



Rubidoux Community Services District

Financial Statements

For the year ended June 30, 2022

Rubidoux Community Services District

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Independent Auditor's Report

Board of Directors
Rubidoux Community Services District
Jurupa Valley, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the major fund of the District, as of June 30, 2022, 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 and State Controller's Minimum Audit Requirements for California Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information, as listed in the table of contents. The other information does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 20, 2022

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022**

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, 2022. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

- The District's net position increased \$4,093,761 or 7.89%, as a result of this year's operations and non-operating activities.
- Total revenues and capital contributions from all sources amounted to \$24.0 million.
- The cost of all District activities amounted to \$19.9 million.
- Operationally, the Water Fund provided \$1,994,110, the Sewer Fund provided \$1,103,877 and the Solid Waste Disposal Fund used \$143,727 to increase net position by \$2,954,260 in the enterprise funds. The total Governmental Activities increased by \$1,034,032.

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, 2022

- 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 of the District's prior fiscal year-end. Changes in the net pension 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 of 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 23 through 48.

Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022

The District as a whole

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District 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			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>Assets</i>										
Current and other assets	\$ 7.7	\$ 5.9	\$ 13.6	\$ 16.6	\$ 3.9	\$ 2.0	\$ 0.5	\$ 0.5	\$ 25.7	\$ 25.0
Capital assets	3.5	3.6	27.2	24.0	14.0	14.8	-	-	44.7	42.4
Deferred outflows	0.8	0.7	0.8	0.8	0.1	0.1	-	-	1.7	1.6
Total assets and deferred outflows	12.0	10.2	41.6	41.4	18.0	16.9	0.5	0.5	72.1	69.0
<i>Liabilities</i>										
Current liabilities	2.4	1.6	2.1	2.8	0.6	0.5	-	-	5.1	4.9
Noncurrent liabilities	1.9	3.1	6.6	8.7	0.2	0.4	-	-	8.7	12.2
Deferred inflows	1.1	-	1.1	0.1	0.1	-	-	-	2.3	0.1
Total liabilities and deferred inflows	5.4	4.7	9.8	11.6	0.9	0.9	-	-	16.1	17.2
<i>Net position</i>										
Net investment in capital assets	3.5	3.7	21.7	17.6	14.1	14.8	-	-	39.3	36.1
Restricted	-	-	1.6	1.1	0.9	0.7	-	-	2.5	1.8
Unrestricted	3.1	1.8	8.5	11.1	2.1	0.5	0.5	0.5	14.2	13.9
Total net position	\$ 6.6	\$ 5.5	\$ 31.8	\$ 29.8	\$ 17.1	\$ 16.0	\$ 0.5	\$ 0.5	\$ 56.0	\$ 51.8

The District's net position increase of 7.89% to \$56 million comes from the revenues and expense activity recorded in the Statement of Activities.

- Overall government-wide capital assets increased \$2,333,280 mostly due to the completion of a water enterprise treatment infrastructure project which began in prior fiscal year.
- As a whole, long-term debt decreased \$851,752 due to principal payments on the Leland J. Thompson Water Facility loan and the water certificates of participation.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022**

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, increased \$0.3 million and amounted to \$14.2 million.

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

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>Revenues</i>										
Operating revenue	\$ 1.0	\$ 1.3	\$ 6.7	\$ 5.8	\$ 3.2	\$ 2.9	\$ 4.4	\$ 4.2	\$ 15.3	\$ 14.2
Property taxes	4.1	4.0	-	-	-	-	-	-	4.1	4.0
Other/transfers	0.4	0.2	3.3	1.6	-	-	-	-	3.7	1.8
Total revenue	5.5	5.5	10.0	7.4	3.2	2.9	4.4	4.2	23.1	20.0
<i>Expenses</i>										
Operating/depreciation	4.3	4.4	7.9	6.7	3.3	3.8	4.2	4.0	19.7	18.9
Interest	-	-	0.2	0.3	-	-	-	-	0.2	0.3
Other/transfers	-	-	-	-	(1.3)	(0.1)	0.3	0.1	(1.0)	-
Total expenses	4.3	4.4	8.1	7.0	2.0	3.7	4.5	4.1	18.9	19.2
Increase (decrease) in net position	<u>\$ 1.2</u>	<u>\$ 1.1</u>	<u>\$ 1.9</u>	<u>\$ 0.4</u>	<u>\$ 1.2</u>	<u>\$ (0.8)</u>	<u>\$ (0.1)</u>	<u>\$ 0.1</u>	<u>\$ 4.2</u>	<u>\$ 0.8</u>

Financial analysis of the District's unrestricted cash

At year-end the District reported combined unrestricted cash balances of \$19.3 million, which is a decrease of \$1,037,028 or 5.09% from last year. Note 2 of the financial statements provide additional detail on cash balances. This increase is a result of timing differences of payments made subsequent to year-end.

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, if necessary, to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2021-2022, revisions were made to the District's general budget to incorporate new Board approved appropriations for capital assets, projects, consulting expenses, etc.

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

The favorable variance of \$535,302 in property tax revenue is primarily due to newly annexed properties, continued development within the District, and increased property assessed valuation, increasing the incremental property tax revenue. The favorable variance of \$238,676 in other revenue is primarily due to the increase of development and the collection of fire mitigation fees required when new residential and commercial buildings connect to the District's systems. The favorable variance of \$111,825 in contract services is due to conservative budgeting practices for the fire contract services.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022**

Capital asset and debt administration

Capital assets

At June 30, 2022, the District had \$44.9 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 increase of \$2.4 million, or 5.49%, above last year.

Table 3

Capital assets, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2022	2021	2022	2021	2022	2021	2022	2021
Land	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.8	\$ -	\$ -	\$ 1.1	\$ 1.1
CIP	0.6	0.6	1.7	2.2	-	-	2.3	2.8
Structures and improvements	3.7	3.7	40.6	35.8	37.5	37.5	81.8	77.0
Equipment	1.1	1.1	2.0	1.9	0.7	0.7	3.8	3.7
Less depreciation	(2.1)	(2.0)	(17.8)	(16.7)	(24.2)	(23.4)	(44.1)	(42.1)
Total	\$ 3.6	\$ 3.7	\$ 27.3	\$ 24.0	\$ 14.0	\$ 14.8	\$ 44.9	\$ 42.5

Debt administration

At June 30, 2022, the District had \$5.6 million in loans, certificates of participation, and notes outstanding versus \$6.4 million last year – a decrease of 13% - as shown in Table 4. (See Note 8).

Table 4

Outstanding debt, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2022	2021	2022	2021	2022	2021	2022	2021
Certificates of participation	\$ -	\$ -	\$ 2.0	\$ 2.5	\$ -	\$ -	\$ 2.0	\$ 2.5
Notes/loans payable	-	-	3.6	3.9	-	-	3.6	3.9
Total	\$ -	\$ -	\$ 5.6	\$ 6.4	\$ -	\$ -	\$ 5.6	\$ 6.4

Economic factors and next year's comments

There are several factors influencing the economy of the Rubidoux Community Services District (District) –

A. Water Conservation and Drought Concerns

The District continues to stress water conservation efforts although the District continues to have abundant local water supplies. The District water production wells are in favorable locations within the Riverside South Basin and have historically maintained very stable groundwater levels relative year to year. In 2009, Governor Schwarzenegger signed the Water Conservation Act (AB 2175) requiring 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%. In 2016, the State eased the mandatory conservation burden by allowing each agency to self-certify the reliability of their water supplies. After self-certification, the District was able to reduce its conservation targets level to 0%. In 2019, AB 1668 and SB 606 became law. The effect of those bills was to limit and reduce indoor water usage, and force enhanced water conservation as the new normal in California.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022**

Economic factors and next year's comments (continued)

Demand hardening through reduced outdoor water usage for landscaping has stabilized resulting in the District experiencing relatively little increase in water demand despite addition of new customers.

California had a very dry winter this past year. The result of this is lower than normal water supply from the State Water Project and Colorado River Basin to California and concern about drought. Water utilities dependent on imported water from northern California or Colorado River may be subject to reduced supply allocations. The District is 100% reliant on local groundwater supply and has historically throughout its nearly 70 years history, not received any imported water. Based on information from the Riverside-San Bernardino Watermaster, the San Bernardino Basin, Rialto Colton Basin, and Riverside Basins are all at 80% of storage capacity. This is result of forward planning and strategies to recharge the basins with imported water during wet winter years, storm water capture, and recharge with recycled water.

Current drought pressures are not anticipated to result in direct water supply deficiencies for the District. However, the District will implement various demand management strategies to encourage voluntary customer water conservation. The intent will be to use strategies that promote voluntary water conservation, however, Governor Newsom per recent Executive Order N-7-22 issued March 28, 2022 requiring water suppliers to 1) submit to the Department of Water Resources a preliminary annual water supply and demand assessment no later than June 1, 2022, and then submit a final water supply and demand assessment no later than the deadline set by Section 10632.1 of the Water Code, and 2) Each water supplier who has submitted a Water Shortage Contingency Plan ("WSCP") at a minimum implement a water shortage level of up to twenty percent (20%) by a date to be set by the Water Board. The District has complied with both requirements. As noted earlier, given past demand hardening, mainly in outdoor water usage, it is anticipated water usage and revenues will remain stable, with increases based on new development within the service area and wholesale water sales to Jurupa Community Services District. Beginning in early spring the District began wholesale water sales to Jurupa Community Services District and anticipate annual sales of approximately 2,000 AF.

B. New Development Activity

New development activity adds revenue in the form of capacity fees and monthly rate payments by customers. Capacity fees are one-time fees charged for the proportionate benefit received by the development. Monthly rates are based on the operating expenses to provide routine service. Current District capacity fees and monthly rates have been approved through a public notice process consistent with Prop 218.

Home development planning and construction within the District has increased.

Recently, developers for the Rio Vista project, a proposed development of approximately 1,800+ homes north of highway 60 are moving forward with annexation proceedings. The long dormant Emerald Meadows Ranch, originally proposed as a 1,000+ home development, has re-emerged as a proposed commercial and industrial project. The Shadow Rock development, a community of approximately 315 homes with the District north of highway 60 is in construction and over 200 of the 315 homes have been connected to the District's water and wastewater systems. Two additional residential home projects are in design – Tract 37211, a 48 lot development off Pacific Avenue, north of 60 Freeway, and Emerald Ridge, a 184 lot development off Canal Street, north of 60 Freeway.

