



**Rubidoux Community Services District**

**Financial Statements**

**For the year ended June 30, 2023**

# Rubidoux Community Services District

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## *Independent Auditor's Report*

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Certified Public Accountants

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, 2023, 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, 2023, 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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023. Our opinions are not modified with respect to this matter.



## **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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 November 14, 2023 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  
November 14, 2023

# **Rubidoux Community Services District Management's Discussion and Analysis (unaudited) June 30, 2023**

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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, 2023. Please read it in conjunction with the accompanying basic financial statements.

## **Financial highlights**

- The District's net position increased \$15,954,245 or 28.5%, as a result of this year's operations and non-operating activities.
- Total revenues and capital contributions from all sources amounted to \$39.0 million.
- The cost of all District activities amounted to \$23.0 million.
- Operationally, the Water Fund provided \$4,714,097, the Sewer Fund provided \$3,518,840 and the Solid Waste Disposal Fund provided \$9,592 to increase net position by \$8,242,529 in the enterprise funds. The total Governmental Activities increased by \$7,711,716.

## **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, 2023**

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- 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 21 through 49.

**Rubidoux Community Services District  
Management's Discussion and Analysis (unaudited)  
June 30, 2023**

**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			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Assets</i>										
Current and other assets	\$ 14.6	\$ 7.7	\$ 16.9	\$ 13.6	\$ 4.9	\$ 3.9	\$ 0.5	\$ 0.5	\$ 36.9	\$ 25.7
Capital assets	5.2	3.5	29.2	27.2	16.5	14.0	-	-	50.9	44.7
Deferred outflows	1.7	0.8	1.7	0.8	0.2	0.1	-	-	3.6	1.7
<b>Total assets and deferred outflows</b>	<b>21.5</b>	<b>12.0</b>	<b>47.8</b>	<b>41.6</b>	<b>21.6</b>	<b>18.0</b>	<b>0.5</b>	<b>0.5</b>	<b>91.4</b>	<b>72.1</b>
<i>Liabilities</i>										
Current liabilities	2.0	2.4	1.9	2.1	0.5	0.6	-	-	4.4	5.1
Noncurrent liabilities	4.7	1.9	8.9	6.6	0.4	0.2	-	-	14.0	8.7
Deferred inflows	0.5	1.1	0.5	1.1	0.1	0.1	-	-	1.1	2.3
<b>Total liabilities and deferred inflows</b>	<b>7.2</b>	<b>5.4</b>	<b>11.3</b>	<b>9.8</b>	<b>1.0</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>19.5</b>	<b>16.1</b>
<i>Net position</i>										
Net investment in capital assets	4.1	3.5	22.7	21.7	16.6	14.1	-	-	43.4	39.3
Restricted	1.1	-	5.5	1.6	3.0	0.9	-	-	9.6	2.5
Unrestricted	9.1	3.1	8.3	8.5	1.0	2.1	0.5	0.5	18.9	14.2
<b>Total net position</b>	<b>\$ 14.3</b>	<b>\$ 6.6</b>	<b>\$ 36.5</b>	<b>\$ 31.8</b>	<b>\$ 20.6</b>	<b>\$ 17.1</b>	<b>\$ 0.5</b>	<b>\$ 0.5</b>	<b>\$ 71.9</b>	<b>\$ 56.0</b>

The District's net position increase of 28.50% to \$71.9 million comes from the revenues and expense activity recorded in the Statement of Activities.

- Overall government-wide capital assets increased \$5,003,603 mostly due to the completion of a water enterprise treatment infrastructure project which began in prior fiscal year.
- As a whole, long-term debt increased \$2,380,210 due to the addition of a low interest loan and the 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, 2023**

**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 \$7.9 million and amounted to \$18.9 million.

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

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<i>Revenues</i>										
Operating revenue	\$ 9.0	\$ 1.0	\$ 7.4	\$ 6.7	\$ 3.3	\$ 3.2	\$ 5.0	\$ 4.4	\$ 24.7	\$ 15.3
Property taxes	4.6	4.1	-	-	-	-	-	-	4.6	4.1
Other	-	0.4	5.3	3.3	4.1	-	-	-	9.4	3.7
<b>Total revenue</b>	<b>13.6</b>	<b>5.5</b>	<b>12.7</b>	<b>10.0</b>	<b>7.4</b>	<b>3.2</b>	<b>5.0</b>	<b>4.4</b>	<b>38.7</b>	<b>23.1</b>
<i>Expenses</i>										
Operating/depreciation	5.2	4.3	8.6	7.9	3.9	3.3	5.2	4.2	22.9	19.7
Interest	-	-	0.2	0.2	-	-	-	-	0.2	0.2
Other	-	-	-	-	-	(1.3)	-	0.3	-	(1.0)
<b>Total expenses</b>	<b>5.2</b>	<b>4.3</b>	<b>8.8</b>	<b>8.1</b>	<b>3.9</b>	<b>2.0</b>	<b>5.2</b>	<b>4.5</b>	<b>23.1</b>	<b>18.9</b>
<i>Transfers in (out)</i>	(0.7)	-	0.6	-	-	-	0.2	-	0.1	-
<b>Increase (decrease) in net position</b>	<b>\$ 7.7</b>	<b>\$ 1.2</b>	<b>\$ 4.5</b>	<b>\$ 1.9</b>	<b>\$ 3.5</b>	<b>\$ 1.2</b>	<b>\$ -</b>	<b>\$ (0.1)</b>	<b>\$ 15.7</b>	<b>\$ 4.2</b>

**Financial analysis of the District's unrestricted cash**

At year-end the District reported combined unrestricted cash balances of \$25.9 million, which is an increase of \$5,608,529 or 27.53% 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 2022-2023, 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 \$426,527 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 \$6,314,100 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 and the receipt of settlement proceeds. The favorable variance of \$141,556 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, 2023**

**Capital asset and debt administration**

*Capital assets*

At June 30, 2023, the District had \$49.8 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 \$4.9 million, or 10.90%, above last year.

**Table 3**

Capital assets, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2023	2022	2023	2022	2023	2022	2023	2022
Land	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.8	\$ -	\$ -	\$ 1.1	\$ 1.1
CIP	1.1	0.6	0.8	1.7	0.1	-	2.0	2.3
Structures and improvements	3.9	3.7	44.6	40.6	40.7	37.5	89.2	81.8
Equipment	1.1	1.1	2.0	2.0	0.8	0.7	3.9	3.8
Less depreciation	(2.3)	(2.1)	(19.1)	(17.8)	(25.0)	(24.2)	(46.4)	(44.1)
<b>Total</b>	<b>\$ 4.1</b>	<b>\$ 3.6</b>	<b>\$ 29.1</b>	<b>\$ 27.3</b>	<b>\$ 16.6</b>	<b>\$ 14.0</b>	<b>\$ 49.8</b>	<b>\$ 44.9</b>

*Debt administration*

At June 30, 2023, the District had \$7.9 million in debt liability versus \$5.6 million last year – an increase of 41.1% - 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			
	2023	2022	2023	2022	2023	2022	2023	2022
Certificates of participation	\$ -	\$ -	\$ 1.3	\$ 2.0	\$ -	\$ -	\$ 1.3	\$ 2.0
Notes/loans payable	1.4	-	5.2	3.6	-	-	6.6	3.6
Subscription liability	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1.4</b>	<b>\$ -</b>	<b>\$ 6.5</b>	<b>\$ 5.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7.9</b>	<b>\$ 5.6</b>

**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.

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.

**Rubidoux Community Services District  
Management's Discussion and Analysis (unaudited)  
June 30, 2023**

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Home development planning and construction within the service area has been beneficial and the District is cautiously optimistic for the fiscal year 2023-24 fiscal outlook, with steadily increasing revenues against the backdrop of an overall uncertain national and local economy.

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 the 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. The District is in the process of adding an additional well and treatment source within the next three years to help provide additional reliable treated water.

**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, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 2)	\$ 14,076,386	\$ 11,905,081	\$ 25,981,467
Accounts receivable, net (Note 4)	118,941	1,626,425	1,745,366
Internal balances (Note 6)	267,086	(267,086)	-
Interest receivable	119,327	149,684	269,011
Inventory	-	35,769	35,769
Prepayments and deposits	25,051	14,691	39,742
<b>Total current assets</b>	<b>14,606,791</b>	<b>13,464,564</b>	<b>28,071,355</b>
<b>Noncurrent assets:</b>			
Restricted - cash and cash equivalents (Notes 2 and 3)	1,111,854	7,859,526	8,971,380
Restricted - reserve funds (Notes 2 and 3)	-	742,397	742,397
Capital assets, not being depreciated (Note 5)	1,433,512	1,750,455	3,183,967
Capital assets, being depreciated/amortized, net (Note 5)	2,640,732	44,010,624	46,651,356
<b>Total noncurrent assets</b>	<b>5,186,098</b>	<b>54,363,002</b>	<b>59,549,100</b>
<b>Total assets</b>	<b>19,792,889</b>	<b>67,827,566</b>	<b>87,620,455</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related (Note 10)	1,599,028	1,803,161	3,402,189
OPEB related (Note 11)	133,181	150,181	283,362
<b>Total deferred outflows of resources</b>	<b>1,732,209</b>	<b>1,953,342</b>	<b>3,685,551</b>

