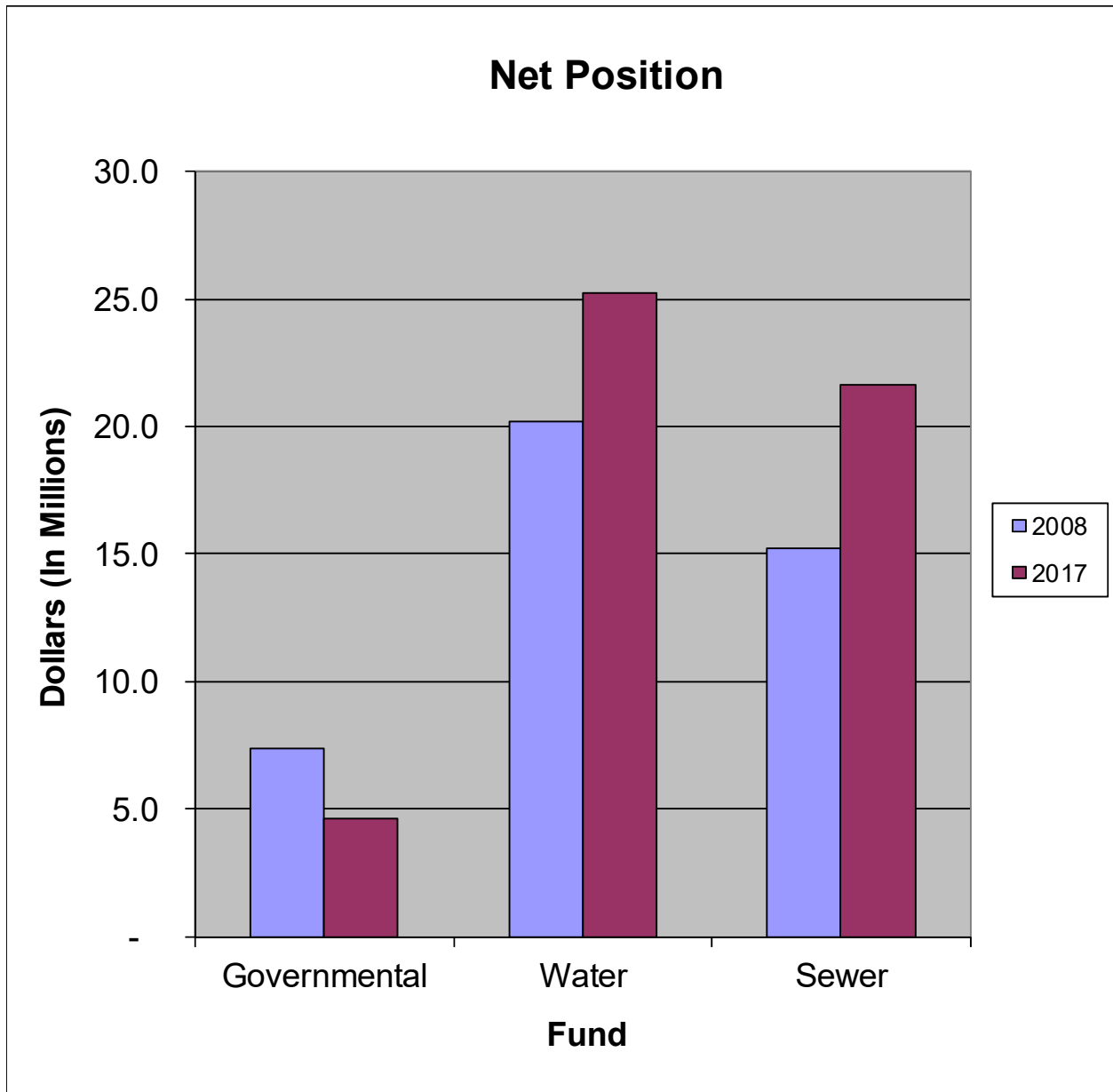
**Rubidoux Community Services District
Ten Year Financial Trends
(Rounded to Thousand Dollars)
For the year ended June 30, 2017**

Change in Net Position:

