

**Rubidoux Community Services District**  
**Financial Statements**  
**For the Year Ended June 30, 2015**

# Rubidoux Community Services District

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	12
Fund Financial Statements:	
General Fund:	
Balance Sheet	13
Reconciliation of the General Fund Balance Sheet to the Government-Wide Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund to the Government-Wide Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses and Changes in Net Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	22
Required Supplementary Information:	
Schedule of Plan's Proportionate Share of Net Pension Liability	46
Schedule of Contributions	47
Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	48
Note to Required Supplementary Information: Schedule of Revenues and Expenses - Budget and Actual	49
Other Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances	50
Ten Year Financial Trends	51
Graphic Financial Comparisons	52
Report on Compliance and Internal Controls:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Schedule of Findings and Responses	59
Schedule of Prior Year Findings	61



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rubidoux Community Services District  
Rubidoux, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rubidoux Community Services District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Rubidoux Community Services District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulatory governing special districts.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedules of the District's share of net pension liability, contributions, and budget and actual information on pages 46 through 49 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 on pages 50 through 56 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.

*Implementation of New Accounting Standards*

As disclosed in Note 1 to the financial statements, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, during the fiscal year 2015.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of Rubidoux Community Service District's internal control over financial report and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rubidoux Community Service District's internal control over financial reporting and compliance.



Ontario, California  
October 1, 2015

# Rubidoux Community Services District

## Management's Discussion and Analysis June 30, 2015

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, 2015. Please read it in conjunction with the accompanying basic financial statements.

### Financial Highlights:

- The District's net position decreased (2.0%) to \$53.3 million (from \$54.4 million) as a result of this year's operations and non-operating activities, including capital contributions and prior period adjustments related to the adoption of new GASB pronouncements.

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

		Changes in Net Position (in Millions)									
		Governmental		Water		Sewer		Solid Waste Disposal		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating activity/revenue		\$(2.9)	\$(2.9)	\$0.3	\$(0.4)	\$(0.6)	\$(0.9)	\$0.1	\$ 0.1	\$(3.1)	\$(4.1)
Non-operating activity:											
Capital contributions		-	-	1.2	2.6	-	-	-	-	1.2	2.6
Other		2.6	2.7	1.0	0.9	0.8	-	(0.1)	(0.1)	4.3	3.5
<b>Total</b>		<u>\$(0.3)</u>	<u>\$(0.2)</u>	<u>\$2.5</u>	<u>\$ 3.1</u>	<u>\$ 0.2</u>	<u>\$(0.9)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.4</u>	<u>\$ 2.0</u>

- ◆ During the year, the District's total revenue and capital contributions exceeded its total expenses by \$2.4 million.
- ◆ Total revenues and capital contributions from all sources amounted to \$17.3 million.
- ◆ The cost of all District activities amounted to \$14.9 million.
- ◆ Operationally, the Water Fund provided \$.3 million, Sewer Fund used (\$.6) million and the Solid Waste Disposal Fund provided \$.1 million to decrease net position (\$.2) million. The total Governmental activities decreased (\$.3) million.

### Using this Annual Report:

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



# Rubidoux Community Services District

## Management's Discussion and Analysis, continued June 30, 2015

### Reporting the District as a Whole:

#### The Statement of Net Position and the Statement of Activities:

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

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

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

- The first reporting measure is government-wide financial statements that provide both long-term and short-term information about the District's overall financial status - for both governmental and proprietary funds. The government-wide financial statements combine the structures of the two fund types used by the District - Governmental and Proprietary Funds.
- The next reporting measure reflects governmental funds statements that tell how general government administration and services were financed in the short-term as well as what remains for future spending.
- The third and final reporting measure is proprietary fund statements that offer short and long-term financial information about the activities the District operates like businesses, such as the water, sewer, and solid waste disposal operations.

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

### **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).

# Rubidoux Community Services District

## Management's Discussion and Analysis, continued June 30, 2015

### Pensions, continued:

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

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

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

### Notes to the Basic Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 through 45.

### The District as a Whole:

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

Table 1  
Net Position (in Millions)

	Governmental Activities		Proprietary Funds						Total	
			Water		Sewer		Solid Waste Disposal			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4.5	\$ 3.9	\$ 11.8	\$ 3.3	\$ 7.1	\$ 3.6	\$ 0.1	\$ 0.2	\$23.5	\$11.0
Capital assets	4.1	4.2	25.3	32.1	17.5	20.8	-	-	46.9	57.1
Total assets	8.6	8.1	37.1	35.4	24.6	24.4	0.1	0.2	70.4	68.1
Long-term debt outstanding	0.5	0.5	10.5	11.1	0.1	0.1	-	-	11.1	11.7
Other liabilities	3.0	0.8	2.6	0.9	0.3	0.3	-	-	5.9	2.0
Total liabilities	3.5	1.3	13.1	12.0	0.4	0.4	-	-	17.0	13.7

# Rubidoux Community Services District

## Management's Discussion and Analysis, continued June 30, 2015

### The District as a Whole, continued:

Table 1  
Net Position (in Millions)

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste Disposal			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Net position:</b>										
Invested in capital assets, net of debt	\$ 4.1	\$ 4.2	\$ 14.6	\$ 13.7	\$ 17.5	\$ 18.4	\$ -	\$ -	\$ 36.2	\$ 36.3
Restricted for:										
Capital projects	1.2	1.2	4.0	3.8	3.2	2.4	-	-	8.4	7.4
Debt service	-	-	3.3	2.9	-	-	-	-	3.3	2.9
Unrestricted	(0.3)	1.3	2.1	3.0	3.5	3.3	0.1	0.2	5.4	7.8
Total net position	<u>\$ 5.0</u>	<u>\$ 6.7</u>	<u>\$ 24.0</u>	<u>\$ 23.4</u>	<u>\$ 24.2</u>	<u>\$ 24.1</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 53.3</u>	<u>\$ 54.4</u>

The District's net position decrease of (2.0%) to \$53.3 million comes from the change in net position as recorded in the Statement of Activities flows through to the Statement of Net Position.

- Overall government-wide capital assets decreased (\$.9) million (primarily due to the completion of the JCSD Interconnection project and depreciation):

Asset type:	(in Millions)	
	2015	2014
Land	\$ -	\$ -
Structures and improvements	4.7	0.6
Equipment	-	-
Construction in progress	(3.7)	3.5
Total additions	1.0	4.1
Less depreciation	(1.9)	(1.7)
Capital asset decrease	<u>\$ (0.9)</u>	<u>\$ 2.4</u>

- Long-term water debt decreased (\$.6) million due to debt service payments. The District made principal payments of (\$.2) million on the Leland J. Thompson Water Facility loan and (\$.4) million on the water certificates of participation.
- Restricted Net Position increased \$1.4 million as a result of payment of debt and increase in investment in capital assets.
- Unrestricted Net Position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased (\$2.4) million and amounted to \$5.4 million.



# Rubidoux Community Services District

## Management's Discussion and Analysis, continued June 30, 2015

### The District as a Whole, continued:

Table 2  
Changes in Net Position (in Millions)

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste Disposal			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Revenue:</b>										
Operating revenue:										
Charges for services	\$ 1.0	\$ 1.0	\$ 5.2	\$ 4.1	\$ 2.2	\$ 2.1	\$ 2.9	\$ 2.8	\$ 11.3	\$ 10.0
Property taxes	2.6	2.6	-	-	-	-	-	-	2.6	2.6
Other revenue:										
Contributed capital	-	-	1.2	2.6	-	-	-	-	1.2	2.6
Investment revenue	-	-	-	-	-	-	-	-	-	-
Other	-	-	1.4	1.4	0.8	0.1	-	-	2.2	1.5
Total revenue	<u>3.6</u>	<u>3.6</u>	<u>7.8</u>	<u>8.1</u>	<u>3.0</u>	<u>2.2</u>	<u>2.9</u>	<u>2.8</u>	<u>17.3</u>	<u>16.7</u>
<b>Expenses:</b>										
Operating	3.9	3.9	4.9	4.6	2.8	3.1	2.8	2.7	14.4	14.3
Interest	-	-	0.4	0.4	-	-	-	-	0.4	0.4
Other	-	-	-	-	-	-	0.1	-	0.1	-
Total expenses	<u>3.9</u>	<u>3.9</u>	<u>5.3</u>	<u>5.0</u>	<u>2.8</u>	<u>3.1</u>	<u>2.9</u>	<u>2.7</u>	<u>14.9</u>	<u>14.7</u>
Increase (decrease) in net position	<u>\$ (0.3)</u>	<u>\$ (0.3)</u>	<u>\$ 2.5</u>	<u>\$ 3.1</u>	<u>\$ 0.2</u>	<u>\$ (0.9)</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ 2.4</u>	<u>\$ 2.0</u>

### Financial Analysis of the District's Unrestricted Cash:

At year-end the District reported combined unrestricted cash balances of \$9.7 million, which is an increase of \$2.5 million or 34% from last year. Note 2 of the financial statements provide additional detail on cash balances.

### General Fund Budgetary Highlights:

The Rubidoux Community Services District budget is prepared annually. Over the course of the year, the Board reviews and revises its budget to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2014/2015 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 favorable variance of \$79,653 in property tax revenue is due to the stabilization of California property tax assessments and receipt of redevelopment property tax settlements. The favorable variance in other revenue of \$11,307 is due to the increase in developer fees.

# Rubidoux Community Services District

## Management's Discussion and Analysis, continued June 30, 2015

### General Fund Budgetary Highlights, continued:

The favorable variance of \$239,147 in expenditures is primarily due to the District's decrease in services, supplies and contract services. Salary expenditures increased \$58,013 compared to budget.

### Capital Asset and Debt Administration:

#### Capital assets:

At June 30, 2015, the District had \$46.9 million invested in a broad range of capital assets for infrastructure and facilities. (See Note 6.) (See Table 3 below.) This amount represents a net decrease of (\$.9) million, or (1.9%), below last year.