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

**Rubidoux Community Services District**  
**Statement of Net Position, continued**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,592,334	\$ 839,490	\$ 2,431,824
Accrued liabilities	68,552	142,960	211,512
Customer deposits	-	33,331	33,331
Developer deposits	258,035	-	258,035
Unearned revenue	-	53,174	53,174
Interest payable	-	5,435	5,435
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	26,315	70,637	96,952
Certificates of participation (Note 8)	-	655,000	655,000
Notes payable (Note 8)	137,753	462,912	600,665
Subscription liability (Note 8)	-	12,695	12,695
<b>Total current liabilities</b>	<b>2,082,989</b>	<b>2,275,634</b>	<b>4,358,623</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	78,943	211,912	290,855
Certificates of participation (Note 8)	-	683,487	683,487
Notes payable (Note 8)	1,264,545	4,728,749	5,993,294
Net pension liability (Note 10)	2,979,164	3,359,482	6,338,646
Total OPEB liability (Note 11)	347,602	391,979	739,581
<b>Total noncurrent liabilities</b>	<b>4,670,254</b>	<b>9,375,609</b>	<b>14,045,863</b>
<b>Total liabilities</b>	<b>6,753,243</b>	<b>11,651,243</b>	<b>18,404,486</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related (Note 10)	320,529	361,449	681,978
OPEB related (Note 11)	134,896	152,117	287,013
<b>Total deferred inflows of resources</b>	<b>455,425</b>	<b>513,566</b>	<b>968,991</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,074,244	39,230,931	43,305,175
Restricted for:			
Capital projects	-	5,836,389	5,836,389
Debt service	-	742,397	742,397
Note payable	1,111,854	2,023,137	3,134,991
Unrestricted	9,130,332	9,783,245	18,913,577
<b>Total net position</b>	<b>\$ 14,316,430</b>	<b>\$ 57,616,099</b>	<b>\$ 71,932,529</b>

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

**Rubidoux Community Services District**  
**Statement of Activities**  
**For the year ended June 30, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charges for Services</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Governmental activities:</b>						
Administrative and support	\$ 2,465,894	\$ 9,052,470	\$ -	\$ 6,586,576	\$ -	\$ 6,586,576
Contracted services	2,689,808	-	-	(2,689,808)	-	(2,689,808)
Interest and fiscal charges	41,271	-	-	(41,271)	-	(41,271)
<b>Total governmental activities</b>	<b>5,196,973</b>	<b>9,052,470</b>	<b>-</b>	<b>3,855,497</b>	<b>-</b>	<b>3,855,497</b>
<b>Business-type activities:</b>						
Water utility	8,796,460	7,361,548	-	-	(1,434,912)	(1,434,912)
Sewer utility	3,880,192	3,273,113	-	-	(607,079)	(607,079)
Solid waste disposal	5,167,843	5,026,244	-	-	(141,599)	(141,599)
<b>Total business-type activities</b>	<b>17,844,495</b>	<b>15,660,905</b>	<b>-</b>	<b>-</b>	<b>(2,183,590)</b>	<b>(2,183,590)</b>
<b>Total primary government</b>	<b>\$ 23,041,468</b>	<b>\$ 24,713,375</b>	<b>\$ -</b>	<b>3,855,497</b>	<b>(2,183,590)</b>	<b>1,671,907</b>
<b>General revenues:</b>						
Property taxes				4,557,827	-	4,557,827
Investment earnings				35,586	155,852	191,438
Bond replacement revenue				-	1,159,713	1,159,713
Contributed capital				-	5,616,736	5,616,736
Other non-operating revenue				-	2,756,624	2,756,624
Transfers				(737,194)	737,194	-
<b>Total general revenues</b>				<b>3,856,219</b>	<b>10,426,119</b>	<b>14,282,338</b>
<b>Change in net position</b>				<b>7,711,716</b>	<b>8,242,529</b>	<b>15,954,245</b>
<b>Net position, beginning of year</b>				<b>6,604,714</b>	<b>49,373,570</b>	<b>55,978,284</b>
<b>Net position, end of year</b>				<b>\$ 14,316,430</b>	<b>\$ 57,616,099</b>	<b>\$ 71,932,529</b>

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

**Rubidoux Community Services District  
Balance Sheet  
General Fund  
June 30, 2023**

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**ASSETS**

Cash and cash equivalents (Note 2)	\$ 14,076,386
Restricted cash (Note 2 & 3)	1,111,854
Accounts receivable, net (Note 4)	118,941
Internal balances (Note 6)	267,086
Interest receivable	119,327
Prepayments and deposits	<u>25,051</u>

Total assets	<u><u>\$ 15,718,645</u></u>
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**LIABILITIES**

Accounts payable	\$ 1,592,334
Accrued liabilities	68,552
Developer deposits	<u>258,035</u>

Total liabilities	<u>1,918,921</u>
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**FUND BALANCES**

Nonspendable	25,051
Restricted	1,111,854
Assigned	3,488,411
Unassigned	<u>9,174,408</u>

Total fund balances	<u>13,799,724</u>
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Total liabilities and fund balances	<u><u>\$ 15,718,645</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, 2023**

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**Fund balances of governmental funds** \$ 13,799,724

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,074,244

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	(105,258)
Note payable	(1,402,298)
Net pension liability	(2,979,164)
Total OPEB liability	(347,602)

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

Deferred outflows of resources	1,732,209
Deferred inflows of resources	(455,425)

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**Net position of governmental activities** \$ 14,316,430



**Rubidoux Community Services District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**For the year ended June 30, 2023**

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**REVENUES**

Property taxes and weed abatement	\$ 4,557,827
Charges for administrative services	2,517,400
Licenses and permits	20,870
Interest earnings	35,586
Other revenue	<u>6,514,200</u>
 Total revenues	 <u>13,645,883</u>

**EXPENDITURES**

General government	3,121,348
Fire protection and weed abatement	2,689,808
Debt Service:	
Principal	139,252
Interest and fiscal charges	<u>41,271</u>
 Total expenditures	 <u>5,991,679</u>

Excess of revenues over (under) expenditures 7,654,204

**OTHER FINANCING SOURCES (USES)**

Proceeds from debt	1,541,550
Transfers in (out)	<u>(737,194)</u>
 Total Other Financing Sources (Uses)	 <u>804,356</u>

**Net change in fund balance** 8,458,560

**Fund balance, beginning of year** 5,341,164

**Fund balance, end of year** \$ 13,799,724

*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, 2023**

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**Net change in fund balance - total governmental funds** \$ 8,458,560

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. 537,231

The issuance of long term liabilities provided current financial resource to be governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Proceeds from debt (1,541,550)  
 Principal payments on long term liabilities 139,252

Governmental funds report revenues and expenditures primarily pertaining to long-term liabilities, which are not reported in the Statement of Activities. At the government-wide level, these activities are reported in the Statement of Net Position. This is the net expenditure reported in the governmental funds, which is not reported in the statement

Pension and OPEB related net adjustments (12,826)

Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditure in governmental funds. These amounts represented the changes in long-term liabilities

Change in compensated absences 131,049

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**Change in net position of governmental activities** \$ 7,711,716

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

**Rubidoux Community Services District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Solid Waste Disposal</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents (Note 2)	\$ 10,422,770	\$ 1,482,311	\$ -	\$ 11,905,081
Accounts receivable, net (Note 4)	755,682	334,605	536,138	1,626,425
Interest receivable	113,884	35,800	-	149,684
Inventory	35,769	-	-	35,769
Prepayments and deposits	14,691	-	-	14,691
<b>Total current assets</b>	<b>11,342,796</b>	<b>1,852,716</b>	<b>536,138</b>	<b>13,731,650</b>
<b>Noncurrent assets:</b>				
Restricted - cash and cash equivalents (Notes 2 and 3)	4,830,024	3,029,502	-	7,859,526
Restricted - reserve funds (Notes 2 and 3)	742,397	-	-	742,397
Capital assets, not being depreciated (Note 5)	1,631,953	118,502	-	1,750,455
Capital assets, net of depreciation/amortization (Note 5)	27,549,174	16,461,450	-	44,010,624
<b>Total noncurrent assets</b>	<b>34,753,548</b>	<b>19,609,454</b>	<b>-</b>	<b>54,363,002</b>
<b>Total assets</b>	<b>46,096,344</b>	<b>21,462,170</b>	<b>536,138</b>	<b>68,094,652</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related (Note 10)	1,599,028	204,133	-	1,803,161
OPEB related (Note 11)	133,181	17,000	-	150,181
<b>Total deferred outflows of resources</b>	<b>1,732,209</b>	<b>221,133</b>	<b>-</b>	<b>1,953,342</b>

