

RUBIDOUX COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

RUBIDOUX COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report.	1
Management's Discussion and Analysis (unaudited).	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Exhibit A	9
Statement of Activities - Exhibit B.	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Exhibit C.	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Exhibit D.	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Exhibit E.	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Exhibit F.	16
Proprietary Funds:	
Statement of Net Position - Exhibit G	17
Statement of Revenue, Expenses and Changes in Net Position - Exhibit H.	19
Statement of Cash Flows - Exhibit I.	20
Notes to the Financial Statements	22
Required Supplementary Information:	
Schedule of Funding Progress.	37
Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - Governmental Funds - Exhibit J.	38
Note to Required Supplementary Information: Budgetary Basis of Accounting.	39
Other Information:	
Ten Year Financial Trends - Schedule 1.	40
Graphic Financial Comparisons - Schedule 2.	41
Report on Compliance and Internal Controls:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Schedule of Findings and Responses.	48
Schedule of Prior Year Findings.	50



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rubidoux Community Services District
Rubidoux, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rubidoux Community Services District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rubidoux Community Services District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulatory governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of funding progress and budget and actual information on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of financial trends and graphic financial comparisons on pages 40 through 45 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014, on our consideration of Rubidoux Community Service District's internal control over financial report and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rubidoux Community Service District's internal control over financial reporting and compliance.



Ontario, California
October 2, 2014

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's net position increased 3.9% to \$54.4 million (from \$52.4 million) as a result of this year's operations and non-operating activities, including capital contributions.

The District's net position changes from current period activities is illustrated as follows:

	Governmental		Water		Sewer		Solid Waste Disposal		Total	
	\$		\$		\$		\$		\$	
	(Millions)	%	(Millions)	%	(Millions)	%	(Millions)	%	(Millions)	%
Operating activity/revenue	(2.9)	(5.6)	(0.4)	(0.8)	(0.9)	(1.8)	0.1	0.2	(4.1)	(8.0)
Non-operating activity:										
Capital contributions	-	-	2.6	5.0	-	-	-	-	2.6	5.0
Other	2.7	5.2	0.9	1.8	0.0	0.1	(0.1)	(0.2)	3.5	6.9
Total	<u>(0.2)</u>	<u>(0.4)</u>	<u>3.1</u>	<u>6.0</u>	<u>(0.9)</u>	<u>(1.7)</u>	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>	<u>3.9</u>

- ◆ During the year, the District's total revenue and capital contributions exceeded it's total expenses by \$2.0 million.
- ◆ Total revenues and capital contributions from all sources amounted to \$16.7 million.
- ◆ The cost of all District activities amounted to \$14.7 million.
- ◆ Operationally, the Water Fund used (\$.4) million, Sewer Fund used (\$.9) million and the Solid Waste Disposal Fund provided \$.1 million to decrease net position \$1.2 million. The total Governmental activities decreased \$.2 million.

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.

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2014

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.
- 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.

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 22 through 36.

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2014

THE DISTRICT AS A WHOLE

Our analysis focuses on the assets (Table 1) and changes in net position (Table 2) of the District's enterprise activities.

	Proprietary Funds				Total
	Governmental Activities	Water	Sewer	Solid Waste Disposal	
Current and other assets	\$ 3.9	\$ 3.3	\$ 3.6	\$ 0.2	\$ 11.0
Capital assets	4.2	32.1	20.8	-	57.1
Total Assets	<u>8.1</u>	<u>35.4</u>	<u>24.4</u>	<u>0.2</u>	<u>68.1</u>
Long-term debt outstanding	0.5	11.1	0.1	-	11.7
Other liabilities	0.8	0.9	0.3	-	2.0
Total Liabilities	<u>1.3</u>	<u>12.0</u>	<u>0.4</u>	<u>-</u>	<u>13.7</u>
Net Position:					
Invested in capital assets, net of debt	4.2	13.7	18.4	-	36.3
Restricted for:					
Capital projects	1.2	3.8	2.4	-	7.4
Debt service	-	2.9	-	-	2.9
Unrestricted	1.3	3.0	3.3	0.2	7.8
Total Net Position	<u>\$ 6.7</u>	<u>\$ 23.4</u>	<u>\$ 24.1</u>	<u>\$ 0.2</u>	<u>\$ 54.4</u>

The District's net position increase of 3.8% to \$54.4 million comes from the change in net position as recorded in the Statement of Activities flows through to the Statement of Net Position.

- Overall government-wide capital assets increased \$2.4 million (primarily due to construction of the JCSD Interconnection project and depreciation):

<u>Asset Type</u>	(In Millions)
Land	\$ -
Structures and improvements	0.6
Equipment	-
Construction in progress	3.5
Total Additions	<u>4.1</u>
Less depreciation	<u>(1.7)</u>
Capital Asset Increase	<u>\$ 2.4</u>

- Long-term water debt increased \$.8 million due to the construction financing of the Leland J. Thompson Water Treatment Facility. The District made principal payments of (\$.1) million on the Leland J. Thompson Water Facility loan and (\$.4) million on the water certificates of participation. The District's net increase in debt was \$.3 million.
- Restricted Net Position increased \$3.1 million as a result of payment of debt and increase in investment in capital assets.
- Unrestricted Net Position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased (\$1.1) million and amounted to \$7.7 million.

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2014

Table 2
Changes in Net Position
Current Period Activity (in Millions)

	Proprietary Funds				
	Governmental Activities	Water	Sewer	Solid Waste Disposal	Total
Revenue:					
Operating revenue:					
Charges for services	\$ 1.0	\$ 4.1	\$ 2.1	\$ 2.8	\$ 10.0
Property taxes	2.6	-	-	-	2.6
Other revenue:					
Contributed capital	-	2.6	-	-	2.6
Investment revenue	-	-	-	-	-
Other	-	1.4	0.1	-	1.5
Total Revenue	<u>3.6</u>	<u>8.1</u>	<u>2.2</u>	<u>2.8</u>	<u>16.7</u>
Expenses:					
Operating	3.9	4.6	3.1	2.7	14.3
Interest	-	0.4	-	-	0.4
Other	-	-	-	-	-
Total Expenses	<u>3.9</u>	<u>5.0</u>	<u>3.1</u>	<u>2.7</u>	<u>14.7</u>
Increase (Decrease) in Net Position	\$ <u>(0.3)</u>	\$ <u>3.1</u>	\$ <u>(0.9)</u>	\$ <u>0.1</u>	\$ <u>2.0</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S UNRESTRICTED CASH

At year-end the District reported combined unrestricted cash balances of \$7.2 million, which is a decrease of (\$1.2) million or (14.7%) from last year. Note 2 of the financial statements provide additional detail on cash balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Rubidoux Community Services District budget is prepared annually. Over the course of the year, the Board reviews and revises its budget to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2013/2014 no revisions were made to the District's general budget.

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

The favorable variance of \$269,896 in property tax revenue is due to the stabilization of California property tax assessments and receipt of redevelopment property tax settlements. The unfavorable variance in other revenue of (\$7,812) is due to the decrease in developer fees.

The favorable variance of \$65,090 in expenditures is primarily due to the District's decrease in capital outlay expenditures. Salary expenditures increased \$102,905, services and supplies decreased (\$4,897), capital outlays decreased (\$159,555), which is related to the delay in constructing the new office/administration building, and the utilities for the fire department decreased (\$4,341) compared to budget.

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$47.8 million invested in a broad range of capital assets for infrastructure and facilities. (See Note 6.) (See Table 3 below.) This amount represents a net increase of \$2.3 million, or 5.05%, above last year.

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities	Proprietary Funds		Total District- Wide
		Water	Sewer	
Land	\$ 0.3	\$ 0.5	\$ -	\$ 0.8
Structures and improvements	3.7	30.1	35.5	69.3
Equipment	0.8	1.4	0.4	2.6
Construction in progress	0.6	3.8	0.1	4.5
Accumulated depreciation	(1.2)	(10.7)	(17.5)	(29.4)
Total	\$ 4.2	\$ 25.1	\$ 18.5	\$ 47.8

Debt

At June 30, 2014, the District had \$11.6 million in bonds, certificates of participation, and notes outstanding versus \$11.3 million last year - an increase of 3.6% - as shown in Table 4. (See Notes 8 and 10.)

Table 4
Outstanding Debt, at Year-End
(in Millions)

	Governmental Activities	Proprietary Funds		Total District- Wide
		Water	Sewer	
Bonds payable / certificates of participation	\$ -	\$ 5.9	\$ -	\$ 5.9
Notes payable	-	5.6	0.1	5.7
Total	\$ -	\$ 11.5	\$ 0.1	\$ 11.6

ECONOMIC FACTORS AND NEXT YEAR'S COMMENTS

There are several factors influencing the economy of the Rubidoux Community Services District (District). The District continues to stress water conservation efforts even in light of abundant local water supplies. In 2009, Governor Schwarzenegger signed the Water Conservation Act (AB 2175) which requires water suppliers to reduce statewide per capita water use by 20% by year 2020. Coupled with cooler weather and the state of the Federal and State economies, the demand for water is lessening and the District should meet this requirement. Because of the District's source of groundwater, the Board and staff are evaluating how Governor Brown's declaration of drought state of emergency will impact the District.

The downturn in the economy has slowed proposed development, delaying the District's ability to add additional service connections. Emerald Meadows Ranch Properties, a community of 1000+ homes, commercial stores, parks, schools, etc. on approximately 260 acres on the southeast corner of highway 60 and Rubidoux Blvd., has recently met with Staff.

RUBIDOUX COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S COMMENTS (Continued)

The Rio Vista Project, a proposed construction of approximately 1,700+ homes north of highway 60, is another proposed project in suspension.