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

	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer		District-Wide	
	2015	2014	2015	2014	2015	2014	2015	2014
Land	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.5	\$ -	\$ -	\$ 0.8	\$ 0.8
Structures and improvements	3.7	3.7	34.8	30.1	35.5	35.5	74.0	69.3
Equipment	0.8	0.8	1.4	1.4	0.4	0.4	2.6	2.6
Construction in progress	0.6	0.6	0.2	3.8	-	0.1	0.8	4.5
Accumulated depreciation	(1.3)	(1.2)	(11.6)	(10.7)	(18.4)	(17.5)	(31.3)	(29.4)
<b>Total</b>	<b>\$ 4.1</b>	<b>\$ 4.2</b>	<b>\$ 25.3</b>	<b>\$ 25.1</b>	<b>\$ 17.5</b>	<b>\$ 18.5</b>	<b>\$ 46.9</b>	<b>\$ 47.8</b>

#### Debt:

At June 30, 2015, the District had \$13.5 million in pension liability, bonds, certificates of participation, and notes outstanding versus \$11.6 million last year - an increase of 16.8% - as shown in Table 4. (See Notes 8, 10 and 11).

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

	Governmental		Proprietary Funds				Total	
	Activities		Water		Sewer		District-Wide	
	2015	2014	2015	2014	2015	2014	2015	2014
Pension liability	\$ 1.2	\$ -	\$ 1.3	\$ -	\$ 0.1	\$ -	\$ 2.6	\$ -
Bonds payable / certificates of participation	-	-	5.5	5.9	-	-	5.5	5.9
Notes payable	-	-	5.3	5.6	0.1	0.1	5.4	5.7
<b>Total</b>	<b>\$ 1.2</b>	<b>\$ -</b>	<b>\$12.1</b>	<b>\$11.5</b>	<b>\$ 0.2</b>	<b>\$ 0.1</b>	<b>\$13.5</b>	<b>\$11.6</b>

# **Rubidoux Community Services District**

## **Management's Discussion and Analysis, continued June 30, 2015**

### **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. This year Governor Brown issued a drought state of emergency order number B-29-15 on April 1, 2015, increasing the State's water conservation efforts to 25%. The demand for water is lessening and the District is initiating additional conservation efforts which will help meet this requirement.

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

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

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

Construction has begun on the Pacific Avenue 16" and 12" water pipelines. These lines are needed to replace old lines and to better convey water through the system. Cost is estimated at \$1,600,000 and is scheduled to be constructed and operating by 2016.

Rehab and re-outfitting Well 17 & 18 was completed under budget at a cost of \$73,203. The installation of a MIOX system (disinfection) at the NO3 plant, budgeted at \$300,000, has been carried forward to the next fiscal year. Improvements to the Golden West Reservoir and budgeted at \$200,000, has also been carried over.

Water replacement work on Humble was completed at an under budget cost of \$53,000. Solar panels are planned for the Watson, Perone and Hunter 1 reservoirs at a cost of \$25,000.

Replacement of the Jurupa Hills lift station was re-scheduled to commence in fiscal year 2016. The cost estimate is \$500,000. Construction of new 16" and 12" sewer pipelines in the Tilton/42nd Street area, budgeted at \$750,000, is scheduled to begin in fiscal year 2016. This will replace existing problem lines and increase sewer capacity.

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

### **Contacting the District's Financial Management:**

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

# Rubidoux Community Services District

## Statement of Net Position June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<u>Current assets:</u>			
Cash (Note 2)	\$ 811,107	\$ 650,452	\$ 1,461,559
Imprest cash (Note 2)	-	1,800	1,800
Local Agency Investment Funds (LAIF) (Note 2)	2,115,831	6,082,775	8,198,606
Restricted assets - cash (Note 2 and 3)	1,231,101	-	1,231,101
Accounts receivable, net (Note 4)	132,845	1,363,700	1,496,545
Internal balances (Note 5)	(113,702)	113,702	-
Interest receivable	2,660	11,553	14,213
Inventory	-	25,030	25,030
Prepayments and deposits	35,741	27,087	62,828
	<u>4,215,583</u>	<u>8,276,099</u>	<u>12,491,682</u>
Total current assets			
<u>Non-current assets:</u>			
Restricted assets - cash (Note 2 and 3)	-	9,756,404	9,756,404
Restricted assets - reserve funds (Note 2 and 3)	-	727,424	727,424
Capital assets - not being depreciated (Note 6)	891,093	759,420	1,650,513
Capital assets - being depreciated, net (Note 6)	3,199,542	42,092,904	45,292,446
	<u>4,090,635</u>	<u>53,336,152</u>	<u>57,426,787</u>
Total non-current assets			
Total assets	<u>8,306,218</u>	<u>61,612,251</u>	<u>69,918,469</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension contributions (Note 10)	165,467	177,255	342,722
	<u>165,467</u>	<u>177,255</u>	<u>342,722</u>

See accompanying notes.

# Rubidoux Community Services District

## Statement of Net Position June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<u>Current liabilities:</u>			
Accounts payable	1,209,043	479,915	1,688,958
Customer deposits	7,816	21,982	29,798
Interest payable	-	27,002	27,002
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	110,000	40,000	150,000
Bonds payable and certificates of participation (Note 8)	-	440,000	440,000
Notes payable (Note 11)	-	127,086	127,086
	<u>1,326,859</u>	<u>1,135,985</u>	<u>2,462,844</u>
<u>Non-current liabilities:</u>			
Compensated absences (Note 9)	486,216	171,809	658,025
Pension liability (Note 10)	1,249,551	1,338,583	2,588,134
Bonds payable and certificates of participation (Note 8)	-	5,076,707	5,076,707
Notes payable (Note 11)	-	5,262,375	5,262,375
	<u>1,735,767</u>	<u>11,849,474</u>	<u>13,585,241</u>
Total non-current liabilities	<u>1,735,767</u>	<u>11,849,474</u>	<u>13,585,241</u>
Total liabilities	<u>3,062,626</u>	<u>12,985,459</u>	<u>16,048,085</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension obligations (Note 10)	414,727	444,278	859,005
	<u>414,727</u>	<u>444,278</u>	<u>859,005</u>
<b>NET POSITION</b>			
Net investments in capital assets	4,090,635	32,059,678	36,150,313
Restricted for:			
Capital projects	1,231,101	7,205,430	8,436,531
Debt service	-	3,278,398	3,278,398
Unrestricted	(327,404)	5,816,263	5,488,859
	<u>(327,404)</u>	<u>5,816,263</u>	<u>5,488,859</u>
Total net position	<u>\$ 4,994,332</u>	<u>\$ 48,359,769</u>	<u>\$ 53,354,101</u>

See accompanying notes.

# Rubdiox Community Services District

## Statement of Activities For the Year Ended June 30, 2015

Function / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>						
<u>Governmental activities:</u>						
Administrative and support	\$ 2,200,460	\$ 987,610	\$ -	\$ (1,212,850)	\$ -	\$ (1,212,850)
Contracted services	1,717,122	-	-	(1,717,122)	-	(1,717,122)
Total governmental activities	3,917,582	987,610	-	(2,929,972)	-	(2,929,972)
<u>Business-type activities:</u>						
Water utility	5,336,252	5,185,100	1,214,950	-	1,063,798	1,063,798
Sewer utility	2,853,113	2,234,322	-	-	(618,791)	(618,791)
Solid waste disposal	2,787,967	2,924,486	-	-	136,519	136,519
Total business-type activities	10,977,332	10,343,908	1,214,950	-	581,526	581,526
Total primary government	\$ 14,894,914	\$ 11,331,518	\$ 1,214,950	(2,929,972)	581,526	(2,348,446)
<b>GENERAL REVENUES</b>						
Property taxes				2,562,265	-	2,562,265
Investment earnings				9,097	39,152	48,249
Bond replacement revenue				-	1,131,240	1,131,240
Other non-operating revenue				-	1,018,435	1,018,435
Total general revenues				2,571,362	2,188,827	4,760,189
Changes in net position before transfer				(358,610)	2,770,353	2,411,743
<b>TRANSFERS IN/(OUT)</b>						
Change in net position				140,059	(140,059)	-
				(218,551)	2,630,294	2,411,743
<b>NET POSITION, JULY 1, 2014</b>						
Prior period adjustment (Note 13)				6,747,094	47,681,511	54,428,605
				(1,534,211)	(1,952,036)	(3,486,247)
<b>TOTAL NET POSITION, JULY 1, 2014, RESTATED</b>						
				5,212,883	45,729,475	50,942,358
<b>NET POSITION, JUNE 30, 2015</b>						
				\$ 4,994,332	\$ 48,359,769	\$ 53,354,101

See accompanying notes.

# Rubidoux Community Services District

## Balance Sheet General Fund June 30, 2015

### ASSETS

Cash (Note 2)	\$	811,107
Local Agency Investment Funds (LAIF) (Note 2)		2,115,831
Restricted assets - cash (Note 2 and 3)		1,231,101
Accounts receivable, net (Note 4)		132,845
Interest receivable		2,660
Prepayments and deposits		35,741
		<hr/>
Total assets	\$	<u>4,329,285</u>

### LIABILITIES AND FUND BALANCES

#### Liabilities:

Accounts payable	\$	1,209,043
Customer deposits		7,816
Due to other funds (Note 5)		113,702
		<hr/>
Total liabilities		<u>1,330,561</u>

#### Fund balances:

Nonspendable		35,741
Restricted		1,231,101
Unassigned		1,731,882
		<hr/>
Total fund balances		<u>2,998,724</u>
		<hr/>
Total liabilities and fund balances	\$	<u>4,329,285</u>

See accompanying notes.



# Rubidoux Community Services District

## Reconciliation of the General Fund Balance Sheet to the Government-Wide Statement of Net Position June 30, 2015

<b>TOTAL FUND BALANCES - GOVERNMENT FUNDS</b>	\$ 2,998,724
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,090,635
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	(596,216)
Pension liability	(1,498,811)
	<u>                    </u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 4,994,332</u></u>

See accompanying notes.

**Rubidoux Community Services District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
General Fund  
For the Year Ended June 30, 2015**

**REVENUES**

Property taxes and weed abatement	\$ 2,562,266
Charges for administrative services	950,000
Licenses and permits	7,236
Interest	9,097
Other revenue	<u>30,374</u>
Total revenues	<u>3,558,973</u>

**EXPENDITURES**

Current:

General government	2,046,506
Fire protection and weed abatement	<u>1,736,020</u>
Total expenditures	<u>3,782,526</u>

**EXCESS OF REVENUE OVER (UNDER)  
EXPENDITURES**

(223,553)

**OTHER FINANCING SOURCES (USES)**

Transfers in	<u>140,059</u>
--------------	----------------

**NET CHANGE IN FUND BALANCE**

(83,494)

**FUND BALANCE - BEGINNING OF YEAR**

3,082,218

**FUND BALANCE - END OF YEAR**

\$ 2,998,724

See accompanying notes.