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

**Rubidoux Community Services District**  
**Statement of Net Position, continued**  
**Proprietary Funds**  
**June 30, 2023**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 425,005	\$ 414,485	\$ -	\$ 839,490
Accrued liabilities	140,749	2,211	-	142,960
Customer deposits	33,331	-	-	33,331
Unearned revenue	-	-	53,174	53,174
Interest payable	5,435	-	-	5,435
Internal balances (Note 6)	103,249	163,837	-	267,086
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	67,748	2,889	-	70,637
Certificates of participation (Note 8)	655,000	-	-	655,000
Note payable (Note 8)	462,912	-	-	462,912
Subscription liability (Note 8)	12,695	-	-	12,695
<b>Total current liabilities</b>	<u>1,906,124</u>	<u>583,422</u>	<u>53,174</u>	<u>2,542,720</u>
<b>Noncurrent liabilities:</b>				
Long-term liabilities - due within more than one year:				
Compensated absences (Note 9)	203,245	8,667	-	211,912
Certificates of participation (Note 8)	683,487	-	-	683,487
Note payable (Note 8)	4,728,749	-	-	4,728,749
Net pension liability (Note 10)	2,979,163	380,319	-	3,359,482
Total OPEB liability (Note 11)	347,604	44,375	-	391,979
<b>Total noncurrent liabilities</b>	<u>8,942,248</u>	<u>433,361</u>	<u>-</u>	<u>9,375,609</u>
<b>Total liabilities</b>	<u>10,848,372</u>	<u>1,016,783</u>	<u>53,174</u>	<u>11,918,329</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related (Note 10)	320,529	40,920	-	361,449
OPEB related (Note 11)	134,896	17,221	-	152,117
<b>Total deferred inflows of resources</b>	<u>455,425</u>	<u>58,141</u>	<u>-</u>	<u>513,566</u>
<b>NET POSITION</b>				
Net investment in capital assets	22,650,979	16,579,952	-	39,230,931
Restricted				
Capital projects	2,806,887	3,029,502	-	5,836,389
Debt service	742,397	-	-	742,397
Note payable	2,023,137	-	-	2,023,137
Unrestricted	8,301,356	998,925	482,964	9,783,245
<b>Total net position</b>	<u>\$ 36,524,756</u>	<u>\$ 20,608,379</u>	<u>\$ 482,964</u>	<u>\$ 57,616,099</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, 2023**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for current services	\$ 6,926,956	\$ 3,273,113	\$ 5,026,244	\$ 15,226,313
Other revenue	434,592	-	-	434,592
<b>Total operating revenues</b>	<u>7,361,548</u>	<u>3,273,113</u>	<u>5,026,244</u>	<u>15,660,905</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	3,148,309	91,387	-	3,239,696
Contracted services	-	-	4,551,836	4,551,836
Electrical power	570,609	59,249	-	629,858
Operating expense	492,037	97,680	-	589,717
Maintenance and repairs	87,198	37,576	-	124,774
Operating treatment	937,310	2,004,532	-	2,941,842
Insurance	120,751	31,515	-	152,266
Professional fees	201,264	19,754	-	221,018
Bad debt	12,135	10,792	18,880	41,807
Other	590,958	51,116	-	642,074
Administrative fee	1,138,621	677,432	597,127	2,413,180
<b>Total operating expenses</b>	<u>7,299,192</u>	<u>3,081,033</u>	<u>5,167,843</u>	<u>15,548,068</u>
Operating income before depreciation	62,356	192,080	(141,599)	112,837
Depreciation/amortization expense	(1,263,746)	(799,159)	-	(2,062,905)
<b>Operating income (loss)</b>	<u>(1,201,390)</u>	<u>(607,079)</u>	<u>(141,599)</u>	<u>(1,950,068)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Capital replacement	170,927	-	-	170,927
Capacity fees	1,388,516	897,181	-	2,285,697
Bond replacement revenue	1,159,713	-	-	1,159,713
Other revenues	300,000	-	-	300,000
Interest income	130,113	25,739	-	155,852
Interest expense	(233,522)	-	-	(233,522)
<b>Total nonoperating revenues (expenses)</b>	<u>2,915,747</u>	<u>922,920</u>	<u>-</u>	<u>3,838,667</u>
Income (loss) before contributions and transfers	1,714,357	315,841	(141,599)	1,888,599
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Contributed capital	2,428,737	3,187,999	-	5,616,736
Transfers in (out)	571,003	15,000	151,191	737,194
<b>Total transfers and capital contributions</b>	<u>2,999,740</u>	<u>3,202,999</u>	<u>151,191</u>	<u>6,353,930</u>
<b>Change in net position</b>	4,714,097	3,518,840	9,592	8,242,529
<b>Net position, beginning of year</b>	<u>31,810,659</u>	<u>17,089,539</u>	<u>473,372</u>	<u>49,373,570</u>
<b>Net position, end of year</b>	<u>\$ 36,524,756</u>	<u>\$ 20,608,379</u>	<u>\$ 482,964</u>	<u>\$ 57,616,099</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, 2023**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash receipts from customers	\$ 7,407,148	\$ 4,479,323	\$ 5,016,652	\$ 16,903,123
Cash paid to employees for salaries and benefits	(3,100,958)	(91,930)	-	(3,192,888)
Cash paid to vendors and suppliers	(3,098,464)	(2,282,995)	(4,570,716)	(9,952,175)
Cash paid for administrative fee	(1,150,756)	(677,432)	(597,127)	(2,425,315)
Net cash provided (used) by operating activities	<u>56,970</u>	<u>1,426,966</u>	<u>(151,191)</u>	<u>1,332,745</u>
<b>Cash flows from noncapital financing activities:</b>				
Proceeds from capacity fees	1,388,516	897,181	-	2,285,697
Bond replacement revenue	1,159,713	-	-	1,159,713
Other non-operating revenues (expenses), net	470,927	-	-	470,927
Transfers (to)/from other funds	571,003	15,000	151,191	737,194
Interfund borrowings	(77,719)	(32,291)	-	(110,010)
Net cash provided by noncapital financing activities	<u>3,512,440</u>	<u>879,890</u>	<u>151,191</u>	<u>4,543,521</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(769,421)	(117,425)	-	(886,846)
Proceeds from issuance of debt	2,043,450	-	-	2,043,450
Principal payments on capital debt	(1,082,830)	-	-	(1,082,830)
Principal payments on subscription liability	(13,000)	-	-	(13,000)
Interest payments on debt	(230,196)	-	-	(230,196)
Net cash provided (used) by capital and related financing activities	<u>(51,997)</u>	<u>(117,425)</u>	<u>-</u>	<u>(169,422)</u>
<b>Cash flows from investing activities:</b>				
Interest earnings	<u>34,140</u>	<u>(6,275)</u>	<u>-</u>	<u>27,865</u>
Net cash provided (used) by investing activities	<u>34,140</u>	<u>(6,275)</u>	<u>-</u>	<u>27,865</u>
Net increase in cash and cash equivalents	3,551,553	2,183,156	-	5,734,709
<b>Cash and cash equivalents, beginning of year</b>	<u>12,443,638</u>	<u>2,328,657</u>	<u>-</u>	<u>14,772,295</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 15,995,191</u>	<u>\$ 4,511,813</u>	<u>\$ -</u>	<u>\$ 20,507,004</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 10,422,770	\$ 1,482,311	\$ -	\$ 11,905,081
Restricted cash and cash equivalents	4,830,024	3,029,502	-	7,859,526
Restricted reserve funds	742,397	-	-	742,397
<b>Totals</b>	<u>\$ 15,995,191</u>	<u>\$ 4,511,813</u>	<u>\$ -</u>	<u>\$ 20,507,004</u>

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

**Rubidoux Community Services District**  
**Statement of Cash Flows, continued**  
**Proprietary Funds**  
**For the year ended June 30, 2023**

	<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:				
<b>Operating income (loss)</b>	<u>\$ (1,201,390)</u>	<u>\$ (607,079)</u>	<u>\$ (141,599)</u>	<u>\$ (1,950,068)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation/amortization expense	1,263,746	799,159	-	2,062,905
Bad debt	12,135	10,792	18,880	41,807
Changes in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable, net	346,997	1,195,418	(28,472)	1,513,943
Inventory	7,470	-	-	7,470
Prepayments and deposits	(2,239)	-	-	(2,239)
Deferred outflows of resources	(945,188)	(120,664)	-	(1,065,852)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(103,568)	29,219	-	(74,349)
Unearned revenue	(300,000)	-	-	(300,000)
Accrued liabilities	26,309	(2,531)	-	23,778
Customer deposits	(13,532)	-	-	(13,532)
Compensated absences	8,214	350	-	8,564
Net pension liability	1,732,076	221,116	-	1,953,192
OPEB liability	(122,204)	(15,600)	-	(137,804)
Deferred inflows of resources	(651,856)	(83,214)	-	(735,070)
<b>Total adjustments</b>	<u>1,258,360</u>	<u>2,034,045</u>	<u>(9,592)</u>	<u>3,282,813</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 56,970</u>	<u>\$ 1,426,966</u>	<u>\$ (151,191)</u>	<u>\$ 1,332,745</u>
<b>Non-cash operating, noncapital and capital and related financing, and investing activities:</b>				
Contributed Capital	\$ 2,428,737	\$ 3,187,999	-	5,616,736

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**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, 2023**

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**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, 2023**

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**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, 2023**

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**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, 2023**

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**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, deferred outflows of resources and deferred 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**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, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

*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 assets 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 assets 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, 2023**

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**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, 2023**

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**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*

GASB Statement No. 96 – As of July 1, 2022, the District adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The implementation of this standard establishes a single model for accounting for Subscription-Based Information Technology Arrangements. The standard requires recognition of certain right to use assets and liabilities for subscription-based IT arrangements. As a result of implementing this standard, the District recognized a subscription liability and right-to-use subscription asset in the amount of \$25,695 and \$25,695 as of July 1, 2022. As a result of these adjustments there was no effect on beginning net position or fund balance. The additional disclosures required by this standard are included in Note 5 and Note 8.

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

*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.

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 2: Cash and Cash Equivalents**

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

	Governmental	Water Utility	Sewer Utility	Total
Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 14,076,386	\$ 10,422,770	\$ 1,482,311	\$ 25,981,467
Non-current:				
Restricted - cash and cash equivalents	1,111,854	4,830,024	3,029,502	8,971,380
Restricted - reserve funds	-	742,397	-	742,397
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total cash and cash equivalents	<u>\$ 15,188,240</u>	<u>\$ 15,995,191</u>	<u>\$ 4,511,813</u>	<u>\$ 35,695,244</u>
Cash and cash equivalents:				
Deposits held with financial institutions	\$ 234,561	\$ 1,631,387	\$ 76,567	\$ 1,942,515
Cash on hand	-	1,800	-	1,800
Investments (certificates of deposit)	170,425	225,000	-	395,425
Local Agency Investment Fund (LAIF)	14,783,254	14,137,004	4,435,246	33,355,504
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total cash and cash equivalents	<u>\$ 15,188,240</u>	<u>\$ 15,995,191</u>	<u>\$ 4,511,813</u>	<u>\$ 35,695,244</u>

*Authorized investments*

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

*Fair value measurements*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2023:

- Local Agency Investment Fund (General Fund, \$14,783,254, Water \$14,137,004 and Sewer \$4,435,246) of \$33,355,504 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.