Both projects are cautiously moving forward as the economy continues to improve.

In the January, 2005 storms, the District experienced an extraordinary event with the Santa Ana River washing away approximately 1,500 linear feet of sewer pipeline. The permanent facilities are complete and the close-out and final retention of \$1.2 million from FEMA/CalOES was received in July 2014.

Construction should begin next fiscal year on the Pacific Avenue 16" and 12" water pipelines. These lines are needed to replace old lines and to better convey water through the system. Cost is estimated at \$1,600,000.

Construction is complete on the 24" Mission Blvd. waterline from Carrera to Goldenwest and from Goldenwest to Sedona. Almost completed is the JCSD interconnection booster pump station. This system is scheduled to go online in September 2014. Cost estimate is \$3.76 million. \$3.1 million in Prop 50 grant funds have been secured for this project.

Well 17 & 18 is scheduled for rehab and re-outfit in fiscal year 2015 at a budgeted cost of \$75,000. The installation of a MIOX system (disinfection) at the NO3 plant is budgeted at \$300,000. Improvements to the Golden West Reservoir are scheduled for fiscal year 2015 and is budgeted at \$200,000.

Waterline replacement project on Garces is now complete. The work on Humble is scheduled for fiscal year 2014/2015 with an estimated cost of \$65,000. Solar panels are planned for the Watson, Perone, and Hunter 1 reservoirs at a cost of \$25,000.

Replacement of the Jurupa Hills lift station was re-scheduled to commence in fiscal year 2015. The cost estimate is \$500,000. Design of new 16" and 12" sewer pipelines in the Tilton/42nd Street area are complete. This will replace existing problem lines and increase sewer capacity. Construction is to begin next fiscal year and is budgeted at \$750,000.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION June 30, 2014

Exhibit A
Page 1 of 2

ASSETS	District-Wide		Total
	Governmental Activities	Business-Type Activities	
Current Assets			
Cash (Note 2)	\$ 681,545	\$ 739,228	\$ 1,420,773
Imprest cash (Note 2)	-	1,200	1,200
Local Agency Investment Funds (LAIF) (Note 2)	1,697,328	4,094,822	5,792,150
Restricted assets - cash (Notes 2 and 3)	1,224,863	-	1,224,863
Accounts receivable, net (Note 4)	121,474	1,061,837	1,183,311
Due from other funds (Note 5)	89,675	-	89,675
Interest receivable	1,483	5,822	7,305
Receivable from FEMA/OES	-	1,236,177	1,236,177
Inventory	-	35,857	35,857
Prepayments and deposits	29,316	28,733	58,049
Total Current Assets	3,845,684	7,203,676	11,049,360
Non-Current Assets			
Bond issuance cost	-	217,567	217,567
Certificates of participation issuance cost, net	-	91,543	91,543
Restricted assets - cash (Notes 2 and 3)	-	8,316,793	8,316,793
Restricted assets - reserve funds (Notes 2 and 3)	-	725,645	725,645
Capital assets - not being depreciated (Note 6)	891,093	4,425,032	5,316,125
Capital assets - being depreciated, net (Note 6)	3,335,985	39,143,649	42,479,634
Total Non-Current Assets	4,227,078	52,920,229	57,147,307
TOTAL ASSETS	\$ 8,072,762	\$ 60,123,905	\$ 68,196,667

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION June 30, 2014

Exhibit A
Page 2 of 2

	District-Wide		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 754,648	\$ 474,945	\$ 1,229,593
Customer deposits	8,818	20,653	29,471
Due to other funds (Note 5)	-	89,675	89,675
Interest payable	-	50,880	50,880
Long-term liabilities - due within one year:			
Bonds payable and certificates of participation (Note 8)	-	420,000	420,000
Compensated absences (Note 9)	82,000	40,000	122,000
Notes payable (Note 10)	-	124,223	124,223
Total Current Liabilities	845,466	1,220,376	2,065,842
Non-Current Liabilities:			
Bonds payable and certificates of participation (Note 8)	-	5,512,109	5,512,109
Compensated absences (Note 9)	480,202	165,618	645,820
Notes payable (Note 10)	-	5,501,541	5,501,541
Total Non-Current Liabilities	480,202	11,179,268	11,659,470
TOTAL LIABILITIES	\$ 1,325,668	\$ 12,399,644	\$ 13,725,312
NET POSITION			
Investment in capital assets, net of related debt	\$ 4,227,078	\$ 32,189,286	\$ 36,416,364
Restricted for:			
Capital projects	1,224,863	6,170,047	7,394,910
Debt service	-	2,872,391	2,872,391
Unrestricted	1,295,153	6,449,787	7,744,940
TOTAL NET POSITION	\$ 6,747,094	\$ 47,681,511	\$ 54,428,605

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2014

Function / Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities:			
Administrative and support	\$ 2,169,383	\$ 974,934	\$ -
Contracted services	<u>1,712,349</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>3,881,732</u>	<u>974,934</u>	<u>-</u>
Business-Type Activities:			
Water utility	5,024,550	4,149,244	2,576,411
Sewer utility	3,057,236	2,131,393	-
Solid waste disposal	<u>2,743,456</u>	<u>2,851,864</u>	<u>-</u>
Total Business-Type Activities	<u>10,825,242</u>	<u>9,132,501</u>	<u>2,576,411</u>
Total Primary Government	<u>\$ 14,706,974</u>	<u>\$ 10,107,435</u>	<u>\$ 2,576,411</u>
General Revenues			
Property taxes			
Investment earnings			
Bond replacement revenue			
Other non-operating revenue			
Total General Revenues			
Changes in Net Position-Before Transfer			
Transfers In/(Out)			
Change in Net Position			
Net Position, July 1, 2013, as restated			
Net Position, June 30, 2014			

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,194,449)	\$ -	\$ (1,194,449)
<u>(1,712,349)</u>	<u>-</u>	<u>(1,712,349)</u>
<u>(2,906,798)</u>	<u>-</u>	<u>(2,906,798)</u>
-	1,701,105	1,701,105
-	(925,843)	(925,843)
-	108,408	108,408
<u>-</u>	<u>883,670</u>	<u>883,670</u>
<u>(2,906,798)</u>	<u>883,670</u>	<u>(2,023,128)</u>
2,609,847	-	2,609,847
8,253	31,196	39,449
-	1,148,323	1,148,323
-	278,349	278,349
<u>2,618,100</u>	<u>1,457,868</u>	<u>4,075,968</u>
(288,698)	2,341,538	2,052,840
<u>106,209</u>	<u>(106,209)</u>	<u>-</u>
(182,489)	2,235,329	2,052,840
<u>6,929,583</u>	<u>45,446,182</u>	<u>52,375,765</u>
\$ <u>6,747,094</u>	\$ <u>47,681,511</u>	\$ <u>54,428,605</u>

RUBIDOUX COMMUNITY SERVICES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

Exhibit C

	Governmental Funds		
	General	Fire Protection / Weed Abatement	Total
ASSETS			
Cash (Note 2)	\$ 681,545	\$ -	\$ 681,545
Local Agency Investment Funds (LAIF) (Note 2)	1,697,328	-	1,697,328
Restricted assets - cash (Notes 2 and 3)	-	1,224,863	1,224,863
Accounts receivable, net (Note 4)	113,049	8,425	121,474
Due from other funds (Note 5)	89,675	-	89,675
Interest receivable	1,483	-	1,483
Prepayments and deposits	29,316	-	29,316
	<u>2,612,396</u>	<u>-</u>	<u>2,612,396</u>
TOTAL ASSETS	\$ <u>2,612,396</u>	\$ <u>1,233,288</u>	\$ <u>3,845,684</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 323,803	\$ 430,845	\$ 754,648
Customer deposits	8,818	-	8,818
Total Liabilities	<u>332,621</u>	<u>430,845</u>	<u>763,466</u>
Fund Balance			
Non-spendable	29,316	-	29,316
Restricted	-	1,224,863	1,224,863
Unassigned	2,250,459	(422,420)	1,828,039
Total Fund Balances	<u>2,279,775</u>	<u>802,443</u>	<u>3,082,218</u>
	<u>2,612,396</u>	<u>1,233,288</u>	<u>3,845,684</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,612,396</u>	\$ <u>1,233,288</u>	\$ <u>3,845,684</u>

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2014

	Exhibit D
TOTAL FUND BALANCES - GOVERNMENT FUNDS (EXHIBIT C)	\$ 3,082,218
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,227,078
Long-term liabilities and compensated absences have not been included in the governmental funds activity:	
Compensated absences	<u>(562,202)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)	<u>\$ 6,747,094</u>

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2014

Exhibit E

	Governmental Funds		
	General	Fire Protection / Weed Abatement	Total
REVENUE			
Property taxes and weed abatement	\$ 2,596,132	\$ 13,716	\$ 2,609,848
Charges for administrative services	950,000	-	950,000
Licenses and permits	4,334	-	4,334
Interest	8,253	-	8,253
Other revenue	20,600	-	20,600
Total Revenue	3,579,319	13,716	3,593,035
EXPENDITURES			
Current:			
General government	2,028,240	-	2,028,240
Fire protection and weed abatement	-	1,732,176	1,732,176
Capital outlay	(9,014)	-	(9,014)
Total Expenditures	2,019,226	1,732,176	3,751,402
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,560,093	(1,718,460)	(158,367)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	106,209	1,953,246	2,059,455
Operating transfers out	(1,953,246)	-	(1,953,246)
Total Other Financing Sources (Uses)	(1,847,037)	1,953,246	106,209
NET CHANGE IN FUND BALANCE	(286,944)	234,786	(52,158)
FUND BALANCE, JULY 1, 2013	2,566,719	567,657	3,134,376
FUND BALANCE, JUNE 30, 2014	\$ 2,279,775	\$ 802,443	\$ 3,082,218