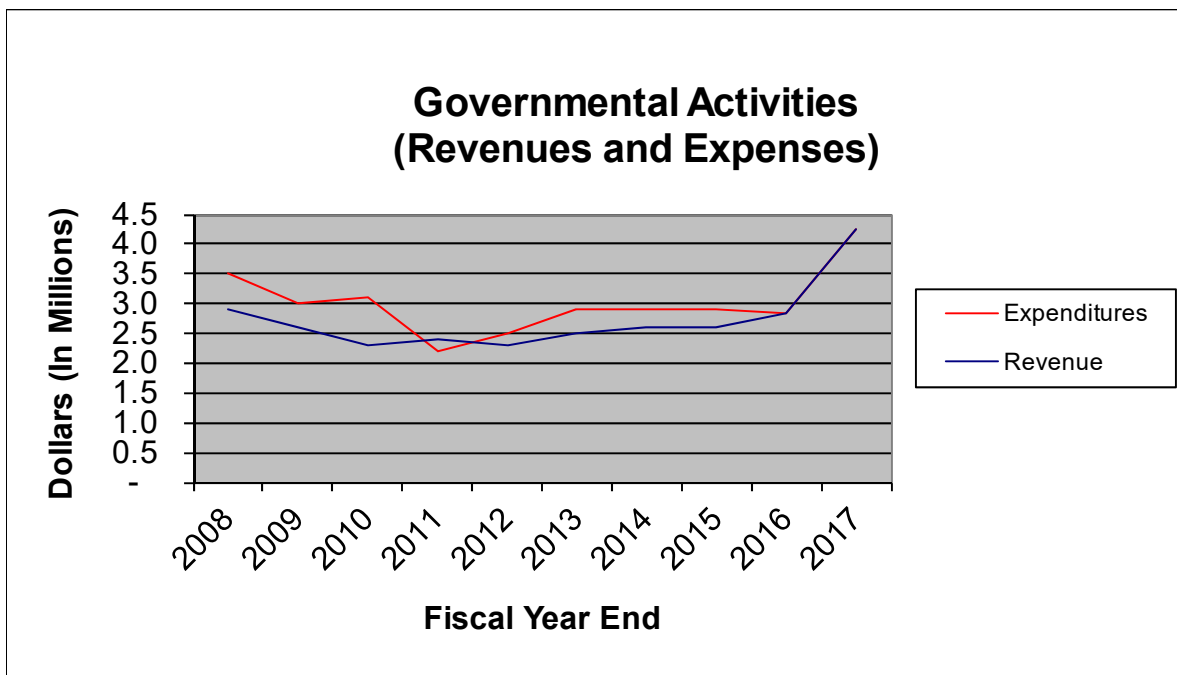
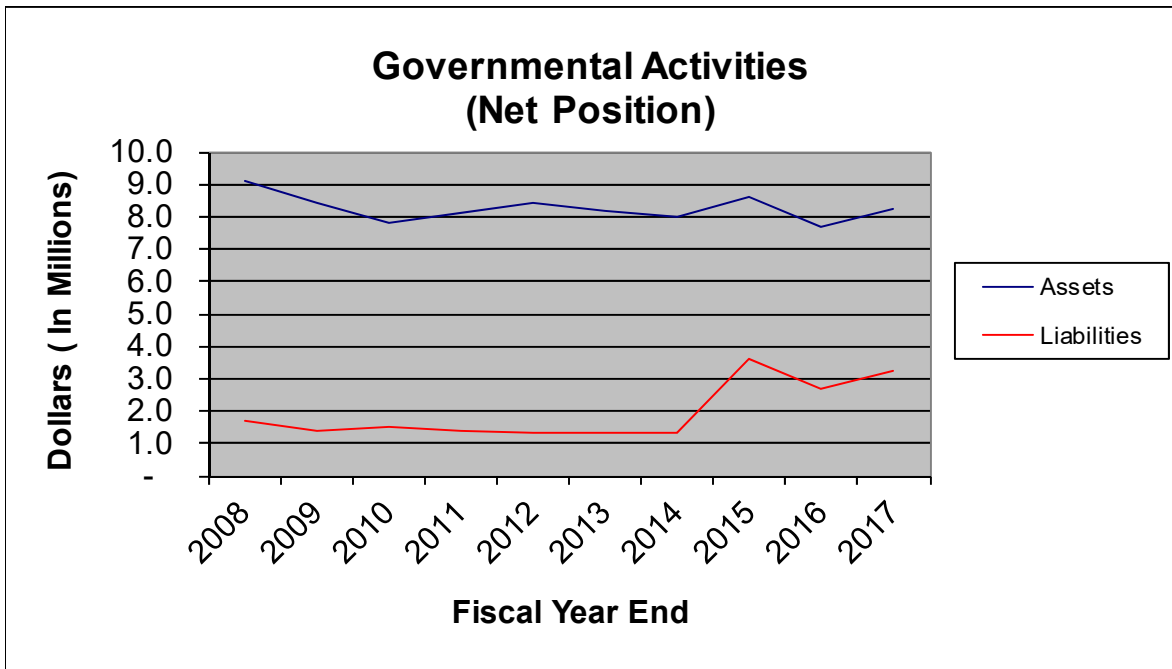
	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
June 30, 2008	\$ (600,000)	\$ 326,000	\$ 1,945,000	\$ 94,000	\$ 1,765,000
June 30, 2009	(393,000)	13,000	8,900,000	(146,000)	8,374,000
June 30, 2010	(704,000)	324,000	3,392,000	68,000	3,080,000
June 30, 2011	398,000	(661,000)	(587,000)	(135,000)	(985,000)
June 30, 2012	420,000	(136,000)	(62,000)	(55,000)	167,000
June 30, 2013	(202,000)	581,000	(900,000)	50,000	(471,000)
June 30, 2014	(1,716,000)	1,201,000	(919,800)	2,000	(1,432,800)
June 30, 2015	(219,000)	2,463,000	171,000	(4,000)	2,411,000
June 30, 2016	1,000	(311,000)	(466,000)	10,000	(766,000)
June 30, 2017	18,000	1,951,000	(2,045,000)	(13,000)	(89,000)