**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**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, 2023:

	<u>Amount</u>
Governmental-type	
Note payable - 2022 Obligation	<u>\$ 1,111,854</u>
Business-type:	
Certificates of Participation - Series 1998:	
Funds held by fiscal agent in bond reserve	<u>\$ 742,397</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	3,029,502
Water connection/capacity fees	2,806,887
Water Note payable - 2022 Obligation	2,023,137
Total other district funds	<u>7,859,526</u>
Total business-type restricted assets	<u>\$ 8,601,923</u>

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 4:       Accounts Receivable**

The detail of accounts receivable is as follows at June 30, 2023:

		<u>Amount</u>
Governmental		
Property taxes		<u>\$    118,941</u>
Business-type		
Water Utility Fund		
Billed, net	\$    285,886	
Unbilled	<u>469,796</u>	755,682
Sewer Utility Fund		
Billed, net	140,809	
Unbilled	<u>193,796</u>	334,605
Solid Waste Disposal Fund		
Billed, net	234,559	
Unbilled	<u>301,579</u>	<u>536,138</u>
Total business-type		<u>1,626,425</u>
Total accounts receivable, net		<u>\$   1,745,366</u>

Allowance for doubtful accounts at June 30, 2023, is provided as follows:

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

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 5: Capital Assets**

Property, plant and equipment were comprised of the following at June 30, 2023:

<b><i>Governmental-type activities</i></b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 308,117	\$ -	\$ -	\$ 308,117
Construction in progress	634,002	630,333	(138,940)	1,125,395
 Total capital assets, not being depreciated	 942,119	 630,333	 (138,940)	 1,433,512
Capital assets, being depreciated:				
Structures and improvements	3,718,183	138,940	-	3,857,123
Equipment	997,811	38,734	-	1,036,545
 Total capital assets, being depreciated	 4,715,994	 177,674	 -	 4,893,668
 Total accumulated depreciation	 (2,121,100)	 (131,836)	 -	 (2,252,936)
 Total capital assets, being depreciated, net	 2,594,894	 45,838	 -	 2,640,732
 Governmental activities capital assets, net	 <u>\$ 3,537,013</u>	 <u>\$ 676,171</u>	 <u>\$ (138,940)</u>	 <u>\$ 4,074,244</u>
	Depreciation Expense			
<b><i>Governmental Activities</i></b>				
Administration and support	<u>\$ 131,836</u>			

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 5: Capital Assets, continued**

**Business-type Activities**

<b>Water Utility</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 793,240	\$ -	\$ -	\$ 793,240
Construction in progress	1,688,973	604,898	(1,455,158)	838,713
Total capital assets, not being depreciated	2,482,213	604,898	(1,455,158)	1,631,953
<b>Capital assets, being depreciated/amortized:</b>				
Structures and improvements	40,591,507	4,034,186	-	44,625,693
Equipment	1,964,678	14,232	-	1,978,910
Right-to-use subscription asset	-	25,695	-	25,695
Total capital assets, being depreciated/amortized	42,556,185	4,074,113	-	46,630,298
Less accumulated depreciation/amortization	(17,817,378)	(1,263,746)	-	(19,081,124)
Total capital assets, being depreciated/amortized, net	24,738,807	2,810,367	-	27,549,174
Total Water Utility capital assets, net	27,221,020	3,415,265	(1,455,158)	29,181,127
<b>Sewer Utility</b>				
<b>Capital assets, not being depreciated:</b>				
Land	17,825	-	-	17,825
Construction in progress	42,420	58,257	-	100,677
Total capital assets, not being depreciated	60,245	58,257	-	118,502
<b>Capital assets, being depreciated:</b>				
Structures and improvements	37,486,988	3,187,999	-	40,674,987
Equipment	709,852	59,168	-	769,020
Total capital assets, being depreciated	38,196,840	3,247,167	-	41,444,007
Less accumulated depreciation	(24,183,398)	(799,159)	-	(24,982,557)
Total capital assets, being depreciated, net	14,013,442	2,448,008	-	16,461,450
Total Sewer Utility capital assets, net	14,073,687	2,506,265	-	16,579,952
Total Business-type Activities capital assets, net	<u>\$ 41,294,707</u>	<u>\$ 5,921,530</u>	<u>\$ (1,455,158)</u>	<u>\$ 45,761,079</u>
<b>Business-type Activities</b>				
Water Utility	\$ 1,263,746			
Sewer Utility	799,159			
Total Business-type activities	<u>\$ 2,062,905</u>			

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**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, 2023:

Due From	Due To			Total
	General Fund	Water Utility	Sewer Utility	
General Fund	\$ -	\$ 893,625	\$ (1,160,711)	\$ (267,086)
Water Utility Fund	(893,625)	-	996,874	103,249
Sewer Utility Fund	1,160,711	(996,874)	-	163,837
Total	\$ 267,086	\$ (103,249)	\$ (163,837)	\$ -

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended. The Solid Waste Disposal Fund transferred \$309,380 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
- Office Building – 5473 Mission Boulevard

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 8: Long-term Liabilities**

Below is a schedule of the changes in long-term liabilities for the year ended June 30, 2023:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>General Fund:</b>					
<i>Direct Borrowings:</i>					
Note payable - 2022 Obligation	\$ -	\$ 1,541,550	\$ (139,252)	\$ 1,402,298	\$ 137,753
<b>Total General Fund</b>	<b>\$ -</b>	<b>\$ 1,541,550</b>	<b>\$ (139,252)</b>	<b>\$ 1,402,298</b>	<b>\$ 137,753</b>
Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Water Utility Fund:</b>					
<i>Other Debt:</i>					
1998 Certificates of Participation	\$ 1,970,000	\$ -	\$ (625,000)	\$ 1,345,000	\$ 655,000
Less: unamortized discount	(11,110)	-	4,597	(6,513)	-
<i>Direct Borrowings:</i>					
Note payable - State Drinking Water	3,606,041	-	(273,240)	3,332,801	280,310
Note payable - 2022 Obligation Water Portion	-	2,043,450	(184,590)	1,858,860	182,602
<i>SBITA Liability:</i>					
Subscription Liability	-	25,695	(13,000)	12,695	12,695
<b>Total Water Utility</b>	<b>\$ 5,564,931</b>	<b>\$ 2,069,145</b>	<b>\$ (1,091,233)</b>	<b>\$ 6,542,843</b>	<b>\$ 1,130,607</b>

**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
2024	\$ 655,000	\$ 51,893	\$ 709,533
2025	690,000	17,595	706,893
<b>Total</b>	<b>\$ 1,345,000</b>	<b>\$ 69,488</b>	<b>\$ 1,416,426</b>

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 8: Long-term Liabilities, continued**

*Note Payable State Drinking Water – 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.

Maturities of the note payable are as follows:

Fiscal year ending June 30,	State of California Note Payable		
	Principal	Interest	Total
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	310,461	53,735	364,196
2029 - 2033	1,677,042	143,938	1,820,980
2034	179,790	2,311	182,101
Total	<u>\$ 3,332,801</u>	<u>\$ 491,260</u>	<u>\$ 3,824,061</u>

*Note Payable 2022 Obligation – Direct Borrowing*

In August 2022, the District secured a low interest loan with Webster Bank, National Association for \$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.

Fiscal year ending June 30,	2022 Obligations Note Payable - General		
	Principal	Interest	Total
2024	\$ 137,753	\$ 42,770	\$ 180,523
2025	141,954	38,569	180,523
2026	146,284	34,239	180,523
2027	150,745	29,777	180,522
2028	155,343	25,180	180,523
2029 - 2033	670,219	51,872	722,091
Total	<u>\$ 1,402,298</u>	<u>\$ 222,407</u>	<u>\$ 1,624,705</u>

**Rubidoux Community Services District**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 8: Long-term Liabilities, continued**

*Note Payable 2022 Obligation – Direct Borrowing (Continued)*

Fiscal year ending June 30,	2022 Obligations Note Payable - Water		
	Principal	Interest	Total
2024	\$ 182,602	\$ 56,695	\$ 239,297
2025	188,172	51,126	239,298
2026	193,911	45,387	239,298
2027	199,825	39,472	239,297
2028	205,920	33,378	239,298
2029 - 2033	888,430	68,761	957,191
<b>Total</b>	<b>\$ 1,858,860</b>	<b>\$ 294,819</b>	<b>\$ 2,153,679</b>

*Subscription Liability – SBITA Liability*

The District entered into a three year subscription with ESRI for the use of their software in 2021, which is a system utilized for geographic information system (GIS). As of June 30, 2023, the value of the subscription liability is \$25,695. The District is required to make annual fixed payments of \$13,000, with an interest rate of 2.40%. The value of the right to use asset as of June 30, 2023 of \$25,695 with an accumulated amortization of \$12,848.

Fiscal year ending June 30,	Subscription Liability		
	Principal	Interest	Total
2024	\$ 12,695	\$ 305	\$ 13,000
<b>Total</b>	<b>\$ 12,695</b>	<b>\$ 305</b>	<b>\$ 13,000</b>

**Note 9: Compensated Absences**

In concurrence with the District's Memorandum of Understanding (MOU), dated July 1, 2022, 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, 2023 were as follows:

	Beginning Balance	Net Change	Ending Balance	Due within One Year
Governmental Activities	\$ 236,307	\$ (131,049)	\$ 105,258	\$ 26,315
Business-Type Activities:				
Water Utility	262,779	8,214	270,993	67,748
Sewer Utility	11,206	350	11,556	2,889
<b>Total Business-Type Activities</b>	<b>273,985</b>	<b>8,564</b>	<b>282,549</b>	<b>70,637</b>
<b>Total Compensated Absences</b>	<b>\$ 510,292</b>	<b>\$ (122,485)</b>	<b>\$ 387,807</b>	<b>\$ 96,952</b>



**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**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 or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. 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 generally accepted accounting principles. 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](http://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.