**Rubidoux Community Services District  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of the General Fund  
 to the Government-Wide Statement of Activities  
 For the Year Ended June 30, 2015**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ (83,494)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(136,443)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:</p>	
Net change in compensated absences for the current period	(34,014)
Net change in pension liability for the current period	35,400
	35,400
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (218,551)</b>

See accompanying notes.

# Rubidoux Community Services District

## Statement of Net Position Proprietary Funds June 30, 2015

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
<b>ASSETS</b>				
<u>Current assets:</u>				
Cash and investments (Note 2)	\$ 646,863	\$ 3,589	\$ -	\$ 650,452
Imprest cash (Note 2)	1,800	-	-	1,800
Local Agency Investment Funds (LAIF) (Note 2)	2,743,664	3,339,111	-	6,082,775
Accounts receivable, net (Note 4)	856,536	351,108	156,056	1,363,700
Due from other funds (Note 5)	-	249,303	-	249,303
Interest receivable	7,913	3,639	-	11,552
Inventory	25,030	-	-	25,030
Prepayments and deposits	26,856	231	-	27,087
Total current assets	<u>4,308,662</u>	<u>3,946,981</u>	<u>156,056</u>	<u>8,411,699</u>
<u>Non-current assets:</u>				
Restricted assets - cash (Note 2 and 3)	6,586,320	3,170,084	-	9,756,404
Restricted assets - reserve funds (Note 2 and 3)	727,424	-	-	727,424
Capital assets - not being depreciated (Note 6)	687,177	72,243	-	759,420
Capital assets - being depreciated, net (Note 6)	24,634,523	17,458,381	-	42,092,904
Total non-current assets	<u>32,635,444</u>	<u>20,700,708</u>	<u>-</u>	<u>53,336,152</u>
Total assets	<u>36,944,106</u>	<u>24,647,689</u>	<u>156,056</u>	<u>61,747,851</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension contributions (Note 10)	<u>170,161</u>	<u>7,094</u>	<u>-</u>	<u>177,255</u>

See accompanying notes.

# Rubidoux Community Services District

## Statement of Net Position Proprietary Funds June 30, 2015

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
<b>LIABILITIES</b>				
<u>Current liabilities:</u>				
Accounts payable	175,803	304,112	-	479,915
Customer deposits	21,983	-	-	21,983
Due to other funds (Note 5)	135,601	-	-	135,601
Interest payable	27,002	-	-	27,002
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	40,000	-	-	40,000
Bonds payable and certificates of participation (Note 8)	440,000	-	-	440,000
Notes payable (Note 11)	113,522	13,564	-	127,086
<b>Total current liabilities</b>	<b>953,911</b>	<b>317,676</b>	<b>-</b>	<b>1,271,587</b>
<u>Non-current liabilities:</u>				
Compensated absences (Note 9)	163,337	8,472	-	171,809
Pension liability (Note 10)	1,285,009	53,574	-	1,338,583
Bonds payable and certificates of participation (Note 8)	5,076,707	-	-	5,076,707
Notes payable (Note 11)	5,221,683	40,692	-	5,262,375
<b>Total non-current liabilities</b>	<b>11,746,736</b>	<b>102,738</b>	<b>-</b>	<b>11,849,474</b>
<b>Total liabilities</b>	<b>12,700,647</b>	<b>420,414</b>	<b>-</b>	<b>13,121,061</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension obligation (Note 10)	426,496	17,782	-	444,278
<b>NET POSITION</b>				
Net investment in capital assets	14,583,310	17,476,368	-	32,059,678
Restricted for:				
Capital projects	4,035,346	3,170,084	-	7,205,430
Debt service	3,278,398	-	-	3,278,398
Unrestricted	2,090,070	3,570,135	156,056	5,816,261
<b>Total net position</b>	<b>\$ 23,987,124</b>	<b>\$ 24,216,587</b>	<b>\$ 156,056</b>	<b>\$ 48,359,767</b>

See accompanying notes.

**Rubidoux Community Services District**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
<b>OPERATING REVENUE</b>				
Charges for current services	\$ 4,868,658	\$ 2,234,052	\$ 2,924,073	\$ 10,026,783
Other revenue	316,442	270	413	317,125
Total operating revenue	<u>5,185,100</u>	<u>2,234,322</u>	<u>2,924,486</u>	<u>10,343,908</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits payable (including pension)	1,832,880	67,109	-	1,899,989
Contracted services	-	-	2,665,779	2,665,779
Electrical power	571,998	45,418	-	617,416
Operating expense	327,074	5,826	-	332,900
Maintenance and repairs	32,342	83,748	-	116,090
Operating treatment	481,249	1,369,178	-	1,850,427
Depreciation and amortization	873,354	921,368	-	1,794,722
Insurance	48,615	4,711	-	53,326
Professional fees	59,650	22,060	-	81,710
Bad debt	39,297	18,926	19,839	78,062
Other	103,545	14,772	2,350	120,667
Administrative fee	550,000	300,000	100,000	950,000
Total operating expenses	<u>4,920,004</u>	<u>2,853,116</u>	<u>2,787,968</u>	<u>10,561,088</u>
<b>OPERATING INCOME (LOSS)</b>	<u>265,096</u>	<u>(618,794)</u>	<u>136,518</u>	<u>(217,180)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Capital replacement	174,475	-	-	174,475
Capacity fees	68,260	775,700	-	843,960
Bond replacement revenue	1,131,240	-	-	1,131,240
Interest income	25,382	13,770	-	39,152
Interest expense	(416,246)	-	-	(416,246)
Total non-operating revenue (expenses)	<u>983,111</u>	<u>789,470</u>	<u>-</u>	<u>1,772,581</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,248,207	170,676	136,518	1,555,401
Contribution in aid of construction (Note 12)	1,214,950	-	-	1,214,950
<b>INCOME BEFORE TRANSFERS</b>	2,463,157	170,676	136,518	2,770,351
Transfers in (out)	-	-	(140,059)	(140,059)
Change in net position	<u>2,463,157</u>	<u>170,676</u>	<u>(3,541)</u>	<u>2,630,292</u>
<b>TOTAL NET POSITION, JULY 1, 2014</b>	23,410,224	24,111,690	159,597	47,681,511
Prior period adjustment (Note 13)	(1,886,257)	(65,779)	-	(1,952,036)
<b>TOTAL NET POSITION, JULY 1, 2014, RESTATED</b>	<u>21,523,967</u>	<u>24,045,911</u>	<u>159,597</u>	<u>45,729,475</u>
<b>TOTAL NET POSITION, JUNE 30, 2015</b>	<u>\$ 23,987,124</u>	<u>\$ 24,216,587</u>	<u>\$ 156,056</u>	<u>\$ 48,359,767</u>

See accompanying notes.

# Rubidoux Community Services District

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2015

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>ACTIVITIES</b>				
Cash receipts from customers	\$ 4,910,989	\$ 2,202,760	\$ 2,908,188	\$ 10,021,937
Cash receipt from federal award	-	1,236,177	-	1,236,177
Cash payments to suppliers for goods and services	(1,853,000)	(1,584,218)	(2,668,129)	(6,105,347)
Cash payments to employees for salaries and benefits	(1,864,479)	(67,239)	-	(1,931,718)
Other receipts (payments)	(550,000)	(300,000)	(100,000)	(950,000)
Net cash provided by operating activities	<u>643,510</u>	<u>1,487,480</u>	<u>140,059</u>	<u>2,271,049</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from capacity fees	68,260	775,700	-	843,960
Bond replacement revenue	1,131,240	-	-	1,131,240
Other non-operating revenues (expenses), net	174,475	-	-	174,475
Net cash provided by non-capital financing activities	<u>1,373,975</u>	<u>775,700</u>	<u>-</u>	<u>2,149,675</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases and construction of capital assets	(1,096,266)	(376)	-	(1,096,642)
Proceeds from capital contributions	1,214,950	-	-	1,214,950
Funding transfers	-	-	(140,059)	(140,059)
Principal paid on capital debt	(642,740)	(13,563)	-	(656,303)
Interest paid on capital debt	(434,926)	-	-	(434,926)
Net cash used by capital and related financing activities	<u>(958,982)</u>	<u>(13,939)</u>	<u>(140,059)</u>	<u>(1,112,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	21,660	11,763	-	33,423
Net cash provided by investing activities	<u>21,660</u>	<u>11,763</u>	<u>-</u>	<u>33,423</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	1,080,163	2,261,004	-	3,341,167
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>9,625,908</u>	<u>4,251,780</u>	<u>-</u>	<u>13,877,688</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 2)</b>	<u>\$ 10,706,071</u>	<u>\$ 6,512,784</u>	<u>\$ -</u>	<u>\$ 17,218,855</u>

See accompanying notes.



# Rubidoux Community Services District

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2015

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY FOR OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 265,096	\$ (618,794)	\$ 136,518	\$ (217,180)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	873,354	921,368	-	1,794,722
Bad debts	39,297	18,926	19,839	78,062
Accrued interest on debt	(23,878)	-	-	(23,878)
Change in assets and liabilities:				
Receivables, net	(313,408)	(93,352)	(16,298)	(423,058)
Federal award receivable	-	1,236,177	-	1,236,177
Prepaid and deposits	1,740	(94)	-	1,646
Inventories	10,827	-	-	10,827
Compensated absences	4,804	1,387	-	6,191
Other post-employment benefits payable	(36,404)	(1,517)	-	(37,921)
Accounts and other payables	(177,918)	23,379	-	(154,539)
Net cash provided by operating activities	\$ 643,510	\$ 1,487,480	\$ 140,059	\$ 2,271,049

See accompanying notes.

# Rubidoux Community Services District

## Notes to the Financial Statements June 30, 2015

### Note 1: Summary of Significant Accounting Policies:

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

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

#### Basis of Presentation and Basis of Accounting:

##### Basis of Presentation:

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

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

##### Fund Accounting:

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

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

##### Governmental Funds:

###### General Fund:

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Basis of Presentation, continued:

##### Proprietary Funds:

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

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

The District has the following major proprietary funds:

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

#### Basis of Accounting:

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

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Basis of Accounting, continued:

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.