Net Position:

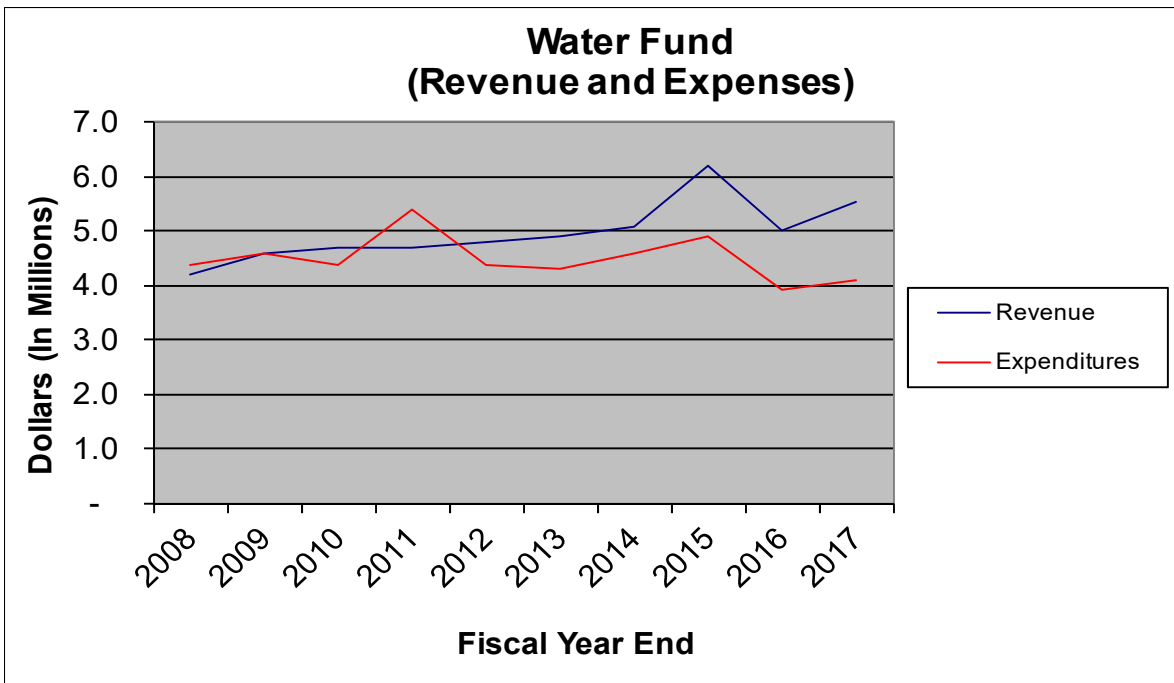
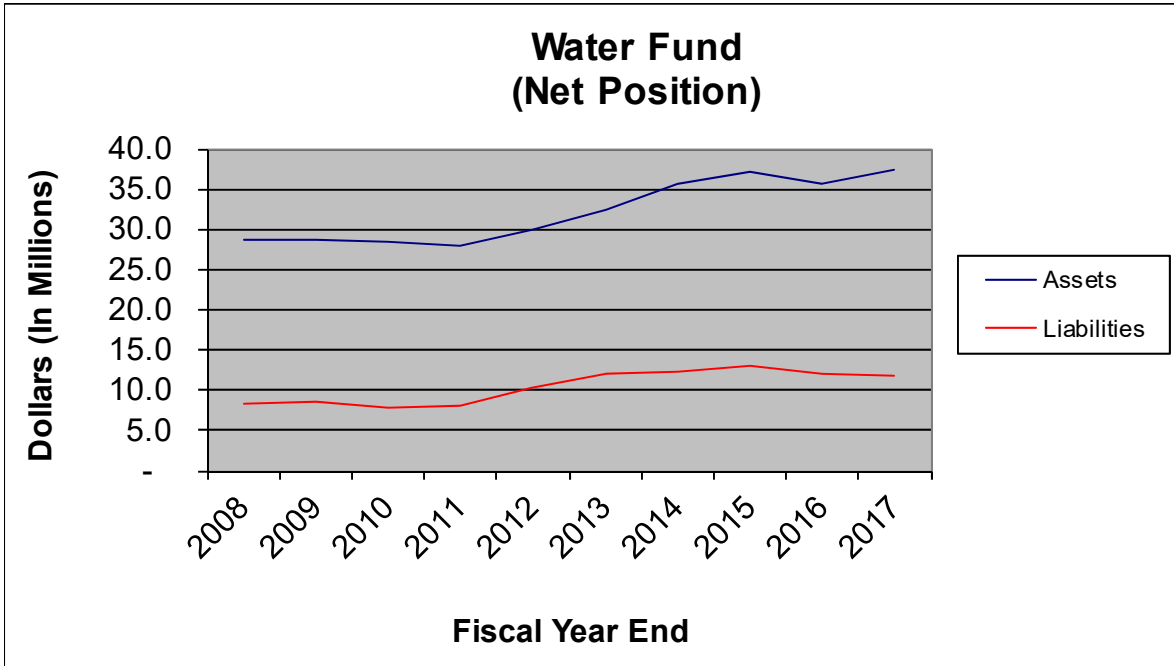
	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
June 30, 2008	\$ 7,412,000	\$ 20,201,000	\$ 15,211,000	\$ 376,000	\$ 43,200,000
June 30, 2009	7,019,000	20,214,000	24,111,000	230,000	51,574,000
June 30, 2010	6,315,000	20,539,000	27,502,000	298,000	54,654,000
June 30, 2011	6,712,000	19,878,000	26,915,000	163,000	53,668,000
June 30, 2012	7,132,000	19,741,000	26,853,000	108,000	53,834,000
June 30, 2013	6,930,000	20,323,000	24,966,000	157,000	52,376,000
June 30, 2014	5,213,000	21,524,000	24,046,000	160,000	50,943,000
June 30, 2015	4,994,000	23,987,000	24,217,000	156,000	53,354,000
June 30, 2016	4,995,000	23,677,000	23,750,000	166,000	52,588,000
June 30, 2017	5,013,000	25,627,000	21,705,000	153,000	52,498,000



