



Rubidoux Community Services District

Financial Statements

For the year ended June 30, 2019

Rubidoux Community Services District

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INDEPENDENT AUDITOR'S REPORT

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Jurupa Valley, California

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of Rubidoux Community Services District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulatory governing special districts.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 14 of the financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

The cumulative effects of applying the provisions of GASB Statement No. 75 have been reported as a restatement of beginning net position for the year ended June 30, 2019 in accordance with the Statement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Plan's Proportionate Share of Net Pension Liability and Related Ratios; Schedule of Plan Contributions; Schedule of Changes in the Net OPEB Liability and Related Ratios; Schedule of Contributions – OPEB; Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of Rubidoux Community Service District's internal control over financial report and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rubidoux Community Service District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2019

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2019**

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, 2019. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

- The District's net position increased \$1,155,108 or 2.27%, as a result of this year's operations and non-operating activities, including capital contributions.
- Total revenues and capital contributions from all sources amounted to \$18.9 million.
- The cost of all District activities amounted to \$17.7 million.
- Operationally, the Water Fund provided \$1,209,094, the Sewer Fund used \$2,207 and the Solid Waste Disposal Fund provided \$78,833 to increase net position by \$1,285,720 in the enterprise funds. The total Governmental Activities decreased by \$130,612.

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, 2019**

- 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 or resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 through 48.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2019**

The District as a whole

Our analysis focuses on the assets (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			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Assets</i>										
Current and other assets	\$ 3.9	\$ 3.6	\$ 15.9	\$ 16.2	\$ 4.3	\$ 4.9	\$ 0.4	\$ 0.3	\$ 24.5	\$ 25.0
Capital assets	3.9	4.0	22.9	23.1	15.2	15.9	-	-	42.0	43.0
Deferred outflows	0.7	0.7	0.7	0.8	0.1	0.1	-	-	1.5	1.6
Total assets and deferred outflows	8.5	8.3	39.5	40.1	19.6	20.9	0.4	0.3	68.0	69.6
<i>Liabilities</i>										
Current liabilities	1.3	0.8	1.2	2.3	0.5	1.7	-	-	3.0	4.8
Noncurrent liabilities	2.5	2.5	9.8	10.3	0.3	0.3	-	-	12.6	13.1
Deferred inflows	0.2	0.2	0.2	0.2	-	-	-	-	0.4	0.4
Total liabilities and deferred inflows	4.0	3.5	11.2	12.8	0.8	2.0	-	-	16.0	18.3
<i>Net position</i>										
Net investment in capital assets	3.9	4.0	14.9	14.4	15.2	16.0	-	-	34.0	34.4
Restricted	1.4	1.3	6.9	6.8	3.3	3.1	-	-	11.6	11.2
Unrestricted	(0.8)	(0.5)	6.5	6.1	0.3	(0.2)	0.4	0.3	6.4	5.7
Total net position	\$ 4.5	\$ 4.8	\$ 28.3	\$ 27.3	\$ 18.8	\$ 18.9	\$ 0.4	\$ 0.3	\$ 52.0	\$ 51.3

The District's net position increase of 2.27% to \$52.0 million comes from the revenues and expense activity recorded in the Statement of Activities.

- Overall government-wide capital assets decreased \$1 million due to depreciation of capital assets.
- As a whole, long-term debt decreased \$765,667 due to principal payments on the Leland J. Thompson Water Facility loan and the water certificates of participation.
- Restricted Net Position increased \$0.4 million.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2019**

The District as a whole, continued

- Unrestricted Net Position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, increased \$0.7 million and amounted to \$6.4 million.

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

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>Revenues</i>										
Operating revenue	\$ 1.2	\$ 1.3	\$ 5.3	\$ 5.8	\$ 3.9	\$ 2.8	\$ 3.5	\$ 3.3	\$ 13.9	\$ 13.2
Property taxes	3.2	3.0	-	-	-	-	-	-	3.2	3.0
Other/transfers	0.1	0.1	1.6	1.6	0.1	0.2	-	-	1.8	1.9
Total revenue	4.5	4.4	6.9	7.4	4.0	3.0	3.5	3.3	18.9	18.1
<i>Expenses</i>										
Operating/depreciation	4.6	4.5	5.4	5.4	4.0	5.9	3.4	3.1	17.4	18.9
Interest	-	-	0.3	0.4	-	-	-	-	0.3	0.4
Other/transfers	-	-	-	-	-	-	-	0.1	-	0.1
Total expenses	4.6	4.5	5.7	5.8	4.0	5.9	3.4	3.2	17.7	19.4
Increase (decrease) in net position	<u>\$ (0.1)</u>	<u>\$ (0.1)</u>	<u>\$ 1.2</u>	<u>\$ 1.6</u>	<u>\$ -</u>	<u>\$ (2.9)</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 1.2</u>	<u>\$ (1.3)</u>

Financial analysis of the District's unrestricted cash

At year-end the District reported combined unrestricted cash balances of \$10.3 million, which is an increase of \$186,462 or 1.84% from last year. Note 2 of the financial statements provide additional detail on cash balances.

General Fund budgetary highlights

The Rubidoux Community Services District budget is prepared bi-annually. Over the course of the year, the Board reviews and revises its budget to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2018-2019, no revisions were made to the District's general budget.

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

The unfavorable variance of \$130,126 in property tax revenue is primarily due to the District over-estimating their anticipated property tax revenues in their final budgeted amount. The unfavorable variance of \$615,004 in salaries and benefits and services and supplies is primarily due to the retirement of a few long-time District employees and payout of their compensated absences obligation, along with other expense increases in general supplies, postage and computer system support not anticipated in the original budget.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2019**

Capital asset and debt administration

Capital assets

At June 30, 2019, the District had \$42 million invested in a broad range of capital assets for infrastructure and facilities. (See Note 5.) (See Table 3 below.) This amount represents a net decrease of \$1.1 million, or 2.39%, below last year.

Table 3

Capital assets, at year-end (in millions)

Description	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer			
	2019	2018	2019	2018	2019	2018	2019	2018
Land	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.8	\$ -	\$ -	\$ 1.1	\$ 1.1
CIP	0.6	0.6	0.6	0.1	0.1	0.1	1.3	0.8
Structures and improvements	3.7	3.7	34.8	34.8	36.4	36.4	74.9	74.9
Equipment	1.1	1.0	1.7	1.6	0.6	0.6	3.4	3.2
Less depreciation	(1.8)	(1.6)	(15.0)	(14.2)	(21.9)	(21.1)	(38.7)	(36.9)
Total	\$ 3.9	\$ 4.0	\$ 22.9	\$ 23.1	\$ 15.2	\$ 16.0	\$ 42.0	\$ 43.1

Debt administration

At June 30, 2019, the District had \$8 million in loans, certificates of participation, and notes outstanding versus \$8.7 million last year – a decrease of 8% - 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			
	2019	2018	2019	2018	2019	2018	2019	2018
Certificates of participation	\$ -	\$ -	\$ 3.6	\$ 4.1	\$ -	\$ -	\$ 3.6	\$ 4.1
Notes/loans payable	-	-	4.4	4.6	-	-	4.4	4.6
Total	\$ -	\$ -	\$ 8.0	\$ 8.7	\$ -	\$ -	\$ 8.0	\$ 8.7

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2019**

Economic factors and next year's comments

There are several factors influencing the economy of the Rubidoux Community Services District (District). The District continues to stress water conservation efforts even in light of abundant local water supplies. In 2009, Governor Schwarzenegger signed the Water Conservation Act (AB 2175) which requires water suppliers to reduce statewide per capita water use by 20% by year 2020. Governor Brown issued a drought state of emergency order number B-29-15 on April 1, 2015, increasing the State's water conservation efforts to 25%. In 2016, the State eased the mandatory conservation burden by allowing each agency to self-certify the reliability of their water supplies. The District was able to reduce our conservation level to 0%. In 2019, AB 1668 and SB 606 became law. The effect of those bills is to limit and reduce indoor water usage, force enhanced conservation requirements, and emphasis water conservation as the new normal in California.

Home development planning and construction within the District has increased. Recently, developers for the Rio Vista project, a proposed development of approximately 1,400+ homes north of highway 60 are moving forward with annexation proceedings. The long dormant Emerald Meadows Ranch, originally proposed as a 1,000+ home development, has re-emerged as a proposed commercial and industrial project. The Highland Park development, a community of approximately 430+ homes north of highway 60 has completed annexation proceedings and appears to be the most active.

In 2018, the State imposed new water quality regulations for 1,2,3-Trichloropropane (TCP) in the potable water system. This new regulation has caused the District to add treatment to Well 2 (two vessels purchased for \$154,000 in June 2019) and commence the construction of a treatment addition to Well 4 (\$325,000). Additionally, the new regulations have forced the District to advance the construction of a new potable water well, Well 1A (\$452,000). Other emergent water quality concerns such as PFAS are requiring the District to consider further treatment options.

A contract for the construction of the replacement Jurupa Hills lift station was awarded by the Board in June 2019. The lift station cost estimate is \$650,000 and should be completed before the end of FY 19/20.