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 BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES For the Year Ended June 30, 2014

	Exhibit F
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - EXHIBIT E	\$ (52,158)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay, net of deletions	(9,014)
Depreciation expense	(134,782)
<p>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:</p>	
Net change in compensated absences for the current period	<u>13,465</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - EXHIBIT B	<u><u>\$ (182,489)</u></u>

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2014

Exhibit G
Page 1 of 2

ASSETS	Business-Type Activities			
	Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Disposal	Total
Current Assets				
Cash (Note 2)	\$ 734,912	\$ 4,316	\$ -	\$ 739,228
Imprest cash (Note 2)	1,200	-	-	1,200
Local Agency Investment Funds (LAIF) (Note 2)				
Accounts receivable, net (Note 4)	2,236,785	1,858,037	-	4,094,822
Due from other funds (Note 5)	582,424	319,816	159,597	1,061,837
Interest receivable	-	206,169	-	206,169
Receivable from FEMA/OES	4,190	1,632	-	5,822
Inventory	-	1,236,177	-	1,236,177
Prepayments and deposits	35,857	-	-	35,857
Total Current Assets	3,623,964	3,626,284	159,597	7,409,845
Non-Current Assets				
Bond issuance cost	217,567	-	-	217,567
Certificates of participation issuance cost, net	91,543	-	-	91,543
Restricted assets - cash (Notes 2 and 3)	5,927,366	2,389,427	-	8,316,793
Restricted assets - reserve funds (Notes 2 and 3)	725,645	-	-	725,645
Capital assets - not being depreciated (Note 6)	4,353,164	71,868	-	4,425,032
Capital assets - being depreciated, net (Note 6)	20,763,901	18,379,748	-	39,143,649
Total Non-Current Assets	32,079,186	20,841,043	-	52,920,229
TOTAL ASSETS	\$ 35,703,150	\$ 24,467,327	\$ 159,597	\$ 60,330,074

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2014

Exhibit G
Page 2 of 2

LIABILITIES	Business-Type Activities			
	Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Disposal	Total
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 194,212	\$ 280,733	\$ -	\$ 474,945
Customer deposits	20,653	-	-	20,653
Due to other funds (Note 5)	295,844	-	-	295,844
Interest payable	50,880	-	-	50,880
Deposit - other agency	42,750	-	-	42,750
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	40,000	-	-	40,000
Bonds payable and certificates of participation (Note 8)	420,000	-	-	420,000
Notes payable (Note 10)	110,659	13,564	-	124,223
Total Current Liabilities	1,174,998	294,297	-	1,469,295
Non-Current Liabilities:				
Compensated absences (Note 9)	158,533	7,085	-	165,618
Bonds payable and certificates of participation (Note 8)	5,512,109	-	-	5,512,109
Notes payable (Note 10)	5,447,286	54,255	-	5,501,541
Total Non-Current Liabilities	11,117,928	61,340	-	11,179,268
TOTAL LIABILITIES	\$ 12,292,926	\$ 355,637	\$ -	\$ 12,648,563
NET POSITION				
Net investment in capital assets	\$ 13,737,670	\$ 18,451,616	\$ -	\$ 32,189,286
Restricted for:				
Capital projects	3,780,620	2,389,427	-	6,170,047
Debt service	2,872,391	-	-	2,872,391
Unrestricted	3,019,543	3,270,647	159,597	6,449,787
TOTAL NET POSITION	\$ 23,410,224	\$ 24,111,690	\$ 159,597	\$ 47,681,511

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS For the Year Ended June 30, 2014

Exhibit H

	Business-Type Activities			
	Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Disposal	Total
OPERATING REVENUE				
Charges for current services	\$ 3,916,804	\$ 2,131,393	\$ 2,851,640	\$ 8,899,837
Other revenue	224,855	-	224	225,079
Total Operating Revenue	4,141,659	2,131,393	2,851,864	9,124,916
OPERATING EXPENSES				
Salaries and benefits (including pension)	1,770,678	74,418	-	1,845,096
Contracted services	-	-	2,629,785	2,629,785
Electrical power	493,777	62,000	-	555,777
Operating expense	248,613	1,148	-	249,761
Maintenance and repairs	38,367	78,440	-	116,807
Operating treatment	368,525	1,589,015	-	1,957,540
Depreciation and amortization	845,276	919,463	-	1,764,739
Insurance	55,950	6,180	-	62,130
Professional fees	59,216	1,809	-	61,025
Bad debts	12,746	8,307	13,671	34,724
Other	127,262	16,456	-	143,718
Administrative fee	550,000	300,000	100,000	950,000
Total Operating Expenses	4,570,410	3,057,236	2,743,456	10,371,102
OPERATING INCOME (LOSS)	(428,751)	(925,843)	108,408	(1,246,186)
NON-OPERATING REVENUE (EXPENSES)				
Capital replacement	181,349	-	-	181,349
Capacity fees	34,000	63,000	-	97,000
Bond replacement revenue	1,148,323	-	-	1,148,323
Gain on sale of capital assets	7,585	-	-	7,585
Interest income	22,711	8,485	-	31,196
Interest expense	(454,140)	-	-	(454,140)
Total Non-Operating Revenue (Expenses)	939,828	71,485	-	1,011,313
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	511,077	(854,358)	108,408	(234,873)
Contributions in aid of construction	2,576,411	-	-	2,576,411
INCOME (LOSS) BEFORE TRANSFERS	3,087,488	(854,358)	108,408	2,341,538
Transfers in (out)	-	-	(106,209)	(106,209)
CHANGE IN NET POSITION	3,087,488	(854,358)	2,199	2,235,329
TOTAL NET POSITION, JULY 1, 2013	20,322,736	25,953,091	157,398	46,433,225
Prior period adjustment (Note 13)	-	(987,043)	-	(987,043)
TOTAL NET POSITION, JULY 1, 2013 RESTATED	20,322,736	24,966,048	157,398	45,446,182
TOTAL NET POSITION, JUNE 30, 2014	\$ 23,410,224	\$ 24,111,690	\$ 159,597	\$ 47,681,511

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, 2014

Exhibit I
Page 1 of 2

	Business-Type Activities			
	Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Disposal	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 4,017,540	\$ 2,120,426	\$ 2,835,994	\$ 8,973,960
Cash payments to suppliers for goods and services	(1,957,384)	(1,765,780)	(2,629,785)	(6,352,949)
Cash payments to employees for salaries and benefits	(1,752,993)	(73,582)	-	(1,826,575)
Other receipts (payments)	(550,000)	(300,000)	(100,000)	(950,000)
Net Cash Provided (Used) by Operating Activities	(242,837)	(18,936)	106,209	(155,564)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from capacity fees	34,000	63,000	-	97,000
Bond replacement revenue	1,148,323	-	-	1,148,323
Other non-operating revenues (expenses), net	181,349	-	-	181,349
Net Cash Provided by Non-Capital Financing Activities	1,363,672	63,000	-	1,426,672
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases and construction of capital assets	(4,094,293)	(88,546)	-	(4,182,839)
Proceeds from capital contributions	2,576,411	-	-	2,576,411
Funding transfers	-	-	(106,209)	(106,209)
Borrowings on capital debt	836,251	-	-	836,251
Principal paid on capital debt	(499,657)	(13,564)	-	(513,221)
Interest paid on capital debt	(435,296)	-	-	(435,296)
Net Cash Used by Capital and Related Financing Activities	(1,616,584)	(102,110)	(106,209)	(1,824,903)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	25,451	8,780	-	34,231
Net Cash Provided by Investing Activities	25,451	8,780	-	34,231
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH				
	(470,298)	(49,266)	-	(519,564)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR				
	10,096,206	4,301,046	-	14,397,252
CASH AND RESTRICTED CASH AT END OF YEAR (NOTE 2)				
	\$ 9,625,908	\$ 4,251,780	\$ -	\$ 13,877,688

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, 2014

Exhibit I
Page 2 of 2

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY FOR OPERATING ACTIVITIES	Business-Type Activities			
	Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste Disposal	Total
Operating income (loss)	\$ (428,751)	\$ (925,843)	\$ 108,408	\$ (1,246,186)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	829,674	919,463	-	1,749,137
Bad debts	12,746	8,307	13,671	34,724
Gain on sale of capital assets	7,585	-	-	7,585
Change in assets and liabilities:				
Receivables, net	(197,558)	(34,855)	(15,870)	(248,283)
Federal award receivable	-	-	-	-
Compensated absences	17,685	836	-	18,521
Prepaid and deposits	(1,369)	52	-	(1,317)
Inventories	(20,507)	-	-	(20,507)
Accounts and other payables	(462,342)	13,104	-	(449,238)
Net Cash Provided (Used) by Operating Activities	<u>\$ (242,837)</u>	<u>\$ (18,936)</u>	<u>\$ 106,209</u>	<u>\$ (155,564)</u>

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation and Basis of Accounting

Basis of Presentation:

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

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

Fund Accounting

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

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

Governmental Funds

General Fund

This fund accounts for all activities of the District not specifically required to be accounted for in other funds.

This fund primarily reflects general administrative type activities associated with overall management and record keeping for the District and contracted fire services.

Fire Protection / Weed Abatement

This fund accounts for the net economic benefit flowing through to the District for its administrative efforts associated with this fund.

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued):

Governmental Funds (Continued)

Proprietary Funds

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

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

The District has the following major proprietary funds:

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

Basis of Accounting:

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

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

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued):

Budgetary Procedures

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

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

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

Unused appropriations for all the annually budgeted funds lapse at the end of the fiscal year. Year end encumbrances are accrued.