Commercial/Industrial projects in construction include:

1. West Coast Cold Storage
2. Rubidoux Industrial Park
3. Agua Mansa Commerce Project
4. Caterpillar Court Commercial Park

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2022**

Economic factors and next year's comments (continued)

C. Water Treatment Expense

PFAS contaminants are a contaminant of concern of the State Water Quality Resources Control Board Division of Drinking Water ("DDW"). DDW has established lower limits for two specific PFAS contaminants, PFOA and PFOS. The District has sampled its potable water wells and determined treatment processes to remove PFOA and PFOS were necessary enable delivery of potable water to customers to be below the lowered limits. DDW issued a regulatory Order on the District to begin quarterly sampling of its wells beginning in last quarter of calendar year 2020 and report the average of the four-quarter sampling by September 30, 2021. To enable meeting the lowered limits, the District added necessary treatment systems at a cost of approximately \$5.5 million. Treatment systems added include addition of ion exchange treatment at the District's Thompson Treatment Facility to treat water produced from Wells 1A, 8, and 18, and for granulated activated carbon ("GAC") filtration treatment at Wells 4 and 6. Well 2 already has GAC filtration treatment for 1,2,3-TCP which will also remove the PFAS contaminants.

D. Other major initiatives underway include

Over the last 12 months the District has completed the following :

1. Update of District's 2015 Water System Master Plan
2. Update of District's 2015 Sewer System Master Plan
3. Update of District's 2015 Urban Water Management Plan
4. Development of the following documents for compliance with the American Water Infrastructure Act:
 - a. Risk and Resilience Assessment
 - b. Emergency Response Plan
5. Operational Plan updates for the Anita Smith and Thompson Treatment Plants

These efforts have provided foundational information and data to enable the District to hire a Financial Advisor and Cost of Service Consultant to prepare a long-term financial strategy that will establish a cost-of-service plan for monthly rates and one-time capacity fees, as well as reserve targets. The District has hired a consultant for this work, and on schedule to adopt a long-term financial strategy with associated cost of service late-2022.

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, 2022**

**DRAFT
Subject to Change**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 7,188,555	\$ 12,147,355	\$ 19,335,910
Accounts receivable, net (Note 4)	95,065	3,182,175	3,277,240
Internal balances (Note 6)	377,096	(377,096)	-
Interest receivable	11,091	21,697	32,788
Inventory	-	43,239	43,239
Prepayments and deposits	17,564	12,452	30,016
Total current assets	7,689,371	15,029,822	22,719,193
Noncurrent assets:			
Restricted - cash and cash equivalents (Notes 2 and 3)	-	1,838,739	1,838,739
Restricted - reserve funds (Notes 2 and 3)	-	786,201	786,201
Capital assets, not being depreciated (Note 5)	942,119	2,542,458	3,484,577
Capital assets, being depreciated, net (Note 5)	2,594,894	38,752,249	41,347,143
Total noncurrent assets	3,537,013	43,919,647	47,456,660
Total assets	11,226,384	58,949,469	70,175,853
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 10)	639,375	720,997	1,360,372
OPEB related (Note 11)	147,644	166,493	314,137
Total deferred outflows of resources	787,019	887,490	1,674,509

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

Rubidoux Community Services District
Statement of Net Position, continued
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,619,101	\$ 913,839	\$ 2,532,940
Accrued liabilities	67,877	119,182	187,059
Customer deposits	-	46,863	46,863
Developer deposits	661,229	-	661,229
Unearned revenue	-	353,174	353,174
Interest payable	-	6,706	6,706
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	59,077	68,497	127,574
Certificates of participation (Note 8)	-	625,000	625,000
Notes payable (Note 8)	-	273,240	273,240
Total current liabilities	2,407,284	2,406,501	4,813,785
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	177,230	205,488	382,718
Net pension liability (Note 10)	1,247,086	1,406,290	2,653,376
Total OPEB liability (Note 11)	469,806	529,783	999,589
Certificates of participation (Note 8)	-	1,333,890	1,333,890
Note payable (Note 8)	-	3,332,801	3,332,801
Total noncurrent liabilities	1,894,122	6,808,252	8,702,374
Total liabilities	4,301,406	9,214,753	13,516,159
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 10)	1,106,925	1,248,232	2,355,157
OPEB related (Note 11)	358	404	762
Total deferred inflows of resources	1,107,283	1,248,636	2,355,919
NET POSITION			
Net investment in capital assets	3,537,013	35,729,776	39,266,789
Restricted for:			
Capital projects	-	1,838,739	1,838,739
Debt service	-	786,201	786,201
Unrestricted	3,067,701	11,018,854	14,086,555
Total net position	\$ 6,604,714	\$ 49,373,570	\$ 55,978,284

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

Rubidoux Community Services District
Statement of Activities
For the year ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:						
Administrative and support	\$ 1,927,186	\$ 961,196	\$ -	\$ (965,990)	\$ -	\$ (965,990)
Contracted services	2,323,549	-	-	(2,323,549)	-	(2,323,549)
Total governmental activities	4,250,735	961,196	-	(3,289,539)	-	(3,289,539)
Business-type activities:						
Water utility	8,113,826	6,711,360	-	-	(1,402,466)	(1,402,466)
Sewer utility	3,330,115	3,173,227	-	-	(156,888)	(156,888)
Solid waste disposal	4,224,914	4,416,513	-	-	191,599	191,599
Total business-type activities	15,668,855	14,301,100	-	-	(1,367,755)	(1,367,755)
Total primary government	\$ 19,919,590	\$ 15,262,296	\$ -	(3,289,539)	(1,367,755)	(4,657,294)
General revenues:						
Property taxes				4,073,902	-	4,073,902
Investment earnings				19,812	47,484	67,296
Bond replacement revenue				-	1,145,640	1,145,640
Other non-operating revenue				-	3,464,217	3,464,217
Transfers				335,326	(335,326)	-
Total general revenues				4,429,040	4,322,015	8,751,055
Change in net position				1,139,501	2,954,260	4,093,761
Net position, beginning of year				5,465,213	46,419,310	51,884,523
Net position, end of year				\$ 6,604,714	\$ 49,373,570	\$ 55,978,284

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

**Rubidoux Community Services District
Balance Sheet
General Fund
June 30, 2022**

**DRAFT
Subject to Change**

ASSETS

Cash and cash equivalents (Note 2)	\$ 7,188,555
Accounts receivable, net (Note 4)	95,065
Internal balances (Note 6)	377,096
Interest receivable	11,091
Prepayments and deposits	<u>17,564</u>
Total assets	<u><u>\$ 7,689,371</u></u>

LIABILITIES

Accounts payable	\$ 1,619,101
Accrued liabilities	67,877
Developer deposits	<u>661,229</u>
Total liabilities	<u>2,348,207</u>

FUND BALANCES

Nonspendable	17,564
Assigned	1,795,623
Unassigned	<u>3,527,977</u>
Total fund balances	<u>5,341,164</u>

Total liabilities and fund balances	<u><u>\$ 7,689,371</u></u>
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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, 2022

Fund balances of governmental funds \$ 5,341,164

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. 3,537,013

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	(236,307)
Net pension liability	(1,247,086)
Total OPEB liability	(469,806)

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

Deferred outflows of resources	787,019
Deferred inflows of resources	<u>(1,107,283)</u>

Net position of governmental activities \$ 6,604,714

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, 2022

REVENUES

Property taxes and weed abatement	\$ 4,073,902
Charges for administrative services	600,000
Licenses and permits	21,520
Interest earnings	19,812
Other revenue	339,676

Total revenues 5,054,910

EXPENDITURES

General government	2,032,655
Fire protection and weed abatement	2,323,549

Total expenditures 4,356,204

Excess of revenues over (under) expenditures 698,706

OTHER FINANCING SOURCES (USES)

Transfers in	<u>335,326</u>
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Net change in fund balance 1,034,032

Fund balance, beginning of year 4,307,132

Fund balance, end of year \$ 5,341,164

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, 2022

Net change in fund balance - total governmental funds \$ 1,034,032

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 depreciation expense exceeded capital outlays and asset disposals in the current period. (121,721)

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	(43,435)
Pension and OPEB related net adjustments	<u>270,625</u>

Change in net position of governmental activities \$ 1,139,501

Rubidoux Community Services District
Statement of Net Position
Proprietary Funds
June 30, 2022

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 10,751,027	\$ 1,396,328	\$ -	\$ 12,147,355
Accounts receivable, net (Note 4)	1,114,814	1,540,815	526,546	3,182,175
Interest receivable	17,911	3,786	-	21,697
Inventory	43,239	-	-	43,239
Prepayments and deposits	12,452	-	-	12,452
Total current assets	<u>11,939,443</u>	<u>2,940,929</u>	<u>526,546</u>	<u>15,406,918</u>
Noncurrent assets:				
Restricted - cash and cash equivalents (Notes 2 and 3)	906,410	932,329	-	1,838,739
Restricted - reserve funds (Notes 2 and 3)	786,201	-	-	786,201
Capital assets, not being depreciated (Note 5)	2,482,213	60,245	-	2,542,458
Capital assets, being depreciated, net (Note 5)	24,738,807	14,013,442	-	38,752,249
Total noncurrent assets	<u>28,913,631</u>	<u>15,006,016</u>	<u>-</u>	<u>43,919,647</u>
Total assets	<u>40,853,074</u>	<u>17,946,945</u>	<u>526,546</u>	<u>59,326,565</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 10)	639,375	81,622	-	720,997
OPEB related (Note 11)	147,646	18,847	-	166,493
Total deferred outflows of resources	<u>787,021</u>	<u>100,469</u>	<u>-</u>	<u>887,490</u>

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

Rubidoux Community Services District
Statement of Net Position, continued
Proprietary Funds
June 30, 2022

