



Rubidoux Community Services District

Financial Statements

For the year ended June 30, 2018

Rubidoux Community Services District

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

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Rubidoux Community Services District
Jurupa Valley, California

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Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of Rubidoux Community Services District (District), as of and for the year ended June 30, 2018, 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.



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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulatory governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of Rubidoux Community Service District's internal control over financial report and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rubidoux Community Service District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2018

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

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, 2018. Please read it in conjunction with the accompanying basic financial statements.

Financial Highlights

- The District's net position decreased \$1,179,904 or 2.25%, as a result of this year's operations and non-operating activities, including capital contributions.
- Total revenues and capital contributions from all sources amounted to \$17.8 million.
- The cost of all District activities amounted to \$19.0 million.
- Operationally, the Water Fund provided \$1,667,772, the Sewer Fund used \$2,881,660 and the Solid Waste Disposal Fund provided \$177,127 to decrease net position by \$1,036,761 in the enterprise funds. The total Governmental Activities decreased by \$143,143.

Using this Annual Report

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

Reporting the District as a whole

The Statement of Net Position and the Statement of Activities

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

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

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

- The first reporting measure is government-wide financial statements that provide both long-term and short-term information about the District's overall financial status - for both governmental and proprietary funds. The government-wide financial statements combine the structures of the two fund types used by the District - Governmental and Proprietary Funds.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

- The next reporting measure reflects governmental funds statements that tell how general government administration and services were financed in the short-term as well as what remains for future spending.
- The third and final reporting measure is proprietary fund statements that offer short and long-term financial information about the activities the District operates like businesses, such as the water, sewer, and solid waste disposal operations.

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

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 10 and the required supplementary information (RSI) section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS).

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 44.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

The District as a whole

Our analysis focuses on the assets (Table 1) and changes in net position (Table 2) of the District's as a whole:

Table 1
Assets, def. outflows, liabilities, def. inflows and net position, at year-end (in millions)

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>Assets</i>										
Current and other assets	\$ 3.6	\$ 3.6	\$ 16.2	\$ 13.4	\$ 4.9	\$ 5.8	\$ 0.3	\$ 0.2	\$ 25.0	\$ 23.0
Capital assets	4.0	4.1	23.1	23.6	15.9	16.7	-	-	43.0	44.4
Deferred outflows	0.7	0.5	0.8	0.5	0.1	0.1	-	-	1.6	1.1
Total assets and deferred outflows	8.3	8.2	40.1	37.5	20.9	22.6	0.3	0.2	69.6	68.5
<i>Liabilities</i>										
Long-term liabilities	2.5	2.2	10.3	10.8	0.3	0.3	-	-	13.1	13.3
Other liabilities	0.8	0.9	2.3	1.0	1.7	0.6	-	-	4.8	2.5
Deferred inflows	0.2	0.1	0.2	0.1	-	-	-	-	0.4	0.2
Total liabilities and deferred inflows	3.5	3.2	12.8	11.9	2.0	0.9	-	-	18.3	16.0
<i>Net position</i>										
Net investment in capital assets	4.0	4.1	14.4	14.1	16.0	16.7	-	-	34.4	34.9
Restricted	1.3	1.3	6.8	6.8	3.1	2.9	-	-	11.2	11.0
Unrestricted	(0.5)	(0.4)	6.1	4.7	(0.2)	2.1	0.3	0.2	5.7	6.6
Total net position	\$ 4.8	\$ 5.0	\$ 27.3	\$ 25.6	\$ 18.9	\$ 21.7	\$ 0.3	\$ 0.2	\$ 51.3	\$ 52.5

The District's net position decrease of 2.25% to \$51.3 million comes from the revenues and expense activity recorded in the Statement of Activities.

- Overall government-wide capital assets decreased \$1.3 million due to depreciation of capital assets.
- As a whole, long-term debt decreased \$79,000 due to an increase in the net pension liability of \$0.6 million, principal payments of \$0.3 million on the Leland J. Thompson Water Facility loan and \$0.5 million on the water certificates of participation.
- Restricted Net Position increased \$0.1 million.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

The District as a whole, continued

- Unrestricted Net Position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased \$0.9 million and amounted to \$5.7 million.

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

	Governmental		Proprietary Funds						Total	
	Activities		Water		Sewer		Solid Waste			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>Revenues</i>										
Operating revenue:										
Charges for services	\$ 1.3	\$ 1.3	\$ 5.8	\$ 5.5	\$ 2.8	\$ 2.7	\$ 3.3	\$ 3.1	\$ 13.2	\$ 12.6
Property taxes	3.0	2.8	-	-	-	-	-	-	3.0	2.8
Other revenue:										
Capital contributions	-	-	-	-	-	-	-	-	-	-
Other/transfers	0.1	0.2	1.6	1.9	0.2	0.3	-	-	1.9	2.4
Total revenue	4.4	4.3	7.4	7.4	3.0	3.0	3.3	3.1	18.1	17.8
<i>Expenses</i>										
Operating/depreciation	4.5	4.2	5.4	5.1	5.9	5.0	3.1	3.0	18.9	17.3
Interest	-	-	0.4	0.4	-	-	-	-	0.4	0.4
Other/transfers	-	-	-	-	-	-	0.1	0.2	0.1	0.2
Total expenses	4.5	4.2	5.8	5.5	5.9	5.0	3.2	3.2	19.4	17.9
Increase (decrease) in net position	<u>\$ (0.1)</u>	<u>\$ 0.1</u>	<u>\$ 1.6</u>	<u>\$ 1.9</u>	<u>\$ (2.9)</u>	<u>\$ (2.0)</u>	<u>\$ 0.1</u>	<u>\$ (0.1)</u>	<u>\$ (1.3)</u>	<u>\$ (0.1)</u>

Financial analysis of the District's unrestricted cash

At year-end the District reported combined unrestricted cash balances of \$10.1 million, which is a decrease of \$0.4 million or 3.89% from last year. Note 2 of the financial statements provide additional detail on cash balances.

General Fund budgetary highlights

The Rubidoux Community Services District budget is prepared bi-annually. Over the course of the year, the Board reviews and revises its budget to reflect changes in programs, funding, and expenditure estimates. During fiscal year 2017-2018, 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 \$291,422 in property tax revenue is primarily due to the District receiving unbudgeted Redevelopment tax revenue. The favorable variance of \$250,111 in contract services expenditures is primarily due to Cal Fire over-estimating the fire contract for budget purposes.

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

Capital asset and debt administration

Capital assets

At June 30, 2018, the District had \$43.1 million invested in a broad range of capital assets for infrastructure and facilities. (See Note 5.) (See Table 3 below.) This amount represents a net decrease of \$1.2 million, or 2.70%, below last year.

Table 3
Capital assets, at year-end (in millions)

Description	Governmental Activities		Proprietary Funds				Total	
	2018	2017	Water		Sewer		2018	2017
			2018	2017	2018	2017		
Land	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.8	\$ -	\$ -	\$ 1.1	\$ 1.1
CIP	0.6	0.8	0.1	0.1	0.1	-	0.8	0.9
Structures and improvements	3.7	3.7	34.8	34.3	36.4	36.4	74.9	74.4
Equipment	1.0	0.8	1.6	1.6	0.6	0.5	3.2	2.9
Less depreciation	(1.6)	(1.5)	(14.2)	(13.3)	(21.1)	(20.2)	(36.9)	(35.0)
Total	\$ 4.0	\$ 4.1	\$ 23.1	\$ 23.5	\$ 16.0	\$ 16.7	\$ 43.1	\$ 44.3

At June 30, 2018, the District had \$13.2 million in pension liability, loans, certificates of participation, and notes outstanding versus \$13.3 million last year – a decrease of .8% - as shown in Table 4. (See Notes 8 and 10).