#### Budgetary Procedures:

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

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

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

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

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

#### Financial Statement Elements:

##### Cash and Cash Equivalents:

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

##### Investment in State Investment Pool:

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Financial Statement Elements, continued:

##### 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).

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Financial Statement Elements, continued:

##### Prepaid Expenses:

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

##### Materials and Supplies Inventory:

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

##### Deferred Charges:

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

##### Restricted Assets:

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

##### Capital Assets:

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

<u>Asset Category</u>	<u>Years</u>
Structures and improvements:	
Buildings and intangible plant	20-50
Sewer systems	5-25
Water pollution plant and interceptor sewers	5-40
Water facilities	10-50
Pipelines and water facilities	10-50
Jurupa Hills and water systems	12-50

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Financial Statement Elements, continued:

##### Capital Assets, continued:

<u>Asset Category</u>	<u>Years</u>
Equipment:	
Autos and trucks	5-7
Office furniture and equipment	5-15
Shop equipment	5-15
Radios and power plant	5-10

##### Compensated Absences:

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

##### Pensions:

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

##### Deferred Inflow/Outflow of Resources:

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

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 government has one item which qualifies for reporting in this category: pensions. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.



# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Financial Statement Elements, continued:

##### Net Position:

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

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

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

##### Fund Balance:

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

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

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### Financial Statement Elements, continued:

##### Fund Balance, continued:

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

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

##### Utility Sales:

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

##### Capital Contributions:

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

##### Use of Estimates:

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

#### New Accounting Pronouncements:

##### Government Accounting Standards Board Statement No. 68:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* , is effective for periods beginning after June 15, 2014. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees - both active employees and inactive employees - are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 1: Summary of Significant Accounting Policies, continued:

#### New Accounting Pronouncements, continued:

##### Government Accounting Standards Board Statement No. 69:

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

##### Government Accounting Standards Board Statement No. 71:

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, is effective for periods beginning after June 15, 2014. This statement addresses the application of contributions made by a state or local government employer on nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

##### Government Accounting Standards Board Statement No. 72:

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015.

##### Government Accounting Standards Board Statement No. 73:

GASB Statement No. 73, *Accounting for the Financial Reporting for Pension and Related Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, is effective for periods beginning after June 15, 2015, except those provisions that address employers and government nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

##### Government Accounting Standards Board Statement No. 74:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for periods beginning after June 15, 2016.

##### Government Accounting Standards Board Statement No. 75:

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

##### Government Accounting Standards Board Statement No. 76:

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

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 2: Reconciliation of Cash and Cash Equivalents:**

	Governmental	Water	Sewer	Total
Cash	\$ 811,107	\$ 646,863	\$ 3,589	\$ 1,461,559
Imprest cash	-	1,800	-	1,800
LAIF (unrestricted)	2,115,831	2,743,664	3,339,111	8,198,606
Restricted assets - cash	1,231,101	6,586,320	3,170,084	10,987,505
Restricted assets - reserve funds	-	727,424	-	727,424
Total cash and cash equivalents	\$ 4,158,039	\$ 10,706,071	\$ 6,512,784	\$ 21,376,894

**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, 2015:

Certificates of Participation - Series 1998:	
Funds held by U.S. Bank	\$ 727,424
Total restricted assets reserve funds	727,424
Other District funds for connection/capacity fees and other future uses, as well as receivable amounts due as contribution capital:	
<u>Governmental:</u>	
Cash - Fire Mitigation, (LAIF and Security)	1,231,101
<u>Business-Type:</u>	
Cash - Sewer - connection/capacity fees, (LAIF, C/D and cash - Citizens)	3,170,084
Cash - Water - connection fees, (LAIF, Citizens, and Security)	3,162,723
Cash - Water - COP's, (LAIF and Security)	2,550,974
Cash - Water - capital replacements, (LAIF and Security)	730,615
Cash - Water - field/admin building (LAIF)	142,008
Total business-type	9,756,404
Total restricted cash - Note 2	10,987,505
Total restricted assets	\$ 11,714,929

Note: Restricted cash includes LAIF deposits.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 3: Restricted Assets, continued:**

Restricted cash and receivable connection/capacity/improvement project fees for each designated purpose is as follows at June 30, 2015:

	Water	Sewer	Fire Mitigation	Total
Restricted cash - current	\$ -	\$ -	\$ 1,231,101	\$ 1,231,101
Restricted cash - non-current	6,586,320	3,170,084	-	9,756,404
Reserve funds	727,424	-	-	727,424
Total	\$ 7,313,744	\$ 3,170,084	\$ 1,231,101	\$ 11,714,929

Note: Restricted cash includes LAIF deposits.

**Note 4: Accounts Receivable:**

The detail of accounts receivable is as follows at June 30, 2015:

Governmental:

Weed abatement:

Property assessments for weed abatement \$ 11,433

Governmental Fund taxes/developer charge backs 121,412

Total governmental 132,845

Business-Type:

Water Fund:

Billed, net \$ 583,713

Unbilled 272,823 856,536

Sewer Service Fund:

Sewer billed, net 20,743

Sewer unbilled 35,684

Regional billed 210,894

Regional unbilled 83,786 351,107

Solid Waste Disposal Fund:

Billed, net 18,417

Unbilled 137,640 156,057

Total business-type 1,363,700

Total accounts receivable \$ 1,496,545

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 4: Accounts Receivable, continued:**

Allowance for doubtful accounts at June 30, 2015, is provided as follows:

Water fund	\$ 32,455
Sewer fund	20,986
Solid waste disposal fund	9,328
	\$ 62,769
Total	\$ 62,769

**Note 5: Reconciliation of Interfund Receivables and Payables:**

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

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

Interfund transfers for the 2014-2015 fiscal year, are as follows:

<u>Due To/From</u>	<u>Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Governmental	\$ -	\$ 901,914	\$ (788,212)	\$ 113,702
Water Fund	(901,914)	-	1,037,515	135,601
Sewer Fund	788,212	(1,037,515)	-	(249,303)
	\$ (113,702)	\$ (135,601)	\$ 249,303	\$ -
Total	\$ (113,702)	\$ (135,601)	\$ 249,303	\$ -

**Note 6: Capital Assets:**

Property, plant and equipment were comprised of the following at June 30, 2015:

<u>Governmental:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Land	\$ 308,117	\$ -	\$ -	\$ -	\$ 308,117
Structures and improvements	3,711,933	-	-	-	3,711,933
Equipment	846,454	-	-	-	846,454
Construction in progress	582,976	-	-	-	582,976
	5,449,480	-	-	-	5,449,480
Total cost	5,449,480	-	-	-	5,449,480

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 6: Capital Assets, continued:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Governmental, continued:</u>					
Accumulated depreciation	\$ (1,222,402)	\$ (136,443)	\$ -	\$ -	\$ (1,358,845)
Total governmental, net	<u>4,227,078</u>	<u>(136,443)</u>	<u>-</u>	<u>-</u>	<u>4,090,635</u>
<u>Business-Type:</u>					
<u>Water Utility:</u>					
Land	525,285	-	-	-	525,285
Structures and improvements	30,125,844	1,029,686	-	3,670,105	34,825,635
Equipment	1,355,271	44,185	(30,706)	-	1,368,750
Construction in progress	<u>3,827,879</u>	<u>4,118</u>	<u>-</u>	<u>(3,670,105)</u>	<u>161,892</u>
Total cost	35,834,279	1,077,989	(30,706)	-	36,881,562
Accumulated depreciation	<u>(10,717,214)</u>	<u>(873,353)</u>	<u>30,706</u>	<u>-</u>	<u>(11,559,861)</u>
Total water utility, net	<u>25,117,065</u>	<u>204,636</u>	<u>-</u>	<u>-</u>	<u>25,321,701</u>
<u>Sewer Utility:</u>					
Land	17,825	-	-	-	17,825
Structures and improvements	35,506,415	-	-	-	35,506,415
Equipment	400,750	-	-	-	400,750
Construction in progress	<u>54,043</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>54,418</u>
Total cost	35,979,033	375	-	-	35,979,408
Accumulated depreciation	<u>(17,527,417)</u>	<u>(921,368)</u>	<u>-</u>	<u>-</u>	<u>(18,448,785)</u>
Total sewer utility, net	<u>18,451,616</u>	<u>(920,993)</u>	<u>-</u>	<u>-</u>	<u>17,530,623</u>
Total business-type, net	<u>43,568,681</u>	<u>(716,357)</u>	<u>-</u>	<u>-</u>	<u>42,852,324</u>
Total capital assets	<u>\$ 47,795,759</u>	<u>\$ (852,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,942,959</u>

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 7: Real Properties:**

Properties owned by the District are as follows:

- Property Site - Wilson Street and Agua Mansa Boulevard
- Treatment Plant (approximately 10 acres)
- Main Office - 3590 Rubidoux Boulevard
- Field Office Building - Pacific Street at Riverview Avenue
- 9 water well sites
- Vacant lot - South Sedona Drive
  
- Vacant lot - Golden West Avenue
- Nitrate Wellhead Treatment Facility
- Manganese Treatment Facility
- Well sites #17 & #18 - 34th Street
- Fort Fremont Parcel
- Land adjacent to District Office
- Goldenwest Reservoir Site
- 7 Reservoir tanks
- Mission / Avalon Fire Station

**Note 8: Bonds Payable and Certificates of Participation:**

Bonds payable and certificates of participation consisted of the following at June 30, 2015:

	Balance	Payments
Water Utility:		
Certificates of Participation		
Series 1998, (Refunding issue of Series 95) maturing 2024. Interest payable semiannually on June 1 and December 1. Principal due in annual installments on December 1. Final payment due December 1, 2024.	\$ 5,560,000	\$ 440,000
Less amortized discount	43,293	
Less current portion	440,000	
Long-term portion	\$ 5,076,707	



# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 8: Bonds Payable and Certificates of Participation, continued:**

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

Fiscal Year <u>Ending June 30,</u>	Principal 1998 Series Certificates of Participation	Interest 1998 Series Certificates of Participation	Total
2016	\$ 440,000	\$ 271,755	\$ 711,755
2017	465,000	248,904	713,904
2018	485,000	224,916	709,916
2019	510,000	199,665	709,665
2020 - 2025	3,660,000	587,520	4,247,520
Total	\$ 5,560,000	\$ 1,532,760	\$ 7,092,760

**Note 9: Compensated Absences:**

In concurrence with the Districts' Memorandum of Understanding (MOU), dated July 1, 2012, employees accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. Once a year, the District "cashes out" to employees their sick leave hours in excess of 600 hours. Current period charges or reductions to expense or expenditures totaled \$34,014, \$4,804 and \$1,387 in the General, Water and Sewer Funds, respectively. All appropriate accruals were recorded in the respective funds. Accrued balances at June 30, 2015, totaled \$596,216, \$203,337 and \$8,472 in the General, Water and Sewer Funds, respectively for a total of \$808,025.