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**A. General Information about the Pension Plan, continued**

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, 2023 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	52-67	50-67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	2.0% to 3.0%
Required employer contribution rates for 2023	6.750%	8.000%

	Safety*	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-67
Monthly benefits, as a % of eligible compensation	3.0%	1.4% to 2.4%
Required employer contribution rates for 2023	0.000%	0.000%

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

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 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, 2023 were \$780,844. The actual employer payments of \$712,970 made to CalPERS by the District during the measurement period ended June 30, 2022 differed from the District's proportionate share of the employer's contributions of \$1,062,507 by \$349,537 which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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**

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

- (1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**B. Net Pension Liability, continued**

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return <sup>1,2</sup></b>
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	384.00%
Private equity	13.0%	7.28%
Treasury	5.0%	27.00%
Mortgage-backed securities	5.0%	50.00%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)

<sup>1</sup> An expected inflation of 2.3% used for this period

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study

**Change of Assumptions**

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**Discount Rate**

The discount rate used to measure the total pension liability for PERF C was 6.90%. 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.

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**B. Net Pension Liability, continued**

**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.

**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](http://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.

	<u>Increase (Decrease)</u> <u>Plan Net Pension</u> <u>Liability</u>
Balance at: 6/30/2021 (Valuation Date)	\$ 2,653,376
Balance at: 6/30/2022 (Measurement Date)	6,338,646
Net Changes During 2021-2022	<u>\$ 3,685,270</u>

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](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the total Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

Proportionate Share of NPL - June 30, 2021	0.049061%
Proportionate Share of NPL - June 30, 2022	0.054876%
Change - Increase (Decrease)	0.005815%

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**C. Proportionate Share of Net Pension Liability, continued**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.9 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 (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability	\$ 9,916,855	\$ 6,338,646	\$ 3,397,659

**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, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (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.

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

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

As of the start of the measurement period (July 1, 2021), the District's net pension liability is \$2,653,376. For the measurement period ending June 30, 2022 (the measurement date), the District incurred a pension expense of \$751,118. As of June 30, 2023, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 646,620	\$ -
Differences between expected and actual experience	165,041	(80,664)
Differences between projected and actual investment earnings	1,116,315	-
Differences between employer's contributions and proportionate share of contributions	4,384	(429,350)
Change in employer's proportion	688,985	(171,964)
Pension contributions made subsequent to measurement date	780,844	-
<b>Total</b>	<u><u>\$ 3,402,189</u></u>	<u><u>\$ (681,978)</u></u>

These amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. The \$780,844 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:

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources, Net</u>
2024	\$ 509,957
2025	468,404
2026	278,683
2027	682,323
2028	-
Remaining	-

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**Note 10: Pension Plan, continued**

**E. Payable to the Pension Plan**

At June 30, 2023, the District reported a payable of \$19,275 for the outstanding contributions to the pension plans required for the year ended June 30, 2023.

**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, 2022 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	<u>7</u>
Total	<u><u>31</u></u>

**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, 2023, the District's cash contributions were \$17,444 in payments for insurance premiums not reimbursed by a trust.



**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**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, 2022, based on the following actuarial methods and assumptions:

**Actuarial Assumptions:**

Discount Rate	3.54%
Inflation	2.50% per year
Salary Increases	2.75% per year
Investment Rate of Return	3.54%
Mortality Rate <sup>(1)</sup>	2017 CalPERS Mortality for Miscellaneous Employees
Turnover Healthcare Trend Rate <sup>(2)</sup>	2017 CalPERS Rates for Miscellaneous Employees
Retirement Rate <sup>(3)</sup>	2017 CalPERS Rates for Miscellaneous Employees

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 3.54%. 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:

	<u>Total OPEB Liability</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 999,589
Changes recognized for the measurement period:	
Service Cost	57,334
Interest on Total OPEB Liability	21,994
Benefit payments	(17,640)
Experience (Gains)/Losses	(115,523)
Change in Assumptions	<u>(206,173)</u>
Net Change	<u>(260,008)</u>
Balance at June 30, 2023 (Measurement Date June 30, 2022)	<u>\$ 739,581</u>

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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**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, 2022:

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	\$ 881,921	\$ 739,581	\$ 627,186

***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, 2022:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 648,443	\$ 739,581	\$ 854,475

***OPEB Expense***

For the fiscal year ended June 30, 2023, the District recognized an OPEB expense as follows:

Service cost	\$ 57,334
Interest on Total OPEB Liability	21,994
Recognized Experience (Gains)/Losses	(5,403)
Recognized Assumption Change Deferrals	540
OPEB Expense	<u>\$ 74,465</u>

As of fiscal year ended June 30, 2023, 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	\$ 200,949	\$ (183,515)
Differences between expected and actual experience	64,969	(103,498)
OPEB contributions subsequent to measurement date	17,444	-
Total	<u>\$ 283,362</u>	<u>\$ (287,013)</u>

**Rubidoux Community Services District  
Notes to the Financial Statements  
June 30, 2023**

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

These amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. The \$17,444 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>
2024	\$ (4,863)
2025	(4,863)
2026	(4,863)
2027	(4,863)
2028	(4,863)
Thereafter:	3,220

**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, 2022	\$ 4,426,019	\$ 10,648,046	\$ 20,644,482	\$ 35,718,547
Fiscal year, June 30, 2023	<u>-</u>	<u>2,428,737</u>	<u>3,187,999</u>	<u>5,616,736</u>
Cumulative total to June 30, 2023	<u>\$ 4,426,019</u>	<u>\$ 13,076,783</u>	<u>\$ 23,832,481</u>	<u>\$ 41,335,283</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.

**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	6/30/2022
Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	0.03042%	0.043038%	0.044814%	0.045706%	0.046568%	0.047847%	0.048828%	0.049061%	0.054876%
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	\$ 6,338,646
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	\$ 2,449,619
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%	258.76%
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%	75.80%

<sup>1</sup> 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	6/30/2023
Contractually Determined Contributions	\$ 360,072	\$ 362,251	\$ 400,178	\$ 432,726	\$ 536,247	\$ 588,035	\$ 639,206	\$ 712,970	\$ 780,844
Contributions in Relation to the Contractually Determined Contributions	(360,072)	(362,251)	(400,178)	(432,726)	(536,247)	(588,035)	(639,206)	(712,970)	(780,844)
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	\$ 2,598,756
Contributions as a Percentage of Covered Payroll	18.24%	17.68%	19.47%	20.67%	22.19%	26.65%	28.78%	29.11%	30.05%

\* 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:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial 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	2022
<b>Total OPEB Liability</b>					
Service Cost	\$ 23,659	\$ 24,310	\$ 27,194	\$ 55,200	\$ 57,334
Interest on the Total OPEB Liability	18,501	18,181	20,340	20,962	21,994
Experience (Gains)/Losses	-	-	87,121	-	(115,523)
Changes in assumptions	-	28,683	236,179	7,574	(206,173)
Changes in benefit terms	-	-	-	-	-
Actual Benefit Payments from Employer	(10,044)	(9,408)	(9,408)	(18,816)	-
Expected Minus Actual Benefit Payments	-	(1,038)	-	-	(17,640)
<b>Net change in Total OPEB Liability</b>	<b>32,116</b>	<b>60,728</b>	<b>361,426</b>	<b>64,920</b>	<b>(260,008)</b>
<b>Total OPEB Liability - beginning</b>	<b>480,399</b>	<b>512,515</b>	<b>573,243</b>	<b>934,669</b>	<b>999,589</b>
<b>Total OPEB Liability - ending (a)</b>	<b>512,515</b>	<b>573,243</b>	<b>934,669</b>	<b>999,589</b>	<b>739,581</b>
<b>Plan Fiduciary Net Position</b>					
Contribution - employer	10,044	9,408	9,408	18,816	17,640
Net investment income	-	-	-	-	-
Benefit payments	(10,044)	(9,408)	(9,408)	(18,816)	(17,640)
Administrative expense	-	-	-	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total OPEB Liability - ending (a) - (b)</b>	<b>\$ 512,515</b>	<b>\$ 573,243</b>	<b>\$ 934,669</b>	<b>\$ 999,589</b>	<b>\$ 739,581</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 2,093,208	\$ 2,416,190	\$ 2,206,351	\$ 2,221,141	\$ 2,449,619
Total OPEB liability as a percentage of covered-employee payroll	24.48%	23.73%	42.36%	45.00%	30.19%

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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes and weed abatement	\$ 4,131,300	\$ 4,131,300	\$ 4,557,827	\$ 426,527
Charges for administrative services	2,517,400	2,517,400	2,517,400	-
Licenses and permits	18,000	18,000	20,870	2,870
Interest earnings	16,300	16,300	35,586	19,286
Other revenue	200,100	200,100	6,514,200	6,314,100
<b>Total revenues</b>	<b>6,883,100</b>	<b>6,883,100</b>	<b>13,645,883</b>	<b>6,762,783</b>
<b>EXPENDITURES</b>				
General government				
Salaries and benefits (including pension)	1,924,877	1,924,877	1,685,103	239,774
Services and supplies	407,000	407,000	1,436,245	(1,029,245)
Capital outlays	210,805	210,805	-	210,805
Fire protection and weed abatement				
Contract services	2,787,400	2,787,400	2,645,844	141,556
Utilities	-	-	27,400	(27,400)
Repairs and maintenance	-	-	16,564	(16,564)
Capital outlays	250,000	250,000	-	250,000
Administrative expenses	104,220	104,220	-	104,220
Debt service:				
Principal	139,252	139,252	139,252	-
Interest and fiscal charges	41,271	41,271	41,271	-
<b>Total expenditures</b>	<b>5,864,825</b>	<b>5,864,825</b>	<b>5,991,679</b>	<b>(126,854)</b>
Excess of revenue over (under) expenditures	1,018,275	1,018,275	7,654,204	6,635,929
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	1,492,904	1,492,904	1,541,550	48,646
Transfers in (out)	(586,003)	(586,003)	(737,194)	(151,191)
<b>Total Other Financing Source</b>	<b>906,901</b>	<b>906,901</b>	<b>804,356</b>	<b>(102,545)</b>
<b>Net change in fund balance</b>	<b>1,925,176</b>	<b>1,925,176</b>	<b>8,458,560</b>	<b>6,533,384</b>
Fund balance, beginning of year	5,341,164	5,341,164	5,341,164	-
Fund balance, end of year	\$ 7,266,340	\$ 7,266,340	\$ 13,799,724	\$ 6,533,384