Table 4
Outstanding debt, at year-end (in millions)

Description	Governmental Activities		Proprietary Funds				Total	
	2018	2017	Water		Sewer		2018	2017
			2018	2017	2018	2017		
Pension liability	\$ 2.1	\$ 1.8	\$ 2.1	\$ 1.8	\$ 0.3	\$ 0.2	\$ 4.5	\$ 3.8
Certificates of participation	-	-	4.1	4.6	-	-	4.1	4.6
Notes/loans payable	-	-	4.6	4.9	-	-	4.6	4.9
Total	\$ 2.1	\$ 1.8	\$ 10.8	\$ 11.3	\$ 0.3	\$ 0.2	\$ 13.2	\$ 13.3

**Rubidoux Community Services District
Management's Discussion and Analysis (unaudited)
June 30, 2018**

Economic factors and next year's comments

There are several factors influencing the economy of the Rubidoux Community Services District (District). The District continues to stress water conservation efforts even in light of abundant local water supplies. In 2009, Governor Schwarzenegger signed the Water Conservation Act (AB 2175) which requires water suppliers to reduce statewide per capita water use by 20% by year 2020. Governor Brown issued a drought state of emergency order number B-29-15 on April 1, 2015, increasing the State's water conservation efforts to 25%. In 2016, the State eased the mandatory conservation burden by allowing each agency to self-certify the reliability of their water supplies. The District was able to reduce our conservation level to 0%. Even though the District was able to certify that our supply exceeds our demand, the State is requiring conservation to be the new normal.

Home development planning and construction within the District has increased. Recently, DR Horton completed construction of 85 homes. Developers for the Rio Vista project, a proposed development of approximately 1,400+ homes north of highway 60 is showing signs of activity, while the Emerald Meadows Ranch development, a community of approximately 1,000+ homes is still dormant. The Highland Park development, a community of approximately 430+ homes north of highway 60 appears to be the most active, with the developer moving forward with annexation proceedings.

In 2018, the State imposed new water quality regulations for 1,2,3-Trichloropropane (TCP) in the potable water system. This new regulation has caused the District to add treatment to Well 2 (\$175,000 plus on-going lease of \$10,000) and commence the design of a treatment addition to Wells 4 & 6 (\$146,000). Additionally, the new regulations have forced the District to advance the construction of a new potable water well, Well 1A (\$452,000). The proposed Golden West Booster improvements will be delayed in order to complete the TCP projects.

Replacement of the Jurupa Hills lift station is anticipated to be bid for construction in FY 18/19 with construction immediately following. The lift station cost estimate is \$472,000.

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

Contacting the District's financial management

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

Rubidoux Community Services District
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 3,384,652	\$ 6,744,593	\$ 10,129,245
Accounts receivable, net (Note 4)	102,038	1,243,238	1,345,276
Internal balances (Note 6)	(1,256,370)	1,256,370	-
Interest receivable	20,753	62,253	83,006
Inventory	-	50,326	50,326
Prepayments and deposits	21,473	33,207	54,680
Restricted assets:			
Cash and investments (Notes 2 and 3)	1,349,893	-	1,349,893
Total current assets	3,622,439	9,389,987	13,012,426
Noncurrent assets:			
Restricted - cash and investments (Notes 2 and 3)	-	9,167,206	9,167,206
Restricted - reserve funds (Notes 2 and 3)	-	743,482	743,482
Capital assets, not being depreciated (Note 5)	932,668	1,011,913	1,944,581
Capital assets, being depreciated, net (Note 5)	3,088,436	38,057,975	41,146,411
Total noncurrent assets	4,021,104	48,980,576	53,001,680
Total assets	7,643,543	58,370,563	66,014,106
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 10)	758,283	855,082	1,613,365

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

Rubidoux Community Services District
Statement of Net Position, continued
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 628,915	\$ 991,222	\$ 1,620,137
Accrued liabilities	49,612	79,374	128,986
Customer deposits	-	17,069	17,069
Unearned revenue	-	37,726	37,726
Interest payable	-	17,807	17,807
Long-term liabilities - due within one year:			
Compensated absences (Note 9)	131,863	54,676	186,539
Bonds payable and certificates of of participation (Note 8)	-	510,000	510,000
Notes payable (Note 8)	-	260,265	260,265
Total current liabilities	810,390	1,968,139	2,778,529
Noncurrent liabilities:			
Long-term liabilities - due within more than one year:			
Compensated absences (Note 9)	395,590	170,539	566,129
Net pension liability (Note 10)	2,130,385	2,402,349	4,532,734
Bonds payable and certificates of participation (Note 8)	-	3,630,501	3,630,501
Notes payable (Note 8)	-	4,385,107	4,385,107
Total noncurrent liabilities	2,525,975	10,588,496	13,114,471
Total liabilities	3,336,365	12,556,635	15,893,000
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 10)	195,981	221,001	416,982
NET POSITION			
Net investment in capital assets	4,021,104	30,284,015	34,305,119
Restricted for:			
Capital projects	1,349,893	6,795,081	8,144,974
Debt service	-	3,115,607	3,115,607
Unrestricted	(501,517)	6,253,306	5,751,789
Total net position	\$ 4,869,480	\$ 46,448,009	\$51,317,489

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

**Rubidoux Community Services District
Statement of Activities
For the year ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>				<u>Total</u>
		<u>Program Revenues</u>	<u>Capital</u>	<u>Governmental</u>	<u>Business-Type</u>	
		<u>Charges for</u>	<u>Grants and</u>	<u>Activities</u>	<u>Activities</u>	
		<u>Services</u>	<u>Contributions</u>			
Governmental activities:						
Administrative and support	\$ 2,443,997	\$ 1,267,651	\$ -	\$ (1,176,346)	\$ -	\$ (1,176,346)
Contracted services	2,099,317	-	-	(2,099,317)	-	(2,099,317)
Total governmental activities	4,543,314	1,267,651	-	(3,275,663)	-	(3,275,663)
Business-type activities:						
Water utility	5,737,099	5,759,342	-	-	22,243	22,243
Sewer utility	5,880,165	2,838,881	-	-	(3,041,284)	(3,041,284)
Solid waste disposal	3,073,920	3,301,546	-	-	227,626	227,626
Total business-type activities	14,691,184	11,899,769	-	-	(2,791,415)	(2,791,415)
Total primary government	\$ 19,234,498	\$ 13,167,420	\$ -	(3,275,663)	(2,791,415)	(6,067,078)
		General revenues:				
		Property taxes		3,025,711	-	3,025,711
		Investment earnings		56,310	197,495	253,805
		Bond replacement revenue		-	1,143,906	1,143,906
		Other non-operating revenue		-	463,752	463,752
		Transfers		50,499	(50,499)	-
		Total general revenues		3,132,520	1,754,654	4,887,174
		Change in net position		(143,143)	(1,036,761)	(1,179,904)
		Net position, beginning of year		5,012,623	47,484,770	52,497,393
		Net position, end of year		\$ 4,869,480	\$ 46,448,009	\$ 51,317,489

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

**Rubidoux Community Services District
Balance Sheet
General Fund
June 30, 2018**

ASSETS

Cash and investments	\$	3,384,652
Accounts receivable, net (Note 4)		102,038
Accrued interest receivable		20,753
Prepayments and deposits		21,473
Restricted assets:		
Cash and investments		1,349,893
		<hr/>
Total assets	\$	<u><u>4,878,809</u></u>

LIABILITIES

Accounts payable	\$	628,915
Accrued liabilities		49,612
Internal balances (Note 6)		1,256,370
		<hr/>
Total liabilities		<u>1,934,897</u>

FUND BALANCES

Nonspendable		21,473
Restricted		1,349,893
Unassigned		1,572,546
		<hr/>
Total fund balances		<u>2,943,912</u>
		<hr/>
Total liabilities and fund balances	\$	<u><u>4,878,809</u></u>

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

**Rubidoux Community Services District
 Reconciliation of the General Fund Balance Sheet
 to the Government-Wide Statement of Net Position
 June 30, 2018**

Fund balances of governmental funds \$ 2,943,912

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 4,021,104

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	(527,453)
Net pension liability	(2,130,385)

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

Deferred outflows of resources	758,283
Deferred inflows of resources	(195,981)

Net position of governmental activities \$ 4,869,480

Rubidoux Community Services District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the year ended June 30, 2018