**Note 10: Pension Plans:**

General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety (fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 10: Pension Plans, continued:**

General Information about the Pension Plans, continued:

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 10 years of service. The death benefit is 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 Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	3% @ 60	3% @ 60
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 55	52 - 67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8%	8%
Required employee contribution rates	16.758%	18.431%
Required employer contribution rates		
	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	3% @ 50	2.7% @ 57
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	50 - 57
Retirement age	3.0%	2.0% to 2.7%
Monthly benefits, as a % of eligible compensation	N/A	N/A
Required employee contribution rates		
Required employer contribution rates		

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 10: Pension Plans, continued:**

General Information about the Pension Plans, continued:

Contributions, continued:

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 228,249	\$ 114,473
Contributions - employee (paid by employer)	150,694	(86)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,892,840
Safety	<u>695,294</u>
Total net pension liability	<u><u>\$ 2,588,134</u></u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	.07677%	.02101%
Proportion - June 30, 2014	.07659%	.01854%
Change - increase (decrease)	(.00018%)	(.0247%)

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 10: Pension Plans, continued:**

General Information about the Pension Plans, continued:

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, continued:

For the year ended June 30, 2015, the District recognized pension expense of \$269,402. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 342,722	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	610
Net differences between projected and actual earnings on plan investments	-	858,395
	\$ 342,722	\$ 859,005
Total		

\$342,722 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year <u>Ending June 30,</u>				
2016		\$	214,816	
2017			214,816	
2018			214,773	
2019			214,600	
2020			-	
Thereafter			-	

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

### Note 10: Pension Plans, continued:

#### General Information about the Pension Plans, continued:

#### Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry-Age Normal Cost Method	
Actuarial assumptions:		
Discount rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll growth	3.0%	3.0%
Projected salary increase (1)	3.3% - 14.2%	3.3% - 14.2%
Investment rate of return (2)	7.5%	7.5%

(1) Depending on age, service, and type of employment.

(2) Net of pension plan investment expenses, including inflation.

The underlying actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

#### Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 10: Pension Plans, continued:**

General Information about the Pension Plans, continued:

Discount Rate, continued:

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 10: Pension Plans, continued:**

General Information about the Pension Plans, continued:

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

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% decrease	6.50%	6.50%
Net pension liability	\$ 3,263,710	\$ 1,330,029
Current discount rate	7.50%	7.50%
Net pension liability	\$ 1,892,839	\$ 695,294
1% increase	8.50%	8.50%
Net pension liability	\$ 755,147	\$ 172,300

Pension Plan Fiduciary Net Position:

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Note 11: Notes Payable:**

Notes payable consisted of the following at June 30, 2015:

Business-Type:

	Current	Long-Term	Total
<u>State Drinking Water Revolving</u>			
<u>Fund</u>			
State of California Department of Public Health for the construction of the Leland J. Thompson Water Facility. Semiannual payments of \$182,098, including interest at 2.5707 %, payable on July 1 and January 1. Matures January 1, 2034. Interest paid at June 30, 2015 was \$117,578.	\$ 113,522	\$ 5,221,683	\$ 5,335,205

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 11: Notes Payable, continued:**

Business-Type, continued:

	Current	Long-Term	Total
<u>State Revolving Loan</u>			
State Water Resources Board for the Construction of the Headworks Project. Principal payments payable in annual payments of \$13,564 on October 1, per annum. Loan is non-interest bearing and matures October 1, 2018.	\$ 13,564	\$ 40,692	\$ 54,256
Total long-term liabilities	\$ 127,086	\$ 5,262,375	\$ 5,389,461

Maturities of notes payable are as follows:

	<u>Fiscal Year</u> <u>Ending June 30,</u>	Principal	Interest	Total
	2016	\$ 127,086	\$ 68,576	\$ 195,662
	2017	245,004	132,756	377,760
	2018	250,992	126,768	377,760
	2019	257,134	120,625	377,759
	2020	249,872	114,324	364,196
	Thereafter	4,259,373	839,412	5,098,785
	Total	\$ 5,389,461	\$ 1,402,461	\$ 6,791,922

**Note 12: Contributed Capital/Financing Arrangement:**

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



# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 12: Contributed Capital/Financing Arrangement, continued:**

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, 2014	\$ 4,426,019	\$ 11,088,655	\$ 20,644,482	\$ 36,159,156
Fiscal year, June 30, 2015, contributed capital	-	1,214,950	-	1,214,950
Total June 30, 2015	\$ 4,426,019	\$ 12,303,605	\$ 20,644,482	\$ 37,374,106

**Note 13: Change in Accounting Principle:**

Pursuant to GASB Statement Numbers 68 and 71, a prior period adjustment of \$1,534,211 was made to decrease government-wide beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

The restatement of beginning net position of the governmental activities is summarized as follows:

<u>Governmental activities:</u>	
Net position at July 1, 2014, as previously stated	\$ 6,747,094
Net pension liability adjustment	(1,534,211)
Net position at July 1, 2014, as restated	\$ 5,212,883

Pursuant to GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities," the District no longer amortizes the cost of debt issuance. These amounts should be expensed in the year that they are incurred. The District made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in Net Position for business-type activities to be reduced by \$308,510.

Pursuant to GASB Statement Numbers 68 and 71, a prior period adjustment of \$1,643,526 was made to decrease the business-type activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

The restatement of beginning net position of the business-type activities is summarized as follows:

<u>Business-type activities:</u>	
Net position at July 1, 2014, as previously stated	\$ 47,681,511
Debt issuance prior period adjustment	(308,510)
Net pension liability adjustment	(1,643,526)
Net position at July 1, 2014, as restated	\$ 45,729,475

# Rubidoux Community Services District

## Notes to the Financial Statements, continued June 30, 2015

**Note 14: Commitments and Contingencies:**

Litigation:

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

**Note 15: Subsequent Events:**

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is October 1, 2015, which is the date on which the financial statements were available to be issued.

The District reports subsequent events on page 9 of the Management's Discussion and Analysis.

**REQUIRED SUPPLEMENTARY INFORMATION**

# Rubidoux Community Services District

## Schedule of Plan's Proportionate Share of Net Pension Liability For the Year Ended June 30, 2015

Proportion of net pension liability - Miscellaneous	.7659%
Proportion of net pension liability - Safety	.1854%
Proportionate share of the net pension liability	\$ 2,588,133
Covered - employee payroll	\$ 1,868,407
Proportionate share of the net pension liability as percentage of covered-employee payroll	138.52%
Plans' fiduciary net position	\$ 12,484,048
Plan fiduciary net position as a percentage of the total pension liability	82.83%

### Notes to Schedule:

#### Benefit Changes:

In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

#### Changes in Assumptions:

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\*Fiscal year 2015 was the 1st year of implementation, therefore, only one year is shown.

# Rubidoux Community Services District

## Schedule of Contributions For the Year Ended June 30, 2015

Contractually required contribution (actuarially determined)	\$ 322,439
Contributions in relation to the actuarially determined contributions	<u>(322,439)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,868,407
Contributions as a percentage of covered-employee payroll	17.26%

### Notes to Schedule:

Valuation date June 30, 2013

Methods and assumptions used to determine contribution rates:

Single and agent employers example	Entry Age
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	15 Years
Asset valuation method	5-Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20%, Average, including inflation of 3.0%
Investment rate of return	7.75%, Net of Pension Plan Investment Expense, including inflation
Retirement age	57 Years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\*Fiscal year 2015 was the 1st year of implementation, therefore, only one year is shown.

**Rubidoux Community Services District**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 2,482,613	\$ 2,482,613	\$ 2,562,266	\$ 79,653
Charges for administrative services	950,000	950,000	950,000	-
Other revenue	35,400	35,400	46,707	11,307
Total revenue	<u>3,468,013</u>	<u>3,468,013</u>	<u>3,558,973</u>	<u>90,960</u>
<b>EXPENDITURES</b>				
Administrative:				
Salaries and benefits (including pension)	1,526,000	1,526,000	1,584,013	(58,013)
Services and supplies	651,200	651,200	462,493	188,707
Capital outlays	10,000	10,000	-	10,000
Fire department:				
Contract services	1,810,473	1,810,473	1,717,122	93,351
Utilities	24,000	24,000	18,898	5,102
Total expenditures	<u>4,021,673</u>	<u>4,021,673</u>	<u>3,782,526</u>	<u>239,147</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (553,660)</u></u>	<u><u>\$ (553,660)</u></u>	<u><u>\$ (223,553)</u></u>	<u><u>\$ 330,107</u></u>

# **Rubidoux Community Services District**

## **Note to Required Supplementary Information June 30, 2015**

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

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

The differences relate primarily to the following:

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

## **OTHER INFORMATION**



**Rubidoux Community Services District  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015**

	General	Protection/ Weed Abatement	Total
<b>REVENUES</b>			
Property taxes and weed abatement	\$ 2,540,541	\$ 21,725	\$ 2,562,266
Charges for administrative services	950,000	-	950,000
Licenses and permits	7,236	-	7,236
Interest	9,097	-	9,097
Other revenue	30,374	-	30,374
	<u>3,537,248</u>	<u>21,725</u>	<u>3,558,973</u>
Total revenues			
<b>EXPENDITURES</b>			
<u>Current:</u>			
General government	2,046,506	-	2,046,506
Fire protection and weed abatement	-	1,736,020	1,736,020
	<u>2,046,506</u>	<u>1,736,020</u>	<u>3,782,526</u>
Total expenditures			
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,490,742</u>	<u>(1,714,295)</u>	<u>(223,553)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	140,059	1,732,332	1,872,391
Transfers out	<u>(1,732,332)</u>	<u>-</u>	<u>(1,732,332)</u>
Total other financing sources (uses)	<u>(1,592,273)</u>	<u>1,732,332</u>	<u>140,059</u>
<b>NET CHANGE IN FUND BALANCE</b>	(101,531)	18,037	(83,494)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,279,775</u>	<u>802,443</u>	<u>3,082,218</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,178,244</u>	<u>\$ 820,480</u>	<u>\$ 2,998,724</u>