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

Financial Statement Elements

Cash and Cash Equivalents

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

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis.

Credit/Market Risk

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Elements (Continued)

Credit/Market Risk (Continued)

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).

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

Accounts Receivable

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

Property Taxes and Assessments

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

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

Prepaid Expenses

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

Materials and Supplies Inventory

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Elements (Continued)

Deferred Charges

Deferred charges 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.

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 development are restricted by law for the construction of capital improvements which benefit the development projects.

Capital Assets

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

<u>Asset Category</u>	<u>Years</u>
Structures and improvements:	
Buildings and intangible plant	20-50
Sewer systems	5-25
Water pollution plant and interceptor sewers	5-40
Water facilities	10-50
Pipelines and water facilities	10-50
Jurupa Hills and water systems	12-50
Equipment:	
Autos and trucks	5-7
Office furniture and equipment	5-15
Shop equipment	5-15
Radios and power plant	5-10

Compensated Absences

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

Deferred Inflow/Outflow of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue as a deferred inflow of resources in the governmental funds balance sheet.

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Elements (Continued)

Net Position

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

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

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

Fund Balance

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

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

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Elements (Continued)

Fund Balance (Continued)

- *Unassigned Fund Balance* . This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

Utility Sales

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

Capital Contributions

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

Use of Estimates

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

NOTE 2 - RECONCILIATION OF CASH AND RESTRICTED CASH

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash - Exhibits A, C and G	\$ 681,545	\$ 734,912	\$ 4,316	\$ 1,420,773
Imprest cash - Exhibits A and I	-	1,200	-	1,200
Restricted assets - cash - Exhibits A, C, and G	1,224,863	5,927,366	2,389,427	9,541,656
LAIF - Exhibits A, C, and G (unrestricted)	1,697,328	2,236,785	1,858,037	5,792,150
Restricted assets - reserve funds - Exhibits A and G	-	725,645	-	725,645
Total Cash and Restricted Cash - Exhibit I	\$ 3,603,736	\$ 9,625,908	\$ 4,251,780	\$ 17,481,424

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014:

Certificates of Participation - Series 1998:

Funds held by U.S. Bank	\$ <u>725,645</u>
Total Restricted Assets Reserve Funds - Exhibits A and G	<u>725,645</u>

Other District funds for connection/capacity fees and other future uses, as well as receivable amounts due as contribution capital:

Governmental

Cash - Fire Mitigation, (B of A, Security and Union) - Exhibit C	<u>1,224,863</u>
--	------------------

Business-Type

Cash - Sewer - connection/capacity fees, (C/D and cash - Citizens)	2,389,427
Cash - Water - connection fees, (B of A, Citizens, Security, and Union)	3,113,824
Cash - Water - COP's, (LAIF and B of A)	2,124,465
Cash - Water - capital replacements, (LAIF, B of A)	666,796
Cash - Water - field/admin building (LAIF)	<u>22,281</u>
Total Business-Type - Exhibit A	<u>8,316,793</u>

Total Restricted Cash - Note 2 and Exhibit A	<u>9,541,656</u>
--	------------------

Total Restricted Assets - Exhibit A	<u>\$ 10,267,301</u>
-------------------------------------	----------------------

Note: Restricted Cash Includes LAIF Deposits.

Restricted cash and receivable connection/capacity/improvement project fees for each designated purpose is as follows at June 30, 2014:

	<u>Water</u>	<u>Sewer</u>	<u>Fire Mitigation</u>	<u>Total</u>
Restricted Cash - Current	\$ -	\$ -	\$ 1,224,863	\$ 1,224,863
Restricted Cash - Non Current	5,927,366	2,389,427	-	8,316,793
Reserve funds	<u>725,645</u>	<u>-</u>	<u>-</u>	<u>725,645</u>
Total - Exhibit A	<u>\$ 6,653,011</u>	<u>\$ 2,389,427</u>	<u>\$ 1,224,863</u>	<u>\$ 10,267,301</u>

Note: Restricted Cash Includes LAIF Deposits.

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - ACCOUNTS RECEIVABLE

The detail of accounts receivable is as follows at June 30, 2014:

Governmental

Weed Abatement:

Property assessments for weed abatement - Exhibit C	\$	8,425
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Governmental Fund taxes/developer charge backs - Exhibit C		113,049
--	--	---------

Total Governmental - Exhibit A		<u>121,474</u>
--------------------------------	--	----------------

Business-Type

Water Fund - Exhibit G

Billed, net	\$ 275,626	
-------------	------------	--

Unbilled	<u>306,798</u>	582,424
----------	----------------	---------

Sewer Service Fund - Exhibit G

Sewer billed, net	35,179	
-------------------	--------	--

Sewer unbilled	88,237	
----------------	--------	--

Regional billed	182,745	
-----------------	---------	--

Regional unbilled	<u>13,655</u>	319,816
-------------------	---------------	---------

Solid Waste Disposal Fund - Exhibit G

Billed, net	26,170	
-------------	--------	--

Unbilled	<u>133,427</u>	159,597
----------	----------------	---------

Total Business-Type - Exhibit A		<u>1,061,837</u>
---------------------------------	--	------------------

Total Accounts Receivable - Exhibit A		<u>\$ 1,183,311</u>
---------------------------------------	--	---------------------

Allowance for doubtful accounts at June 30, 2014, is provided as follows:

Water fund	\$	24,268
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Sewer fund		13,724
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Solid waste disposal fund		<u>6,650</u>
---------------------------	--	--------------

Total		<u>\$ 44,642</u>
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NOTE 5 - 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. All other interfund transactions are treated as transfers.

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - RECONCILIATION OF INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended.

Interfund transfers for the 2013-2014 fiscal year, are as follows:

<u>Due To</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Governmental	\$ 741,671	\$ (831,346)	\$ (89,675)
Water Fund	-	1,037,515	1,037,515
Sewer Fund	<u>(1,037,515)</u>	<u>-</u>	<u>(1,037,515)</u>
Total - Exhibits A, C and G	<u>\$ (295,844)</u>	<u>\$ 206,169</u>	<u>\$ (89,675)</u>

NOTE 6 - CAPITAL ASSETS

Property, plant and equipment were comprised of the following at June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Governmental</u>					
Land	\$ 308,117	\$ -	\$ -	\$ -	\$ 308,117
Structures and improvements	3,711,933	-	-	-	3,711,933
Equipment	855,468	28,103	(37,117)	-	846,454
Construction in progress	<u>582,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,976</u>
Total Cost	5,458,494	28,103	(37,117)	-	5,449,480
Accumulated depreciation	<u>(1,124,737)</u>	<u>(134,782)</u>	<u>37,117</u>	<u>-</u>	<u>(1,222,402)</u>
Total Governmental, Net - Exhibit A	<u>4,333,757</u>	<u>(106,679)</u>	<u>-</u>	<u>-</u>	<u>4,227,078</u>
<u>Business-Type</u>					
<u>Water Utility</u>					
Land	\$ 525,285	\$ -	\$ -	\$ -	\$ 525,285
Structures and improvements	29,548,220	577,624	-	-	30,125,844
Equipment	1,399,355	47,665	(91,749)	-	1,355,271
Construction in progress	<u>358,877</u>	<u>3,469,002</u>	<u>-</u>	<u>-</u>	<u>3,827,879</u>
Total Cost	31,831,737	4,094,291	(91,749)	-	35,834,279
Accumulated depreciation	<u>(9,979,289)</u>	<u>(829,674)</u>	<u>91,749</u>	<u>-</u>	<u>(10,717,214)</u>
Total Water Utility, Net, Exhibit G	<u>21,852,448</u>	<u>3,264,617</u>	<u>-</u>	<u>-</u>	<u>25,117,065</u>

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2014

NOTE 6 - CAPITAL ASSETS (CONTINUED)

<u>Business-Type (Continued)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Sewer Utility</u>					
Land	\$ 17,825	\$ -	\$ -	\$ -	\$ 17,825
Structures and improvements	35,506,415	-	-	-	35,506,415
Equipment	312,204	88,546	-	-	400,750
Construction in progress	54,043	-	-	-	54,043
Total Cost	<u>35,890,487</u>	<u>88,546</u>	<u>-</u>	<u>-</u>	<u>35,979,033</u>
Accumulated depreciation	(16,607,954)	(919,463)	-	-	(17,527,417)
Total Sewer Utility, Net - Exhibit G	<u>19,282,533</u>	<u>(830,917)</u>	<u>-</u>	<u>-</u>	<u>18,451,616</u>
Total Business-Type, Net - Exhibit G	<u>41,134,981</u>	<u>2,433,700</u>	<u>-</u>	<u>-</u>	<u>43,568,681</u>
Total Capital Assets - Exhibit A	<u>\$ 45,468,738</u>	<u>\$ 2,327,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,795,759</u>

NOTE 7 - REAL PROPERTIES

Properties owned by the District are as follows:

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

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2014

NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

Bonds payable and certificates of participation consisted of the following at June 30, 2014:

	Balance	Payments
Water Utility:		
Certificates of Participation		
Series 1998, (Refunding issue of Series 95) maturing 2024. Interest payable semiannually on June 1 and December 1. Principal due in annual installments on December 1. Final payment due December 1, 2024. (Net of discount \$47,891)	\$ 5,932,109	\$ 420,000
Less current portion - Exhibits A and G	420,000	
Long-Term Portion - Exhibits A and G	\$ 5,512,109	

Maturities of bonds payable, net of bond discount, are as follows:

	Principal	Interest	
Fiscal Year Ending June 30,	1998 Series Certificates of Participation	1998 Series Certificates of Participation	Total
2015 - 2019	\$ 2,297,010	\$ 1,238,710	\$ 3,535,720
2020 - 2024	2,947,010	569,925	3,516,935
2025	688,089	17,595	705,684
Total	\$ 5,932,109	\$ 1,826,230	\$ 7,758,339

NOTE 9 - COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. Once a year, the District "cashes out" to employees their sick leave hours in excess of 600 hours. Current period charges or reductions to expense or expenditures totaled \$13,465, \$17,684 and \$836 in the General, Water and Sewer Funds, respectively. All appropriate accruals were recorded in the respective funds. Accrued balances at June 30, 2014, totaled \$562,202, \$198,533 and \$7,085 in the General, Water and Sewer Funds, respectively for a total of \$767,820.