**Rubidoux Community Services District  
Notes to Required Supplementary Information  
For the year ended June 30, 2023**

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**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, 2023**

	General Fund	Protection/ Weed Abatement	Reported General Fund
<b>REVENUES</b>			
Property tax and weed abatement	\$ 4,557,733	\$ 94	\$ 4,557,827
Charges for administrative services	2,517,400	-	2,517,400
License and permits	20,870	-	20,870
Interest earnings	35,586	-	35,586
Other revenue	6,514,200	-	6,514,200
Total revenues	<u>13,645,789</u>	<u>94</u>	<u>13,645,883</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,121,348	-	3,121,348
Fire protection and weed abatement	-	2,689,808	2,689,808
Debt Service			
Principal	139,252	-	139,252
Interest and fiscal charges	41,271	-	41,271
Total expenditures	<u>3,301,871</u>	<u>2,689,808</u>	<u>5,991,679</u>
Excess of revenues over (under) expenditures	<u>10,343,918</u>	<u>(2,689,714)</u>	<u>7,654,204</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt	1,541,550	-	1,541,550
Transfer in	-	2,547,593	2,547,593
Transfer out	(2,547,593)	(737,194)	(3,284,787)
Total other financing sources (uses)	<u>(1,006,043)</u>	<u>1,810,399</u>	<u>804,356</u>
<b>Net change in fund balances</b>	9,337,875	(879,315)	8,458,560
<b>Fund balances, beginning of year</b>	<u>4,178,071</u>	<u>1,163,093</u>	<u>5,341,164</u>
<b>Fund balances, end of year</b>	<u>\$ 13,515,946</u>	<u>\$ 283,778</u>	<u>\$ 13,799,724</u>

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

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**Change in Net Position:**

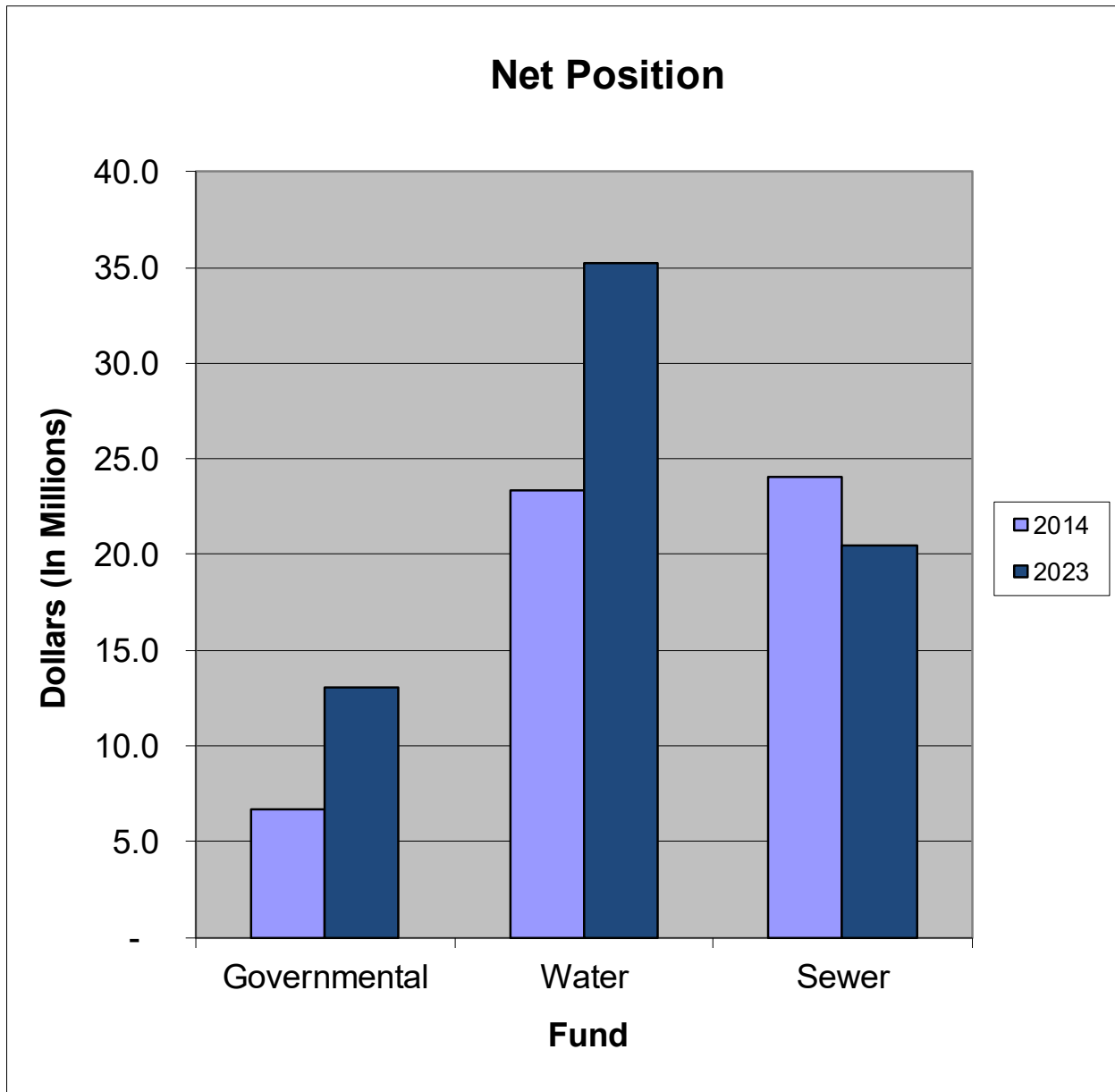
	<b>Governmental</b>			<b>Solid Waste</b>	
	<b>Activities</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Disposal</b>	<b>Total</b>
June 30, 2014	\$ (1,716,000)	\$ 1,201,000	\$ (919,800)	\$ 2,000	\$ (1,432,800)
June 30, 2015	(219,000)	2,463,000	171,000	(4,000)	2,411,000
June 30, 2016	1,000	(311,000)	(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
June 30, 2023	7,712,000	4,714,000	3,519,000	10,000	15,955,000

**Net Position:**

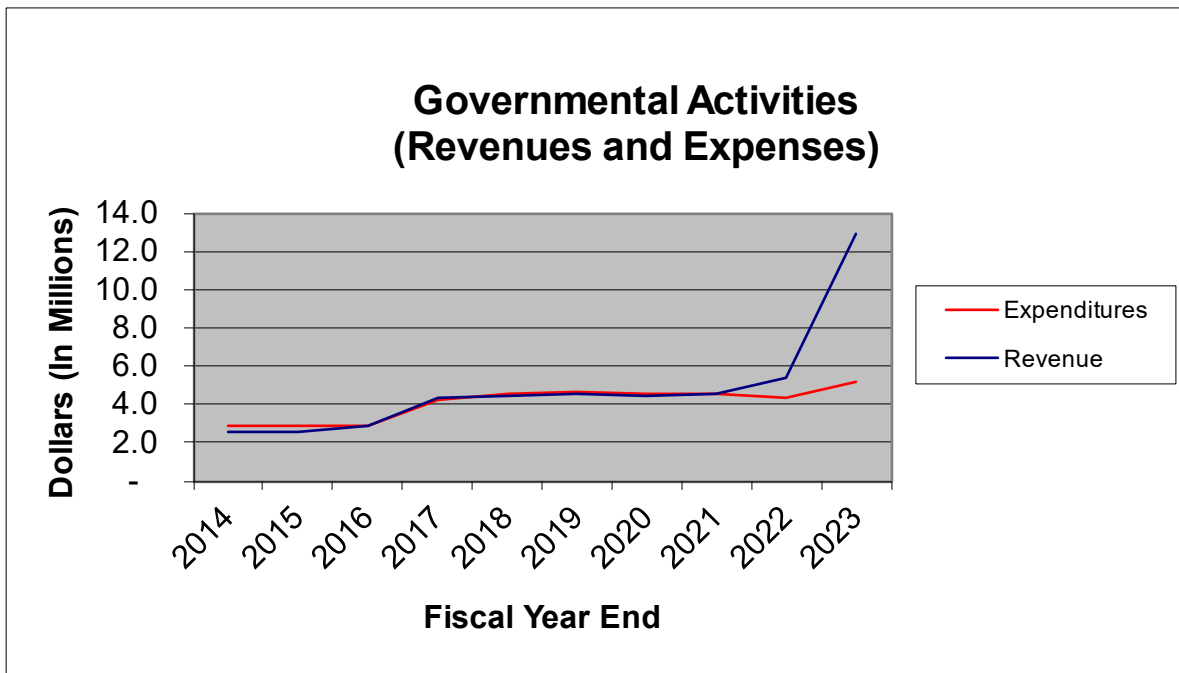
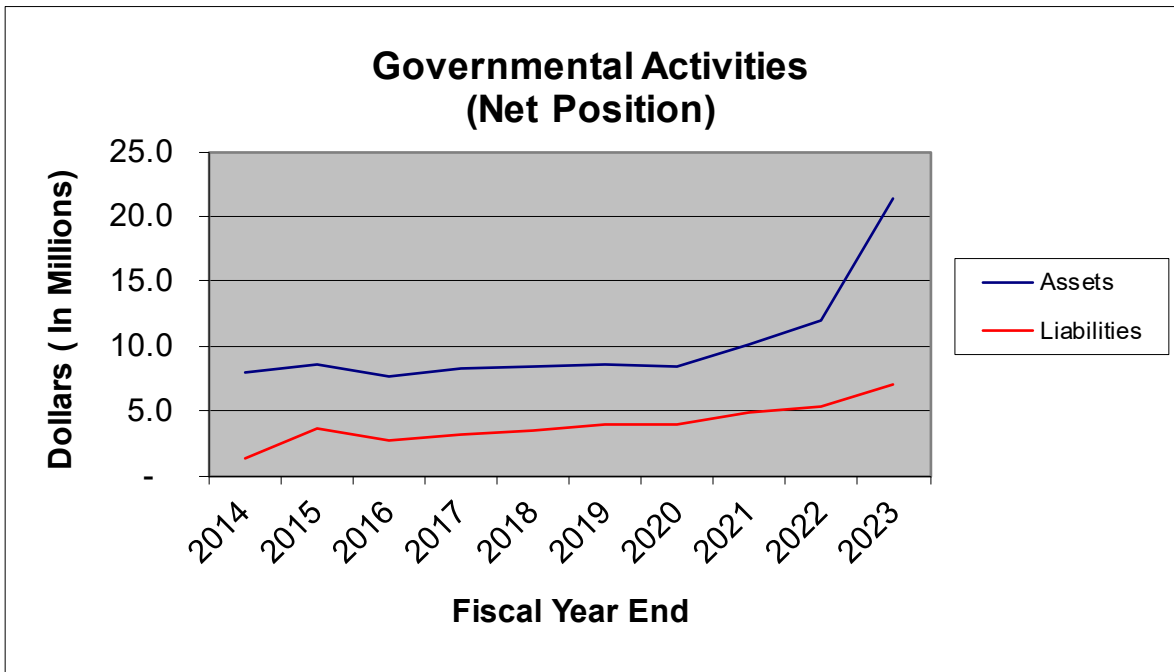
	<b>Governmental</b>			<b>Solid Waste</b>	
	<b>Activities</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Disposal</b>	<b>Total</b>
June 30, 2014	\$ 5,213,000	\$ 21,524,000	\$ 24,046,000	\$ 160,000	\$ 50,943,000
June 30, 2015	4,994,000	23,987,000	24,217,000	156,000	53,354,000
June 30, 2016	4,995,000	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
June 30, 2023	14,316,000	36,525,000	20,608,000	483,000	71,932,000