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

Contacting the District's financial management

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

Rubidoux Community Services District
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 1,805,108	\$ 8,510,599	\$ 10,315,707
Accounts receivable, net (Note 4)	113,907	2,345,438	2,459,345
Internal balances (Note 6)	593,119	(593,119)	-
Interest receivable	17,848	93,903	111,751
Inventory	-	45,886	45,886
Prepayments and deposits	7,404	5,264	12,668
Restricted assets:			
Cash and cash equivalents (Notes 2 and 3)	1,380,881	-	1,380,881
Total current assets	3,918,267	10,407,971	14,326,238
Noncurrent assets:			
Restricted - cash and cash equivalents (Notes 2 and 3)	-	9,416,536	9,416,536
Restricted - reserve funds (Notes 2 and 3)	-	760,427	760,427
Capital assets, not being depreciated (Note 5)	932,668	1,491,249	2,423,917
Capital assets, being depreciated, net (Note 5)	3,007,595	36,628,888	39,636,483
Total noncurrent assets	3,940,263	48,297,100	52,237,363
Total assets	7,858,530	58,705,071	66,563,601
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 10)	652,425	735,713	1,388,138
OPEB related (Note 11)	4,422	4,986	9,408
Total deferred outflows of resources	656,847	740,699	1,397,546

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

Rubidoux Community Services District
Statement of Net Position, continued
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,183,929	\$ 709,509	\$ 1,893,438
Accrued liabilities	49,559	60,658	110,217
Customer deposits	-	18,393	18,393
Unearned revenue	-	37,726	37,726
Interest payable	-	15,031	15,031
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	61,314	64,855	126,169
Bonds payable and certificates of of participation (Note 8)	-	535,000	535,000
Notes payable (Note 8)	-	253,084	253,084
Total current liabilities	1,294,802	1,694,256	2,989,058
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	183,940	194,565	378,505
Net pension liability (Note 10)	2,109,073	2,378,315	4,487,388
Net OPEB liability (Note 11)	240,881	271,634	512,515
Bonds payable and certificates of participation (Note 8)	-	3,100,099	3,100,099
Notes payable (Note 8)	-	4,132,022	4,132,022
Total noncurrent liabilities	2,533,894	10,076,635	12,610,529
Total liabilities	3,828,696	11,770,891	15,599,587
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 10)	173,601	195,762	369,363
NET POSITION			
Net investment in capital assets	3,940,263	30,099,932	34,040,195
Restricted for:			
Capital projects	1,380,881	6,878,009	8,258,890
Debt service	-	3,298,954	3,298,954
Unrestricted	(808,064)	7,202,222	6,394,158
Total net position	\$ 4,513,080	\$ 47,479,117	\$ 51,992,197

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

**Rubidoux Community Services District
Statement of Activities
For the year ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental activities:						
Administrative and support	\$ 2,708,583	\$ 1,239,832	\$ -	\$ (1,468,751)	\$ -	\$ (1,468,751)
Contracted services	1,937,708	-	-	(1,937,708)	-	(1,937,708)
Total governmental activities	4,646,291	1,239,832	-	(3,406,459)	-	(3,406,459)
Business-type activities:						
Water utility	5,735,281	5,273,322	-	-	(461,959)	(461,959)
Sewer utility	3,954,693	3,856,411	-	-	(98,282)	(98,282)
Solid waste disposal	3,386,597	3,514,243	-	-	127,646	127,646
Total business-type activities	13,076,571	12,643,976	-	-	(432,595)	(432,595)
Total primary government	\$ 17,722,862	\$ 13,883,808	\$ -	(3,406,459)	(432,595)	(3,839,054)
		General revenues:				
		Property taxes		3,147,573	-	3,147,573
		Investment earnings		79,461	339,468	418,929
		Bond replacement revenue		-	1,143,300	1,143,300
		Other non-operating revenue		-	284,360	284,360
		Transfers		48,813	(48,813)	-
		Total general revenues		3,275,847	1,718,315	4,994,162
		Change in net position		(130,612)	1,285,720	1,155,108
		Net position, beginning of year, as restated (Note 14)		4,643,692	46,193,397	50,837,089
		Net position, end of year		\$ 4,513,080	\$ 47,479,117	\$ 51,992,197

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

**Rubidoux Community Services District
Balance Sheet
General Fund
June 30, 2019**

ASSETS

Cash and cash equivalents (Note 2)	\$	1,805,108
Accounts receivable, net (Note 4)		113,907
Internal balances (Note 6)		593,119
Interest receivable		17,848
Prepayments and deposits		7,404
Restricted assets:		
Cash and cash equivalents (Notes 2 and 3)		1,380,881
		<hr/>
Total assets	\$	<u>3,918,267</u>

LIABILITIES

Accounts payable	\$	1,183,929
Accrued liabilities		49,559
		<hr/>
Total liabilities		<u>1,233,488</u>

FUND BALANCES

Nonspendable		7,404
Restricted		1,380,881
Unassigned		1,296,494
		<hr/>
Total fund balances		<u>2,684,779</u>
		<hr/>
Total liabilities and fund balances	\$	<u>3,918,267</u>

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

**Rubidoux Community Services District
 Reconciliation of the General Fund Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2019**

Fund balances of governmental funds \$ 2,684,779

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 3,940,263

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	(245,254)
Net pension liability	(2,109,073)
Net OPEB liability	(240,881)

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

Deferred outflows of resources	656,847
Deferred inflows of resources	(173,601)

Net position of governmental activities \$ 4,513,080

Rubidoux Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the year ended June 30, 2019

REVENUES

Property taxes and weed abatement	\$ 3,147,573
Charges for administrative services	1,200,000
Licenses and permits	4,947
Interest earnings	79,461
Other revenue	34,885
	<hr/>
Total revenues	4,466,866
	<hr/>

EXPENDITURES

General government	2,837,104
Fire protection and weed abatement	1,937,708
	<hr/>
Total expenditures	4,774,812
	<hr/>

Excess of revenues over (under) expenditures	(307,946)
--	-----------

OTHER FINANCING SOURCES (USES)

Transfers in	48,813
	<hr/>

Net change in fund balance	(259,133)
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Fund balance, beginning of year	2,943,912
	<hr/>

Fund balance, end of year	\$ 2,684,779
	<hr/> <hr/>

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

**Rubidoux Community Services District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the General Fund to the Government-Wide Statement of Activities
 For the year ended June 30, 2019**

Net change in fund balances - total governmental funds \$ (259,133)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays and asset disposals exceeded depreciation expense in the current period. (80,841)

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

Change in compensated absences	282,199
Pension and OPEB related net adjustments	<u>(72,837)</u>

Change in net position of governmental activities \$ (130,612)

Rubidoux Community Services District
Statement of Net Position
Proprietary Funds
June 30, 2019

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 7,809,644	\$ 700,955	\$ -	\$ 8,510,599
Accounts receivable, net (Note 4)	711,704	1,225,161	408,573	2,345,438
Internal balances (Note 6)	319,636	(912,755)	-	(593,119)
Interest receivable	77,057	16,846	-	93,903
Inventory	45,886	-	-	45,886
Prepayments and deposits	5,264	-	-	5,264
	<u>8,969,191</u>	<u>1,030,207</u>	<u>408,573</u>	<u>10,407,971</u>
Total current assets				
Noncurrent assets:				
Restricted - cash and cash equivalents (Notes 2 and 3)	6,131,972	3,284,564	-	9,416,536
Restricted - reserve funds (Notes 2 and 3)	760,427	-	-	760,427
Capital assets, not being depreciated (Note 5)	1,373,891	117,358	-	1,491,249
Capital assets, being depreciated, net (Note 5)	21,502,933	15,125,955	-	36,628,888
	<u>29,769,223</u>	<u>18,527,877</u>	<u>-</u>	<u>48,297,100</u>
Total noncurrent assets				
Total assets	<u>38,738,414</u>	<u>19,558,084</u>	<u>408,573</u>	<u>58,705,071</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 10)	652,423	83,290	-	735,713
OPEB related (Note 11)	4,422	564	-	4,986
	<u>656,845</u>	<u>83,854</u>	<u>-</u>	<u>740,699</u>
Total deferred outflows of resources				

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

Rubidoux Community Services District
Statement of Net Position, continued
Proprietary Funds
June 30, 2019

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 195,678	\$ 513,831	\$ -	\$ 709,509
Accrued liabilities	55,406	5,252	-	60,658
Customer deposits	18,393	-	-	18,393
Unearned revenue	37,726	-	-	37,726
Interest payable	15,031	-	-	15,031
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	62,772	2,083	-	64,855
Bonds payable and certificates of participation (Note 8)	535,000	-	-	535,000
Notes payable (Note 8)	253,084	-	-	253,084
Total current liabilities	1,173,090	521,166	-	1,694,256
Noncurrent liabilities:				
Long-term liabilities - due within more than one year:				
Compensated absences (Note 9)	188,315	6,250	-	194,565
Net pension liability (Note 10)	2,109,072	269,243	-	2,378,315
Net OPEB liability (Note 11)	240,883	30,751	-	271,634
Bonds payable and certificates of participation (Note 8)	3,100,099	-	-	3,100,099
Notes payable (Note 8)	4,132,022	-	-	4,132,022
Total noncurrent liabilities	9,770,391	306,244	-	10,076,635
Total liabilities	10,943,481	827,410	-	11,770,891
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 10)	173,601	22,161	-	195,762
NET POSITION				
Net investment in capital assets	14,856,619	15,243,313	-	30,099,932
Restricted				
Capital projects	3,593,445	3,284,564	-	6,878,009
Debt service	3,298,954	-	-	3,298,954
Unrestricted	6,529,159	264,490	408,573	7,202,222
Total net position	\$ 28,278,177	\$ 18,792,367	\$ 408,573	\$ 47,479,117