REVENUES	
Property taxes and weed abatement	\$ 3,025,711
Charges for administrative services	1,200,000
Licenses and permits	5,597
Interest earnings	56,310
Other revenue	62,054
	<hr/>
Total revenues	4,349,672
	<hr/>
EXPENDITURES	
General government	2,206,066
Fire protection and weed abatement	2,099,317
	<hr/>
Total expenditures	4,305,383
	<hr/>
Excess of revenues over (under) expenditures	44,289
OTHER FINANCING SOURCES (USES)	
Transfers in	50,499
	<hr/>
Net change in fund balance	94,788
Fund balance, beginning of year	2,849,124
	<hr/>
Fund balance, end of year	\$ 2,943,912
	<hr/> <hr/>

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

**Rubidoux Community Services District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the General Fund to the Government-Wide Statement of Activities
 For the year ended June 30, 2018**

Net change in fund balances - total governmental funds \$ 94,788

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays and asset disposals exceeded depreciation expense in the current period. (60,356)

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

Change in compensated absences	(26,159)
Pension related net adjustments	<u>(151,416)</u>

Change in net position of governmental activities \$ (143,143)

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

Rubidoux Community Services District
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments (Note 2)	\$ 6,306,848	\$ 437,745	\$ -	\$ 6,744,593
Accounts receivable, net (Note 4)	646,810	266,688	329,740	1,243,238
Due from other funds (Note 6)	2,344,539	1,031,120	-	3,375,659
Interest receivable	51,301	10,952	-	62,253
Inventory	50,326	-	-	50,326
Prepayments and deposits	33,207	-	-	33,207
	<u>9,433,031</u>	<u>1,746,505</u>	<u>329,740</u>	<u>11,509,276</u>
Noncurrent assets:				
Restricted - cash and investments (Notes 2 and 3)	6,023,947	3,143,259	-	9,167,206
Restricted - reserve funds (Notes 2 and 3)	743,482	-	-	743,482
Capital assets, not being depreciated (Note 5)	934,999	76,914	-	1,011,913
Capital assets, being depreciated, net (Note 5)	<u>22,250,866</u>	<u>15,807,109</u>	<u>-</u>	<u>38,057,975</u>
	<u>29,953,294</u>	<u>19,027,282</u>	<u>-</u>	<u>48,980,576</u>
	<u>39,386,325</u>	<u>20,773,787</u>	<u>329,740</u>	<u>60,489,852</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 10)	<u>758,280</u>	<u>96,802</u>	<u>-</u>	<u>855,082</u>

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

Rubidoux Community Services District
Statement of Net Position, continued
Proprietary Funds
June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 352,705	\$ 638,517	\$ -	\$ 991,222
Accrued liabilities	75,927	3,447	-	79,374
Customer deposits	17,069	-	-	17,069
Unearned revenue	37,726	-	-	37,726
Due to other funds (Note 6)	1,031,120	1,088,169	-	2,119,289
Interest payable	17,807	-	-	17,807
Long-term liabilities - due within one year:				
Compensated absences (Note 9)	54,676	-	-	54,676
Bonds payable and certificates of participation (Note 8)	510,000	-	-	510,000
Notes payable (Note 8)	246,701	13,564	-	260,265
Total current liabilities	<u>2,343,731</u>	<u>1,743,697</u>	<u>-</u>	<u>4,087,428</u>
Noncurrent liabilities:				
Long-term liabilities - due within more than one year:				
Compensated absences (Note 9)	164,028	6,511	-	170,539
Net pension liability (Note 10)	2,130,385	271,964	-	2,402,349
Bonds payable and certificates of participation (Note 8)	3,630,501	-	-	3,630,501
Notes payable (Note 8)	4,385,107	-	-	4,385,107
Total noncurrent liabilities	<u>10,310,021</u>	<u>278,475</u>	<u>-</u>	<u>10,588,496</u>
Total liabilities	<u>12,653,752</u>	<u>2,022,172</u>	<u>-</u>	<u>14,675,924</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 10)	195,982	25,019	-	221,001
NET POSITION				
Net investment in capital assets	14,413,556	15,870,459	-	30,284,015
Restricted				
Capital projects	3,651,822	3,143,259	-	6,795,081
Debt service	3,115,607	-	-	3,115,607
Unrestricted	6,113,886	(190,320)	329,740	6,253,306
Total net position	<u>\$ 27,294,871</u>	<u>\$ 18,823,398</u>	<u>\$ 329,740</u>	<u>\$ 46,448,009</u>

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

Rubidoux Community Services District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
OPERATING REVENUES				
Charges for current services	\$ 5,740,991	\$ 2,838,881	\$ 3,301,546	\$ 11,881,418
Other revenue	18,351	-	-	18,351
Total operating revenues	<u>5,759,342</u>	<u>2,838,881</u>	<u>3,301,546</u>	<u>11,899,769</u>
OPERATING EXPENSES				
Salaries and benefits	2,128,408	142,425	-	2,270,833
Contracted services	-	-	2,964,513	2,964,513
Electrical power	375,948	42,282	-	418,230
Operating expense	345,604	4,803	-	350,407
Maintenance and repairs	37,709	73,260	-	110,969
Operating treatment	657,410	2,068,796	-	2,726,206
Insurance	48,325	12,660	-	60,985
Professional fees	56,094	2,111,125	-	2,167,219
Bad debt	10,843	3,968	5,281	20,092
Other	188,464	12,379	4,126	204,969
Administrative fee	600,000	500,000	100,000	1,200,000
Total operating expenses	<u>4,448,805</u>	<u>4,971,698</u>	<u>3,073,920</u>	<u>12,494,423</u>
Operating income (loss) before depreciation	1,310,537	(2,132,817)	227,626	(594,654)
Depreciation expense	(937,020)	(908,467)	-	(1,845,487)
Operating income (loss)	<u>373,517</u>	<u>(3,041,284)</u>	<u>227,626</u>	<u>(2,440,141)</u>
NONOPERATING REVENUES (EXPENSES)				
Capital replacement	198,552	-	-	198,552
Capacity fees	149,600	115,600	-	265,200
Bond replacement revenue	1,143,906	-	-	1,143,906
Interest income	153,471	44,024	-	197,495
Interest expense	(351,274)	-	-	(351,274)
Total nonoperating revenues (expenses)	<u>1,294,255</u>	<u>159,624</u>	<u>-</u>	<u>1,453,879</u>
Income before contributions and transfers	1,667,772	(2,881,660)	227,626	(986,262)
Transfers in (out)	-	-	(50,499)	(50,499)
Change in net position	<u>1,667,772</u>	<u>(2,881,660)</u>	<u>177,127</u>	<u>(1,036,761)</u>
Net position, beginning of year	<u>25,627,099</u>	<u>21,705,058</u>	<u>152,613</u>	<u>47,484,770</u>
Net position, end of year	<u>\$ 27,294,871</u>	<u>\$ 18,823,398</u>	<u>\$ 329,740</u>	<u>\$ 46,448,009</u>

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

Rubidoux Community Services District
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018

	Water Utility	Sewer Utility	Solid Waste Disposal	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 5,702,843	\$ 2,965,546	\$ 3,124,419	\$ 11,792,808
Cash paid to employees for salaries and benefits	(1,897,098)	(119,052)	-	(2,016,150)
Cash paid to vendors and suppliers	(1,528,309)	(4,311,938)	(2,973,920)	(8,814,167)
Other receipts (payments)	(600,000)	(500,000)	(100,000)	(1,200,000)
Net cash provided (used) by operating activities	<u>1,677,436</u>	<u>(1,965,444)</u>	<u>50,499</u>	<u>(237,509)</u>
Cash flows from noncapital financing activities:				
Proceeds from capacity fees	149,600	115,600	-	265,200
Bond replacement revenue	1,143,906	-	-	1,143,906
Other non-operating revenues (expenses), net	173,552	-	-	173,552
Transfers to other funds	-	-	(50,499)	(50,499)
Interfund borrowings	(831,580)	343,692	-	(487,888)
Net cash provided (used) by noncapital financing activities	<u>635,478</u>	<u>459,292</u>	<u>(50,499)</u>	<u>1,044,271</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(542,042)	(84,218)	-	(626,260)
Proceeds from disposition of capital assets	25,000	-	-	25,000
Principal payments on capital debt	(725,479)	(13,564)	-	(739,043)
Interest payments on capital debt	(348,633)	-	-	(348,633)
Net cash used by capital and related financing activities	<u>(1,591,154)</u>	<u>(97,782)</u>	<u>-</u>	<u>(1,688,936)</u>
Cash flows from investing activities:				
Interest earnings	123,357	42,089	-	165,446
Net cash provided by investing activities	<u>123,357</u>	<u>42,089</u>	<u>-</u>	<u>165,446</u>
Net increase (decrease) in cash and cash equivalents	845,117	(1,561,845)	-	(716,728)
Cash and cash equivalents, beginning of year	<u>12,229,160</u>	<u>5,142,849</u>	<u>-</u>	<u>17,372,009</u>
Cash and cash equivalents, end of year	<u>\$ 13,074,277</u>	<u>\$ 3,581,004</u>	<u>\$ -</u>	<u>\$ 16,655,281</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 6,306,848	\$ 437,745	\$ -	\$ 6,744,593
Restricted cash and cash equivalents	6,023,947	3,143,259	-	9,167,206
Restricted reserve funds	743,482	-	-	743,482
Totals	<u>\$ 13,074,277</u>	<u>\$ 3,581,004</u>	<u>\$ -</u>	<u>\$ 16,655,281</u>