Rubidoux Community Services District  
Graphic Financial Comparisons  
For the year ended June 30, 2023 and 10 years ago

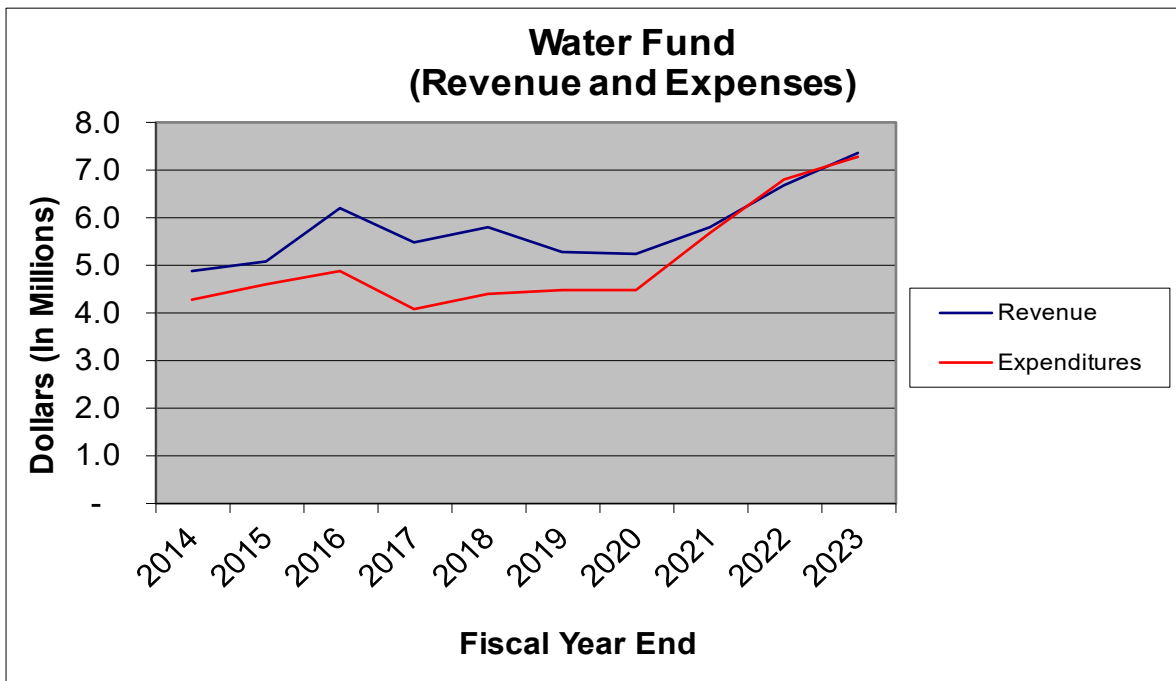
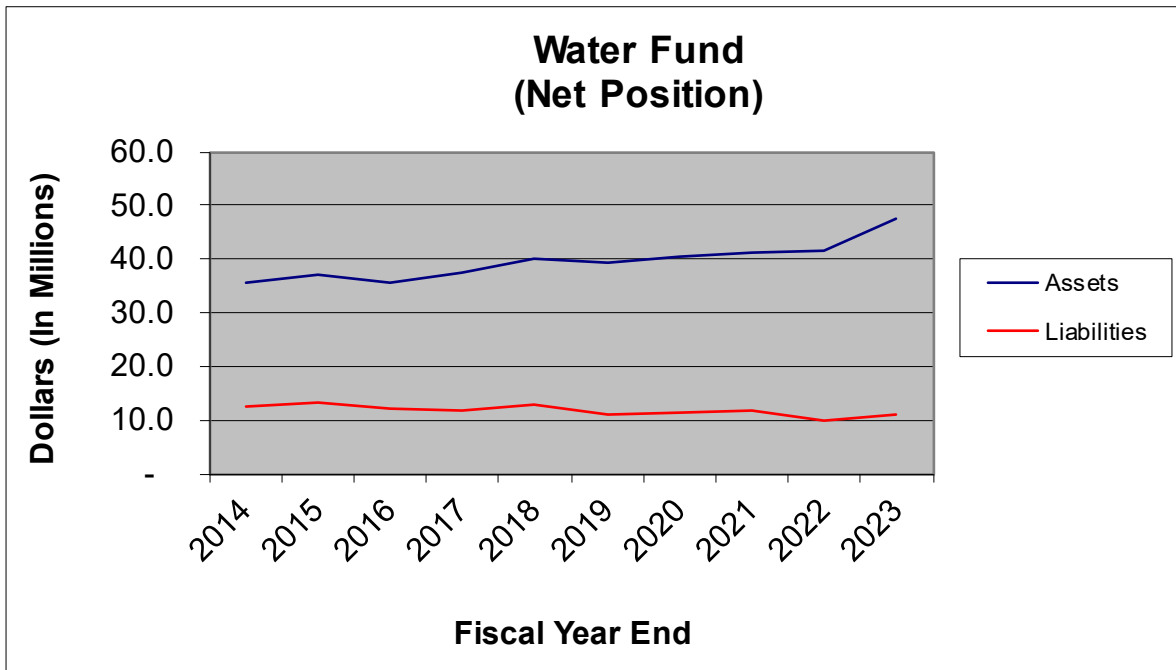
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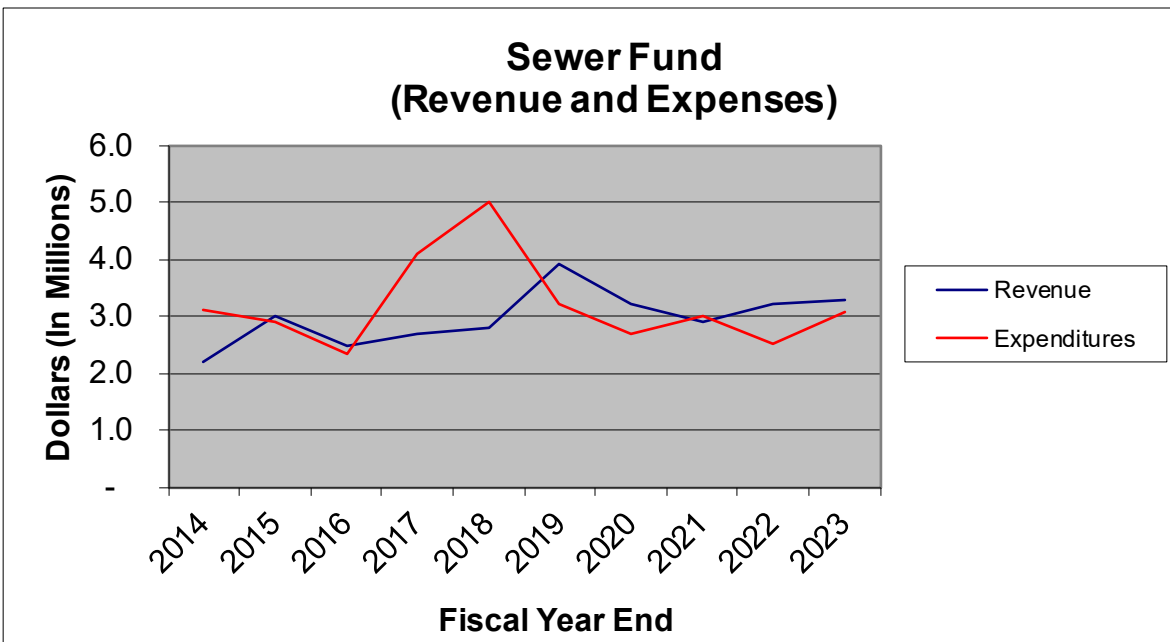
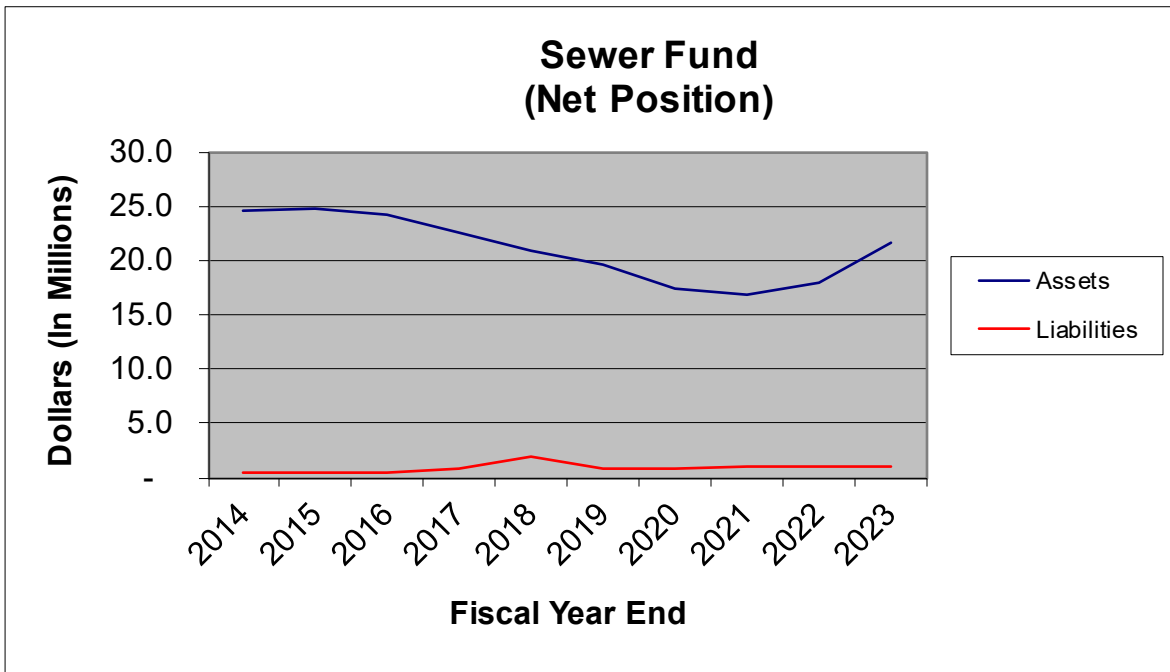
**Rubidoux Community Services District  
 Graphic Financial Comparisons  
 For the last 10 years**