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, 2019

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
OPERATING REVENUES				
Charges for current services	\$ 5,270,632	\$ 2,955,954	\$ 3,514,243	\$ 11,740,829
Other revenue	2,690	900,457	-	903,147
Total operating revenues	<u>5,273,322</u>	<u>3,856,411</u>	<u>3,514,243</u>	<u>12,643,976</u>
OPERATING EXPENSES				
Salaries and benefits	2,204,541	110,830	-	2,315,371
Contracted services	-	-	3,275,476	3,275,476
Electrical power	336,942	47,213	-	384,155
Operating expense	302,301	62,738	-	365,039
Maintenance and repairs	47,422	45,340	-	92,762
Operating treatment	578,605	1,985,578	-	2,564,183
Insurance	58,906	15,006	-	73,912
Professional fees	63,747	423,318	-	487,065
Bad debt	26,940	1,191	11,121	39,252
Other	259,815	13,244	-	273,059
Administrative fee	600,000	500,000	100,000	1,200,000
Total operating expenses	<u>4,479,219</u>	<u>3,204,458</u>	<u>3,386,597</u>	<u>11,070,274</u>
Operating income before depreciation	794,103	651,953	127,646	1,573,702
Depreciation expense	<u>(937,080)</u>	<u>(750,235)</u>	<u>-</u>	<u>(1,687,315)</u>
Operating income (loss)	<u>(142,977)</u>	<u>(98,282)</u>	<u>127,646</u>	<u>(113,613)</u>
NONOPERATING REVENUES (EXPENSES)				
Capital replacement	210,204	8,000	-	218,204
Capacity fees	38,556	27,600	-	66,156
Bond replacement revenue	1,143,300	-	-	1,143,300
Interest income	278,993	60,475	-	339,468
Interest expense	<u>(318,982)</u>	<u>-</u>	<u>-</u>	<u>(318,982)</u>
Total nonoperating revenues (expenses)	<u>1,352,071</u>	<u>96,075</u>	<u>-</u>	<u>1,448,146</u>
Income before contributions and transfers	1,209,094	(2,207)	127,646	1,334,533
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(48,813)</u>	<u>(48,813)</u>
Change in net position	1,209,094	(2,207)	78,833	1,285,720
Net position, beginning of year, as restated (Note 14)	<u>27,069,083</u>	<u>18,794,574</u>	<u>329,740</u>	<u>46,193,397</u>
Net position, end of year	<u><u>\$ 28,278,177</u></u>	<u><u>\$ 18,792,367</u></u>	<u><u>\$ 408,573</u></u>	<u><u>\$ 47,479,117</u></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, 2019

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 5,209,752	\$ 2,897,938	\$ 3,435,410	\$ 11,543,100
Cash paid to employees for salaries and benefits	(2,119,843)	(97,907)	-	(2,217,750)
Cash paid to vendors and suppliers	(1,799,322)	(2,718,314)	(3,286,597)	(7,804,233)
Other payments	(600,000)	(500,000)	(100,000)	(1,200,000)
Net cash provided (used) by operating activities	<u>690,587</u>	<u>(418,283)</u>	<u>48,813</u>	<u>321,117</u>
Cash flows from noncapital financing activities:				
Proceeds from capacity fees	38,556	27,600	-	66,156
Bond replacement revenue	1,143,300	-	-	1,143,300
Other non-operating revenues (expenses), net	170,007	-	-	170,007
Transfers to other funds	-	-	(48,813)	(48,813)
Interfund borrowings	993,783	855,706	-	1,849,489
Net cash provided (used) by noncapital financing activities	<u>2,345,646</u>	<u>883,306</u>	<u>(48,813)</u>	<u>3,180,139</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(633,647)	(109,525)	-	(743,172)
Proceeds from disposition of capital assets	45,805	8,000	-	53,805
Principal payments on capital debt	(756,702)	(13,564)	-	(770,266)
Interest payments on capital debt	(317,160)	-	-	(317,160)
Net cash used by capital and related financing activities	<u>(1,661,704)</u>	<u>(115,089)</u>	<u>-</u>	<u>(1,776,793)</u>
Cash flows from investing activities:				
Interest earnings	253,237	54,581	-	307,818
Net cash provided by investing activities	<u>253,237</u>	<u>54,581</u>	<u>-</u>	<u>307,818</u>
Net increase in cash and cash equivalents	1,627,766	404,515	-	2,032,281
Cash and cash equivalents, beginning of year	<u>13,074,277</u>	<u>3,581,004</u>	<u>-</u>	<u>16,655,281</u>
Cash and cash equivalents, end of year	<u>\$ 14,702,043</u>	<u>\$ 3,985,519</u>	<u>\$ -</u>	<u>\$ 18,687,562</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 7,809,644	\$ 700,955	\$ -	\$ 8,510,599
Restricted cash and cash equivalents	6,131,972	3,284,564	-	9,416,536
Restricted reserve funds	760,427	-	-	760,427
Totals	<u>\$ 14,702,043</u>	<u>\$ 3,985,519</u>	<u>\$ -</u>	<u>\$ 18,687,562</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, 2019**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ (142,977)</u>	<u>\$ (98,282)</u>	<u>\$ 127,646</u>	<u>\$ (113,613)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	937,080	750,235	-	1,687,315
Bad debt	26,940	1,191	11,121	39,252
Changes in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable, net	(91,834)	(959,664)	(89,954)	(1,141,452)
Inventory	4,440	-	-	4,440
Prepayments and deposits	27,943	-	-	27,943
Deferred outflows of resources	101,435	12,948	-	114,383
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(157,027)	(124,686)	-	(281,713)
Accrued liabilities	(20,521)	1,805	-	(18,716)
Customer deposits	1,324	-	-	1,324
Compensated absences	32,383	1,822	-	34,205
Net pension liability	(21,313)	(2,721)	-	(24,034)
OPEB liability	15,095	1,927	-	17,022
Deferred inflows of resources	(22,381)	(2,858)	-	(25,239)
Total adjustments	<u>833,564</u>	<u>(320,001)</u>	<u>(78,833)</u>	<u>434,730</u>
Net cash provided (used) by operating activities	<u>\$ 690,587</u>	<u>\$ (418,283)</u>	<u>\$ 48,813</u>	<u>\$ 321,117</u>
Non-cash operating, noncapital and capital and related financing, and investing activities:				
	None	None	None	

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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, 2019

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, 2019**

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 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, 2019**

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, 2019

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Restricted Assets

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

Capital Assets

Capital assets purchased or constructed with a value over \$5,000 and a useful life of 3 or more years are carried at historical cost. Constructed costs include labor, materials and construction period interest expense (net of interest income). Contributed assets are stated at estimated fair market value at the time received by the District. Donated capital assets are recorded at acquisition value at the date donated.

Depreciation is calculated on the straight-line method over the estimated useful lives of the properties, ranging from five to fifty years, as follows:

Governmental Activities

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

Business-Type Activities

- Land improvements – 30 years
- Structures and improvements – 5 to 30 years
- Water transmission and distribution systems – 50 years
- Wastewater collection systems – 50 years
- Vehicles and equipment – 5 to 15 years

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Other Postemployment Benefits (OPEB)

For purposes of measuring the net 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, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualifies for reporting in this category: pensions and OPEB. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items which qualifies for reporting in this category: pensions and OPEB. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position

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

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

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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, 2019**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Use of Estimates

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

New Accounting Pronouncements

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

Government Accounting Standards Board Statement No. 84

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

Government Accounting Standards Board Statement No. 87

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

Government Accounting Standards Board Statement No. 89

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for periods beginning after December 15, 2019.

Government Accounting Standards Board Statement No. 90

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and 61* is effective for periods beginning after December 15, 2018.

Government Accounting Standards Board Statement No. 91

GASB Statement No. 91, *Conduit Debt Obligations* is effective for periods beginning after December 15, 2020.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 2: Cash and Cash Equivalents

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

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 1,805,108	\$ 7,809,644	\$ 700,955	\$10,315,707
Restricted - cash and cash equivalents	1,380,881	-	-	1,380,881
Non-current:				
Restricted - cash and cash equivalents	-	6,131,972	3,284,564	9,416,536
Restricted - reserve funds	-	760,427	-	760,427
Total cash and cash equivalents	<u>\$ 3,185,989</u>	<u>\$ 14,702,043</u>	<u>\$ 3,985,519</u>	<u>\$ 21,873,551</u>
Cash and cash equivalents:				
Deposits held with financial institutions	\$ 288,185	\$ 752,344	\$ 76,297	\$ 1,116,826
Cash on hand	-	1,800	-	1,800
Investments (certificates of deposit)	170,000	2,185,000	1,200,000	3,555,000
First American Treasury Obligations	-	17,303	-	17,303
Local Agency Investment Fund (LAIF)	<u>2,727,804</u>	<u>11,745,596</u>	<u>2,709,222</u>	<u>17,182,622</u>
Total cash and cash equivalents	<u>\$ 3,185,989</u>	<u>\$14,702,043</u>	<u>\$3,985,519</u>	<u>\$21,873,551</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, 2019:

- Local Agency Investment Fund (General Fund, \$2,727,804, Water \$11,745,596 and Sewer \$2,709,222) of \$17,182,622 is valued at net asset value (LAIF is not subject to the fair value hierarchy).
- Certificates of Deposit (General Fund, \$170,000, Water \$2,185,000, Sewer \$1,200,000) of \$3,555,000 are valued at Level 2 – Significant Other Observable Inputs.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

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, 2019:

	<u>Amount</u>
Governmental:	
Fire mitigation	<u>\$ 1,380,881</u>
Business-type:	
Certificates of Participation - Series 1998:	
Funds held by fiscal agent in bond reserve	<u>760,427</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	3,284,564
Water connection fees	2,558,892
Water - COP's	2,538,527
Water - capital replacement	549,603
Water - field/admin	<u>484,950</u>
Total business-type restricted assets	<u>10,176,963</u>
Total restricted assets	<u><u>\$ 11,557,844</u></u>

Restricted cash and receivable connection/capacity/improvement project fees for each designated purpose is as follows at June 30, 2019:

	<u>Water</u>	<u>Sewer</u>	<u>Fire Mitigation</u>	<u>Total</u>
Restricted cash - current	\$ -	\$ -	\$ 1,380,881	\$ 1,380,881
Restricted cash - non-current	6,131,972	3,284,564	-	9,416,536
Reserve funds	<u>760,427</u>	<u>-</u>	<u>-</u>	<u>760,427</u>
Total	<u><u>\$ 6,892,399</u></u>	<u><u>\$ 3,284,564</u></u>	<u><u>\$ 1,380,881</u></u>	<u><u>\$ 11,557,844</u></u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 4: Accounts Receivable

The detail of accounts receivable is as follows at June 30, 2019:

		<u>Amount</u>
Governmental		
Weed abatement		
Property assessments for weed abatement	\$	4,774
Governmental Fund taxes/developer charge backs		<u>109,133</u>
Total governmental		<u>113,907</u>
Business-type		
Water Fund		
Billed, net	\$	273,886
Unbilled	<u>437,818</u>	711,704
Sewer Service Fund		
Billed, net	134,609	
Unbilled	190,095	
City of Riverside*	<u>900,457</u>	1,225,161
Solid Waste Disposal Fund		
Billed, net	184,575	
Unbilled	<u>223,998</u>	<u>408,573</u>
Total business-type		<u>2,345,438</u>
Total accounts receivable, net		<u>\$ 2,459,345</u>

*Receivable from City of Riverside represents reimbursements for regional treatment operation and maintenance charges approved in June 2019 and received in July 2019.

Allowance for doubtful accounts at June 30, 2019, is provided as follows:

Water fund	\$	19,000
Sewer fund		11,000
Solid waste disposal fund		<u>12,000</u>
Total	\$	<u>42,000</u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 5: Capital Assets

Property, plant and equipment were comprised of the following at June 30, 2019:

<i>Governmental-type activities</i>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 308,117	\$ -	\$ -	\$ 308,117
Construction in progress	624,551	-	-	624,551
 Total capital assets, not being depreciated	 932,668	 -	 -	 932,668
Capital assets, being depreciated:				
Structures and improvements	3,718,183	-	-	3,718,183
Equipment	980,358	66,284	-	1,046,642
 Total capital assets, being depreciated	 4,698,541	 66,284	 -	 4,764,825
 Total accumulated depreciation	 (1,610,105)	 (147,125)	 -	 (1,757,230)
 Total capital assets, being depreciated, net	 3,088,436	 (80,841)	 -	 3,007,595
 Governmental activities capital assets, net	 <u>\$ 4,021,104</u>	 <u>\$ (80,841)</u>	 <u>\$ -</u>	 <u>\$ 3,940,263</u>
	Depreciation Expense			
<i>Functions/Programs</i>				
Administration and support	<u>\$ 147,125</u>			

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 5: Capital Assets, continued

Business-type Activities

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 787,175	\$ -	\$ -	\$ 787,175
Construction in progress	147,824	438,892	-	586,716
Total capital assets, not being depreciated	934,999	438,892	-	1,373,891
Capital assets, being depreciated:				
Structures and improvements	34,776,058	-	-	34,776,058
Equipment	1,630,975	194,755	(112,264)	1,713,466
Total capital assets, being depreciated	36,407,033	194,755	(112,264)	36,489,524
Less accumulated depreciation	(14,156,167)	(937,080)	106,656	(14,986,591)
Total capital assets, being depreciated, net	22,250,866	(742,325)	(5,608)	21,502,933
Total Water Utility capital assets, net	23,185,865	(303,433)	(5,608)	22,876,824
Sewer Utility				
Capital assets, not being depreciated:				
Land	17,825	-	-	17,825
Construction in progress	59,089	40,444	-	99,533
Total capital assets, not being depreciated	76,914	40,444	-	117,358
Capital assets, being depreciated:				
Structures and improvements	36,382,797	-	-	36,382,797
Equipment	560,649	69,081	(30,283)	599,447
Total capital assets, being depreciated	36,943,446	69,081	(30,283)	36,982,244
Less accumulated depreciation	(21,136,337)	(750,235)	30,283	(21,856,289)
Total capital assets, being depreciated, net	15,807,109	(681,154)	-	15,125,955
Total Sewer Utility capital assets, net	15,884,023	(640,710)	-	15,243,313
Total Business-type Activities capital assets, net	<u>\$ 39,069,888</u>	<u>\$ (944,143)</u>	<u>\$ (5,608)</u>	<u>\$ 38,120,137</u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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, 2019:

Due From	Due To			Total
	General Fund	Water Fund	Sewer Fund	
General Fund	\$ -	\$ 1,273,190	\$ (1,866,309)	\$ (593,119)
Water Utility Fund	(1,273,190)	-	953,554	(319,636)
Sewer Utility Fund	1,866,309	(953,554)	-	912,755
Total	\$ 593,119	\$ 319,636	\$ (912,755)	\$ -

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended. The Solid Waste fund transferred \$48,813 to the General Fund.

Note 7: Real Properties

Properties owned by the District are as follows:

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

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 8: Long-term Liabilities

Below is a schedule of the changes in long-term liabilities for the year ended June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Business-type activities:</u>					
Water Utility Fund:					
<i>Other Debt:</i>					
1998 Certificates of Participation	\$ 4,170,000	\$ -	\$ (510,000)	\$ 3,660,000	\$ 535,000
Less: unamortized discount	(29,499)	-	4,598	(24,901)	-
<i>Direct Borrowings:</i>					
Note payable - State Drinking Water	4,631,808	-	(246,702)	4,385,106	253,084
Total Water Utility	8,772,309	-	(752,104)	8,020,205	788,084
Sewer Utility Fund:					
<i>Direct Borrowings:</i>					
Note payable - State Drinking Water	13,564	-	(13,564)	-	-
Total Business-type	<u>\$ 8,785,873</u>	<u>\$ -</u>	<u>\$ (765,668)</u>	<u>\$ 8,020,205</u>	<u>\$ 788,084</u>

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
2020	\$ 535,000	\$ 173,018	\$ 708,018
2021	565,000	144,968	709,968
2022	590,000	115,515	705,515
2023	625,000	84,533	709,533
2024	655,000	51,893	706,893
2025	690,000	17,595	707,595
Total	<u>\$ 3,660,000</u>	<u>\$ 587,522</u>	<u>\$ 4,247,522</u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 8: Long-term Liabilities, continued

Note Payable – Direct Borrowing

The District entered into an agreement with the California Department of Public Health for a Safe Drinking Water State Revolving Fund loan in October 2010. The original agreement provided for a \$5,667,200 twenty-year loan at a 2.5707% interest rate for the purpose of financing construction projects to meet safe drinking water standards. This project was the construction of the Leland J. Thompson Water Facility. The note from direct borrowings are secured with collateral from net revenues from the Water Enterprise 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
2020	\$ 253,084	\$ 111,112	\$ 364,196
2021	259,632	104,564	364,196
2022	266,349	97,847	364,196
2023	273,240	90,956	364,196
2024	280,310	83,886	364,196
2025 - 2029	1,514,155	306,825	1,820,980
2030 - 2034	1,538,336	100,549	1,638,885
Total	\$ 4,385,106	\$ 895,739	\$ 5,280,845

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 9: Compensated Absences

In concurrence with the Districts' Memorandum of Understanding (MOU), dated July 1, 2018, 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, 2019 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Governmental Activities	\$ 527,453	\$ -	\$ (282,199)	\$ 245,254	\$ 61,314
Business-Type Activities:					
Water	218,704	32,383	-	251,087	62,772
Sewer	6,511	1,822	-	8,333	2,083
Total Business-Type Activities	225,215	34,205	-	259,420	64,855
Total Compensated Absences	<u>\$ 752,668</u>	<u>\$ 34,205</u>	<u>\$ (282,199)</u>	<u>\$ 504,674</u>	<u>\$ 126,169</u>

Note 10: Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plan, continued

A. General Information about the Pension Plan, continued

Benefits Provided, continued

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates for 2019	13.439%	6.842%

	Safety*	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employer contribution rates for 2019	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 be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2019 were \$536,247. The actual employer payments of \$432,726 made to CalPERS by the District during the measurement period ended June 30, 2018 differed from the District's proportionate share of the employer's contributions of \$558,922 by \$126,196, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases (1)	Varies by entry age and service
Mortality Rate Table (2)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

- (1) Annual increases vary by category, entry age, and duration of service
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Long-term Expected Rate of Return, continued

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

Asset Class¹	New Strategic Allocation	Real Return Years 1 - 10²	Real Return Years 11+³
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.70%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	<u>100.0%</u>		

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

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

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.