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

Rubidoux Community Services District
Statement of Cash Flows, continued
Proprietary Funds
For the year ended June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ 373,517</u>	<u>\$ (3,041,284)</u>	<u>\$ 227,626</u>	<u>\$ (2,440,141)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	937,020	908,467	-	1,845,487
Bad debt	10,843	3,968	5,281	20,092
Changes in assets and liabilities:				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable, net	(61,252)	122,696	(182,408)	(120,964)
Inventory	4,729	-	-	4,729
Prepayments and deposits	(16,189)	-	-	(16,189)
Deferred outflows of resources	(231,906)	(29,604)	-	(261,510)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	203,548	17,335	-	220,883
Accrued wages and related payables	75,927	3,447	-	79,374
Customer deposits	(6,090)	-	-	(6,090)
Compensated absences	3,960	595	-	4,555
Deferred inflows of resources	75,496	9,638	-	85,134
Net pension liability	307,833	39,298	-	347,131
Total adjustments	<u>1,303,919</u>	<u>1,075,840</u>	<u>(177,127)</u>	<u>2,202,632</u>
Net cash provided (used) by operating activities	<u>\$ 1,677,436</u>	<u>\$ (1,965,444)</u>	<u>\$ 50,499</u>	<u>\$ (237,509)</u>
Non-cash operating, noncapital and capital and related financing , and investing activities:				
	None	None	None	

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 1: Summary of Significant Accounting Policies

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

The accompanying financial statements present the activities of the District. There are no component units included in this report which meet the criteria of any applicable Governmental Accounting Standards Board Statements.

Basis of Presentation and Basis of Accounting

Basis of Presentation

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

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

Fund Accounting

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

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

Governmental Funds

General Fund

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 1: Summary of Significant Accounting Policies, continued

Basis of Presentation and Basis of Accounting, continued

Proprietary Funds

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

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

The District has the following major proprietary funds:

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

Basis of Accounting

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

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

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 1: Summary of Significant Accounting Policies, continued

Basis of Presentation and Basis of Accounting, continued

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

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

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

Unused appropriations for all the annually budgeted funds lapse at the end of the fiscal year.

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

Financial Statement Elements

Cash and Cash Equivalents

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

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis. LAIF has a maximum transaction limit of 15 per month with a minimum amount of \$5,000. Any withdrawal of \$10,000,000 requires 24 hour notice.

Credit/Market Risk

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

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

Accounts Receivable

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

Property Taxes and Assessments

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

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

Prepaid Expenses

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

Materials and Supplies Inventory

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

Deferred Charges

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

Restricted Assets

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

Capital Assets

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

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

Governmental Activities

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

Business-Type Activities

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

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item which qualifies for reporting in this category: pensions. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has 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.

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
June 30, 2018**

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, 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.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies, continued

Financial Statement Elements, continued

New Accounting Pronouncements

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

Government Accounting Standards Board Statement No. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for periods beginning after June 15, 2018.

Government Accounting Standards Board Statement No. 84

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

Government Accounting Standards Board Statement No. 85

GASB Statement No. 85, *Omnibus 2017*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 86

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for periods beginning after June 15, 2017.

Government Accounting Standards Board Statement No. 87

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

Government Accounting Standards Board Statement No. 88

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, is effective for periods beginning after June 15, 2018.

Government Accounting Standards Board Statement No. 89

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

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 2: Cash and Cash Equivalents

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

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 3,384,652	\$ 6,306,848	\$ 437,745	\$10,129,245
Restricted - cash and cash equivalents	1,349,893	-	-	1,349,893
Non-current:				
Restricted - cash and cash equivalents	-	6,023,947	3,143,259	9,167,206
Restricted - reserve funds	-	743,482	-	743,482
	<u>\$ 4,734,545</u>	<u>\$13,074,277</u>	<u>\$3,581,004</u>	<u>\$21,389,826</u>
Cash and cash equivalents:				
Deposits held with financial	\$ 379,828	\$ 744,908	\$ 74,355	\$ 1,199,091
Cash on hand	-	1,800	-	1,800
Investments (certificates of deposit)	170,000	2,185,000	1,200,000	3,555,000
First American Treasury Obligations	-	17,303	-	17,303
Local Agency Investment Fund (LAIF)	4,184,717	10,125,266	2,306,649	16,616,632
	<u>\$ 4,734,545</u>	<u>\$13,074,277</u>	<u>\$3,581,004</u>	<u>\$21,389,826</u>

Authorized investments

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

Fair value measurements

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

The District has the following recurring fair value measurements as of June 30, 2018:

- Local Agency Investment Fund (General Fund, \$4,184,717, Water \$10,125,266 and Sewer \$2,306,649) of \$16,616,632 is valued at net asset value (LAIF is not subject to the fair value hierarchy).

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

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, 2018:

	<u>Amount</u>
Certificates of Participation - Series 1998:	
Funds held by fiscal agent in bond reserve	<u>\$ 743,482</u>
Total restricted assets in bond reserve	<u>743,482</u>
Other District funds held for connection/capacity fees and other future uses, as well as receivable amounts due as contribution capital:	
Governmental:	
Fire mitigation	<u>1,349,893</u>
Business-type:	
Sewer connection/capacity fees	3,143,259
Water connection fees	2,896,028
Water - COP's	2,372,125
Water - capital replacement	375,783
Water - field/admin	<u>380,011</u>
Total business-type restricted assets	<u>9,167,206</u>
Total restricted assets	<u><u>\$ 11,260,581</u></u>

Restricted cash and receivable connection/capacity/improvement project fees for each designated purpose is as follows at June 30, 2018:

	<u>Water</u>	<u>Sewer</u>	<u>Fire Mitigation</u>	<u>Total</u>
Restricted cash - current	\$ -	\$ -	\$ 1,349,893	\$ 1,349,893
Restricted cash - non-current	6,023,947	3,143,259	-	9,167,206
Reserve funds	<u>743,482</u>	<u>-</u>	<u>-</u>	<u>743,482</u>
Total	<u><u>\$ 6,767,429</u></u>	<u><u>\$ 3,143,259</u></u>	<u><u>\$ 1,349,893</u></u>	<u><u>\$ 11,260,581</u></u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 4: Accounts Receivable

The detail of accounts receivable is as follows at June 30, 2018:

		<u>Amount</u>
Governmental		
Weed abatement		
Property assessments for weed abatement		\$ 7,116
Governmental Fund taxes/developer charge backs		<u>94,922</u>
Total governmental		<u>102,038</u>
Business-type		
Water Fund		
Billed, net	292,174	
Unbilled	<u>354,636</u>	646,810
Sewer Service Fund		
Billed, net	118,199	
Unbilled	<u>148,489</u>	266,688
Solid Waste Disposal Fund		
Billed, net	162,680	
Unbilled	<u>167,060</u>	<u>329,740</u>
Total business-type		<u>1,243,238</u>
Total accounts receivable		<u>\$ 1,345,276</u>

Allowance for doubtful accounts at June 30, 2018, is provided as follows:

Water fund	\$ 10,242
Sewer fund	19,863
Solid waste disposal fund	<u>12,368</u>
Total	<u>\$ 42,473</u>