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 528,573	\$ 385,266	\$ -	\$ 913,839
Accrued liabilities	114,440	4,742	-	119,182
Customer deposits	46,863	-	-	46,863
Unearned revenue	300,000	-	53,174	353,174
Interest payable	6,706	-	-	6,706
Internal balances (Note 6)	180,968	196,128	-	377,096
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	65,695	2,802	-	68,497
Certificates of participation (Note 8)	625,000	-	-	625,000
Note payable (Note 8)	273,240	-	-	273,240
Total current liabilities	<u>2,141,485</u>	<u>588,938</u>	<u>53,174</u>	<u>2,783,597</u>
Noncurrent liabilities:				
Long-term liabilities - due within more than one year:				
Compensated absences (Note 9)	197,084	8,404	-	205,488
Net pension liability (Note 10)	1,247,087	159,203	-	1,406,290
Total OPEB liability (Note 11)	469,808	59,975	-	529,783
Certificates of participation (Note 8)	1,333,890	-	-	1,333,890
Note payable (Note 8)	3,332,801	-	-	3,332,801
Total noncurrent liabilities	<u>6,580,670</u>	<u>227,582</u>	<u>-</u>	<u>6,808,252</u>
Total liabilities	<u>8,722,155</u>	<u>816,520</u>	<u>53,174</u>	<u>9,591,849</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 10)	1,106,923	141,309	-	1,248,232
OPEB related (Note 11)	358	46	-	404
Total deferred inflows of resources	<u>1,107,281</u>	<u>141,355</u>	<u>-</u>	<u>1,248,636</u>
NET POSITION				
Net investment in capital assets	21,656,089	14,073,687	-	35,729,776
Restricted				
Capital projects	906,410	932,329	-	1,838,739
Debt service	786,201	-	-	786,201
Unrestricted	8,461,959	2,083,523	473,372	11,018,854
Total net position	<u>\$ 31,810,659</u>	<u>\$ 17,089,539</u>	<u>\$ 473,372</u>	<u>\$ 49,373,570</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, 2022

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
OPERATING REVENUES				
Charges for current services	\$ 6,692,503	\$ 3,060,474	\$ 4,416,513	\$ 14,169,490
Other revenue	18,857	112,753	-	131,610
Total operating revenues	<u>6,711,360</u>	<u>3,173,227</u>	<u>4,416,513</u>	<u>14,301,100</u>
OPERATING EXPENSES				
Salaries and benefits	2,584,347	49,626	-	2,633,973
Contracted services	-	-	4,127,075	4,127,075
Electrical power	512,616	49,968	-	562,584
Operating expense	1,418,671	78,406	-	1,497,077
Maintenance and repairs	56,241	73,718	-	129,959
Operating treatment	882,242	1,835,028	-	2,717,270
Insurance	96,293	24,850	-	121,143
Professional fees	418,534	86,884	-	505,418
Bad debt	73,924	13,886	47,839	135,649
Other	450,342	75,940	-	526,282
Administrative fee	300,000	250,000	50,000	600,000
Total operating expenses	<u>6,793,210</u>	<u>2,538,306</u>	<u>4,224,914</u>	<u>13,556,430</u>
Operating income before depreciation	(81,850)	634,921	191,599	744,670
Depreciation expense	(1,105,432)	(791,809)	-	(1,897,241)
Operating income (loss)	<u>(1,187,282)</u>	<u>(156,888)</u>	<u>191,599</u>	<u>(1,152,571)</u>
NONOPERATING REVENUES (EXPENSES)				
Capital replacement	172,293	-	-	172,293
Capacity fees	2,038,724	1,253,200	-	3,291,924
Bond replacement revenue	1,145,640	-	-	1,145,640
Interest income	39,919	7,565	-	47,484
Interest expense	(215,184)	-	-	(215,184)
Total nonoperating revenues (expenses)	<u>3,181,392</u>	<u>1,260,765</u>	<u>-</u>	<u>4,442,157</u>
Income (loss) before contributions and transfers	1,994,110	1,103,877	191,599	3,289,586
Transfers in (out)	-	-	(335,326)	(335,326)
Change in net position	<u>1,994,110</u>	<u>1,103,877</u>	<u>(143,727)</u>	<u>2,954,260</u>
Net position, beginning of year	<u>29,816,549</u>	<u>15,985,662</u>	<u>617,099</u>	<u>46,419,310</u>
Net position, end of year	<u>\$ 31,810,659</u>	<u>\$ 17,089,539</u>	<u>\$ 473,372</u>	<u>\$ 49,373,570</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, 2022

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 6,637,379	\$ 2,039,206	\$ 4,560,240	\$ 13,236,825
Cash paid to employees for salaries and benefits	(2,817,773)	(77,243)	-	(2,895,016)
Cash paid to vendors and suppliers	(4,041,565)	(2,421,444)	(4,174,914)	(10,637,923)
Cash paid for administrative fee	(300,000)	(250,000)	(50,000)	(600,000)
Net cash provided (used) by operating activities	(521,959)	(709,481)	335,326	(896,114)
Cash flows from noncapital financing activities:				
Proceeds from capacity fees	2,038,724	1,253,200	-	3,291,924
Bond replacement revenue	1,145,640	-	-	1,145,640
Other non-operating revenues (expenses), net	172,293	-	-	172,293
Transfers to other funds	-	-	(335,326)	(335,326)
Interfund borrowings	1,230,609	(71,263)	-	1,159,346
Net cash provided (used) by noncapital financing activities	4,587,266	1,181,937	(335,326)	5,433,877
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,299,279)	(52,963)	-	(4,352,242)
Principal payments on capital debt	(856,349)	-	-	(856,349)
Interest payments on capital debt	(213,362)	-	-	(213,362)
Net cash provided (used) by capital and related financing activities	(5,368,990)	(52,963)	-	(5,421,953)
Cash flows from investing activities:				
Interest earnings	30,876	5,145	-	36,021
Net cash provided (used) by investing activities	30,876	5,145	-	36,021
Net increase (decrease) in cash and cash equivalents	(1,272,807)	424,638	-	(848,169)
Cash and cash equivalents, beginning of year	13,716,445	1,904,019	-	15,620,464
Cash and cash equivalents, end of year	\$ 12,443,638	\$ 2,328,657	\$ -	\$ 14,772,295
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 10,751,027	\$ 1,396,328	\$ -	\$ 12,147,355
Restricted cash and cash equivalents	906,410	932,329	-	1,838,739
Restricted reserve funds	786,201	-	-	786,201
Totals	\$ 12,443,638	\$ 2,328,657	\$ -	\$ 14,772,295

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, 2022

	<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 (used) by operating activities:				
Operating income (loss)	<u>\$ (1,187,282)</u>	<u>\$ (156,888)</u>	<u>\$ 191,599</u>	<u>\$ (1,152,571)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,105,432	791,809	-	1,897,241
Bad debt	-	13,886	47,839	61,725
Changes in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable, net	(82,176)	(1,147,907)	42,714	(1,187,369)
Inventory	4,580	-	-	4,580
Prepayments and deposits	766,558	1,288	-	767,846
Deferred outflows of resources	(32,452)	(4,143)	-	(36,595)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(903,840)	(184,052)	-	(1,087,892)
Unearned revenue	-	-	53,174	53,174
Accrued liabilities	14,787	(200)	-	14,587
Customer deposits	8,195	-	-	8,195
Compensated absences	22,411	7,130	-	29,541
Net pension liability	(1,249,898)	(159,561)	-	(1,409,459)
OPEB liability	30,513	3,895	-	34,408
Deferred inflows of resources	981,213	125,262	-	1,106,475
Total adjustments	<u>665,323</u>	<u>(552,593)</u>	<u>143,727</u>	<u>256,457</u>
Net cash provided (used) by operating activities	<u>\$ (521,959)</u>	<u>\$ (709,481)</u>	<u>\$ 335,326</u>	<u>\$ (896,114)</u>
Non-cash operating, noncapital and capital and related financing, and investing activities:				
Purchase of capital assets on account	None	None	None	None

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

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

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 any applicable Governmental Accounting Standards Board Statements.

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, 2022

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 Revenues, Expenses and Changes in Net Position.

Proprietary fund operating revenues and expenses are related to providing water, waste-water (sewer), 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 Balance 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, 2022

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 on a bi-annual basis with annual adjustments on an as needed basis. The District 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. LAIF has a maximum transaction limit of 15 per month with a minimum amount of \$5,000. Any withdrawal of \$10,000,000 or more requires 24 hour notice.

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, 2022

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 date	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.

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, 2022

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 acquisition value at the time received by the District. Donated capital assets are recorded at acquisition value at the date donated.

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 15 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 Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. 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.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Deferred Inflows/Outflows 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 two items which qualifies for reporting in this category: pensions and OPEB. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.

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 two items which qualifies for reporting in this category: pensions and OPEB. 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.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

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.
- ***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.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Administrative Fee

The administrative fees are paid by the Water Utility, Sewer Utility and Solid Waste Disposal funds to the General Fund for staff time such as customer service and finance functions. The administrative fees are approved within the annual budget by the Board.

Bond Replacement Revenue

These revenues are generated based on the water bill associated with the Certificates of Participation (COP) payback and are used to make COP debt service payments.

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.

New Accounting Pronouncements

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

Government Accounting Standards Board Statement No. 91

GASB Statement No. 91, Conduit Debt Obligations is effective for periods beginning after December 15, 2021.

Government Accounting Standards Board Statement No. 92

GASB Statement No. 92, Omnibus 2020 is effective for periods beginning after June 15, 2021.

Government Accounting Standards Board Statement No. 93

GASB Statement No. 93, Replacement of Interbank Offered Rates is effective for periods beginning after June 15, 2021.

Government Accounting Standards Board Statement No. 94

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements is effective for periods beginning after June 15, 2022.

Government Accounting Standards Board Statement No. 96

GASB Statement No. 96, Subscription-Based Information Technology Arrangements is effective for periods beginning after June 15, 2022.

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Government Accounting Standards Board Statement No. 98

GASB Statement No. 98, The Annual Comprehensive Financial Report is effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Government Accounting Standards Board Statement No. 99

GASB Statement No. 99, Omnibus 2022 has varying implementation dates with the earliest being effective for fiscal years beginning after June 15, 2022.

Government Accounting Standards Board Statement No. 100

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 is effective for fiscal years beginning after June 15, 2023.

Government Accounting Standards Board Statement No. 97

GASB Statement No. 101, Compensated Absences is effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged.