# Rubidoux Community Services District

## Ten Year Financial Trends (Rounded to Thousand Dollars) For the Year Ended June 30, 2015

Change in Net Position or Fund Balance:

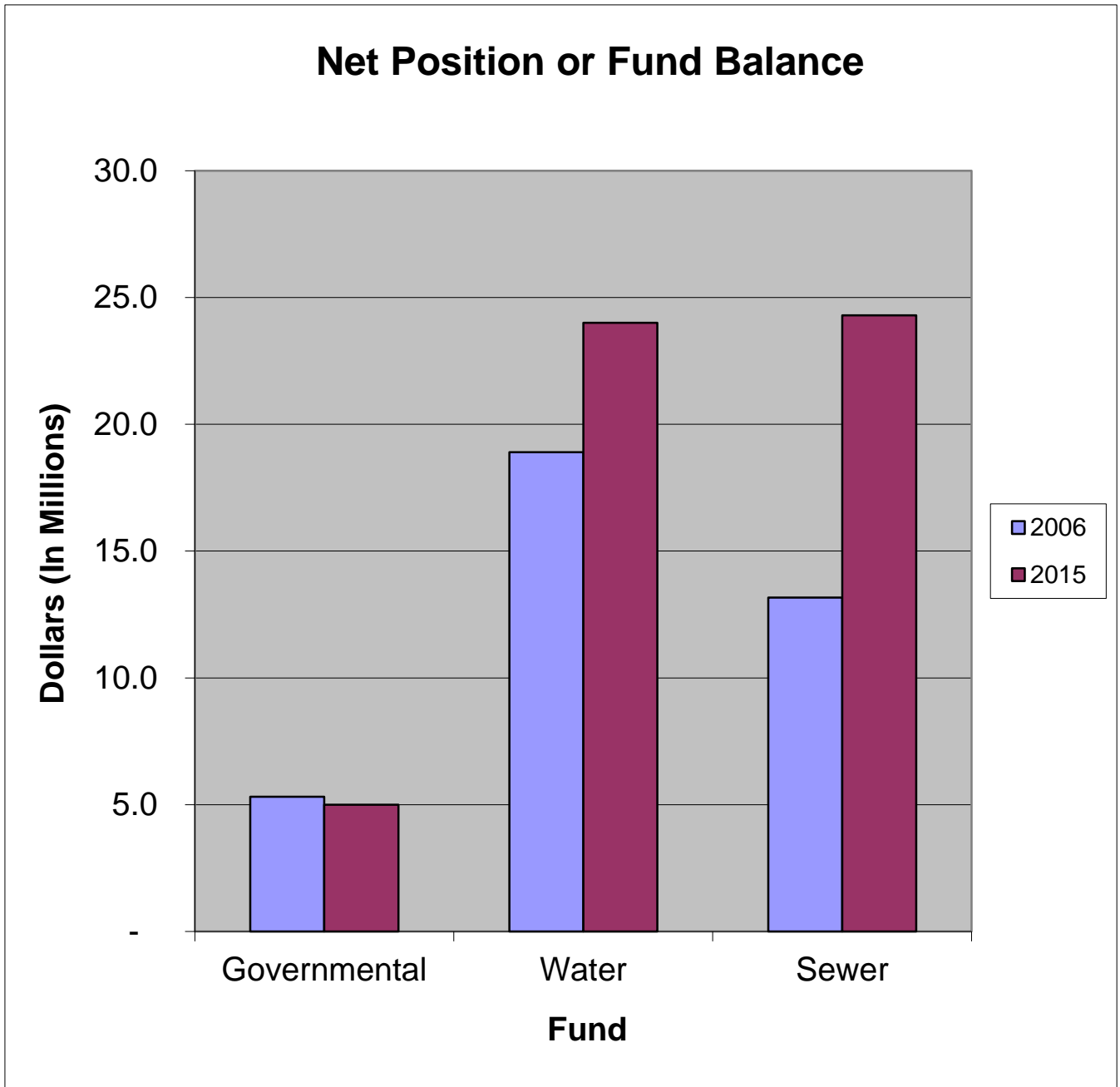
	General	Water	Sewer	Solid Waste Disposal	Total
June 30, 2006	806,000	3,289,000	419,000	24,000	4,538,000
June 30, 2007	2,701,000	952,000	91,000	91,000	3,835,000
June 30, 2008	(600,000)	326,000	1,945,000	94,000	1,765,000
June 30, 2009	(393,000)	13,000	8,900,000	(146,000)	8,374,000
June 30, 2010	(704,000)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

Net Position or Fund Balance:

	General	Water	Sewer	Solid Waste Disposal	Total
June 30, 2006	5,311,000	18,924,000	13,175,000	190,000	37,600,000
June 30, 2007	8,012,000	19,876,000	13,266,000	281,000	41,435,000
June 30, 2008	7,412,000	20,201,000	15,211,000	376,000	43,200,000
June 30, 2009	7,019,000	20,214,000	24,111,000	230,000	51,574,000
June 30, 2010	6,315,000	20,539,000	27,502,000	298,000	54,654,000
June 30, 2011	6,712,000	19,878,000	26,915,000	163,000	53,668,000
June 30, 2012	7,132,000	19,741,000	26,853,000	108,000	53,834,000
June 30, 2013	6,930,000	20,323,000	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

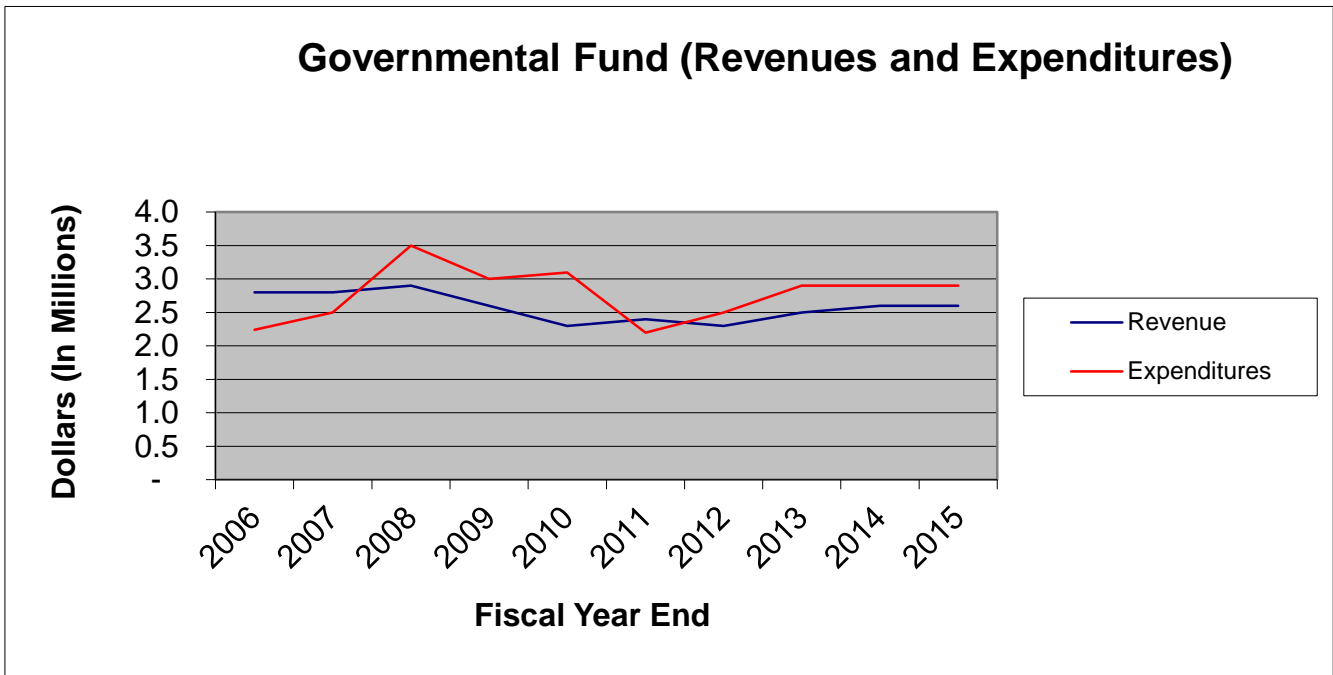
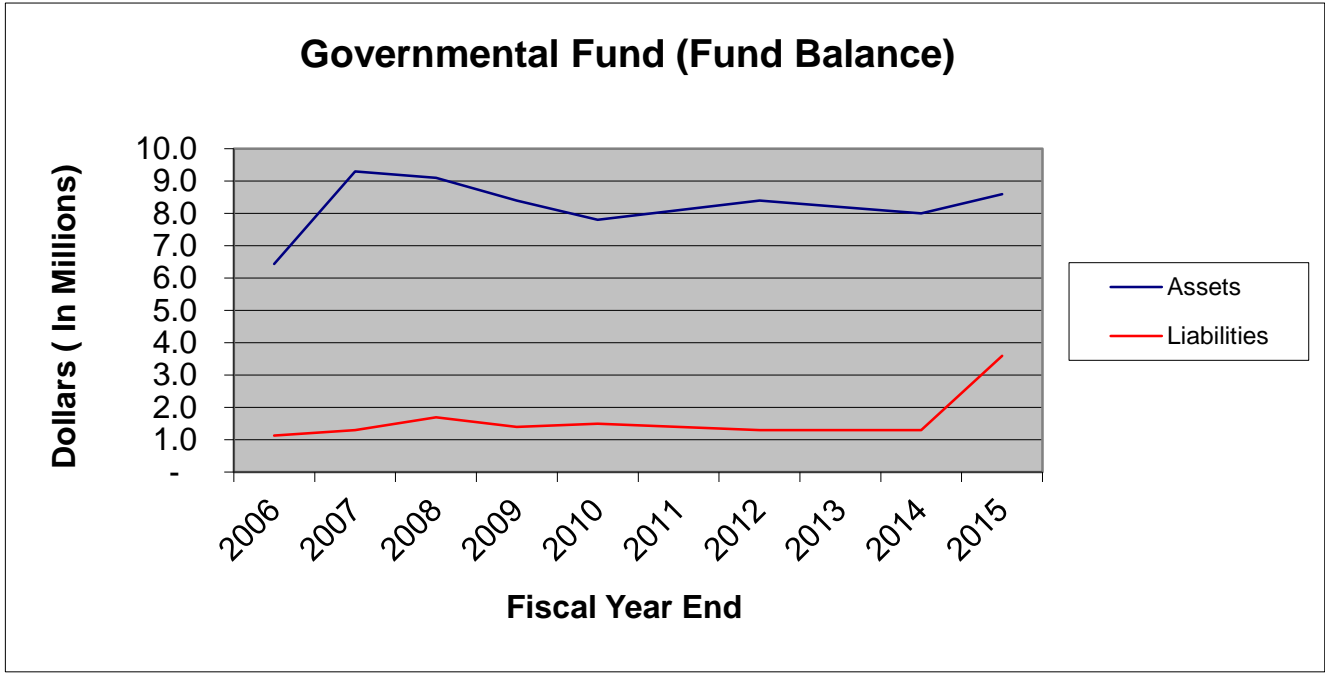
# Rubidoux Community Services District