Discount Rate

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

Pension Plan Fiduciary Net Position

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Pension Plan Fiduciary Net Position, continued

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

C. Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2017 (Valuation Date)	\$ 18,495,043	\$ 13,962,309	\$ 4,532,734
Balance at: 6/30/2018 (Measurement Date)	\$ 18,818,017	\$ 14,330,629	\$ 4,487,388
Net Changes During 2017-2018	\$ 322,974	\$ 368,320	\$ (45,346)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of the June 30, 2017 and 2018 measurement dates was as follows:

Proportionate Share of NPL - June 30, 2017	0.0457%
Proportionate Share of NPL - June 30, 2018	0.0466%
Change - Increase (Decrease)	0.0009%

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 7,044,913	\$ 4,487,388	\$ 2,380,133

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

Subsequent Events

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

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:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives 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, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Recognition of Gains and Losses, 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, 2017), the District's net pension liability is \$4,532,734. For the measurement period ending June 30, 2018 (the measurement date), the District incurred a pension expense of \$668,508.

As of June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

Note 10: Pension Plans, continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 147,681	\$ (39,765)
Changes of Assumptions	488,528	(104,047)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	24,835	-
Change in Employer's Proportion	190,847	(57,478)
Difference in Actual vs Projected Contributions	-	(168,073)
Pension Contributions Subsequent to Measurement Date	536,247	-
Total	\$ 1,388,138	\$ (369,363)

These amounts above are net of outflows and inflows recognized in the 2017-2018 measurement period expense. The \$536,247 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year ended. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2019	\$ 404,227
2020	242,671
2021	(127,010)
2022	(37,360)
2023	-
Remaining	-

E. Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$10,659 for the outstanding contributions to the pension plans required for the year ended June 30, 2019.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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, 2018 actuarial valuation, the following employees were covered by the benefit terms under the HC Plan:

Active employees	22
Inactive employees or beneficiaries currently receiving benefits	<u>4</u>
Total	<u><u>26</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, 2019, the District's cash contributions were \$9,408 in payments for insurance premiums not reimbursed by a trust.

Net OPEB Liability

The District's net OPEB liability was valued and measured as of June 30, 2018, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	3.80%
Inflation	2.75% per year
Salary Increases	2.75% per year
Investment Rate of Return	3.80%
Mortality Rate ⁽¹⁾	2014 CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover Healthcare Trend Rate ⁽²⁾	2009 CalPERS Rates for Miscellaneous Employees

⁽¹⁾ The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

⁽²⁾ The turnover assumptions are based on the 2009 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.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.80%. The District is currently financing its OPEB liability on a pay-as-you-go basis.

Changes in the OPEB Liability

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

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability/(Asset) (c)= (a) - (b)</u>
Balance at June 30, 2017	\$ 480,400	\$ -	\$ 480,400
Changes recognized for the measurement period:			
Service Cost	23,658	-	23,658
Interest	18,501	-	18,501
Contributions - employer	-	10,044	(10,044)
Benefit payments	(10,044)	(10,044)	-
Net Changes	<u>32,115</u>	<u>-</u>	<u>32,115</u>
Balance at June 30, 2018 (measurement date)	<u>\$ 512,515</u>	<u>\$ -</u>	<u>\$ 512,515</u>

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

The following presents the net 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, 2018:

	<u>1% Decrease 2.80%</u>	<u>Current Discount Rate 3.80%</u>	<u>1% Increase 4.80%</u>
Net OPEB Liability	\$ 608,317	\$ 512,515	\$ 437,226

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

The following presents the net 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, 2018:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 435,338	\$ 512,515	\$ 590,260

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019**

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

OPEB Expense

For the fiscal year ended June 30, 2019, the District recognized an OPEB expense of \$42,160. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 9,408	\$ -

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, 2018	\$ 4,426,019	\$ 10,648,046	\$ 20,644,482	\$ 35,718,547
Fiscal year, June 30, 2019	-	-	-	-
Total	<u>\$ 4,426,019</u>	<u>\$ 10,648,046</u>	<u>\$ 20,644,482</u>	<u>\$ 35,718,547</u>

Note 13: Commitments and Contingencies

Litigation

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

Note 14: Prior Period Restatement

Change in Accounting Principle

The District implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The District's net OPEB liability was not previously recorded on the Statement of Net Position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2019

Note 14: Prior Period Restatement (continued)

The cumulative effects of applying the provisions of GASB 75 have been reported as a restatement of beginning net position for the year ended June 30, 2019 in accordance with the Statement as follows:

	<u>Governmental Activities</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Net position, beginning of year, as previously stated	\$ 4,869,480	\$ 27,294,871	\$ 18,823,398	\$ 329,740	\$ 51,317,489
Restatement due to change in accounting principle	<u>(225,788)</u>	<u>(225,788)</u>	<u>(28,824)</u>	<u>-</u>	<u>(480,400)</u>
Net position, beginning of year, as restated	<u>\$ 4,643,692</u>	<u>\$ 27,069,083</u>	<u>\$ 18,794,574</u>	<u>\$ 329,740</u>	<u>\$ 50,837,089</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Employer's Proportion of the Collective Net Pension Liability ¹	0.03042%	0.043038%	0.044814%	0.045706%	0.046568%
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
Employer's Covered Payroll	\$ 1,868,407	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588	\$ 2,093,208
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%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	82.83%	81.30%	76.63%	75.49%	76.15%

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

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

**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
Contractually Determined Contributions	\$ 360,072	\$ 362,251	\$ 400,178	\$ 432,726	\$ 536,247
Contributions in Relation to the Contractually Determined Contributions	(360,072)	(362,251)	(400,178)	(432,726)	(536,247)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588	\$ 2,093,208	\$ 2,416,190
Contributions as a Percentage of Covered Payroll	18.24%	17.68%	19.47%	20.67%	22.19%

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

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: 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 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. 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 Net OPEB Liability and Related Ratios
Last 10 years***

Measurement Period	2018
Total OPEB Liability	
Service Cost	\$ 23,659
Interest on the Total OPEB Liability	18,501
Actual and expected experience difference	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments	(10,044)
Net change in Total OPEB Liability	<u>32,116</u>
Total OPEB Liability - beginning	480,399
Total OPEB Liability - ending (a)	<u><u>\$ 512,515</u></u>
 Plan Fiduciary Net Position	
Contribution - employer	\$ 10,044
Net investment income	-
Benefit payments	(10,044)
Administrative expense	-
Net change in Plan Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	<u><u>\$ -</u></u>
 Net OPEB Liability - ending (a) - (b)	\$ 512,515
 Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
 Covered-employee payroll	\$ 2,093,208
 Net OPEB liability as a percentage of covered-employee payroll	21.21%

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:

None.

**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
 Required Supplementary Information
 Schedule of Contributions – OPEB
 Last 10 years***

Fiscal Year Ended June 30	2019
Statutorily required contributions	\$ 9,408
Contributions in relation to the statutorily required contributions	(9,408)
Contribution deficiency/(excess)	\$ -
Covered-employee payroll	\$ 2,416,190
Contribution as a percentage of covered-employee payroll	0.39%

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:

None.

**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 Balances
Budget and Actual – General Fund
For the year ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes and weed abatement	\$ 3,039,149	\$ 3,277,699	\$ 3,147,573	\$ (130,126)
Charges for administrative services	1,200,000	1,200,000	1,200,000	-
Licenses and permits	7,000	7,000	4,947	(2,053)
Interest earnings	9,200	12,500	79,461	66,961
Other revenue	41,900	49,900	34,885	(15,015)
Total revenues	4,297,249	4,547,099	4,466,866	(80,233)
EXPENDITURES				
General government				
Salaries and benefits (including pension)	1,929,300	1,880,700	2,281,475	(400,775)
Services and supplies	359,100	341,400	555,629	(214,229)
Capital outlays	3,000	3,000	-	3,000
Fire protection and weed abatement				
Contract services	2,737,449	2,848,500	1,917,876	930,624
Utilities	25,000	25,000	19,832	5,168
Total expenditures	5,053,849	5,098,600	4,774,812	323,788
Excess of revenue over (under) expenditures	(756,600)	(551,501)	(307,946)	243,555
OTHER FINANCING SOURCES (USES)				
Transfers in	756,600	551,501	48,813	(502,688)
Net change in fund balance	-	-	(259,133)	(259,133)
Fund balance, beginning of year	2,943,912	2,943,912	2,943,912	-
Fund balance, end of year	<u>\$ 2,943,912</u>	<u>\$ 2,943,912</u>	<u>\$ 2,684,779</u>	<u>\$ (259,133)</u>

**Rubidoux Community Services District
Notes to Required Supplementary Information
For the year ended June 30, 2019**

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

**Rubidoux Community Services District
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance – General Fund
For the year ended June 30, 2019**