Note 2: Cash and Cash Equivalents

Cash and investment balances are presented in the financial statements as follows:

	<u>Governmental</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 7,188,555	\$ 10,751,027	\$ 1,396,328	\$ 19,335,910
Non-current:				
Restricted - cash and cash equivalents	-	906,410	932,329	1,838,739
Restricted - reserve funds	-	786,201	-	786,201
	<u>\$ 7,188,555</u>	<u>\$ 12,443,638</u>	<u>\$ 2,328,657</u>	<u>\$ 21,960,850</u>
Total cash and cash equivalents				
Cash and cash equivalents:				
Deposits held with financial institutions	\$ 419,140	\$ 1,613,647	\$ 76,100	\$ 2,108,887
Cash on hand	-	1,800	-	1,800
Investments (certificates of deposit)	170,425	225,000	-	395,425
Local Agency Investment Fund (LAIF)	6,598,990	10,603,191	2,252,557	19,454,738
	<u>\$ 7,188,555</u>	<u>\$ 12,443,638</u>	<u>\$ 2,328,657</u>	<u>\$ 21,960,850</u>
Total cash and cash equivalents				

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 2: Cash and Cash Equivalents, continued

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, 2022:

- Local Agency Investment Fund (General Fund, \$6,598,990, Water \$10,603,191 and Sewer \$2,252,557) of \$19,454,738 is not subject to the fair value hierarchy.
- Certificates of Deposit (General Fund, \$170,425, Water \$225,000) of \$395,425 are valued at Level 2 – Significant Other Observable Inputs.

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, 2022:

	<u>Amount</u>
Business-type:	
Certificates of Participation - Series 1998:	
Funds held by fiscal agent in bond reserve	<u>\$ 786,201</u>
Other District funds held for connection/capacity fees and other future uses, as well as receivable amounts due as contribution capital:	
Sewer connection/capacity fees	932,329
Water connection/capacity fees	<u>906,410</u>
Total other district funds	<u>1,838,739</u>
Total business-type restricted assets	<u><u>\$ 2,624,940</u></u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022**

**DRAFT
Subject to Change**

Note 4: Accounts Receivable

The detail of accounts receivable is as follows at June 30, 2022:

	<u>Amount</u>
Governmental	
Weed abatement	
Property assessments for weed abatement	\$ 1,020
Governmental Fund property taxes	<u>94,045</u>
Total governmental	<u>95,065</u>
Business-type	
Water Utility Fund	
Billed, net	303,935
Unbilled	518,936
JCSD	282,355
Capacity Fees	<u>9,588</u>
	1,114,814
Sewer Utility Fund	
Billed, net	143,104
Unbilled	179,016
Capacity Fees	1,107,600
City of Riverside	<u>111,095</u>
	1,540,815
Solid Waste Disposal Fund	
Billed, net	267,358
Unbilled	<u>259,188</u>
	526,546
Total business-type	<u>3,182,175</u>
Total accounts receivable, net	<u><u>\$ 3,277,240</u></u>

Allowance for doubtful accounts at June 30, 2022, is provided as follows:

Water Utility Fund	\$ 52,000
Sewer Utility Fund	15,000
Solid Waste Disposal Fund	<u>38,000</u>
Total	<u><u>\$ 105,000</u></u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 5: Capital Assets

Property, plant and equipment were comprised of the following at June 30, 2022:

<u>Governmental-type activities</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 308,117	\$ -	\$ -	\$ 308,117
Construction in progress	624,551	9,451	-	634,002
	<u>932,668</u>	<u>9,451</u>	<u>-</u>	<u>942,119</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Structures and improvements	3,718,183	-	-	3,718,183
Equipment	997,811			997,811
	<u>4,715,994</u>	<u>-</u>	<u>-</u>	<u>4,715,994</u>
Total capital assets, being depreciated				
Total accumulated depreciation	(1,989,928)	(131,172)		(2,121,100)
	<u>(1,989,928)</u>	<u>(131,172)</u>		<u>(2,121,100)</u>
Total capital assets, being depreciated, net	2,726,066	(131,172)	-	2,594,894
	<u>2,726,066</u>	<u>(131,172)</u>	<u>-</u>	<u>2,594,894</u>
Governmental activities capital assets, net	<u>\$ 3,658,734</u>	<u>\$ (121,721)</u>	<u>\$ -</u>	<u>\$ 3,537,013</u>
	Depreciation Expense			
<u>Governmental Activities</u>				
Administration and support	<u>\$ 131,172</u>			
<u>Business-type Activities</u>				
Water Utility	\$ 1,105,432			
Sewer Utility	791,809			
	<u>1,897,241</u>			
Total Business-type activities	<u>\$ 1,897,241</u>			

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022**

**DRAFT
Subject to Change**

Note 5: Capital Assets, continued

Business-type Activities

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 787,175	\$ 6,065	\$ -	\$ 793,240
Construction in progress	2,226,768	1,574,630	(2,112,425)	1,688,973
Total capital assets, not being depreciated	3,013,943	1,580,695	(2,112,425)	2,482,213
Capital assets, being depreciated:				
Structures and improvements	35,836,764	4,754,743	-	40,591,507
Equipment	1,888,412	76,266		1,964,678
Total capital assets, being depreciated	37,725,176	4,831,009	-	42,556,185
Less accumulated depreciation	(16,711,946)	(1,105,432)		(17,817,378)
Total capital assets, being depreciated, net	21,013,230	3,725,577	-	24,738,807
Total Water Utility capital assets, net	24,027,173	5,306,272	(2,112,425)	27,221,020
<u>Sewer Utility</u>				
Capital assets, not being depreciated:				
Land	17,825	-	-	17,825
Construction in progress	40,083	2,337	-	42,420
Total capital assets, not being depreciated	57,908	2,337	-	60,245
Capital assets, being depreciated:				
Structures and improvements	37,486,988	-	-	37,486,988
Equipment	659,226	50,626	-	709,852
Total capital assets, being depreciated	38,146,214	50,626	-	38,196,840
Less accumulated depreciation	(23,391,589)	(791,809)	-	(24,183,398)
Total capital assets, being depreciated, net	14,754,625	(741,183)	-	14,013,442
Total Sewer Utility capital assets, net	14,812,533	(738,846)	-	14,073,687
Total Business-type Activities capital assets, net	<u>\$ 38,839,706</u>	<u>\$ 4,567,426</u>	<u>\$ (2,112,425)</u>	<u>\$ 41,294,707</u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

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, 2022:

Due From	Due To			Total
	General Fund	Water Utility	Sewer Utility	
General Fund	\$ -	\$ 929,543	\$ (1,306,639)	\$ (377,096)
Water Utility Fund	(929,543)	-	1,110,511	180,968
Sewer Utility Fund	1,306,639	(1,110,511)	-	196,128
Total	\$ 377,096	\$ (180,968)	\$ (196,128)	\$ -

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended. The Solid Waste Disposal Fund transferred \$335,326 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 – 6131 Limonite Avenue
- 9 Water Well Sites
- Vacant Lot – South Sedona Drive
- Vacant Lot – Mission Avenue
- Vacant Lot – Golden West Avenue
- Nitrate Wellhead Treatment Facility – 2100 Fleetwood Drive
- Manganese Treatment Facility – 5245 34th Street
- Well site #18 – 5245 34th Street
- Fort Fremont Parcel
- Land adjacent to District Office
- Goldenwest Reservoir Site
- 4 Reservoir Tanks
- Fire Station 38 – 5721 Mission Avenue

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 8: Long-term Liabilities

Below is a schedule of the changes in long-term liabilities for the year ended June 30, 2022:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Water Utility Fund:					
<i>Other Debt:</i>					
1998 Certificates of Participation	\$ 2,560,000	\$ -	\$ (590,000)	\$ 1,970,000	\$ 625,000
Less: unamortized discount	(15,707)	-	4,597	(11,110)	-
<i>Direct Borrowings:</i>					
Note payable - State Drinking Water	3,872,390	-	(266,349)	3,606,041	273,240
Total Water Utility	\$ 6,416,683	\$ -	\$ (851,752)	\$ 5,564,931	\$ 898,240

Certificates of Participation – Other Debt

On June 1, 1998, the District issued Certificates of Participation (COP) in the amount of \$10,595,000 to advance refund the District's COP Series 1995 and to make improvements to the municipal water system.

In the case of default, the trustee may, with the consent of the certificate insurer and upon written notice from the owners of not less than 25% in aggregate principal amount of the Certificates at the time outstanding shall upon notice in writing to the District, exercise any and all remedies available pursuant to law or granted with respect to the installment sale agreement. In the event of any acceleration of the principal of the Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

Maturities of the certificates of participation are as follows:

Fiscal year ending June 30,	1998 Series Certificates of Participation		
	Principal	Interest	Total
2023	\$ 625,000	\$ 84,533	\$ 709,533
2024	655,000	51,893	706,893
2025	690,000	17,595	707,595
Total	\$ 1,970,000	\$ 154,021	\$ 2,124,021

Note Payable – Direct Borrowing

The District entered into an agreement with the California Department of Public Health for a Safe Drinking Water State Revolving Fund loan in October 2010. The original agreement provided for a \$5,667,200 twenty-year loan at a 2.5707% interest rate for the purpose of financing construction projects to meet safe drinking water standards. This project was the construction of the Leland J. Thompson Water Treatment Facility. The note from direct borrowings are secured with collateral from net revenues from the Water Utility fund. In the event of default, outstanding amounts become immediately due if the District is unable to make payment and any further obligations of the State to make disbursements to the District will terminate.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 8: Long-term Liabilities, continued

Maturities of the note payable are as follows:

Fiscal year ending June 30,	State of California Note Payable		
	Principal	Interest	Total
2023	\$ 273,240	\$ 90,956	\$ 364,196
2024	280,310	83,886	364,196
2025	287,562	76,634	364,196
2026	295,002	69,194	364,196
2027	302,634	61,562	364,196
2028 - 2032	1,634,745	186,235	1,820,980
2033 - 2034	532,548	13,749	546,297
Total	\$ 3,606,041	\$ 582,216	\$ 4,188,257

Note 9: Compensated Absences

In concurrence with the District's Memorandum of Understanding (MOU), dated July 1, 2021, 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. All appropriate accruals were recorded in the respective funds. Accrued balances at June 30, 2022 were as follows:

	Beginning Balance	Net Change*	Ending Balance	Due within One Year
Governmental Activities	\$ 192,872	\$ 43,435	\$ 236,307	\$ 59,077
Business-Type Activities:				
Water Utility	240,368	22,411	262,779	65,695
Sewer Utility	4,076	7,130	11,206	2,802
Total Business-Type Activities	244,444	29,541	273,985	68,497
Total Compensated Absences	\$ 437,316	\$ 72,976	\$ 510,292	\$ 127,574

**The District chose to early implement GASB Statement No. 101, which allows for reporting of the net change in compensated absences, rather than presenting additions and deletions (gross reporting).*

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

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 Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
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 for 2022	15.250%	7.590%
	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 for 2022	0.000%	0.000%

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

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 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, 2022 were \$712,970. The actual employer payments of \$639,206 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District's proportionate share of the employer's contributions of \$899,656 by \$260,450 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 Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 10: Pension Plan, continued

B. Net Pension Liability

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

- (1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-term Expected Rate of Return

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 cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 adjusted to account for assumed administrative expenses.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

The expected real rates of return by asset class are as follows:

<u>Asset Class¹</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Years 11+³</u>
Public equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

¹ In the System's ACFR, fixed income is included in Global Debt Securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

There were no change of assumptions for measurement date June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

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.