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 5: Capital Assets

Property, plant and equipment were comprised of the following at June 30, 2018:

<i>Governmental-type activities</i>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 308,117	\$ -	\$ -	\$ 308,117
Construction in progress	786,880	-	(162,329)	624,551
 Total capital assets, not being depreciated	 1,094,997	 -	 (162,329)	 932,668
Capital assets, being depreciated:				
Structures and improvements	3,718,183	-	-	3,718,183
Equipment	808,418	237,130	(65,190)	980,358
 Total capital assets, being depreciated	 4,526,601	 237,130	 (65,190)	 4,698,541
 Total accumulated depreciation	 (1,540,138)	 (135,157)	 65,190	 (1,610,105)
 Total capital assets, being depreciated, net	 2,986,463	 101,973	 -	 3,088,436
 Governmental activities capital assets, net	 \$ 4,081,460	 \$ 101,973	 \$ (162,329)	 \$ 4,021,104
			Depreciation Expense	
Administration and support	\$ 135,157			

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 5: Capital Assets, continued

Business-type Activities

Water Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 787,175	\$ -	\$ -	\$ 787,175
Construction in progress	134,863	33,482	(20,521)	147,824
Total capital assets, not being depreciated	922,038	33,482	(20,521)	934,999
Capital assets, being depreciated:				
Structures and improvements	34,329,136	446,922	-	34,776,058
Equipment	1,601,969	82,159	(53,153)	1,630,975
Total capital assets, being depreciated	35,931,105	529,081	(53,153)	36,407,033
Less accumulated depreciation	(13,272,300)	(937,020)	53,153	(14,156,167)
Total capital assets, being depreciated, net	22,658,805	(407,939)	-	22,250,866
Total Water Utility capital assets, net	23,580,843	(374,457)	(20,521)	23,185,865
Sewer Utility				
Capital assets, not being depreciated:				
Land	17,825	-	-	17,825
Construction in progress	29,021	30,068	-	59,089
Total capital assets, not being depreciated	46,846	30,068	-	76,914
Capital assets, being depreciated:				
Structures and improvements	36,382,797	-	-	36,382,797
Equipment	506,499	54,150	-	560,649
Total capital assets, being depreciated	36,889,296	54,150	-	36,943,446
Less accumulated depreciation	(20,227,870)	(908,467)	-	(21,136,337)
Total capital assets, being depreciated, net	16,661,426	(854,317)	-	15,807,109
Total Sewer Utility capital assets, net	16,708,272	(824,249)	-	15,884,023
Total Business-type Activities capital assets, net	\$ 40,289,115	\$ (1,198,706)	\$ (20,521)	\$ 39,069,888

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 6: Reconciliation of Interfund Receivables and Payables

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

Interfund balances are as follows as of June 30, 2018:

Due From	Due To			Total
	General Fund	Water Fund	Sewer Fund	
General Fund	\$ -	\$ 2,344,539	\$ (1,088,169)	\$ 1,256,370
Water Utility Fund	(2,344,539)	-	1,031,120	(1,313,419)
Sewer Utility Fund	1,088,169	(1,031,120)	-	57,049
Total	\$ (1,256,370)	\$ 1,313,419	\$ (57,049)	\$ -

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are expended. The Solid Waste fund transferred \$50,499 to the General Fund.

Note 7: Real Properties

Properties owned by the District are as follows:

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

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

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 8: Long-term Liabilities

Below is a schedule of the changes in long-term liabilities for the year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental activities:</u>					
Net pension liability	\$ 1,822,552	\$ 495,917	\$ (188,084)	\$ 2,130,385	\$ -
<u>Business-type activities:</u>					
<i>Water Utility Fund:</i>					
1998 Certificates of Participation	4,655,000	-	(485,000)	4,170,000	510,000
Less: amortized discount	(34,097)	-	4,598	(29,499)	-
Note payable - State Drinking Water	4,872,287	-	(240,479)	4,631,808	246,701
Net pension liability	1,822,552	495,917	(188,084)	2,130,385	-
<i>Sewer Utility Fund:</i>					
Note payable - State Drinking Water	27,128	-	(13,564)	13,564	13,564
Net pension liability	232,666	63,309	(24,011)	271,964	-
Total Business-type	11,575,536	559,225	(946,539)	11,188,222	770,265
Total	<u>\$ 13,398,088</u>	<u>\$ 1,055,142</u>	<u>\$ (1,134,623)</u>	<u>\$ 13,318,607</u>	<u>\$ 770,265</u>

Certificates of participation consisted of the following at June 30, 2018:

	Balance	Payments
<u>Water Utility:</u>		
<i>Certificates of Participation</i>		
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.	\$ 4,170,000	\$ 485,000
Less unamortized discount	(29,499)	
Less current portion	(510,000)	
Long-term portion	<u>\$ 3,630,501</u>	

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 8: Long-term Liabilities, continued

Maturities of the certificates of participation, net of bond discount, are as follows:

Fiscal year ending June 30,	1998 Series Certificates of Participation		
	Principal	Interest	Total
2019	\$ 510,000	\$ 199,665	\$ 709,665
2020	535,000	173,018	708,018
2021	565,000	144,968	709,968
2022	590,000	115,515	705,515
2023	625,000	84,533	709,533
2024 - 2025	1,345,000	69,488	1,414,488
Total	\$ 4,170,000	\$ 787,185	\$ 4,957,185

Notes payable consisted of the following at June 30, 2018:

<i>Note Payable</i>	Balance	Payments
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 and January 1. Matures January 1, 2034. Interest paid at June 30 was \$123,716.	\$ 4,631,808	\$ 240,479
Less current portion	(246,701)	
Long-term portion	<u>\$ 4,385,107</u>	

Maturities of the note payable are as follows:

Fiscal year ending June 30,	State of California Note Payable		
	Principal	Interest	Total
2019	\$ 246,701	\$ 123,716	\$ 370,418
2020	253,084	117,495	370,579
2021	259,632	111,112	370,744
2022	266,349	104,564	370,913
2023	273,240	97,847	371,087
2024 - 2028	1,475,971	382,232	1,858,203
2029 - 2033	1,677,043	186,231	1,863,274
2034 - 2035	179,787	13,748	193,535
Total	\$ 4,631,808	\$ 1,136,945	\$ 5,768,753

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 8: Long-term Liabilities, continued

Loans payable consisted of the following at June 30, 2018:

<i>Loan Payable</i>	<u>Balance</u>	<u>Payments</u>
Sewer Utility		
State of California Department of Public Health for the construction of the Headworks Project. Principal payments payable in annual installments of \$13,564 on October 1, per annum. The loan is non-interest bearing and matures October 1, 2018.		
Less current portion	\$ 13,564	\$ 13,564
	<u>(13,564)</u>	
Long-term portion	<u>\$ -</u>	

Maturities of the loan payable are as follows:

Fiscal year ending June 30,	State of California Loan Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,564	\$ -	\$ 13,564
Total	<u>\$ 13,564</u>	<u>\$ -</u>	<u>\$ 13,564</u>

Note 9: Compensated Absences

In concurrence with the Districts' Memorandum of Understanding (MOU), dated July 1, 2015, employees accumulate earned but unused vacation, sick leave and comp time, a portion of which will be paid to employees upon separation from the District. Once a year, the District "cashes out" to employees their sick leave hours in excess of 600 hours. All appropriate accruals were recorded in the respective funds. Accrued balances at June 30, 2018, totaled \$527,453, \$218,704 and \$6,511 in the General, Water and Sewer Funds, respectively for a total of \$752,668.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities	\$ 501,294	\$ 26,159	\$ -	\$ 527,453	\$ 131,863
Business-Type Activities					
Water	214,744	3,960	-	218,704	54,676
Sewer	5,916	595	-	6,511	-
Total	<u>\$ 721,954</u>	<u>\$ 30,714</u>	<u>\$ -</u>	<u>\$ 752,668</u>	<u>\$ 186,539</u>

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates for 2018	12.698%	6.533%
	Safety*	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employer contribution rates for 2018	0.000%	0.000%

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plan, continued

A. General Information about the Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2018 were \$432,726. The actual employer payments of \$400,177 made to CalPERS by the District during the measurement period ended June 30, 2017 differed from the District's proportionate share of the employer's contributions of \$516,956 by \$116,779, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases (1)	Varies by entry age and service
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

- (1) Annual increases vary by category, entry age, and duration of service
- (2) Net pension plan investment and administrative expenses; includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov under Forms and Publications.