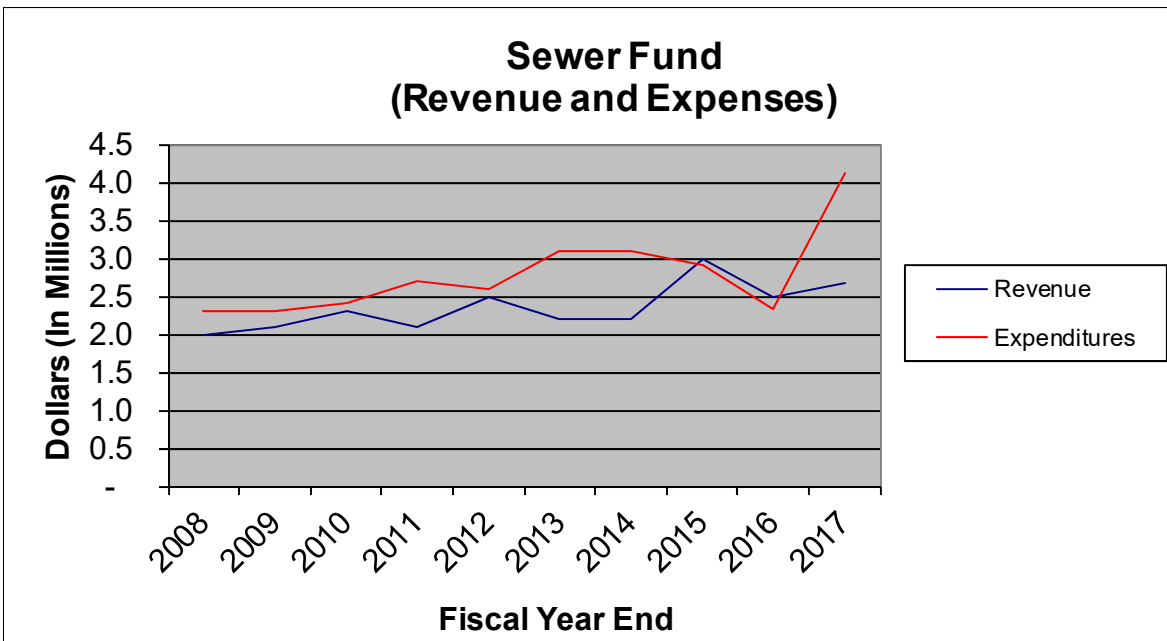
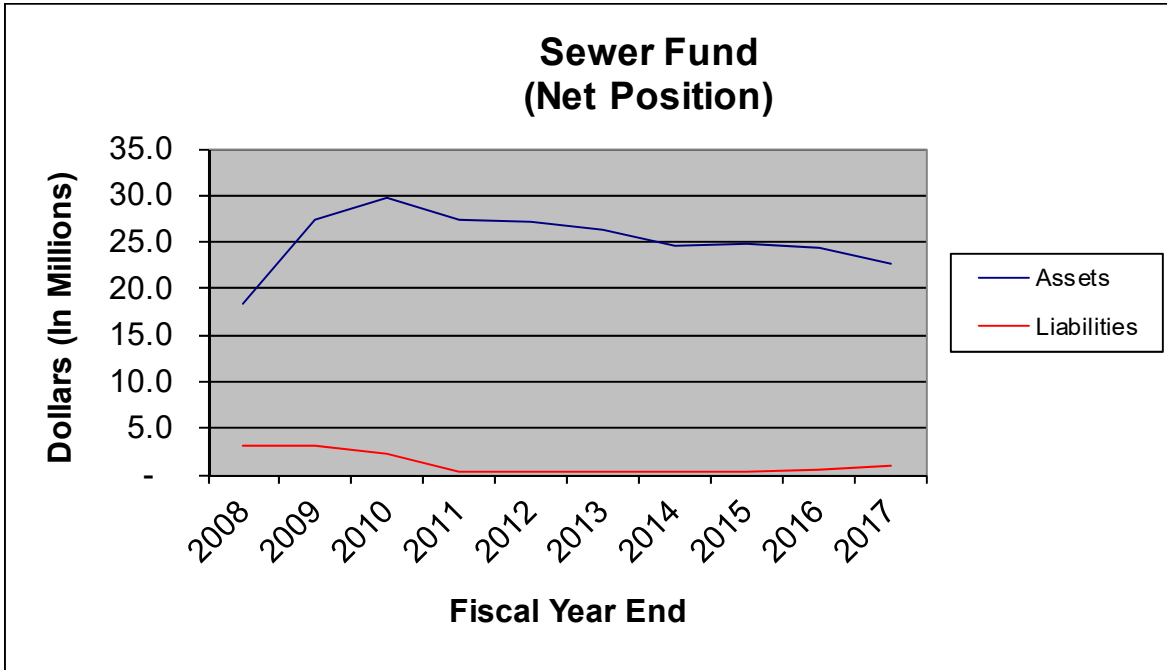
**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2017**