C. Proportionate Share of Net Pension Liability

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

	Increase (Decrease) Plan Net Pension Liability
Balance at: 6/30/2020 (Valuation Date)	\$ 5,312,735
Balance at: 6/30/2021 (Measurement Date)	2,653,376
Net Changes During 2020-2021	\$ (2,659,359)

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 total Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

Proportionate Share of NPL - June 30, 2020	0.048828%
Proportionate Share of NPL - June 30, 2021	0.049061%
Change - Increase (Decrease)	0.000233%

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 5,908,454	\$ 2,653,376	\$ (34,702)

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 10: Pension Plans, continued

C. Proportionate Share of Net Pension Liability, continued

Amortization of Deferred Outflows and Deferred Inflows of Resources

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:

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

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 PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. 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, 2020), the District's net pension liability is \$5,312,743. For the measurement period ending June 30, 2021 (the measurement date), the District incurred a pension expense of \$48,164. As of June 30, 2022, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ -
Differences between expected and actual experience	375,800	-
Differences between projected and actual investment earnings	-	(1,946,048)
Differences between employer's contributions and proportionate share of contributions	2,983	(320,968)
Change in employer's proportion	268,619	(88,141)
Pension contributions made subsequent to measurement date	712,970	-
Total	\$ 1,360,372	\$ (2,355,157)

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

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 2020-2021 measurement period expense. The \$712,970 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:

Fiscal Year	Deferred
Ending June 30:	Outflows/(Inflows)
	of Resources, Net
2023	\$ (344,257)
2024	(390,680)
2025	(435,953)
2026	(536,865)
2027	-
Remaining	-

E. Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$17,308 for the outstanding contributions to the pension plans required for the year ended June 30, 2022.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

The District has established a single-employer Retiree Healthcare Plan (HC Plan). This coverage is available for employees who reach the CalPERS minimum retirement age.

Benefits Provided

The District's current contribution cap is \$196 per month per retiree, approved through Board Resolutions 560 and 641. Changes to benefit terms can only be established/amended by the Board of Directors.

Employees Covered

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms under the HC Plan:

Active employees	24
Inactive employees or beneficiaries currently receiving benefits	8
Total	32

Contributions

The HC Plan and its contribution requirements are established by the Board of Directors and may be amended by the Board of the Directors. For the fiscal year ended June 30, 2022, the District's cash contributions were \$17,640 in payments for insurance premiums not reimbursed by a trust.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefits (OPEB), continued

Total OPEB Liability

The District's total OPEB liability was valued and measured as of June 30, 2021, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	2.16%
Inflation	2.50% per year
Salary Increases	2.75% per year
Investment Rate of Return	2.16%
Mortality Rate ⁽¹⁾	2017 CalPERS Mortality for Miscellaneous Employees
Turnover Healthcare Trend Rate ⁽²⁾	2017 CalPERS Rates for Miscellaneous Employees
Retirement Rate ⁽³⁾	2017 CalPERS Rates for Miscellaneous Employees

⁽¹⁾ The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

⁽²⁾ The turnover assumptions are based on the 2017 CalPERS Rates for Turnover Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

⁽³⁾ The retirement assumptions are based on the 2017 CalPERS Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The District is currently financing its OPEB liability on a pay-as-you-go basis.

Changes in the OPEB Liability

The changes in the total OPEB liability for the HC Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2021 (Measurement Date June 30, 2020)	<u>\$ 934,669</u>
Changes recognized for the measurement period:	
Service Cost	55,200
Interest on Total OPEB Liability	20,962
Benefit payments	(18,816)
Change in Assumptions	<u>7,574</u>
Net Change	<u>64,920</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	<u><u>\$ 999,589</u></u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefits (OPEB), continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease	Current Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB Liability	\$ 1,209,710	\$ 999,589	\$ 835,422

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 858,192	\$ 999,589	\$ 1,181,291

OPEB Expense

For the fiscal year ended June 30, 2022, the District recognized an OPEB expense as follows:

Service cost	\$	55,200
Interest on Total OPEB Liability		20,962
Recognized Experience (Gains)/Losses		7,292
Recognized Assumption Change Deferrals		23,197
OPEB Expense		\$ 106,651

As of fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 224,145	\$ -
Differences between expected and actual experience	72,352	(762)
OPEB contributions subsequent to measurement date	17,640	-
Total	\$ 314,137	\$ (762)

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefits (OPEB), continued

These amounts above are net of outflows and inflows recognized in the 2020-2021 measurement period expense. The \$17,640 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the upcoming fiscal year ended. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 30,489
2024	30,489
2025	30,489
2026	30,489
2027	30,489
Thereafter:	143,290

Note 12: 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, 2021	\$ 4,426,019	\$ 10,648,046	\$ 20,644,482	\$ 35,718,547
Fiscal year, June 30, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative total to June 30, 2022	<u>\$ 4,426,019</u>	<u>\$ 10,648,046</u>	<u>\$ 20,644,482</u>	<u>\$ 35,718,547</u>

Note 13: 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 \$21,100,000 if Riverside prevails, on appeal.

Note 14: Subsequent Event

In August 2022, the District secured a low interest loan of \$3,585,000 at a rate of 3.05% per annum for the purposes of acquiring and remodeling a new administrative building and for remodeling its existing administrative building into a full-time operations facility.

REQUIRED SUPPLEMENTARY INFORMATION

Rubidoux Community Services District
Required Supplementary Information
Schedule of Plan's Proportionate Share of Net Pension Liability and Related Ratios
as of the Measurement Date
Last 10 years*

	Measurement Date							
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Employer's Proportion of the Collective Net Pension Liability ¹	0.03042%	0.043038%	0.044814%	0.045706%	0.046568%	0.047847%	0.048828%	0.049061%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 2,588,133	\$ 2,954,125	\$ 3,877,770	\$ 4,532,734	\$ 4,487,388	\$ 4,902,890	\$ 5,312,735	\$ 2,653,376
Employer's Covered Payroll	\$ 1,868,407	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588	\$ 2,093,208	\$ 2,416,190	\$ 2,206,351	\$ 2,221,141
Employer's Proportionate Share of the Net Pension Liability as a Percentage of the Employer's Covered Payroll	138.52%	149.67%	189.29%	220.51%	214.38%	202.92%	240.79%	119.46%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	82.83%	81.30%	76.63%	75.49%	76.15%	74.71%	77.29%	89.20%

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.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as the information becomes available.

Rubidoux Community Services District
Required Supplementary Information
Schedule of Plan Contributions
Last 10 years*

	Fiscal Year							
	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Contractually Determined Contributions	\$ 360,072	\$ 362,251	\$ 400,178	\$ 432,726	\$ 536,247	\$ 588,035	\$ 639,206	\$ 712,970
Contributions in Relation to the Contractually Determined Contributions	(360,072)	(362,251)	(400,178)	(432,726)	(536,247)	(588,035)	(639,206)	(712,970)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588	\$ 2,093,208	\$ 2,416,190	\$ 2,206,351	\$ 2,221,141	\$ 2,449,619
Contributions as a Percentage of Covered Payroll	18.24%	17.68%	19.47%	20.67%	22.19%	26.65%	28.78%	29.11%

* Fiscal year ending 6/30/2015 was the first year of implementation. Additional years will be presented as the information becomes available.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**Rubidoux Community Services District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last 10 years***

Measurement Period	2018	2019	2020	2021
Total OPEB Liability				
Service Cost	\$ 23,659	\$ 24,310	\$ 27,194	\$ 55,200
Interest on the Total OPEB Liability	18,501	18,181	20,340	20,962
Experience (Gains)/Losses	-	-	87,121	-
Changes in assumptions	-	28,683	236,179	7,574
Changes in benefit terms	-	-	-	-
Actual Benefit Payments from Employer	(10,044)	(9,408)	(9,408)	(18,816)
Expected Minus Actual Benefit Payments	-	(1,038)	-	-
Net change in Total OPEB Liability	32,116	60,728	361,426	64,920
Total OPEB Liability - beginning	480,399	512,515	573,243	934,669
Total OPEB Liability - ending (a)	512,515	573,243	934,669	999,589
Plan Fiduciary Net Position				
Contribution - employer	10,044	9,408	9,408	18,816
Net investment income	-	-	-	-
Benefit payments	(10,044)	(9,408)	(9,408)	(18,816)
Administrative expense	-	-	-	-
Net change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - beginning	-	-	-	-
Plan Fiduciary Net Position - ending (b)	-	-	-	-
Total OPEB Liability - ending (a) - (b)	\$ 512,515	\$ 573,243	\$ 934,669	\$ 999,589
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 2,093,208	\$ 2,416,190	\$ 2,206,351	\$ 2,221,141
Total OPEB liability as a percentage of covered-employee payroll	24.48%	23.73%	42.36%	45.00%

Notes to schedule:

The District does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Significant changes in assumptions:

Change in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

Change in Assumption: The interest assumption changed from 2.20% to 2.16%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

**Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

Rubidoux Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes and weed abatement	\$ 3,538,600	\$ 3,538,600	\$ 4,073,902	\$ 535,302
Charges for administrative services	600,000	600,000	600,000	-
Licenses and permits	5,500	5,500	21,520	16,020
Interest earnings	9,000	9,000	19,812	10,812
Other revenue	101,000	101,000	339,676	238,676
Total revenues	4,254,100	4,254,100	5,054,910	800,810
EXPENDITURES				
General government				
Salaries and benefits (including pension)	1,422,400	1,422,400	1,400,205	22,195
Services and supplies	373,300	373,300	632,450	(259,150)
Capital outlays	30,000	30,000	-	30,000
Fire protection and weed abatement				
Contract services	2,396,600	2,396,600	2,284,775	111,825
Utilities	-	-	27,715	(27,715)
Repairs and maintenance	25,000	25,000	11,059	13,941
Total expenditures	4,247,300	4,247,300	4,356,204	(108,904)
Excess of revenue over (under) expenditures	6,800	6,800	698,706	691,906
OTHER FINANCING SOURCES (USES)				
Transfers in	(6,800)	(6,800)	335,326	342,126
Net change in fund balance	-	-	1,034,032	1,034,032
Fund balance, beginning of year	4,307,132	4,307,132	4,307,132	-
Fund balance, end of year	<u>\$ 4,307,132</u>	<u>\$ 4,307,132</u>	<u>\$ 5,341,164</u>	<u>\$ 1,034,032</u>

Rubidoux Community Services District
Notes to Required Supplementary Information
For the year ended June 30, 2022

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. This budget is used throughout the year and compared with internal accounting reports prepared using the same method of accounting.

OTHER INFORMATION
(unaudited)

Rubidoux Community Services District
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances – General Fund
For the year ended June 30, 2022

	General Fund	Protection/ Weed Abatement	Reported General Fund
REVENUES			
Property tax and weed abatement	\$ 4,073,309	\$ 593	\$ 4,073,902
Charges for administrative services	600,000	-	600,000
License and permits	21,520	-	21,520
Interest earnings	19,812	-	19,812
Other revenue	339,676	-	339,676
	<u>5,054,317</u>	<u>593</u>	<u>5,054,910</u>
EXPENDITURES			
Current:			
General government	2,032,655	-	2,032,655
Fire protection and weed abatement	-	2,323,549	2,323,549
	<u>2,032,655</u>	<u>2,323,549</u>	<u>4,356,204</u>
Excess of revenues over (under) expenditures	<u>3,021,662</u>	<u>(2,322,956)</u>	<u>698,706</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	2,300,030	2,300,030
Transfer out	(2,300,030)	335,326	(1,964,704)
	<u>(2,300,030)</u>	<u>2,635,356</u>	<u>335,326</u>
Net change in fund balances	721,632	312,400	1,034,032
Fund balances, beginning of year	<u>3,456,439</u>	<u>850,693</u>	<u>4,307,132</u>
Fund balances, end of year	<u>\$ 4,178,071</u>	<u>\$ 1,163,093</u>	<u>\$ 5,341,164</u>

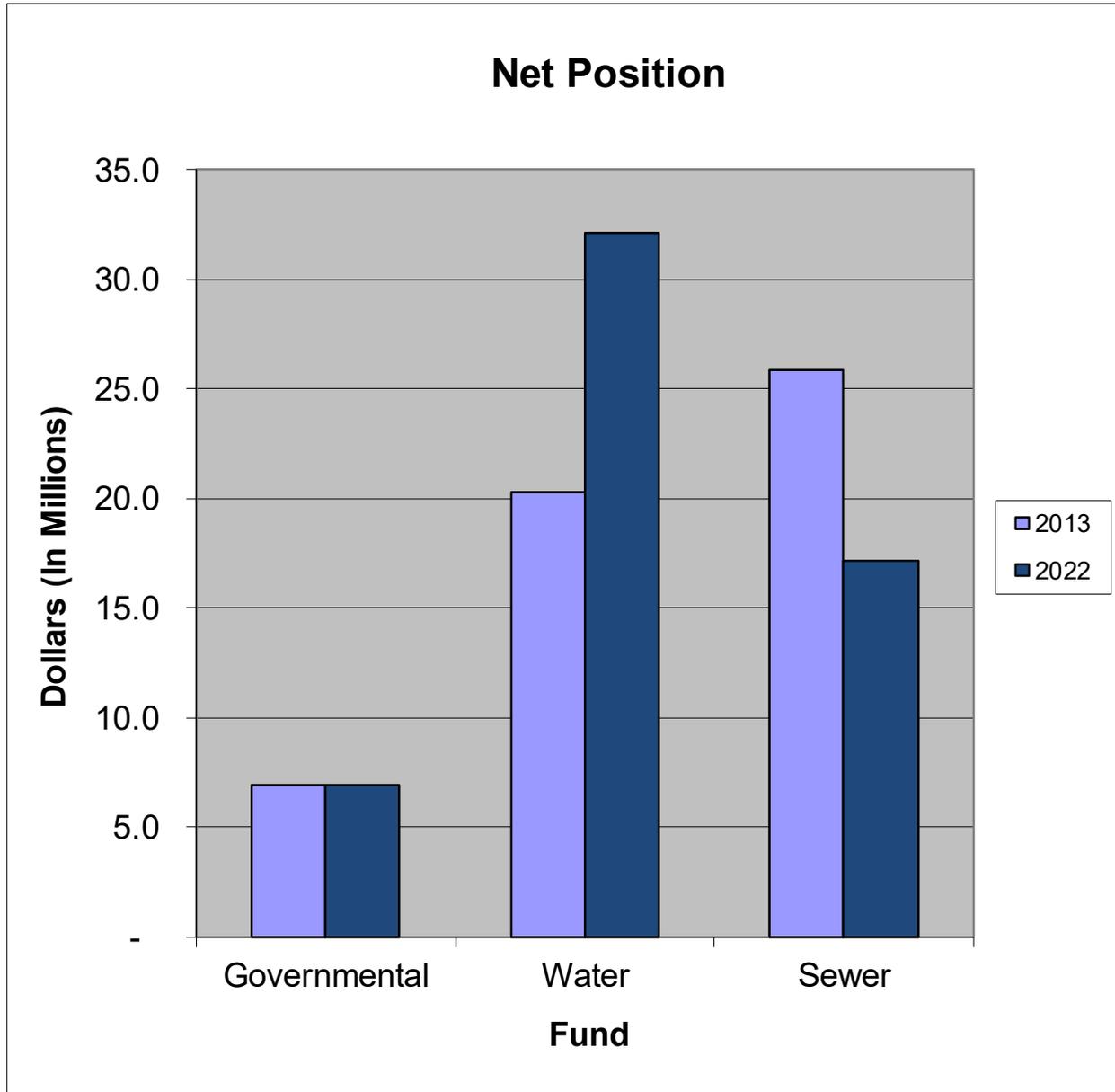
Rubidoux Community Services District
Ten Year Financial Trends
(Rounded to Thousand Dollars)
For the last 10 years

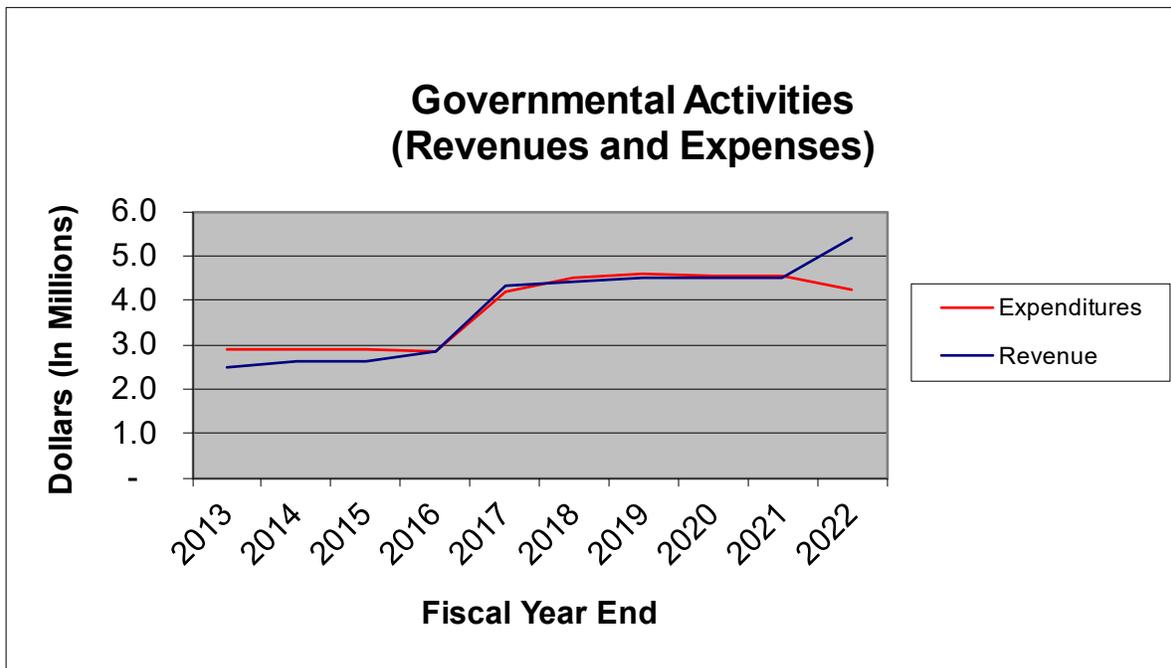
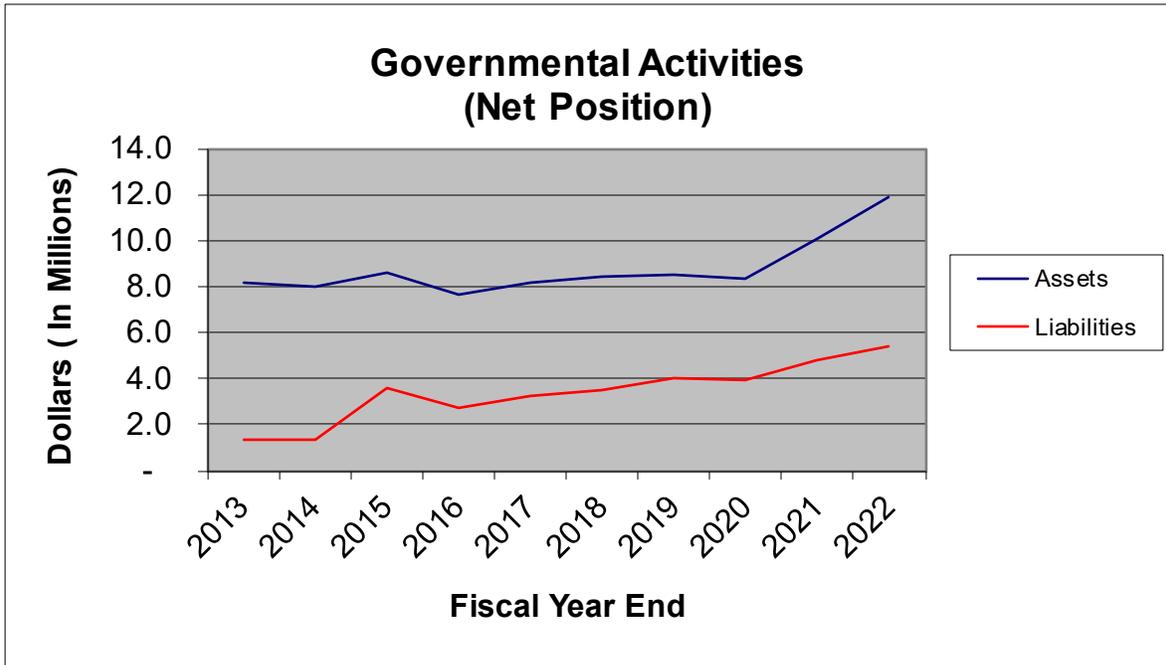
Change in Net Position:

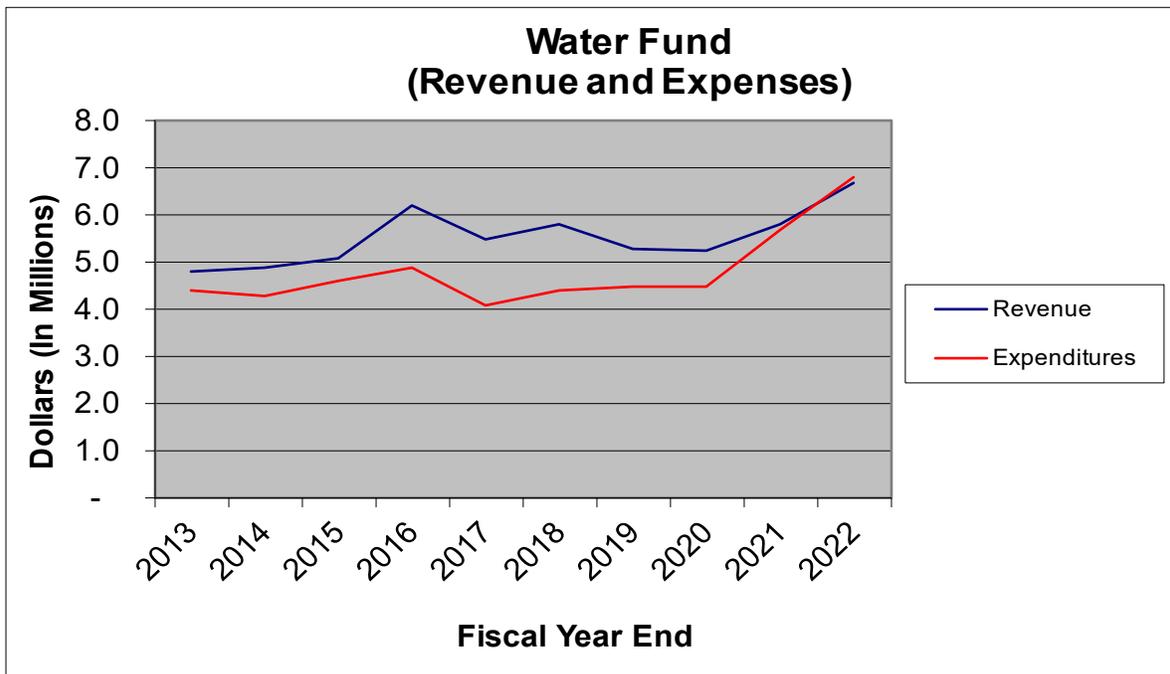
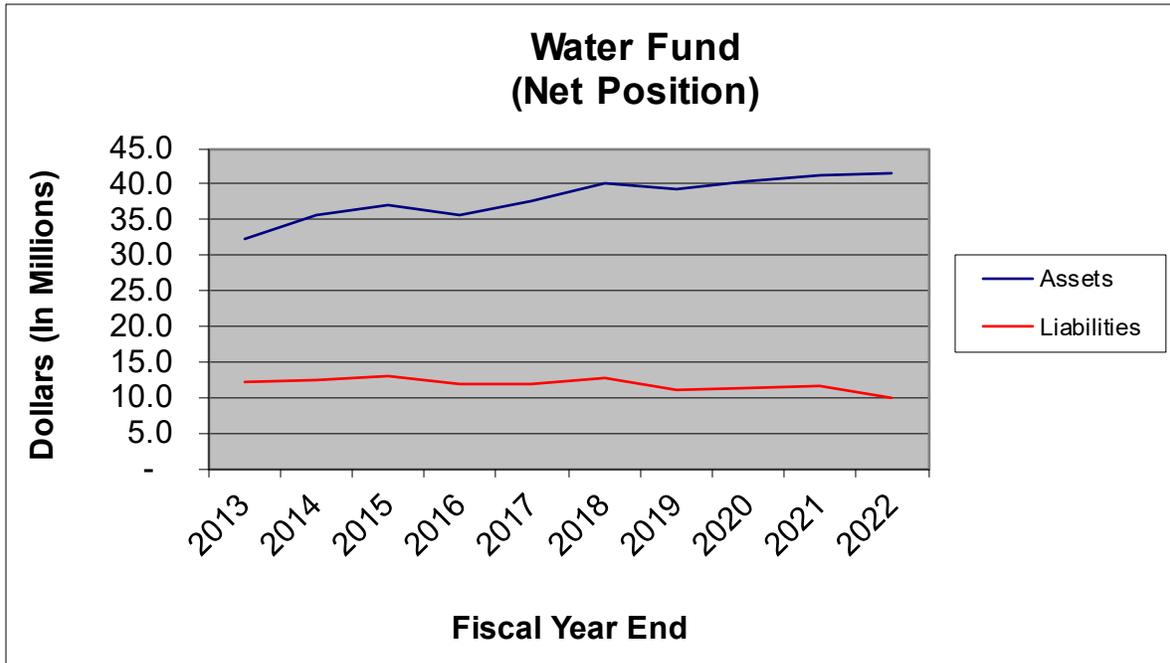
	Governmental Activities	Water Utility	Sewer Utility	Solid Waste Disposal	Total
June 30, 2013	\$ (202,000)	\$ 581,000	\$ (900,000)	\$ 50,000	\$ (471,000)
June 30, 2014	(1,716,000)	1,201,000	(919,800)	2,000	(1,432,800)
June 30, 2015	(219,000)	2,463,000	171,000	(4,000)	2,411,000
June 30, 2016	1,000	(311,000)	(466,000)	10,000	(766,000)
June 30, 2017	18,000	1,951,000	(2,045,000)	(13,000)	(89,000)
June 30, 2018	(143,000)	1,668,000	(2,882,000)	177,000	(1,180,000)
June 30, 2019	(131,000)	1,209,000	(2,000)	79,000	1,155,000
June 30, 2020	(57,000)	963,000	(2,120,000)	93,000	(1,121,000)
June 30, 2021	1,009,000	575,000	(687,000)	115,000	1,012,000
June 30, 2022	1,140,000	1,994,000	1,104,000	(144,000)	4,094,000