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2014

NOTE 10 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2014:

Business-Type

State Drinking Water Revolving Fund

The District completed construction June 30, 2013, and was required to pay interest at the rate of 2.5707% on disbursements of the loan semiannually. Interest expense as of June 30, 2014, was \$116,860. The District will make semiannual payments of principal and interest beginning July 1, 2014.

	Current	Long-Term	Total
<u>State Drinking Water State Revolving Fund</u>	\$ 110,659	\$ 5,447,286	\$ 5,557,945
State of California Department of Public Health for the construction of the Leland J. Thompson Water Facility. Semiannual payments of \$182,098, including interest at 2.5707 %, payable on July 1 and January 1. Matures January 1, 2034.			
 <u>State Revolving Loan</u>			
State Water Resources Board for the Construction of the Headworks Project. Principal payments payable in annual payments of \$13,564 on October 1, per annum. Loan is non-interest bearing and matures October 1, 2018.	13,564	54,255	67,819
Total Long-Term Liabilities	\$ 124,223	\$ 5,501,541	\$ 5,625,764

Maturities of notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 236,304	\$ 141,456	\$ 377,760
2016	242,067	135,693	377,760
2017	247,979	129,781	377,760
2018	267,607	123,716	391,323
2019	246,701	117,495	364,196
Thereafter	4,385,106	898,854	5,283,960
Total	\$ 5,625,764	\$ 1,546,995	\$ 7,172,759

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 11 - BENEFIT PLANS

Effective July 2004, the District had converted entirely to the Cal PERS Plan. This plan required the payment of \$2,069,399 for unfunded contributions representing both the current year and all prior year pension funding levels, based on employee hire date and payroll data for those periods. The District paid the obligation in one lump sum during fiscal year ended June 30, 2005.

Cal PERS has provided the District with a New Category Actuarial Valuation, as of March 31, 2004, that provides plan descriptions and actuarial valuation data for the Plan. The Cal PERS correspondence includes disclosures of pertinent plan information, as follows:

Plan Description

The District contributes to the California Public Employees Retirement System (Cal PERS), an agent multiple-employer public employee defined benefit pension plan. Cal PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Cal PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the state statute and district resolutions. Copies of Cal PERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy

The District pays employer and employee premiums to the plan, which are 17.202% and 8%, respectively. The contribution requirements are established by and may be amended by Cal PERS. Plan contributions are calculated using actuarial assumptions which are referred to as the Entry Age Normal Cost Method. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.0% overall payroll growth rate. Both (a) and (b) include an inflation component of 2.75%.

Annual Pension Cost

The annual PERS pension cost for the year ended June 30, 2014, was \$482,231, and was equal to the District's required and actual contributions.

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>
Current period expense to PERS	\$ <u>227,593</u>	\$ <u>243,870</u>	\$ <u>10,768</u>

Three year trend information is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 415,335	100%	\$ -
June 30, 2013	446,948	100%	-
June 30, 2014	482,231	100%	-

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - CONTRIBUTED CAPITAL/FINANCING ARRANGEMENT

During May 2013, the District entered into an agreement with the State of California Health and Human Services Agency California Department of Public Health for a grant, funded by Proposition 50, in the amount of \$3.1 million to fund and assist in the financing of a project to protect and secure drinking water supplies. The District is expected to match funds in the amount of \$.7 million for a total budgeted cost of \$3.8 million.

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, 2013	\$ 4,426,019	\$ 8,512,244	\$ 20,644,482	\$ 33,582,745
Fiscal year, June 30, 2014, contributed capital	-	2,576,411	-	2,576,411
Total June 30, 2014	\$ 4,426,019	\$ 11,088,655	\$ 20,644,482	\$ 36,159,156

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During 2014, management discovered a financial statement error that caused an overstatement of previously reported current assets and unrestricted net position of \$987,043 in the Sewer Fund.

The error related to an overstatement of the FEMA receivable, which was reconciled and finalized by FEMA during 2014. The financial statement was adjusted to reflect the final amount to be received by the District, which was received in full subsequent to the date of the financial statement.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 15 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is October 2, 2014, which is the date on which the financial statements were available to be issued.

The District reports subsequent events on pages 7 and 8 of the Management's Discussion and Analysis.

REQUIRED SUPPLEMENTARY INFORMATION

RUBIDOUX COMMUNITY SERVICES DISTRICT

SCHEDULE OF FUNDING PROGRESS For the Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>(UAAL) as a % of Payroll</u>
6/30/2011	\$ 6,802,081	\$ 8,001,745	\$ 1,199,664	85.00%	\$ 1,877,568	63.89%
6/30/2010	N/A					

RUBIDOUX COMMUNITY SERVICES DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS For the Year Ended June 30, 2014

Exhibit J

	Governmental Activities		
	Adopted Budget	Actual GAAP Basis	Variance Favorable (Unfavorable)
REVENUE			
Property taxes	\$ 2,339,951	\$ 2,609,847	\$ 269,896
Charges for administrative services	950,000	950,000	-
Other revenue	41,000	33,188	(7,812)
Total Revenue	3,330,951	3,593,035	262,084
EXPENDITURES			
Administrative:			
Salaries and benefits (including pension)	1,480,500	1,583,405	(102,905)
Services and supplies	449,900	445,003	4,897
Capital outlays	150,541	(9,014)	159,555
Fire department:			
Contract services	1,711,551	1,712,349	(798)
Utilities	24,000	19,659	4,341
Total Expenditures	3,816,492	3,751,402	65,090
EXCESS OF EXPENDITURES OVER REVENUE	(485,541)	(158,367)	327,174
CHANGE IN FUND BALANCE	\$ (485,541)	\$ (158,367)	\$ 327,174

RUBIDOUX COMMUNITY SERVICES DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

NOTE 1 - SCHEDULE OF REVENUES AND EXPENSES - 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 accrual basis of accounting as prescribed by generally accepted accounting principles. The budget is prepared on a modified cash basis for cash flow and management's monitoring purposes. This budget is used throughout the year and compared with internal accounting reports prepared using the same method of accounting.

The differences relate primarily to the following:

- Accrual items at year-end, such as interest receivable and payable.
- Depreciation and amortization expense are not budgeted.
- Capital outlay is reflected as additions to utility plant in the audited financial statements, but included as expenses for budgeting purposes.
- Transfers in and out are not budgeted.

OTHER INFORMATION

RUBIDOUX COMMUNITY SERVICES DISTRICT

TEN YEAR FINANCIAL TRENDS (Rounded to Thousand Dollars) For the Year Ended June 30, 2014

Schedule 1

Change in Net Position or Fund Balance

	General	Water	Sewer	Solid Waste Disposal	Total
June 30, 2005 (B)	205,000	557,000	(188,000)	(10,000)	564,000
June 30, 2006	806,000	3,289,000	419,000	24,000	4,538,000
June 30, 2007	2,701,000	952,000	91,000	91,000	3,835,000
June 30, 2008	(600,000)	326,000	1,945,000	94,000	1,765,000
June 30, 2009	(393,000)	13,000	8,900,000	(146,000)	8,374,000
June 30, 2010	(704,000)	324,000	3,392,000	68,000	3,080,000
June 30, 2011	398,000	(661,000)	(587,000)	(135,000)	(985,000)
June 30, 2012	420,000	(136,000)	(62,000)	(55,000)	167,000
June 30, 2013	(202,000)	581,000	(900,000)	50,000	(471,000)
June 30, 2014	(52,000)	3,087,000	(854,000)	2,000	2,183,000