	General Fund	Protection/ Weed Abatement	Reported General Fund
REVENUES			
Property tax and weed abatement	\$ 3,134,909	\$ 12,664	\$ 3,147,573
Charges for administrative services	1,200,000	-	1,200,000
License and permits	4,947	-	4,947
Interest earnings	79,461	-	79,461
Other revenue	34,885	-	34,885
	<u>4,454,202</u>	<u>12,664</u>	<u>4,466,866</u>
EXPENDITURES			
Current:			
General government	2,837,104	-	2,837,104
Fire protection and weed abatement	-	1,937,708	1,937,708
	<u>2,837,104</u>	<u>1,937,708</u>	<u>4,774,812</u>
Excess of revenues over (under) expenditures	<u>1,617,098</u>	<u>(1,925,044)</u>	<u>(307,946)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	48,813	1,921,410	1,970,223
Transfer out	(1,921,410)	-	(1,921,410)
	<u>(1,872,597)</u>	<u>1,921,410</u>	<u>48,813</u>
Net change in fund balance	(255,499)	(3,634)	(259,133)
Fund balance, beginning of year	<u>2,114,174</u>	<u>829,738</u>	<u>2,943,912</u>
Fund balance, end of year	<u>\$ 1,858,675</u>	<u>\$ 826,104</u>	<u>\$ 2,684,779</u>

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

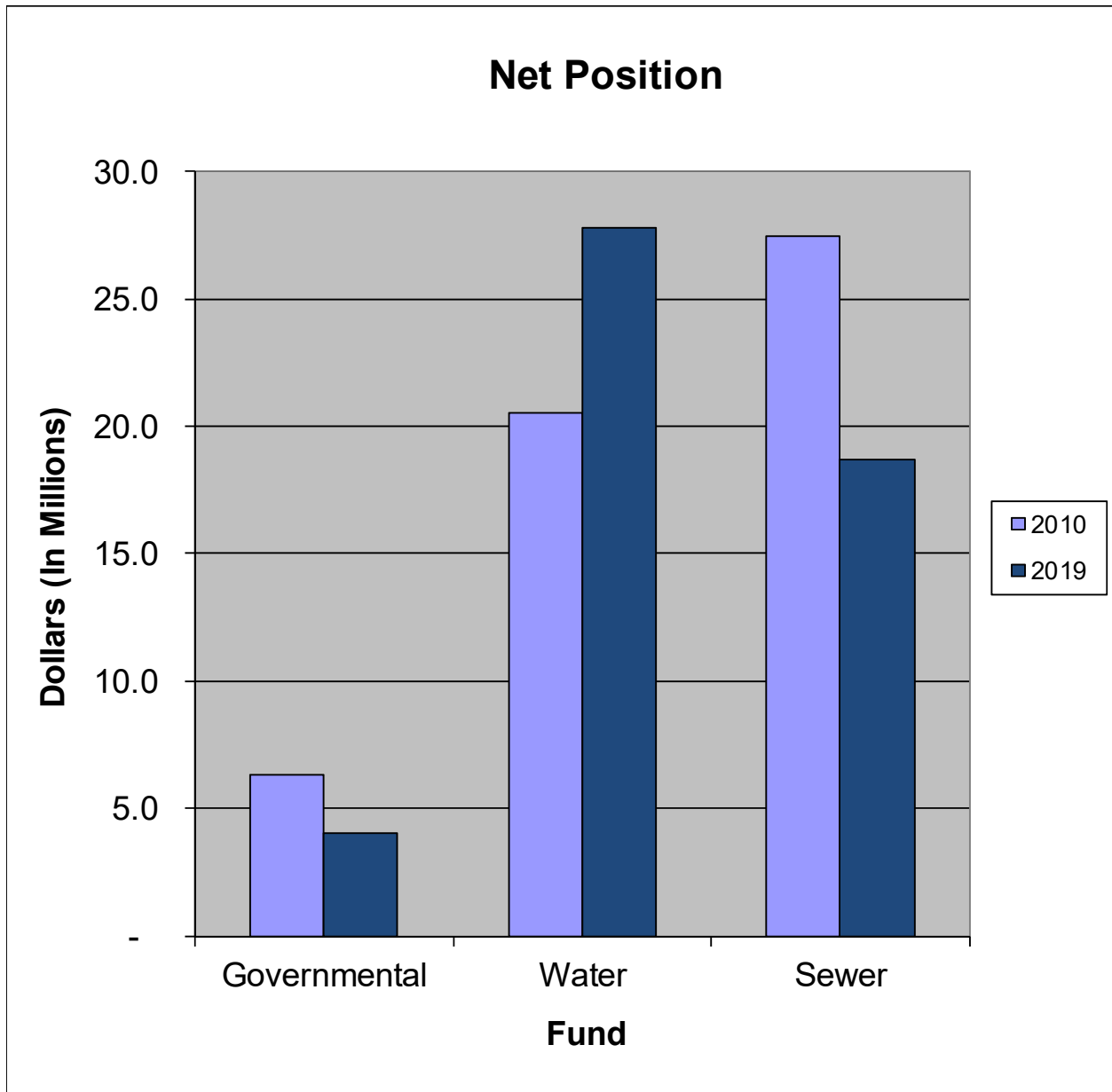
Change in Net Position:

	Governmental Activities	Water	Sewer	Solid Waste Disposal	Total
June 30, 2010	\$ (704,000)	\$ 324,000	\$ 3,392,000	\$ 68,000	\$ 3,080,000
June 30, 2011	398,000	(661,000)	(587,000)	(135,000)	(985,000)
June 30, 2012	420,000	(136,000)	(62,000)	(55,000)	167,000
June 30, 2013	(202,000)	581,000	(900,000)	50,000	(471,000)
June 30, 2014	(1,716,000)	1,201,000	(919,800)	2,000	(1,432,800)
June 30, 2015	(219,000)	2,463,000	171,000	(4,000)	2,411,000
June 30, 2016	1,000	(311,000)	(466,000)	10,000	(766,000)
June 30, 2017	18,000	1,951,000	(2,045,000)	(13,000)	(89,000)
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

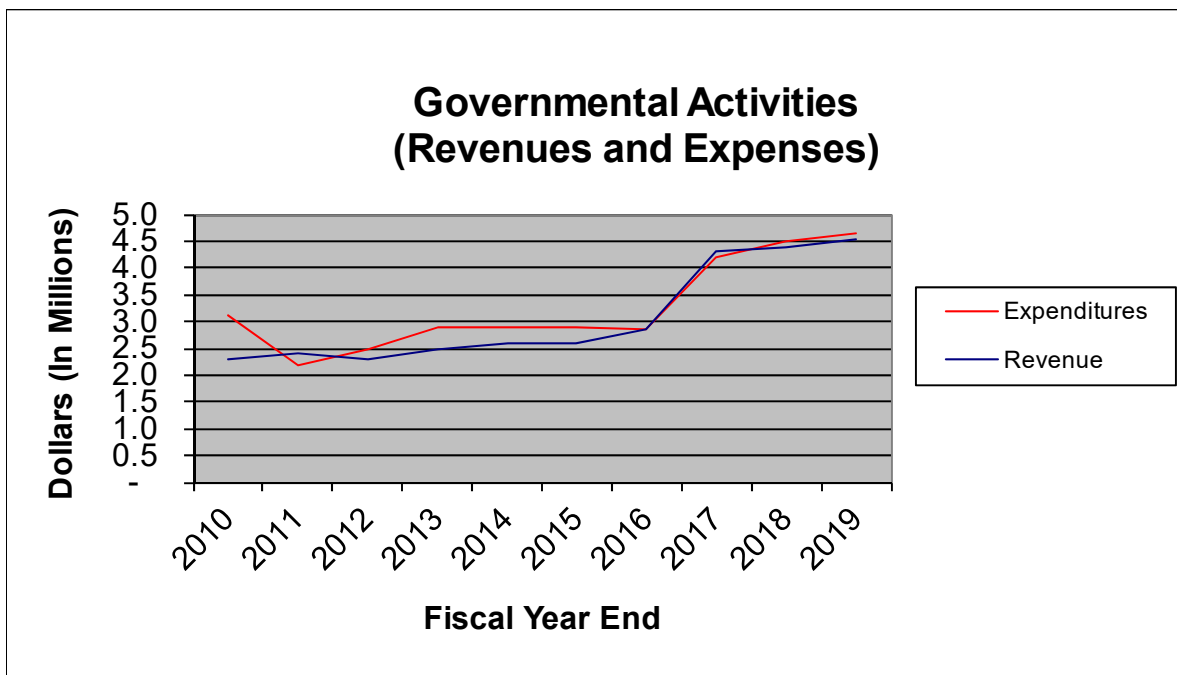
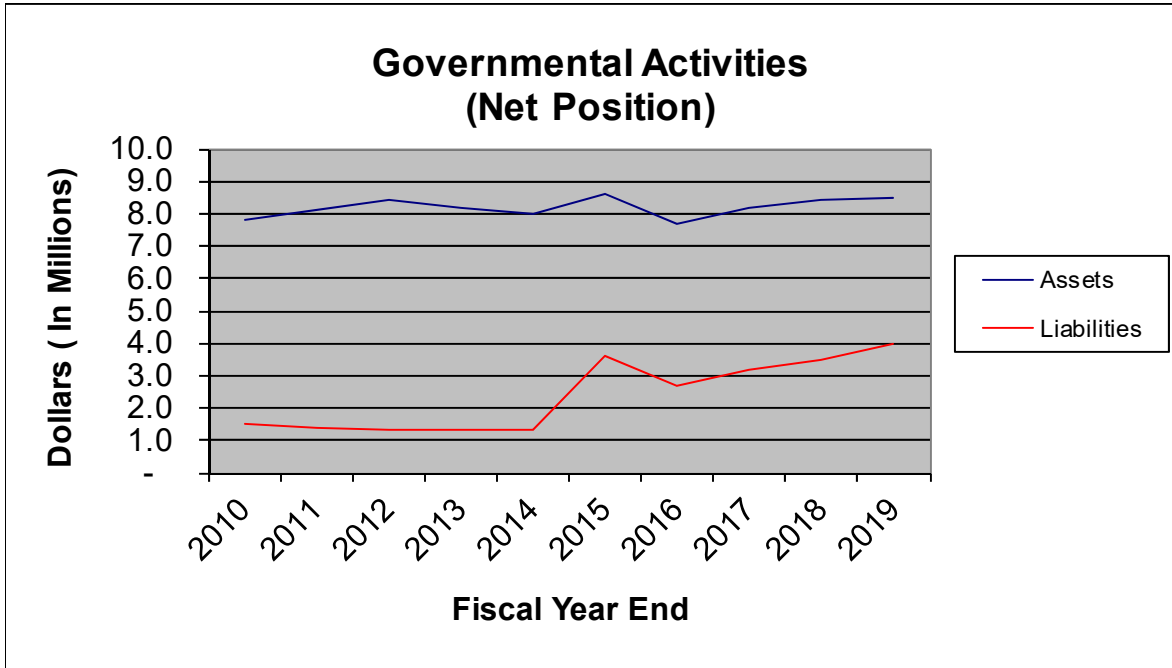
Net Position:

	Governmental Activities	Water	Sewer	Solid Waste Disposal	Total
June 30, 2010	\$ 6,315,000	\$ 20,539,000	\$ 27,502,000	\$ 298,000	\$ 54,654,000
June 30, 2011	6,712,000	19,878,000	26,915,000	163,000	53,668,000
June 30, 2012	7,132,000	19,741,000	26,853,000	108,000	53,834,000
June 30, 2013	6,930,000	20,323,000	24,966,000	157,000	52,376,000
June 30, 2014	5,213,000	21,524,000	24,046,000	160,000	50,943,000
June 30, 2015	4,994,000	23,987,000	24,217,000	156,000	53,354,000
June 30, 2016	4,995,000	23,677,000	23,750,000	166,000	52,588,000
June 30, 2017	5,013,000	25,627,000	21,705,000	153,000	52,498,000
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

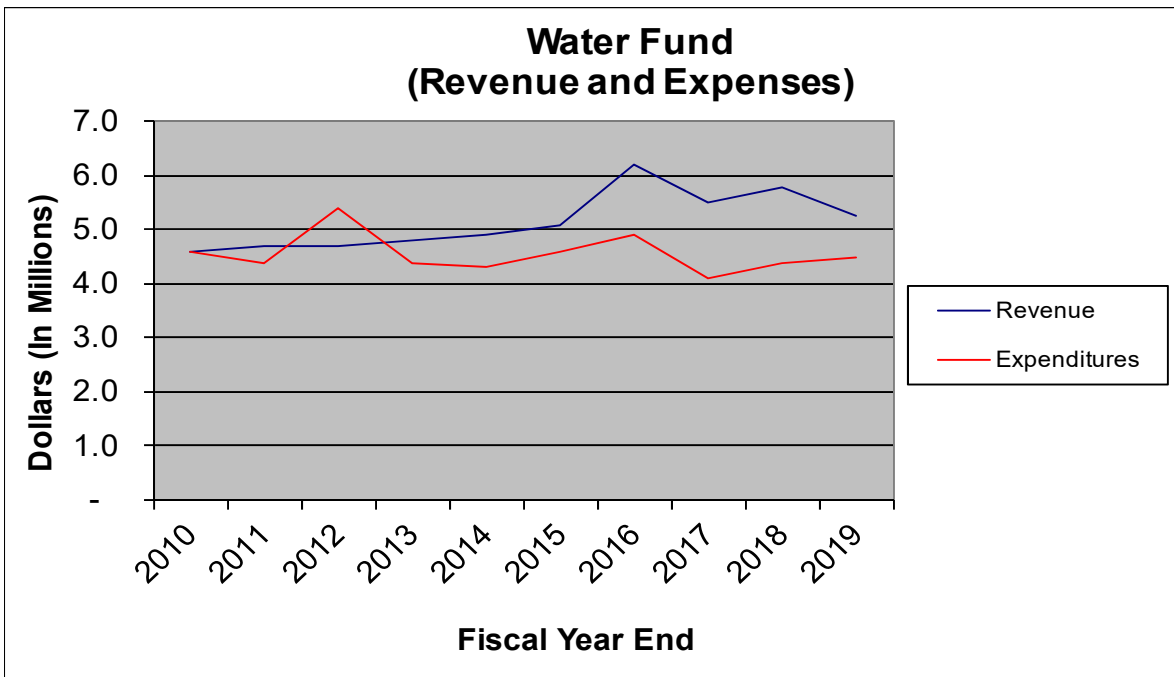
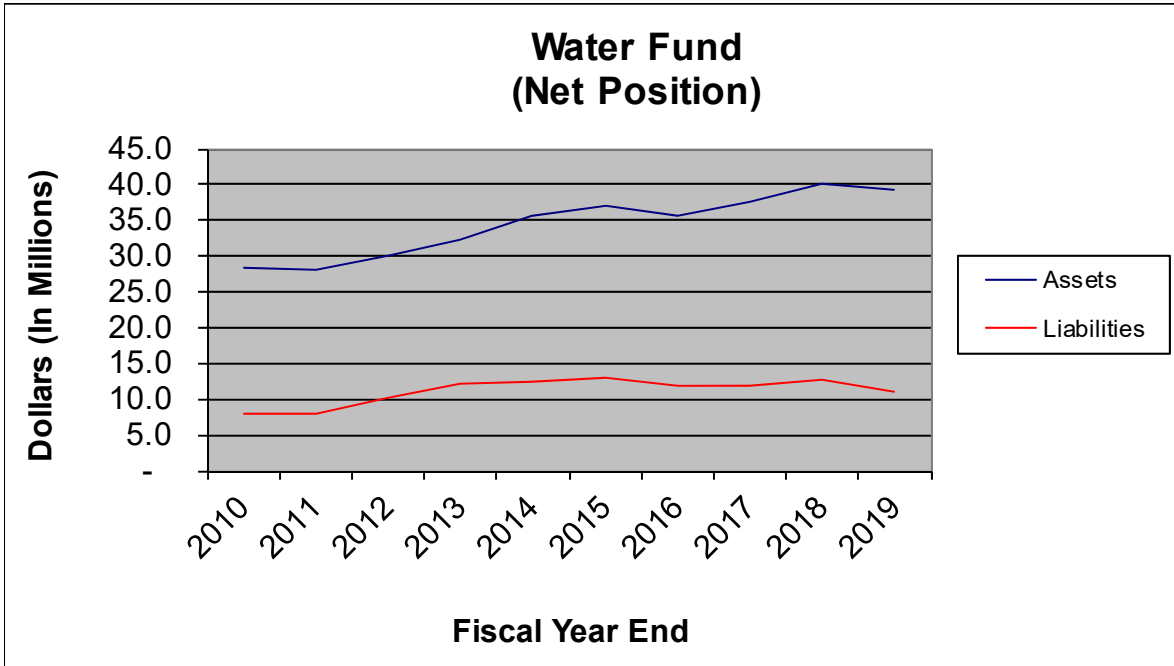
Rubidoux Community Services District
Graphic Financial Comparisons
For the year ended June 30, 2019 and 10 years ago