Graphic Financial Comparisons  
As of and for the Year Ended June 30, 2015



# Rubidoux Community Services District

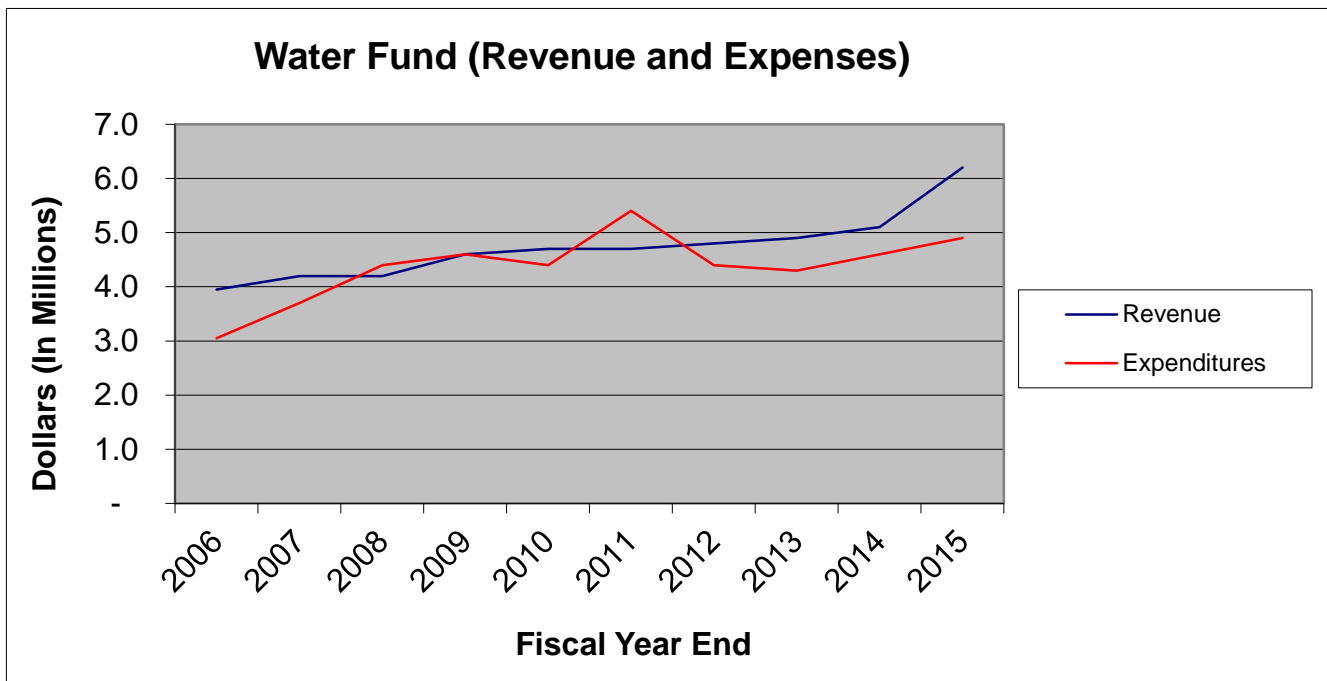
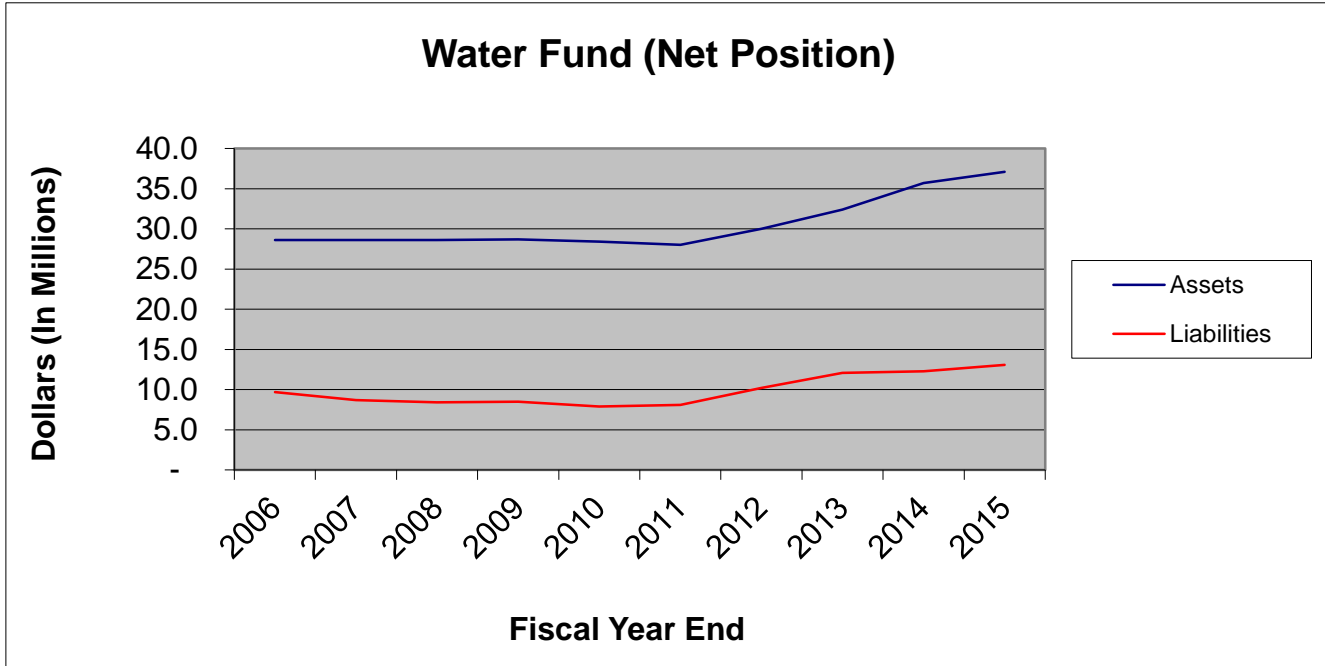
## Graphic Financial Comparisons, continued As of and for the Year Ended June 30, 2015



Includes revenue and expenditures, but excludes contributed capital.