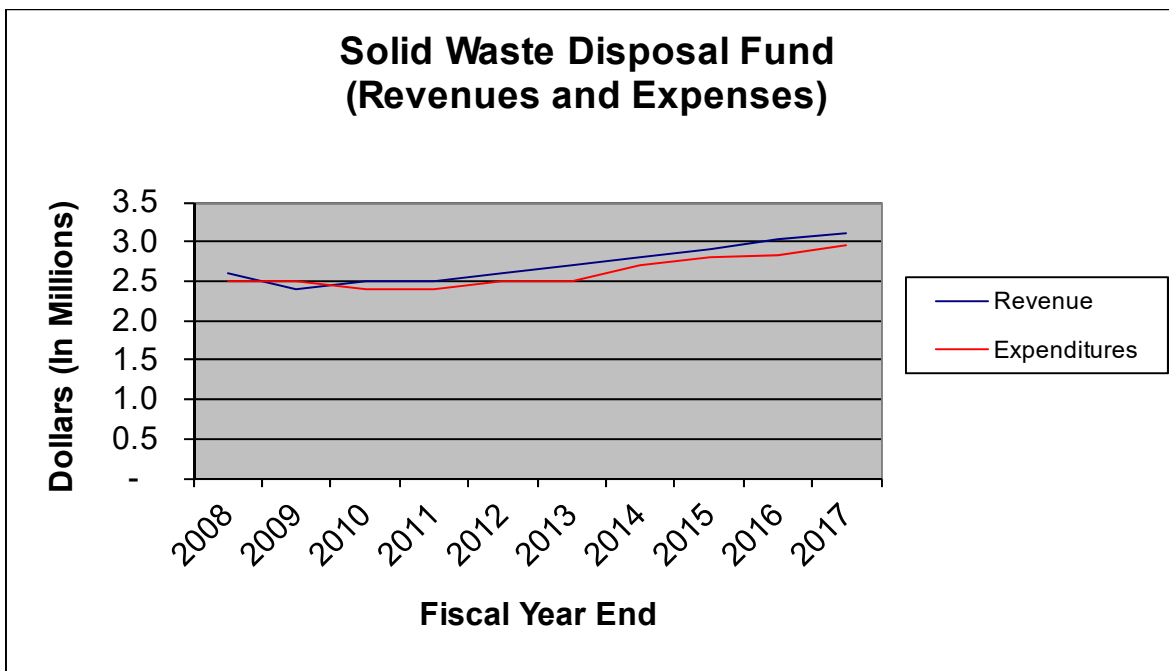
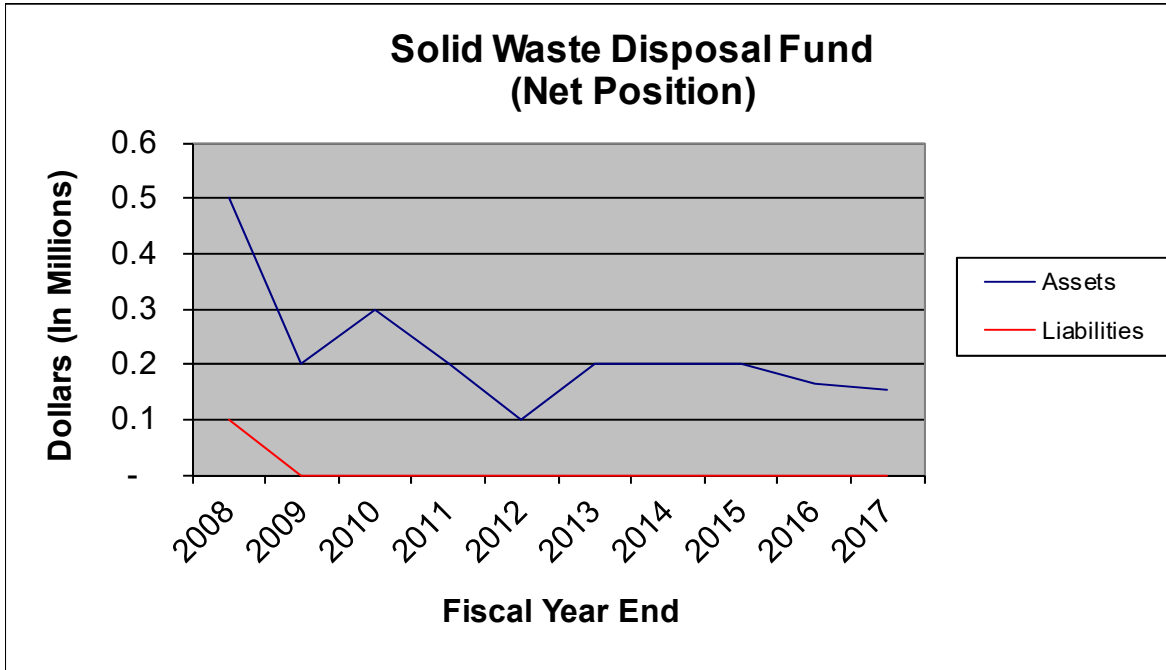
Rubidoux Community Services District
Graphic Financial Comparisons
For the year ended June 30, 2017