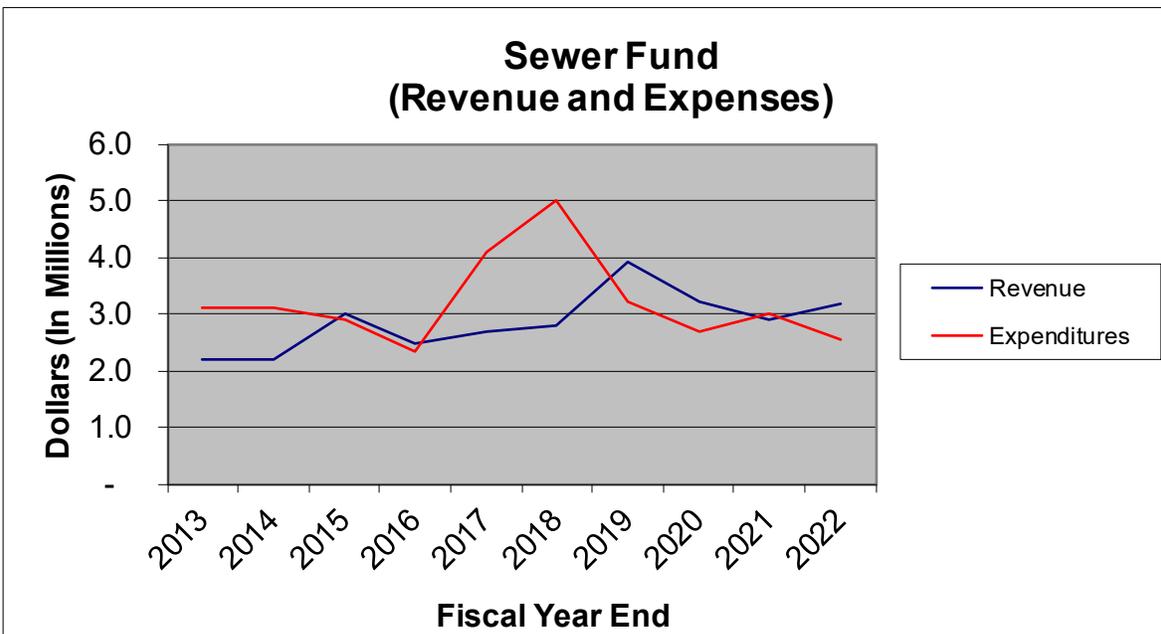
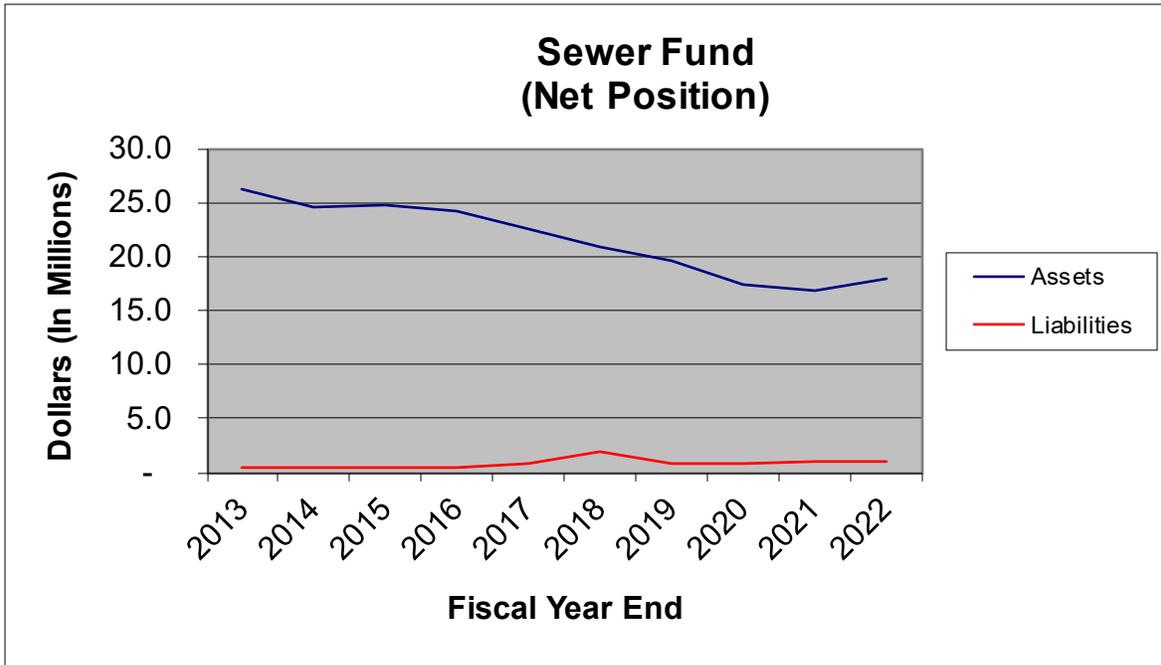
Net Position:

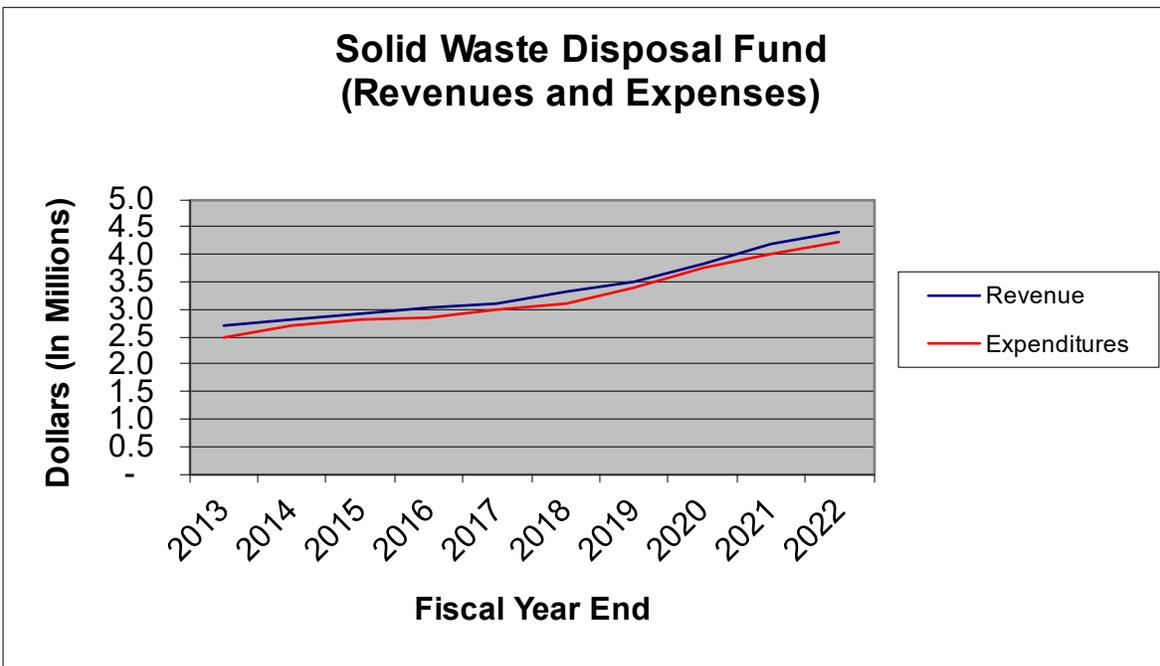
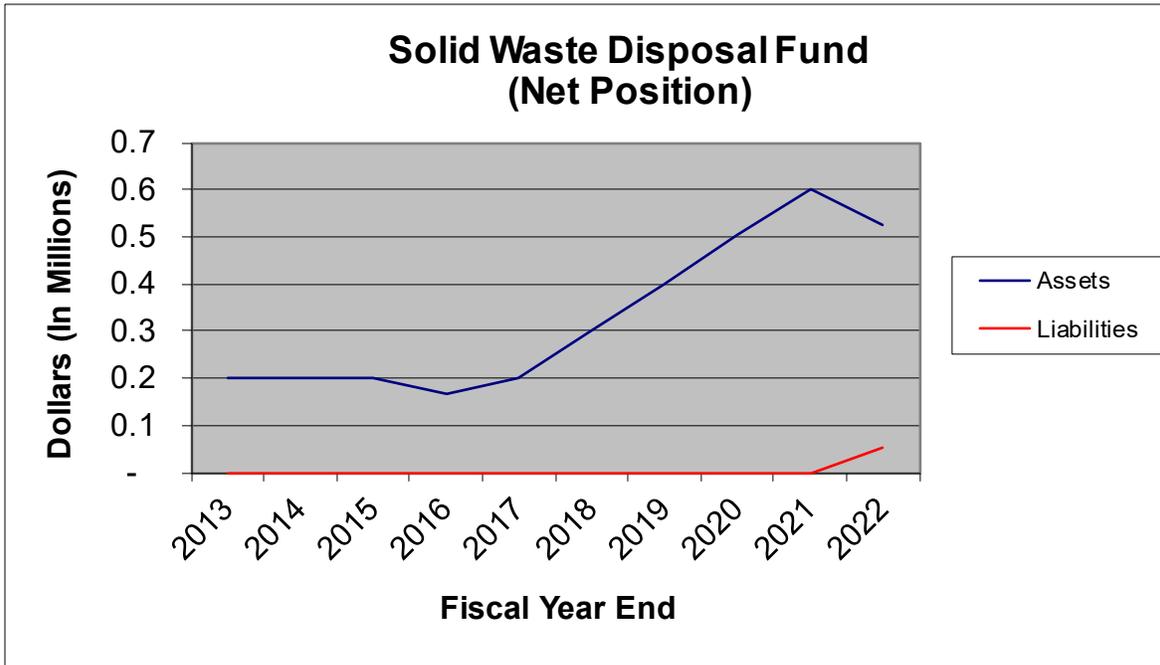
	Governmental Activities	Water Utility	Sewer Utility	Solid Waste Disposal	Total
June 30, 2013	\$ 6,930,000	\$ 20,323,000	\$ 24,966,000	\$ 157,000	\$ 52,376,000
June 30, 2014	5,213,000	21,524,000	24,046,000	160,000	50,943,000
June 30, 2015	4,994,000	23,987,000	24,217,000	156,000	53,354,000
June 30, 2016	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
June 30, 2018	4,869,000	27,295,000	18,823,000	330,000	51,317,000
June 30, 2019	4,513,000	28,278,000	18,792,000	409,000	51,992,000
June 30, 2020	4,456,000	29,241,000	16,672,000	502,000	50,871,000
June 30, 2021	5,465,000	29,817,000	15,986,000	617,000	51,885,000
June 30, 2022	6,605,000	31,811,000	17,090,000	473,000	55,979,000











REPORT ON COMPLIANCE AND INTERNAL CONTROL

**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**

Independent Auditor's Report

Board of Directors
Rubidoux Community Services District
Jurupa Valley, California

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, 2022, 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 20, 2022.

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) as a basis for designing 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be material weaknesses.

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 20, 2022

Rubidoux Community Services District
Schedule of Findings and Responses
For the year ended June 30, 2022

Finding 2022-001

Material Weakness in Internal Control over Financial Reporting – Inadequate Segregation of Duties

Criteria and Condition

During our audit of the District, we noted a lack of segregation of duties in the District's accounting process. Proper segregation of duties dictates that the functions of recording, authorization, custody and execution are not dominated by one individual. An adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. 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.

Context

We observed inadequate segregation of duties by performing observations of processes and interviews of personnel and management.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to financial reporting, including misappropriation of assets, could occur and not be detected within a timely basis.

Auditor's Recommendation

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 individuals available to the District to perform numerous, and sometimes incompatible duties. Unless more personnel are hired, there may be no practical corrective action possible for this inherent weakness. We believe it is important for management and the Board of Directors 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.

Views of Responsible Officials and Planned Corrective Actions

Management recognizes the auditor's concerns and continues to work on its segregation of duties with the goal of one day removing the comment entirely from the management letter. It is not uncommon for a District our size to have limited staff, however the District will continue to assess and strengthen internal controls to the extent possible.

**Rubidoux Community Services District
Schedule of Prior Findings and Responses
For the year ended June 30, 2022**

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2021-001	Segregation of duties	Finding repeated in current year as 2022-001