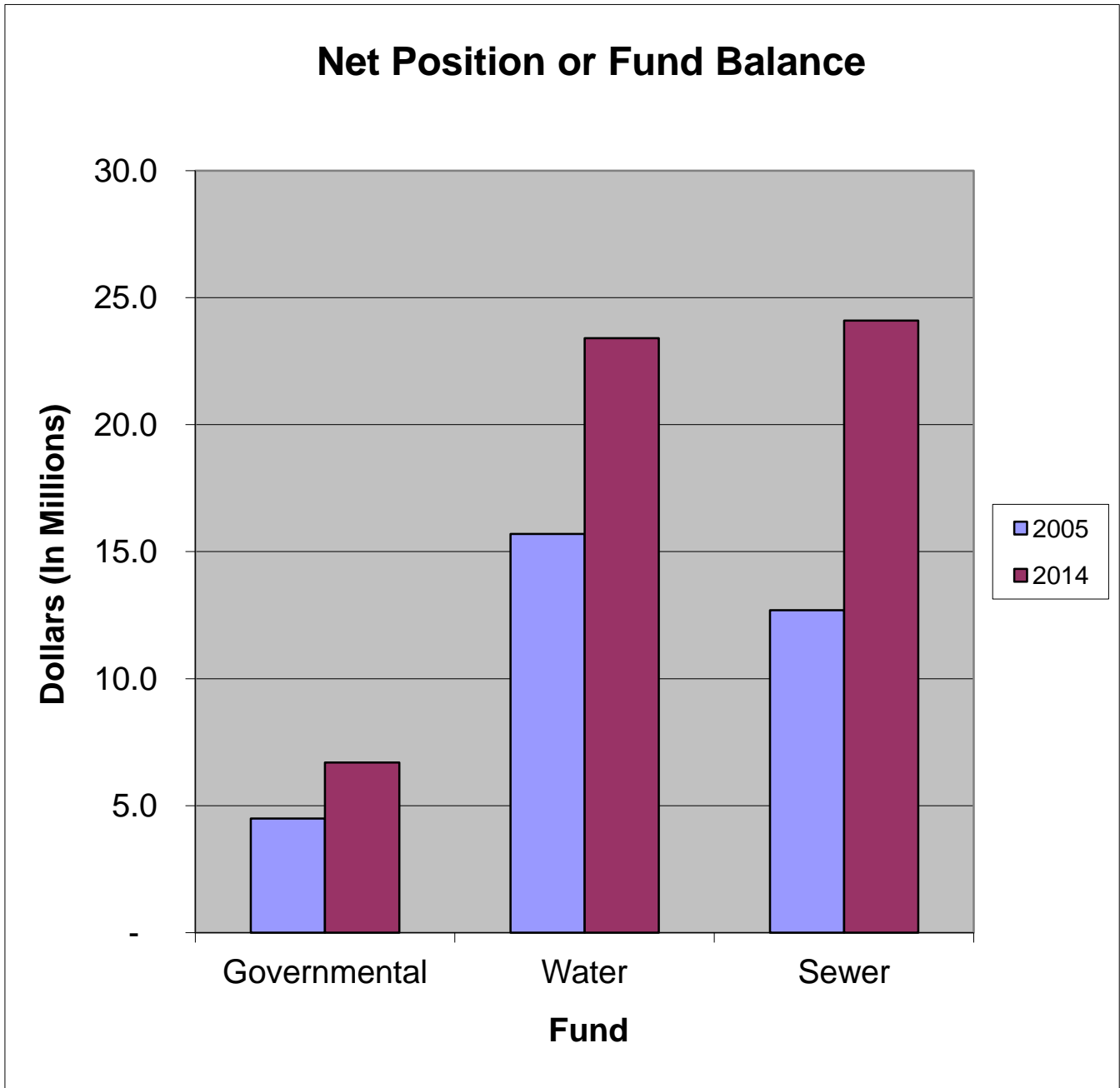
Net Position or Fund Balance

	General	Water	Sewer	Solid Waste Disposal	Total
June 30, 2005 (B)	4,505,000	15,635,000	12,756,000	166,000	33,062,000
June 30, 2006	5,311,000	18,924,000	13,175,000	190,000	37,600,000
June 30, 2007	8,012,000	19,876,000	13,266,000	281,000	41,435,000
June 30, 2008	7,412,000	20,201,000	15,211,000	376,000	43,200,000
June 30, 2009	7,019,000	20,214,000	24,111,000	230,000	51,574,000
June 30, 2010	6,315,000	20,539,000	27,502,000	298,000	54,654,000
June 30, 2011	6,712,000	19,878,000	26,915,000	163,000	53,668,000
June 30, 2012	7,132,000	19,741,000	26,853,000	108,000	53,834,000
June 30, 2013	6,930,000	20,323,000	25,953,000	157,000	53,363,000
June 30, 2014	3,082,000	23,410,000	24,112,000	160,000	50,764,000

(B) Solid Waste Disposal operation was considered as part of the General Fund prior to the year ended June 30, 2005

RUBIDOUX COMMUNITY SERVICES DISTRICT

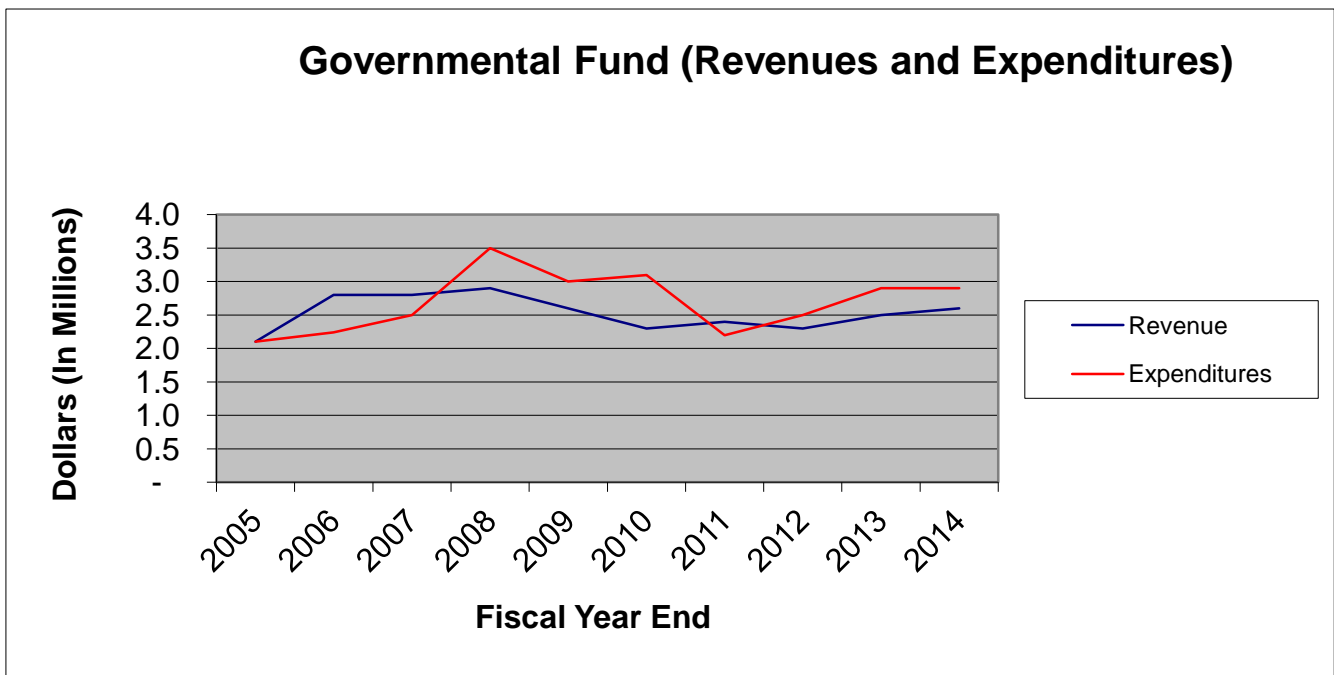
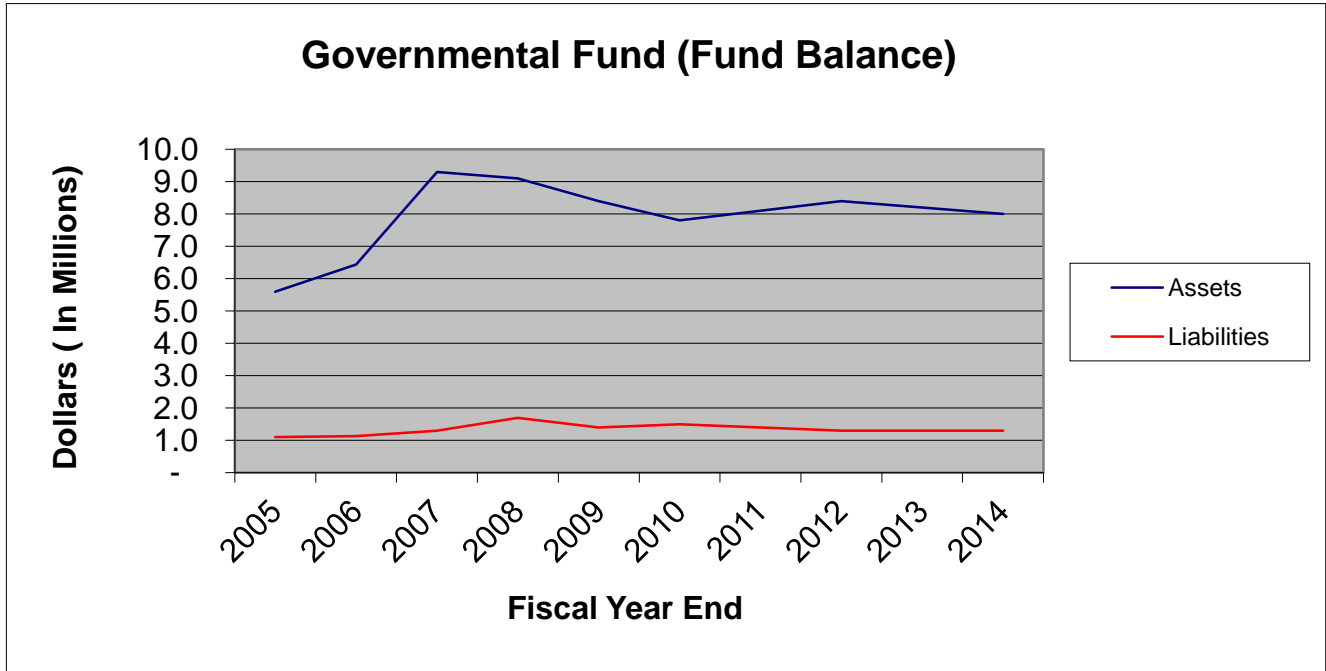
GRAPHIC FINANCIAL COMPARISONS
As of and for the Year Ended June 30, 2014