**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2017**



**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2017**



REPORT ON COMPLIANCE AND INTERNAL CONTROLS



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

Board of Directors
Rubidoux Community Services District
Jurupa Valley, California

INDEPENDENT AUDITOR'S REPORT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities, and each major fund of Rubidoux Community Services District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Rubidoux Community Services District's basic financial statements, and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rubidoux Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rubidoux Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rubidoux Community Services District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
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*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

Board of Directors
Rubidoux Community Services District

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, reference numbers **2016-1 and 2012-2**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rubidoux Community Services District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 19, 2017

**Rubidoux Community Services District
Schedule of Findings and Responses
For the year ended June 30, 2017**

2016-1 Segregation of Duties:

Condition and Criteria

During our audit of the District, we noted a lack of segregation of duties in the District's accounting process. Currently, one employee grants user access for all computer-based systems, posts routine transactions and performs the bank reconciliation process. Proper segregation of duties dictates that the functions of recording, authorization, custody and execution are not dominated by one individual. Adequately segregated duties helps to reduce the possibility of fraud and defalcations from occurring and to ensure the integrity of the information provided by the District's financial reporting system. As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion.

However, we realize that this is due to the limited number of employees available to the District to perform numerous, and sometimes incompatible, duties. As such, there may be no practical corrective action possible for this inherent weakness. However, we believe it is important for management and the Board to be aware that whenever a limited number of people are in control of the accounting process, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

Context

The condition noted above was identified during testing of various transaction cycles and inquiries with personnel and management.

Effect/Perspective

The Accounting Manager is responsible for the fiscal management of specific accounts and information technology system and the lack of segregation of duties could be detrimental to the District. The lack of control does not impact the federal awards as the District has manual controls in place with other management and outside consultants to ensure federal award compliance.

Cause

Policies and procedures exist on a district-wide basis, but are specifically lacking for financial statement purposes, not impacting the current federal award.

Auditor's Recommendation

We recognize that due to the District's size, segregation of duties can be difficult. We recommend that the District use an independent outside technology firm to set up individual passwords and monitor the information technology system.

Management Response

Management recognizes the auditor's concerns and has subsequently addressed some of the concerns noted above. The District is in the process of implementing new billing software which will address some of the IT control issues, as well as the accounts receivables reconciliation issue in Finding 2012-2. The general ledger control issues will also be addressed with the District's third party IT consultants.

**Rubidoux Community Services District
Schedule of Findings and Responses, continued
For the year ended June 30, 2017**

2012-2 Utility Billing:

Condition and Criteria

The District should be able to reconcile the utility billing system to the financial general ledger with explanation of differences, if any.

The District's accounts receivable general ledger does not agree to the utility billing system's subsidiary ledger.

Context

The condition noted above was identified during testing of the Water Fund's accounts receivable balances.

Effect/Perspective

The auditee should be able to generate customer reports from the billing system in a timely manner to identify any customer billing issues. The general ledger and billing subsidiary ledger should reconcile monthly. The federal awards are not affected by the utility billing system.

Cause

Collections and adjustments may not be recorded in a timely manner or to the correct customer account, possibly creating differences not identified by management in a timely manner.

Auditor's Recommendation

We recommend that the District reconcile the differences between the utility billing system subsidiary ledger and the financial general ledger monthly.

Management Response

Management recognizes the auditor's concerns. Management notes that the District reconciles the general ledger to the subsidiary billing system ledger monthly, noting differences due to the timing of the electronic meter reads that upload into the District's financial accounting system.

**Rubidoux Community Services District
Schedule of Findings and Responses, continued
For the year ended June 30, 2017**

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2016-1	Segregation of Duties	Finding remains open (combined with Information Technology Finding No. 2012-1 from previous year)
2012-2	Utility Billing	Finding remains open