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Change of Assumptions

In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website, at www.calpers.ca.gov.

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

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

The following table reflects 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018

Note 10: Pension Plan, continued

B. Net Pension Liability, continued

Discount Rate, continued

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

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

C. Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2016 (Valuation Date)	\$ 16,592,507	\$ 12,714,737	\$ 3,877,770
Balance at: 6/30/2017 (Measurement Date)	\$ 18,495,043	\$ 13,962,309	\$ 4,532,734
Net Changes During 2016-2017	\$ 1,902,536	\$ 1,247,572	\$ 654,964

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportionate Share of NPL - June 30, 2016	0.0448%
Proportionate Share of NPL - June 30, 2017	0.0457%
Change - Increase (Decrease)	0.0009%

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

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

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	\$ 7,088,056	\$ 4,532,734	\$ 2,423,608

Subsequent Events

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

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

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

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

Recognition of Gains and Losses, continued

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2016-2017 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (July 1, 2016), the District's net pension liability is \$3,877,770. For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense of \$754,754.

As of June 30, 2018, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 18,635	\$ (69,624)
Changes of Assumptions	774,762	(59,172)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	173,567	-
Change in Employer's Proportion	204,723	(127,396)
Difference in Actual vs Projected Contributions	8,952	(160,790)
Pension Contributions Subsequent to Measurement Date	432,726	-
Total	\$ 1,613,365	\$ (416,982)

**Rubidoux Community Services District
Notes to the Financial Statements
June 30, 2018**

Note 10: Pension Plans, continued

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

These amounts above are net of outflows and inflows recognized in the 2016-2017 measurement period expense. The \$432,726 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year ended. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2019	\$ 160,026
2020	435,572
2021	270,728
2022	(102,669)
2023	-
Remaining	-

E. Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding contributions to the pension plans required for the year ended June 30, 2018.

Note 11: Contributed Capital/Financing Arrangement

On a cumulative basis, contributed capital received by the District in prior periods and during the current fiscal year is summarized as follows:

	<u>Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cumulatively to June 30, 2017	\$ 4,426,019	\$ 10,648,046	\$ 20,644,482	\$ 35,718,547
Fiscal year, June 30, 2018	-	-	-	-
Total	<u>\$ 4,426,019</u>	<u>\$ 10,648,046</u>	<u>\$ 20,644,482</u>	<u>\$ 35,718,547</u>

Note 12: Commitments and Contingencies

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Employer's Proportion of the Collective Net Pension Liability ¹	0.03042%	0.043038%	0.044814%	0.045706%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 2,588,133	\$ 2,954,125	\$ 3,877,770	\$ 4,532,734
Employer's Covered Payroll	\$ 1,868,407	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588
Employer's Proportionate Share of the Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	138.52%	149.67%	189.29%	220.51%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	82.83%	81.30%	76.63%	75.49%

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

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

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

	Fiscal Year			
	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Contractually Determined Contributions	\$ 360,072	\$ 362,251	\$ 400,178	\$ 432,726
Contributions in Relation to the Contractually Determined Contributions	(360,072)	(362,251)	(400,178)	(432,726)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,973,814	\$ 2,048,593	\$ 2,055,588	\$ 2,093,208
Contributions as a Percentage of Covered Payroll	18.24%	17.68%	19.47%	20.67%

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

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**Rubidoux Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes and weed abatement	\$ 2,734,289	\$ 2,734,289	\$ 3,025,711	\$ 291,422
Charges for administrative services	1,200,000	1,200,000	1,200,000	-
Licenses and permits	7,000	7,000	5,597	(1,403)
Interest earnings	9,100	9,100	56,310	47,210
Other revenue	41,900	41,900	62,054	20,154
Total revenues	3,992,289	3,992,289	4,349,672	357,383
EXPENDITURES				
General government				
Salaries and benefits (including pension)	1,722,000	1,722,000	1,695,825	26,175
Services and supplies	500,900	500,900	477,015	23,885
Capital outlays	36,000	36,000	33,226	2,774
Fire protection and weed abatement				
Contract services	2,330,489	2,330,489	2,080,378	250,111
Utilities	24,000	24,000	18,939	5,061
Total expenditures	4,613,389	4,613,389	4,305,383	308,006
Excess of revenue over (under) expenditures	(621,100)	(621,100)	44,289	665,389
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,499	50,499
Net change in fund balance	(621,100)	(621,100)	94,788	715,888
Fund balance, beginning of year	2,849,124	2,849,124	2,849,124	-
Fund balance, end of year	<u>\$ 2,228,024</u>	<u>\$ 2,228,024</u>	<u>\$ 2,943,912</u>	<u>\$ 715,888</u>

**Rubidoux Community Services District
Notes to Required Supplementary Information
For the year ended June 30, 2018**

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
Combining Schedule of Revenue, Expenditures and
Changes in Fund Balances – General Fund
For the year ended June 30, 2018**

	General Fund	Protection/ Weed Abatement	Reported General Fund
REVENUES			
Property tax and weed abatement	\$ 3,002,364	\$ 23,347	\$ 3,025,711
Charges for administrative services	1,200,000	-	1,200,000
License and permits	5,597	-	5,597
Interest earnings	56,310	-	56,310
Other revenue	62,054	-	62,054
	<u>4,326,325</u>	<u>23,347</u>	<u>4,349,672</u>
EXPENDITURES			
Current:			
General government	2,206,066	-	2,206,066
Fire protection and weed abatement	-	2,099,317	2,099,317
	<u>2,206,066</u>	<u>2,099,317</u>	<u>4,305,383</u>
Excess of revenues over (under) expenditures	<u>2,120,259</u>	<u>(2,075,970)</u>	<u>44,289</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	50,499	2,097,079	2,147,578
Transfer out	(2,097,079)	-	(2,097,079)
	<u>(2,046,580)</u>	<u>2,097,079</u>	<u>50,499</u>
Net change in fund balances	73,679	21,109	94,788
Fund balances, beginning of year	<u>2,040,495</u>	<u>808,629</u>	<u>2,849,124</u>
Fund balances, end of year	<u>\$ 2,114,174</u>	<u>\$ 829,738</u>	<u>\$ 2,943,912</u>