RUBIDOUX COMMUNITY SERVICES DISTRICT

GRAPHIC FINANCIAL COMPARISONS

As of and for the Year Ended June 30, 2014

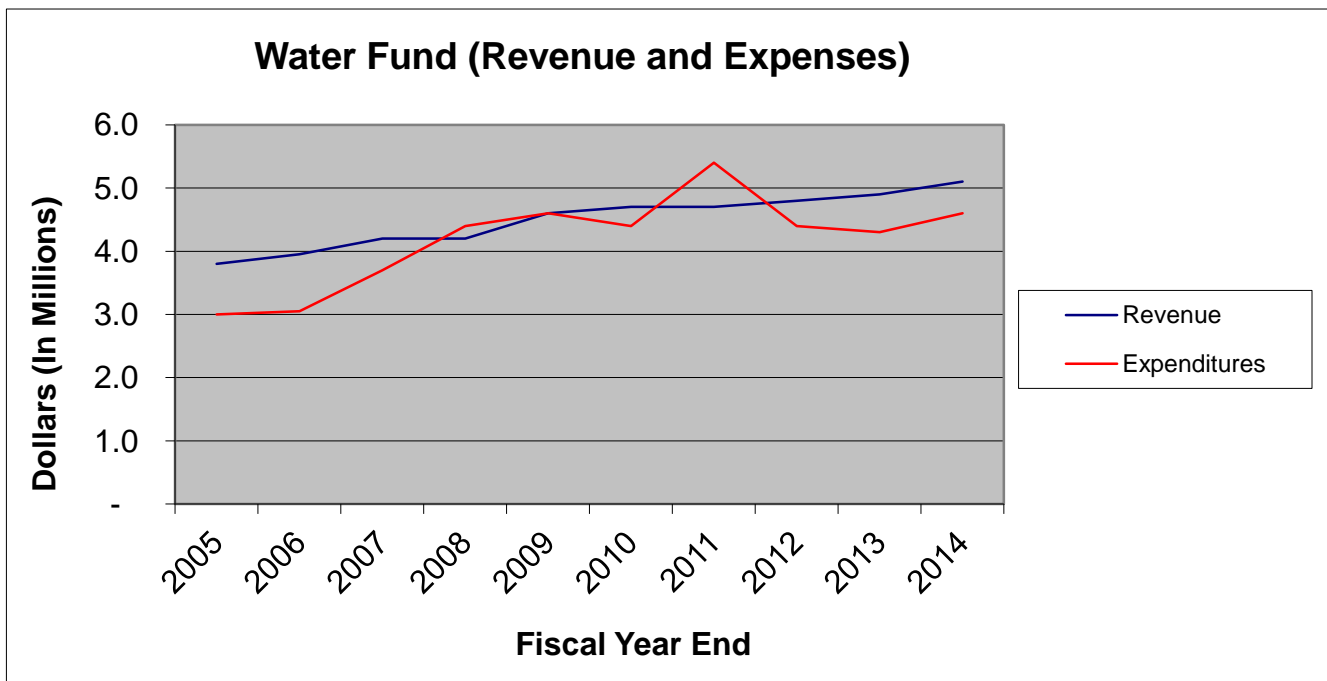
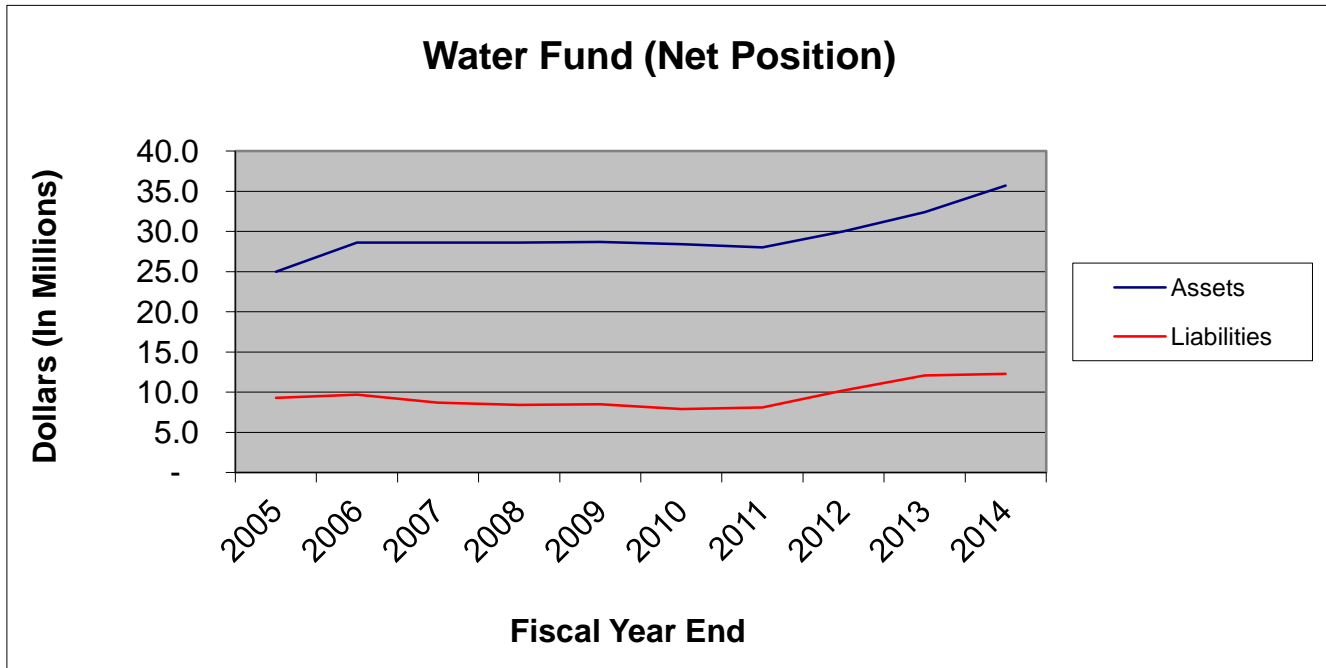


Includes revenue and expenditures, but excludes contributed capital.

RUBIDOUX COMMUNITY SERVICES DISTRICT

GRAPHIC FINANCIAL COMPARISONS

As of and for the Year Ended June 30, 2014

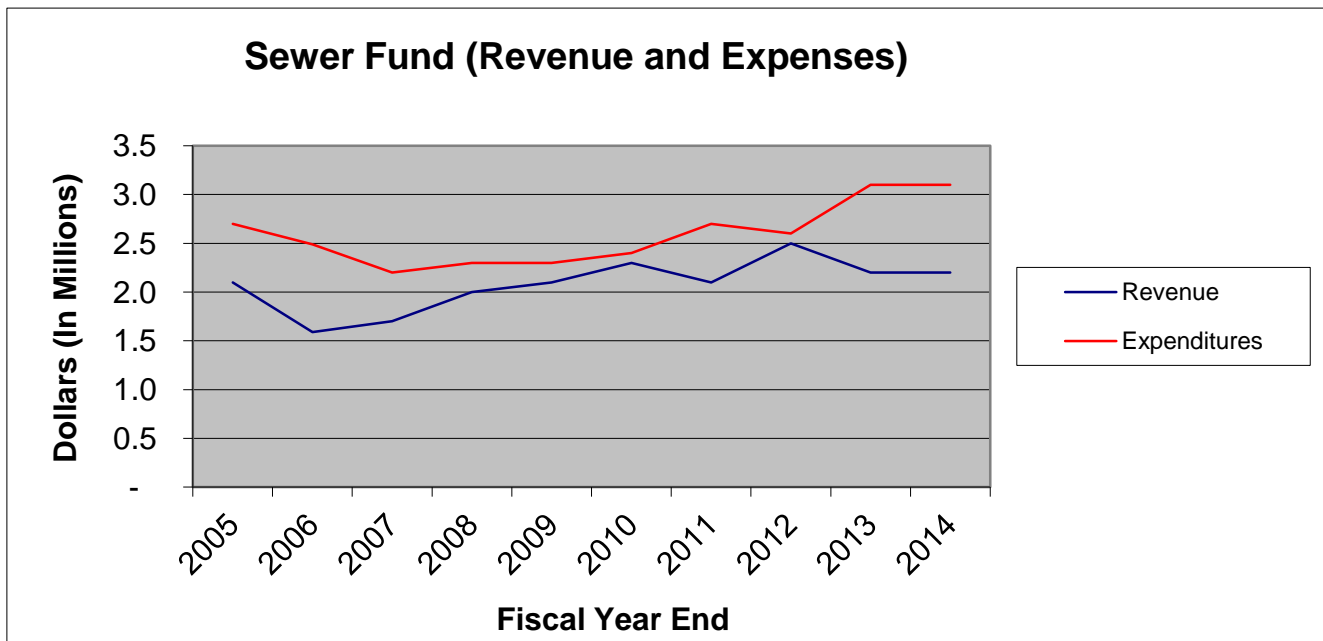
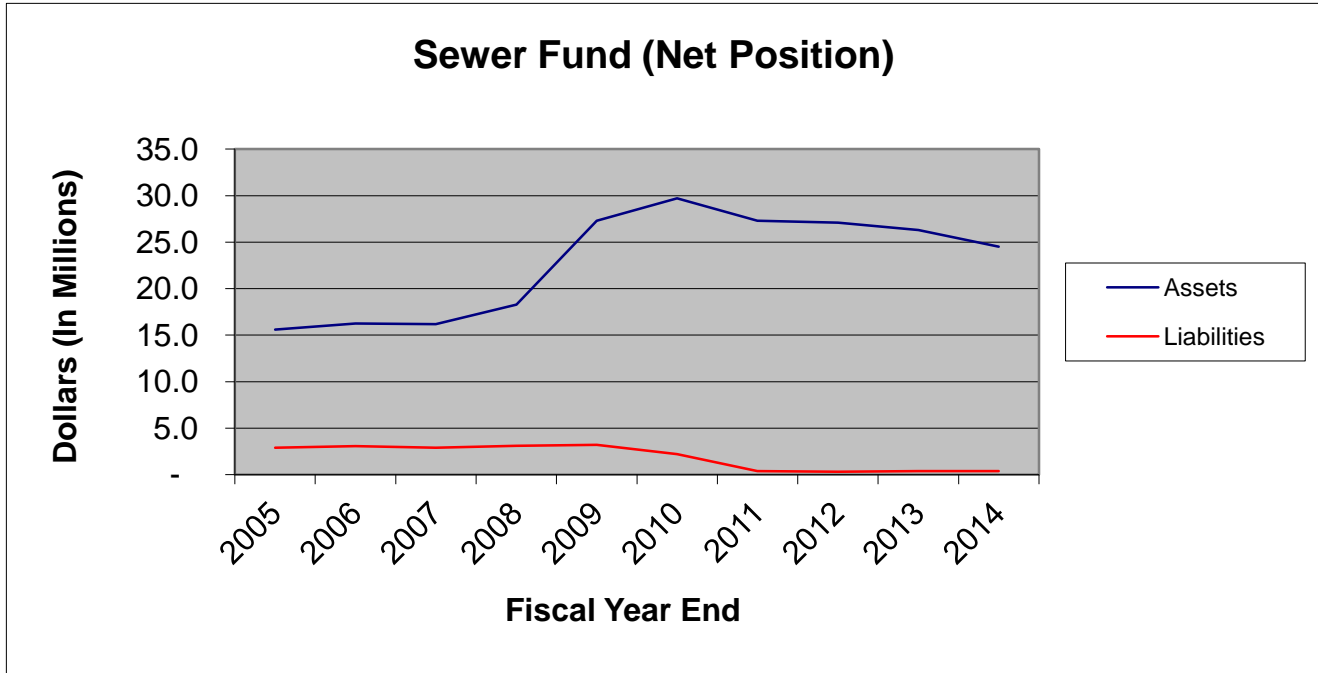