**Rubidoux Community Services District  
 Graphic Financial Comparisons  
 For the last 10 years**

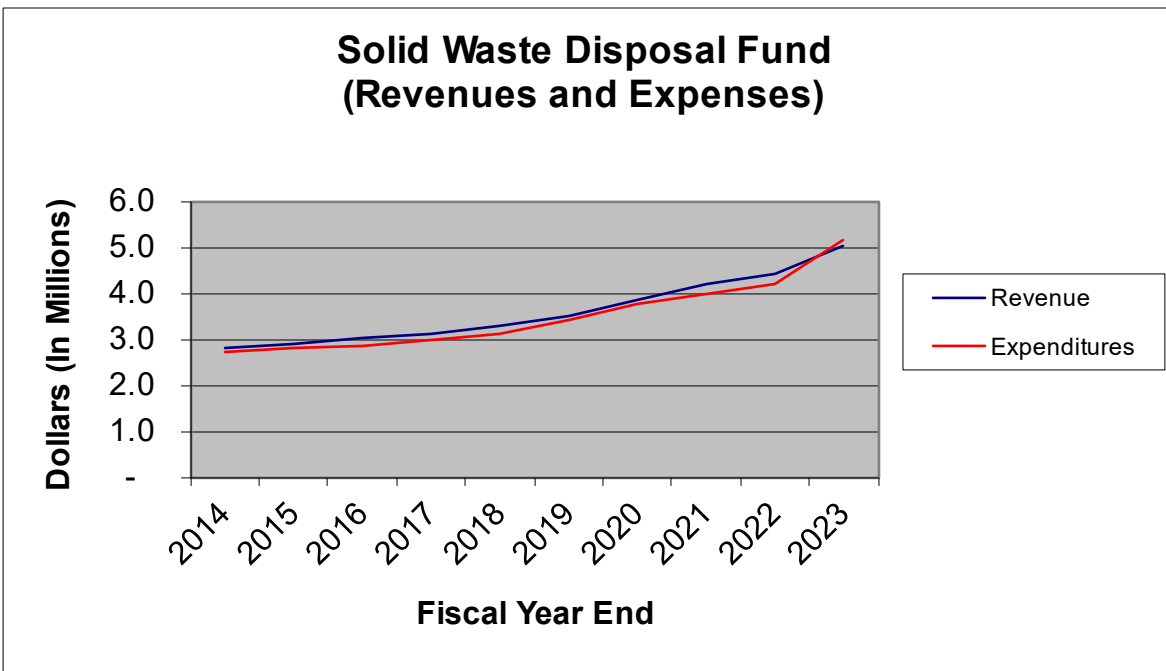
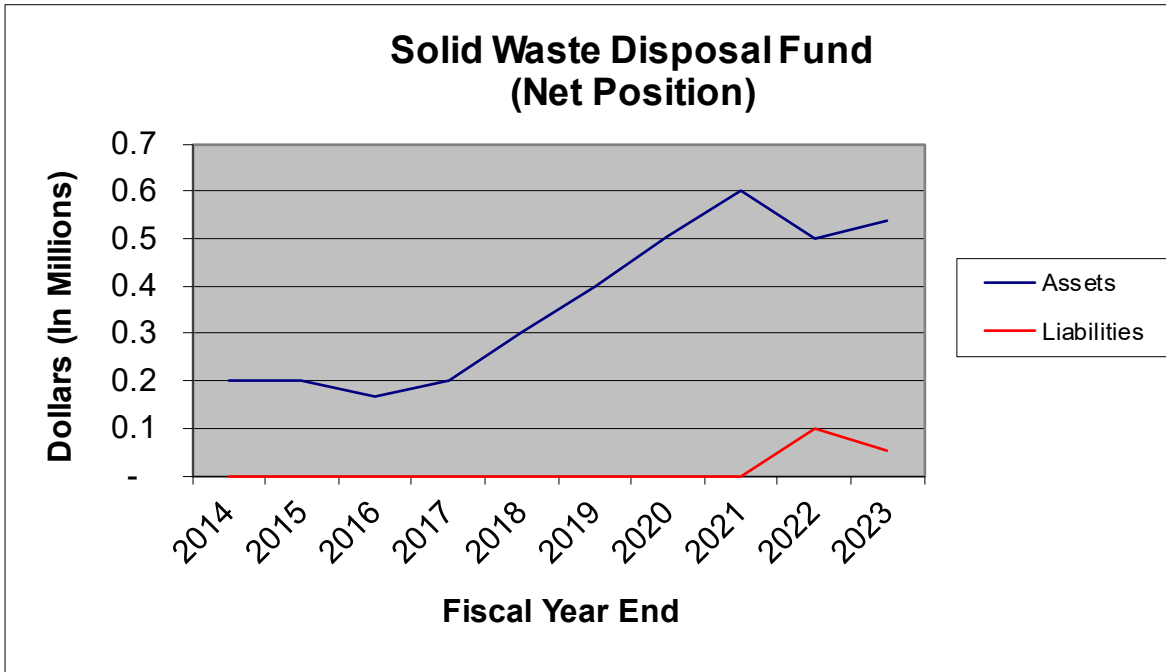


**Rubidoux Community Services District  
 Graphic Financial Comparisons  
 For the last 10 years**





**Rubidoux Community Services District  
 Graphic Financial Comparisons  
 For the last 10 years**



**REPORT ON COMPLIANCE AND INTERNAL CONTROL**



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**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*

**PARTNERS**

Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)

Board of Directors  
Rubidoux Community Services District  
Jurupa Valley, California

**MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA

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 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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.

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants



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 2023-001 that we consider to be material weaknesses and item 2023-002 that we consider to be significant deficiencies.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 14, 2023

**Rubidoux Community Services District  
Schedule of Findings and Responses  
For the year ended June 30, 2023**

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**Finding 2023-001**

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 over accounts payable, payroll, wire transfers and the journal entry process 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. It is not uncommon for a District of our size to have limited staff, however the District will continue to assess and strengthen internal controls to the extent possible

**Finding 2023-002**

Significant Deficiency in Internal Control over Financial Reporting – No Formal Purchasing Policy

*Criteria and Condition*

During our audit procedures over contracts, we noted the District has no formal procurement policy.

**Rubidoux Community Services District  
Schedule of Findings and Responses  
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*Context*

We observed this by reviewing the minutes of the Board of Directors meetings and interviews of management.

*Effect or Potential Effect*

Without a formal procurement policy, the District is susceptible to unauthorized transactions and improper approvals from the Board.

*Auditor's Recommendation*

Although the District's management has a good understanding of the rules and regulations regarding procurement, we recommend that a procurement policy be written, including the compliance requirements for federal funds as explained in Uniform Guidance. We believe that the implementation of these recommendations will provide the district with a stronger system of internal control while also making its operations more efficient.

*Views of Responsible Officials and Planned Corrective Actions*

Management recognizes the need for a District purchasing policy and is in the process of creating a policy for the District

**Rubidoux Community Services District  
Schedule of Prior Findings and Responses  
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<b><u>Finding No.</u></b>	<b><u>Topic</u></b>	<b><u>Status of Corrective Action</u></b>
2022-001	Segregation of duties	Finding repeated in current year as 2023-001