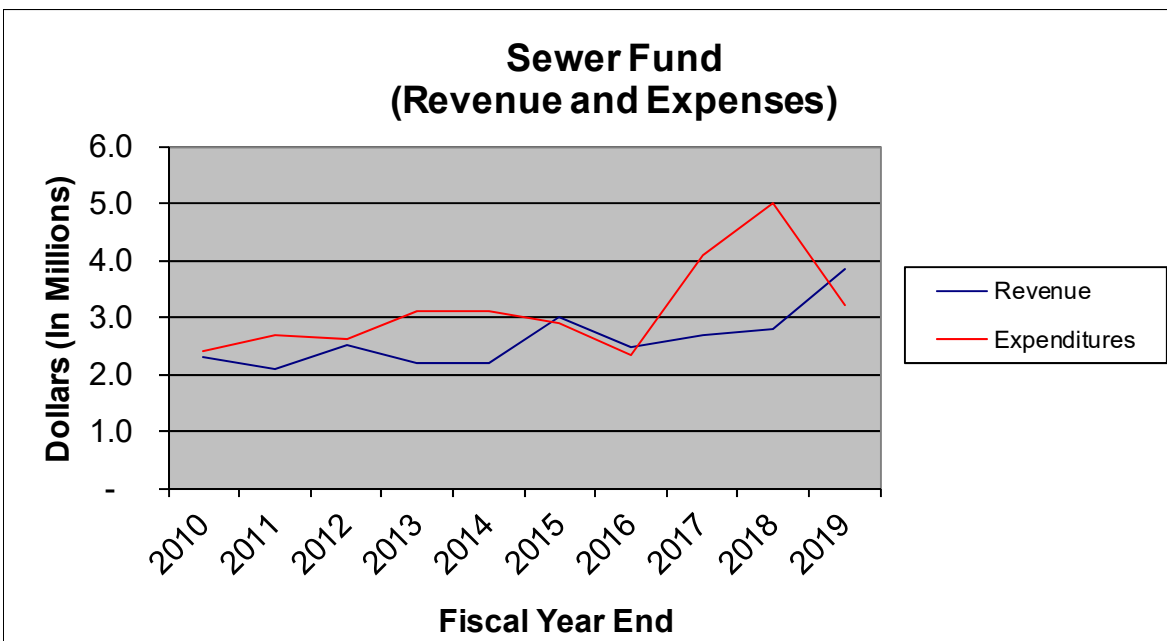
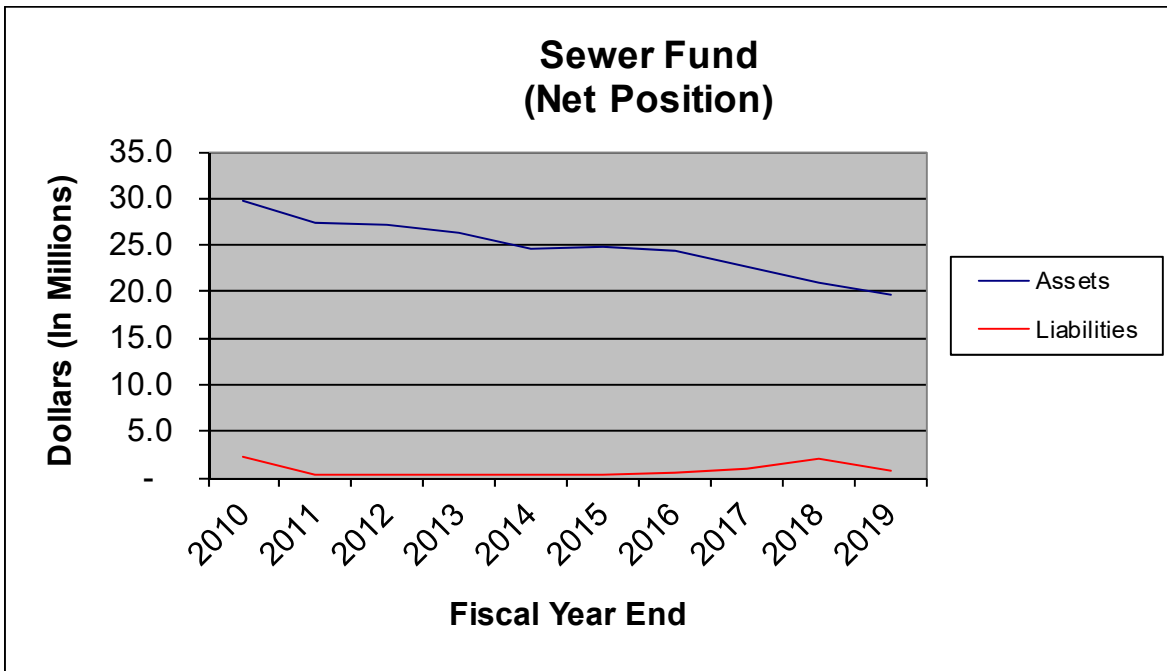
**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the last 10 years**



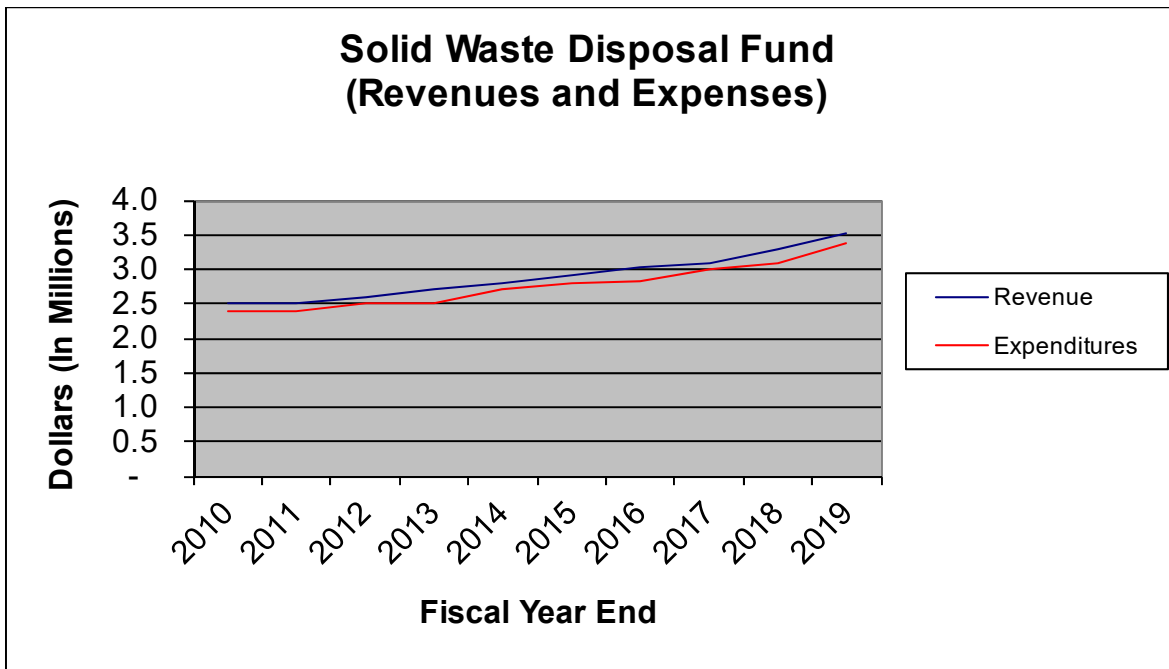
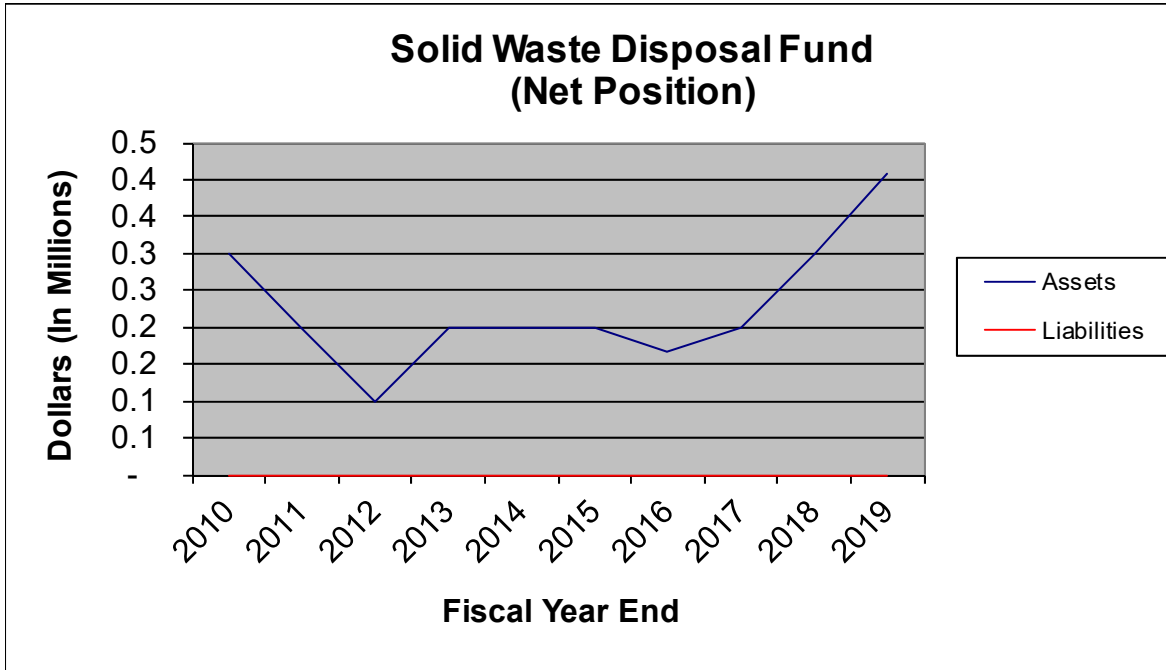
**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the last 10 years**



**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

Board of Directors
Rubidoux Community Services District
Jurupa Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities, and each major fund of Rubidoux Community Services District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rubidoux Community Services District's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

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

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

Board of Directors
Rubidoux Community Services District

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, reference number **2019-001**.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2019

**Rubidoux Community Services District
Schedule of Findings and Responses
For the year ended June 30, 2019**

Finding 2019-001

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

Criteria and Condition

During our audit of the District, we noted a lack of segregation of duties in the District's accounting process. Proper segregation of duties dictates that the functions of recording, authorization, custody and execution are not dominated by one individual. An adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. Adequately segregated duties helps to reduce the possibility of fraud and defalcations from occurring and to ensure the integrity of the information provided by the District's financial reporting system.

Context

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

Effect or Potential Effect:

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

Auditor's Recommendation

As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. However, we realize that this is due to the limited number of individuals available to the District to perform numerous, and sometimes incompatible duties. Unless more personnel are hired, there may be no practical corrective action possible for this inherent weakness. We believe it is important for management and the Board of Directors to be aware that whenever a limited number of people are in control of the accounting process, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

Views of Responsible Officials and Planned Corrective Actions

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

**Rubidoux Community Services District
Schedule of Prior Findings and Responses
For the year ended June 30, 2019**

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2018-001	Segregation of duties	Finding repeated in current year as 2019-001