Includes operating activities only.

RUBIDOUX COMMUNITY SERVICES DISTRICT

GRAPHIC FINANCIAL COMPARISONS

As of and for the Year Ended June 30, 2014

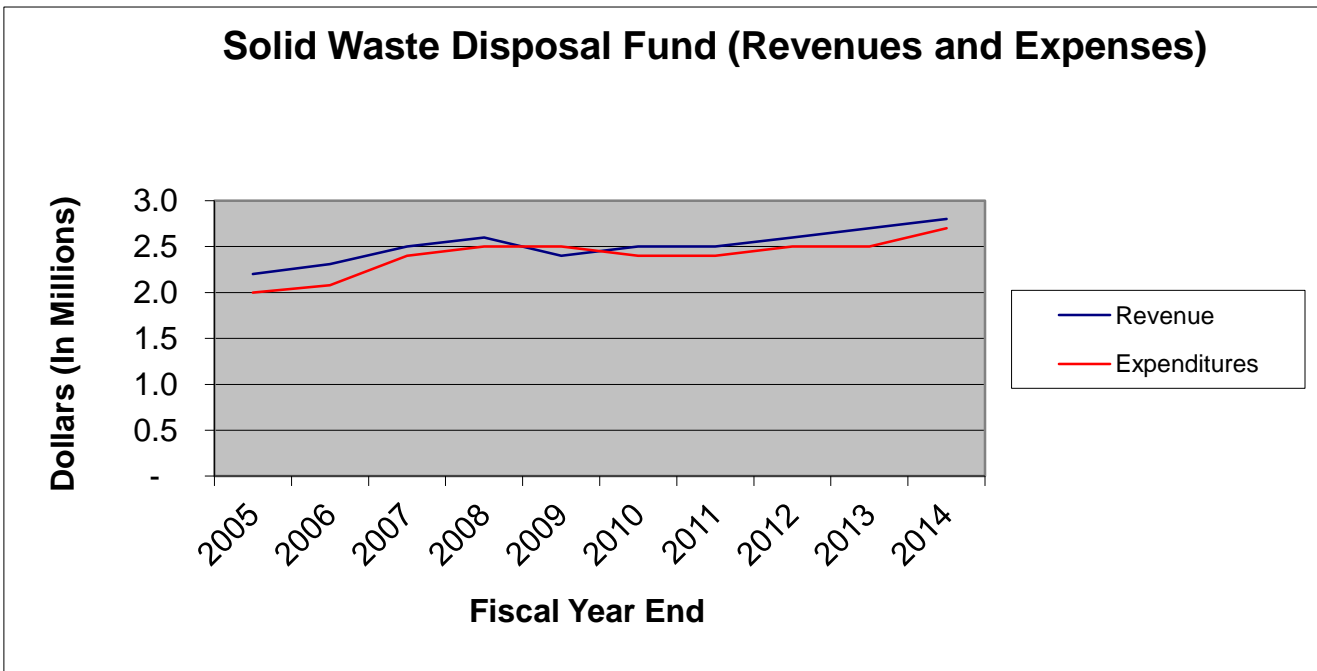
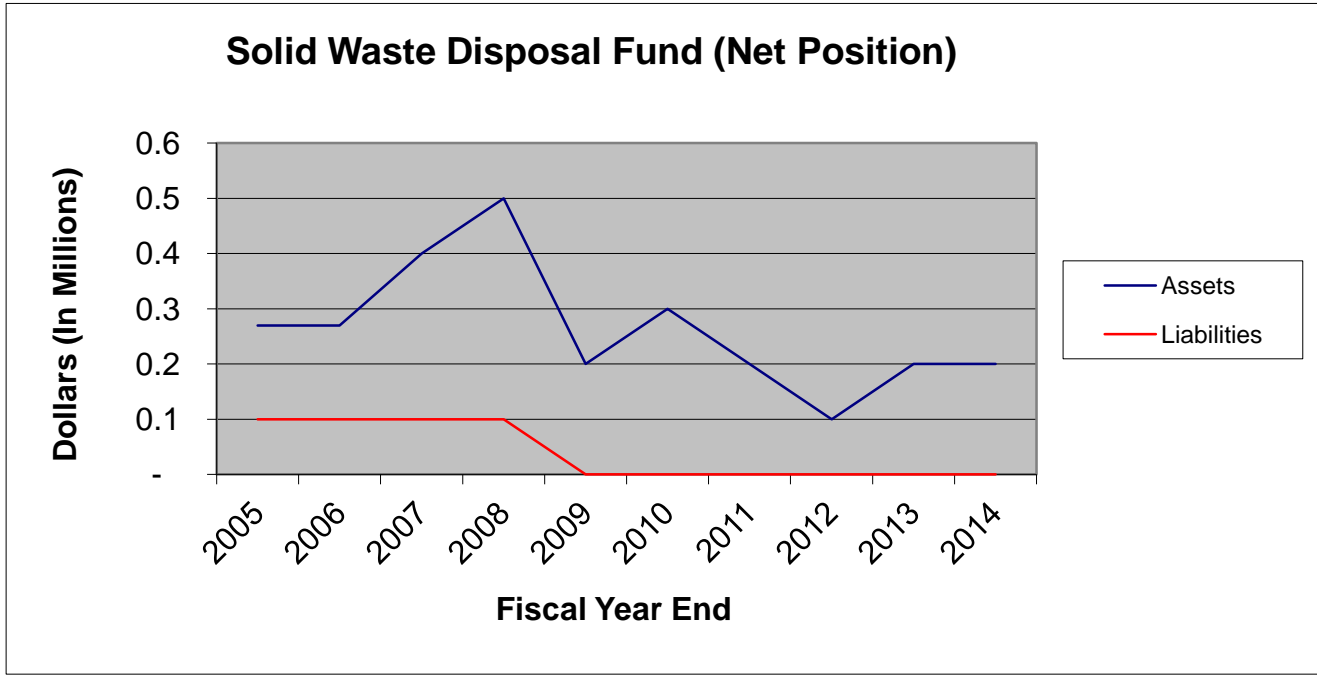


Includes operating activities only.

RUBIDOUX COMMUNITY SERVICES DISTRICT

GRAPHIC FINANCIAL COMPARISONS

As of and for the Year Ended June 30, 2014



Includes operating activities only.

REPORT ON COMPLIANCE AND INTERNAL CONTROLS

**INDEPENDENT AUDITOR'S 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***

Board of Directors
Rubidoux Community Services District
Rubidoux, 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, 2014, and the related notes to the financial statements, which collectively comprise of Rubidoux Community Services District's basic financial statements and have issued our report thereon dated October 2, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Board of Directors
Rubidoux Community Services District

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.



Ontario, California
October 2, 2014

RUBIDOUX COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2014

2012-1 INFORMATION TECHNOLOGY

Condition and Criteria

The District should have controls in place to ensure that access to the financial system is limited to authorized individuals.

We noted that the financial system is limited to authorized individuals, but not to the Accounting Manager.

Context

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

Effect/Perspective

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

Cause

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

Auditor's Recommendation

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

Auditee's Response

Management recognizes the auditor's concerns and has planned to discuss outsourcing the information technology services with the Board of Directors.

RUBIDOUX COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2014

2012-2 UTILITY BILLING

Condition and Criteria

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

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

Context

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

Effect/Perspective

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

Cause

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

Auditor's Recommendation

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

Auditee's Response

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

RUBIDOUX COMMUNITY SERVICES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS For the Year Ended June 30, 2014

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2012-1	Information Technology	Finding remains open.
2012-2	Utility Billing	Finding remains open.
2013-3	Year-End Closing Procedures	Implemented
2013-4	Fraud/Ethics Policy	Implemented