# Rubidoux Community Services District

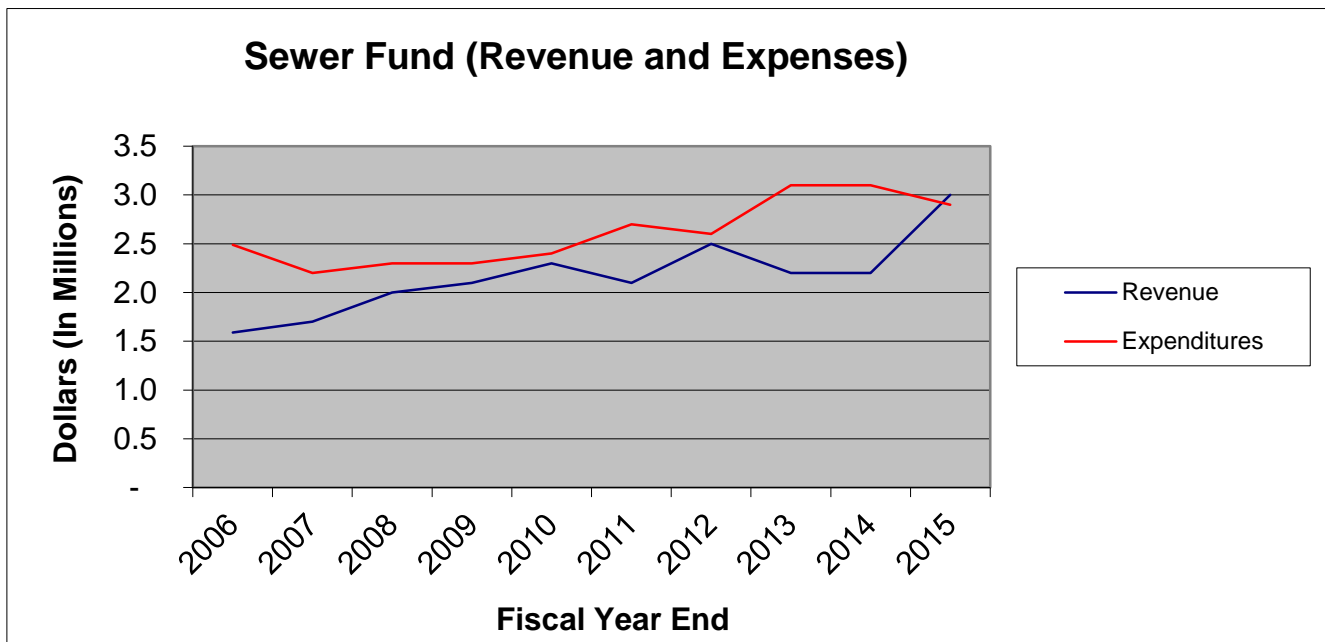
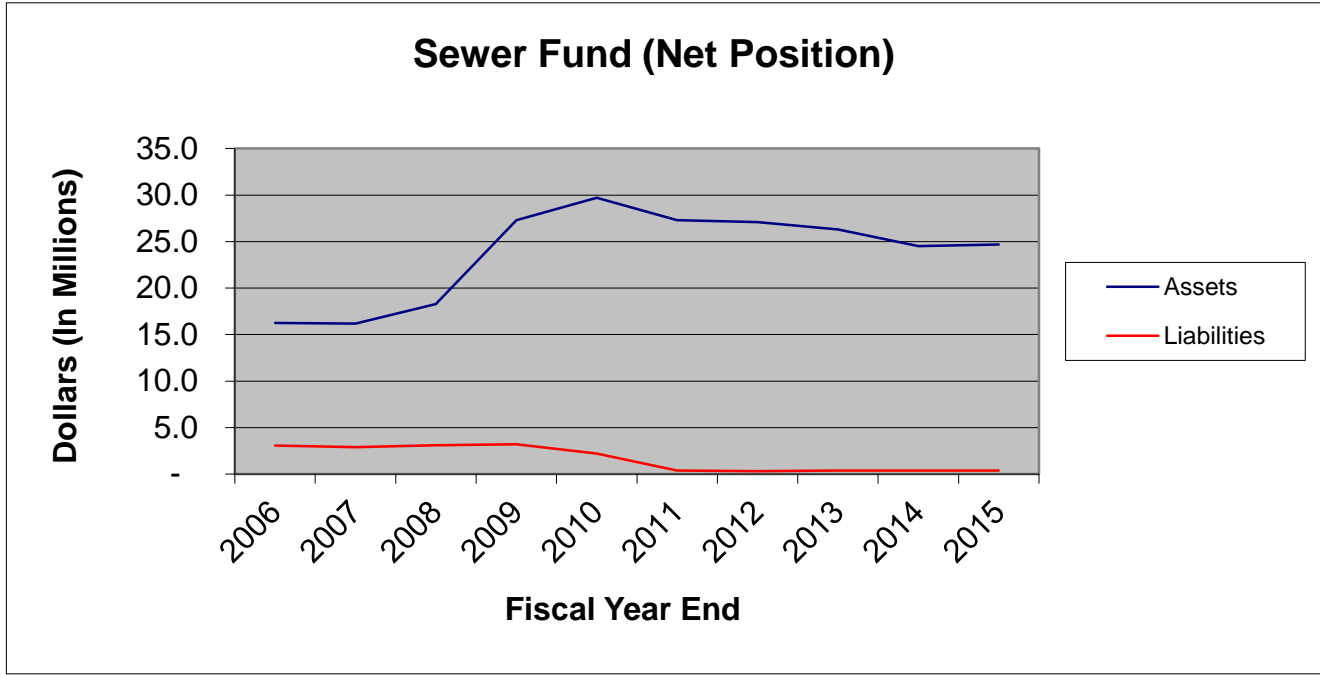
## Graphic Financial Comparisons, continued As of and for the Year Ended June 30, 2015



Includes operating activities only.

# Rubidoux Community Services District

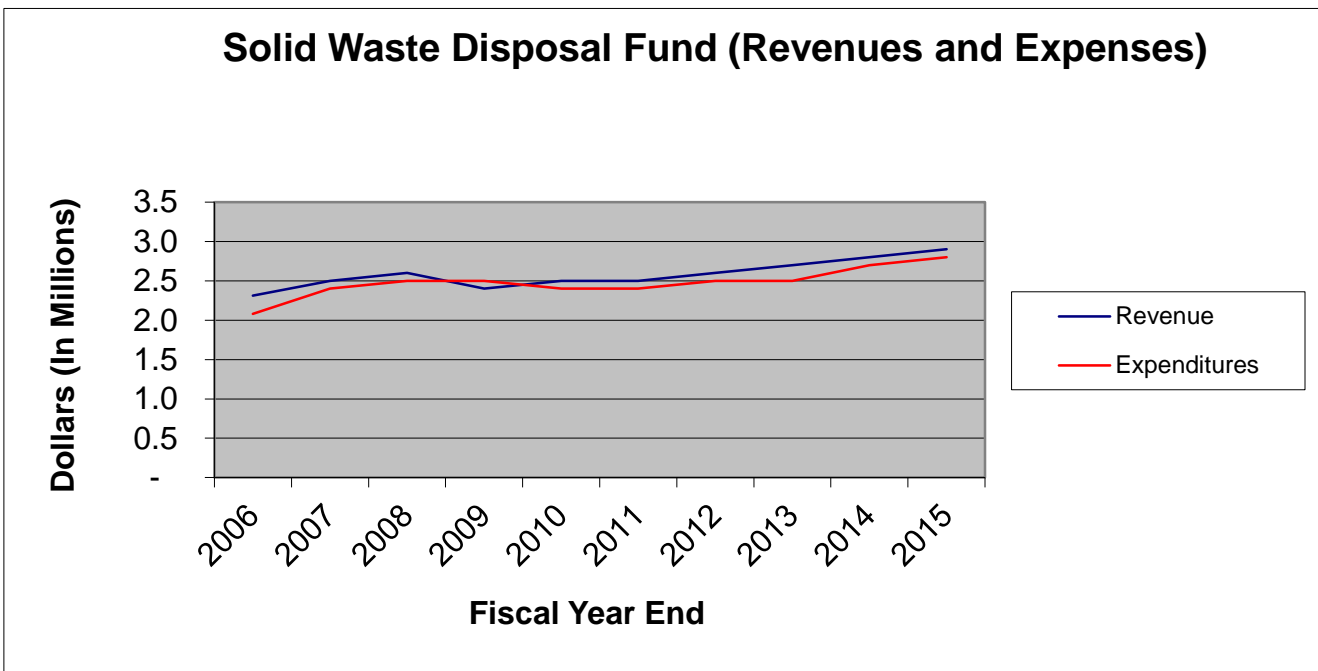
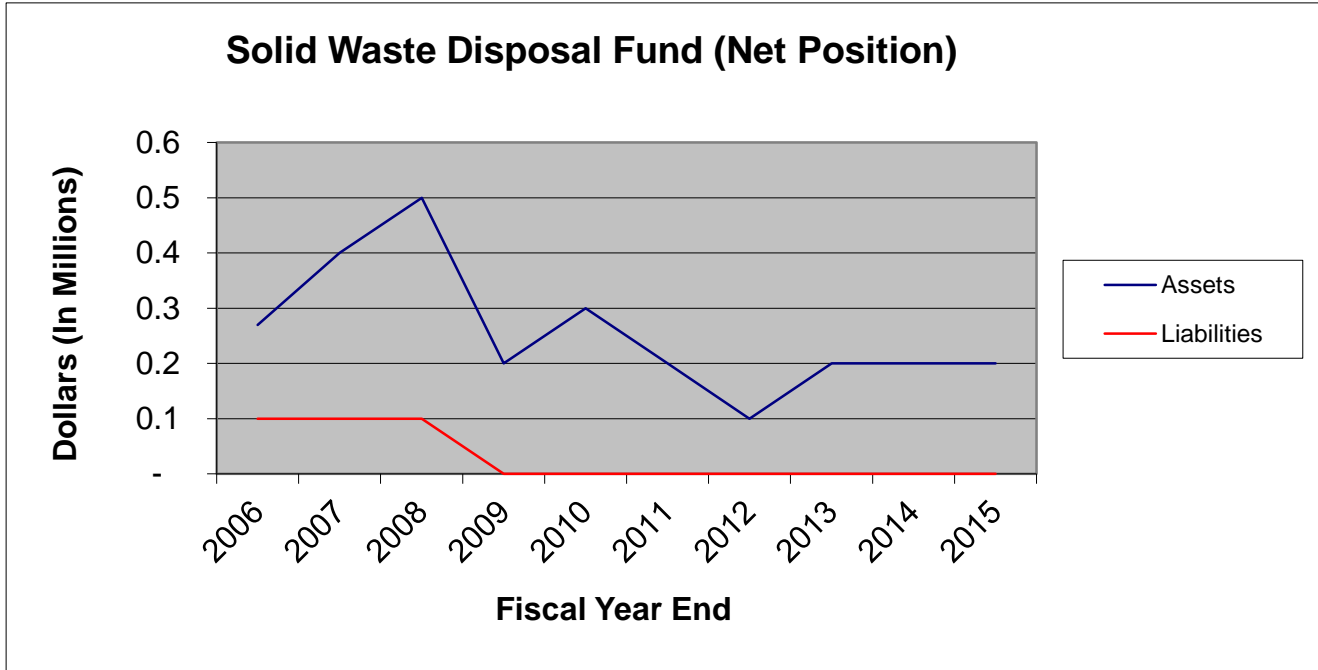
## Graphic Financial Comparisons, continued As of and for the Year Ended June 30, 2015



Includes operating activities only.

# Rubidoux Community Services District

## Graphic Financial Comparisons, continued As of and for the Year Ended June 30, 2015



Includes operating activities only.

**REPORT ON COMPLIANCE AND INTERNAL CONTROLS**



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

Board of Directors  
Rubidoux Community Services District  
Rubidoux, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities, and each major fund of Rubidoux Community Services District, as of and for the year ended June 30, 2015, 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 1, 2015.

**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.

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

**Compliance and Other Matters**

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

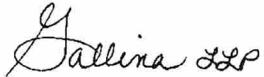
Board of Directors  
Rubidoux Community Services District

### **The District's Response to Findings**

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

### **Purpose of this Report**

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



Ontario, California  
October 1, 2015

# Rubidoux Community Services District

## Schedule of Findings and Responses For the Year Ended June 30, 2015

### 2012-1 Information Technology:

#### Condition and Criteria:

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

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

#### Context

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

#### Effect/Perspective:

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

#### Cause

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

#### Auditor's Recommendation:

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

#### Auditee's Response

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

# Rubidoux Community Services District

## Schedule of Findings and Responses, continued For the Year Ended June 30, 2015

### 2012-2 Utility Billing:

#### Condition and Criteria:

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

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

#### Context

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

#### Effect/Perspective:

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

#### Cause

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

#### Auditor's Recommendation:

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

#### Auditee's Response:

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

# Rubidoux Community Services District

## Schedule of Prior Year Findings For the Year Ended June 30, 2015

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2012-1	Information Technology	Finding remains open.
2012-2	Utility Billing	Finding remains open.