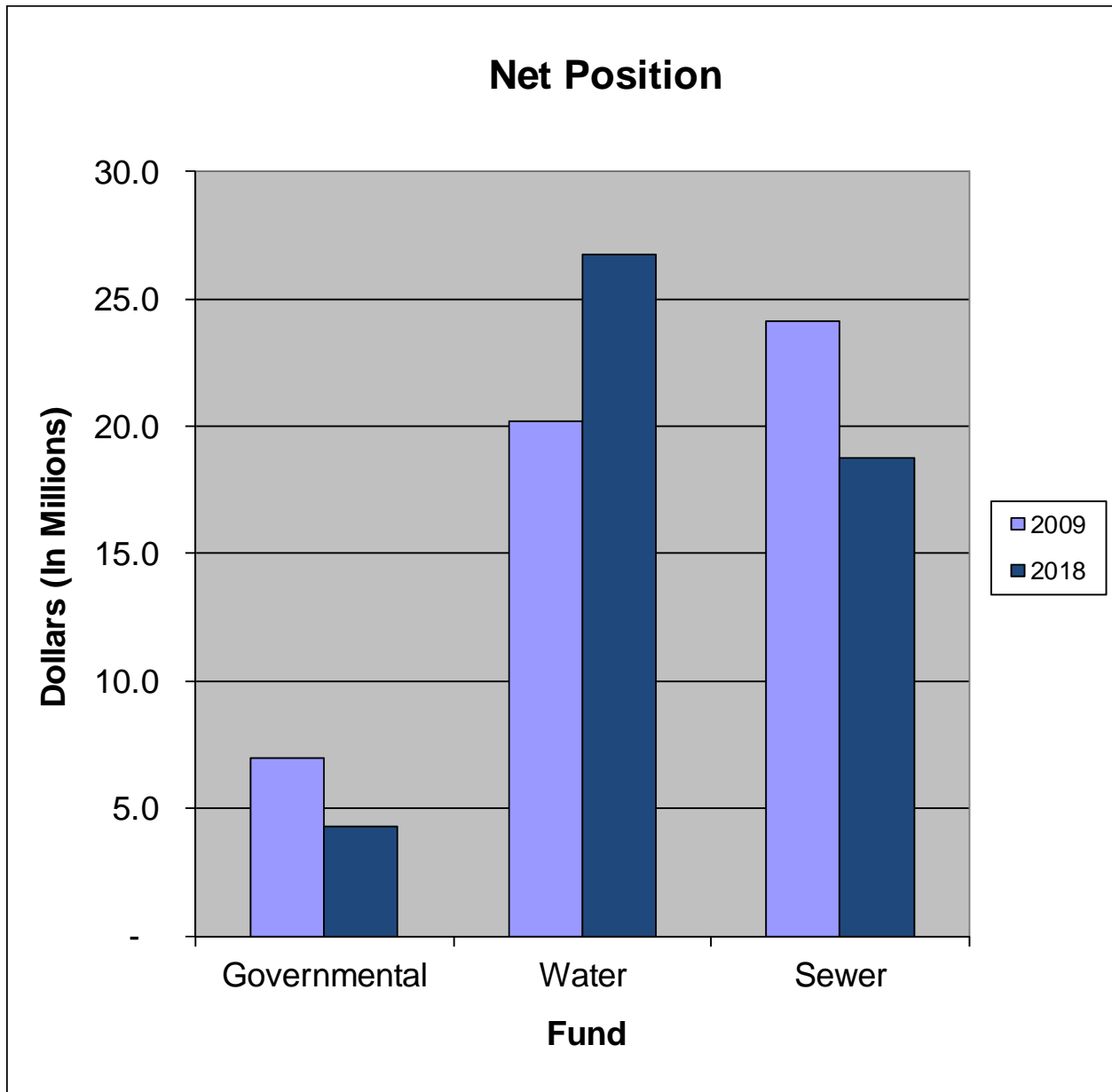
**Rubidoux Community Services District
Ten Year Financial Trends
(Rounded to Thousand Dollars)
For the year ended June 30, 2018**

Change in Net Position:

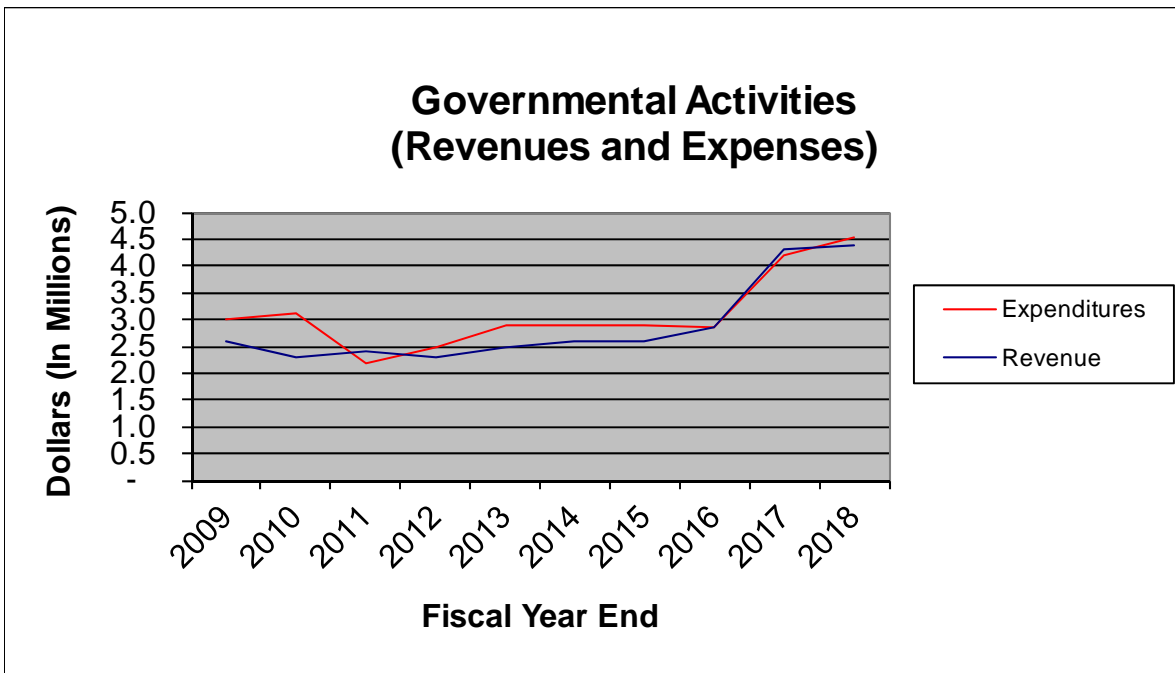
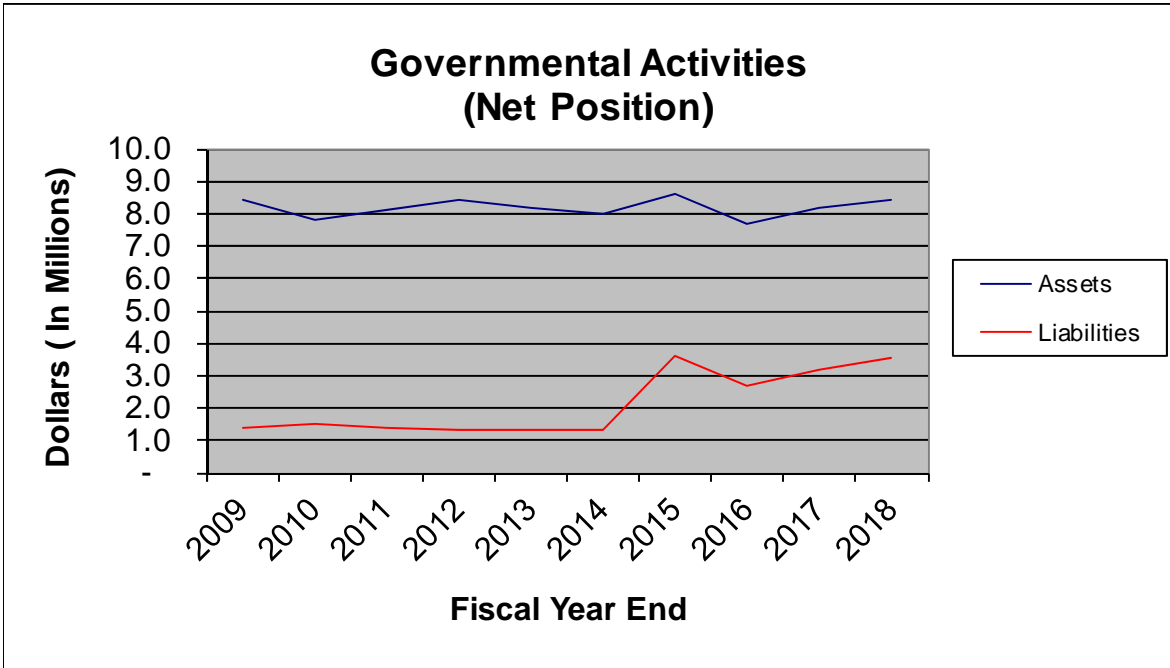
	Governmental Activities	Water	Sewer	Solid Waste Disposal	Total
June 30, 2009	\$ (393,000)	\$ 13,000	\$ 8,900,000	\$ (146,000)	\$ 8,374,000
June 30, 2010	(704,000)	324,000	3,392,000	68,000	3,080,000
June 30, 2011	398,000	(661,000)	(587,000)	(135,000)	(985,000)
June 30, 2012	420,000	(136,000)	(62,000)	(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
June 30, 2016	1,000	(311,000)	(466,000)	10,000	(766,000)
June 30, 2017	18,000	1,951,000	(2,045,000)	(13,000)	(89,000)
June 30, 2018	(143,000)	1,668,000	(2,882,000)	177,000	(1,180,000)

Net Position:

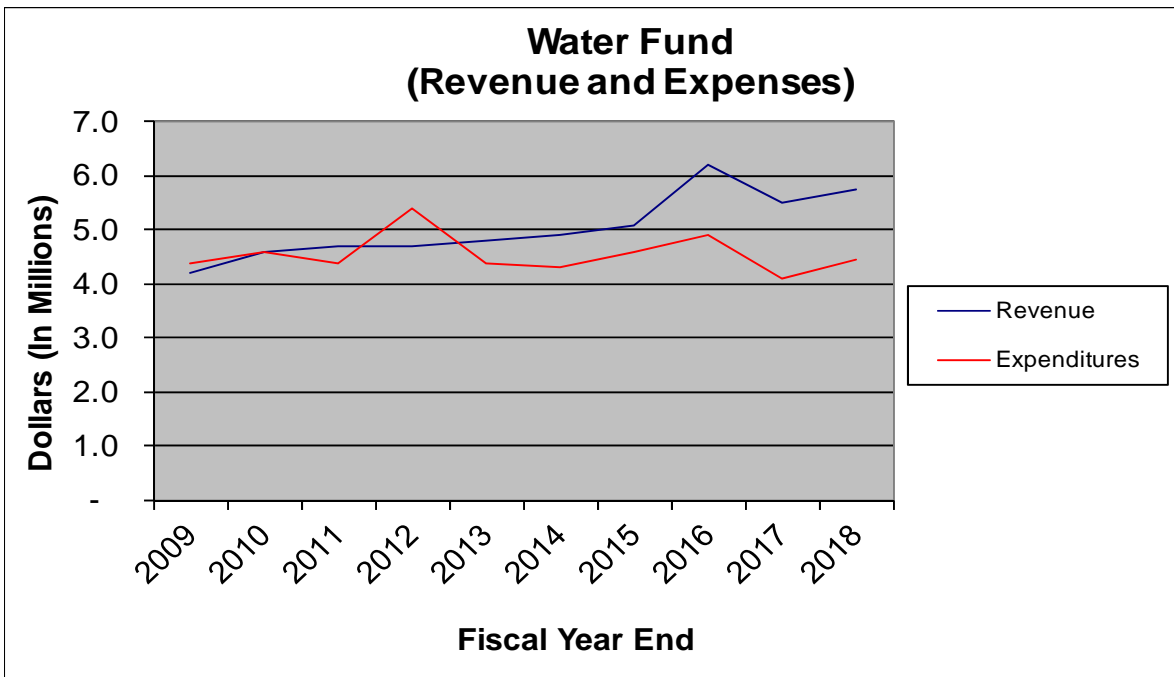
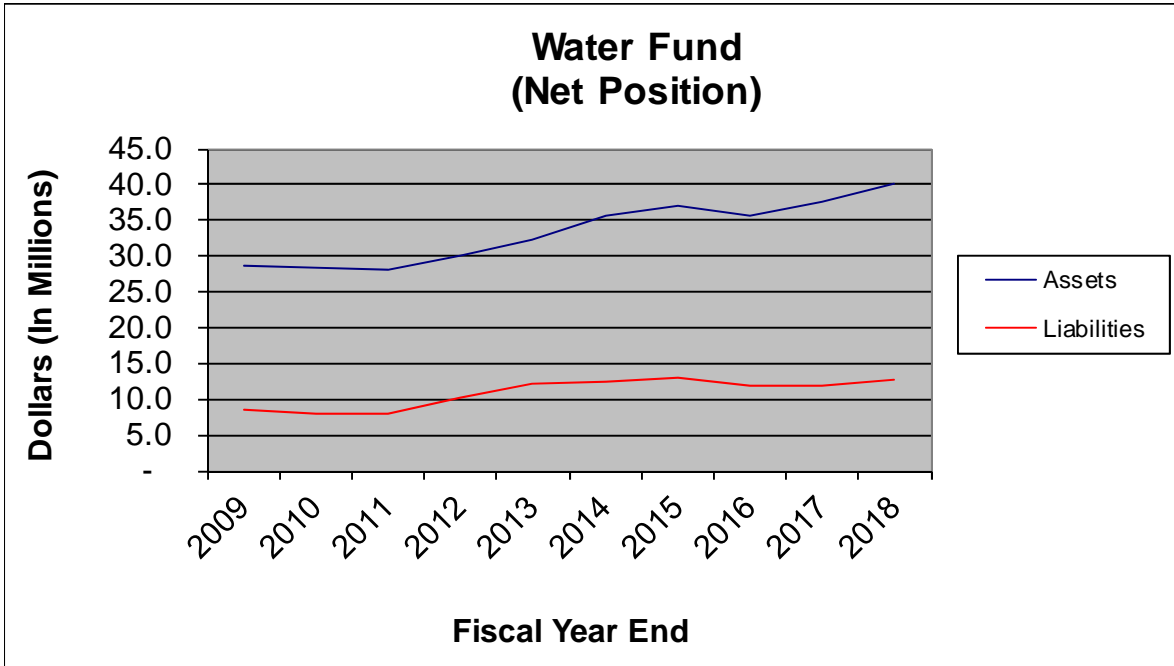
	Governmental Activities	Water	Sewer	Solid Waste Disposal	Total
June 30, 2009	\$ 7,019,000	\$ 20,214,000	\$ 24,111,000	\$ 230,000	\$ 51,574,000
June 30, 2010	6,315,000	20,539,000	27,502,000	298,000	54,654,000
June 30, 2011	6,712,000	19,878,000	26,915,000	163,000	53,668,000
June 30, 2012	7,132,000	19,741,000	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
June 30, 2016	4,995,000	23,677,000	23,750,000	166,000	52,588,000
June 30, 2017	5,013,000	25,627,000	21,705,000	153,000	52,498,000
June 30, 2018	4,869,000	27,295,000	18,823,000	330,000	51,317,000



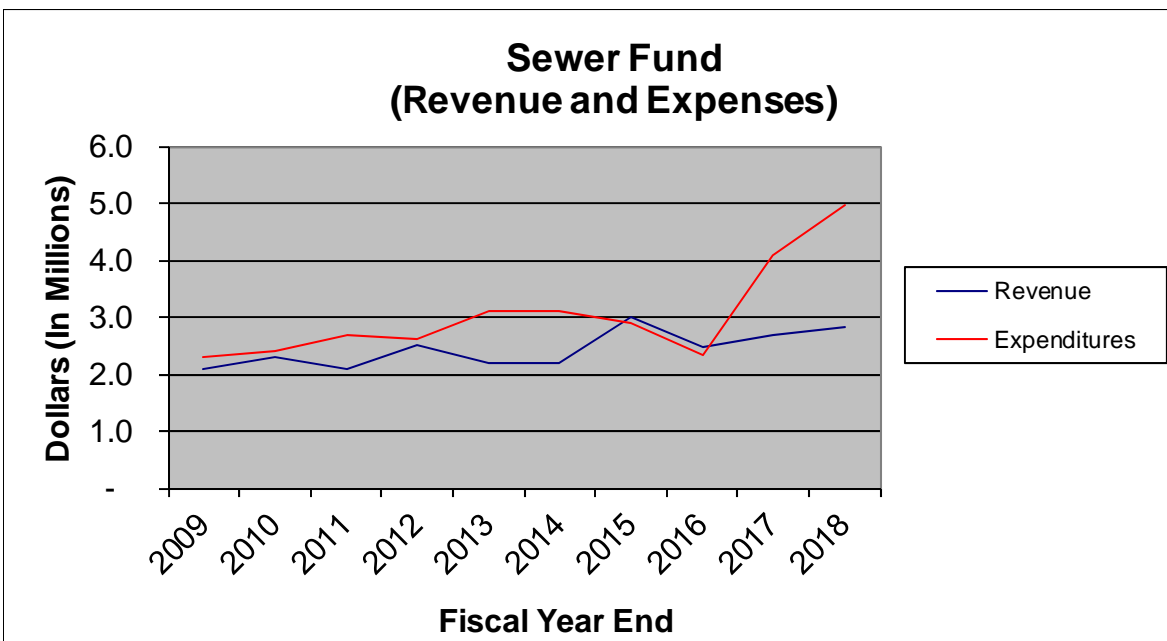
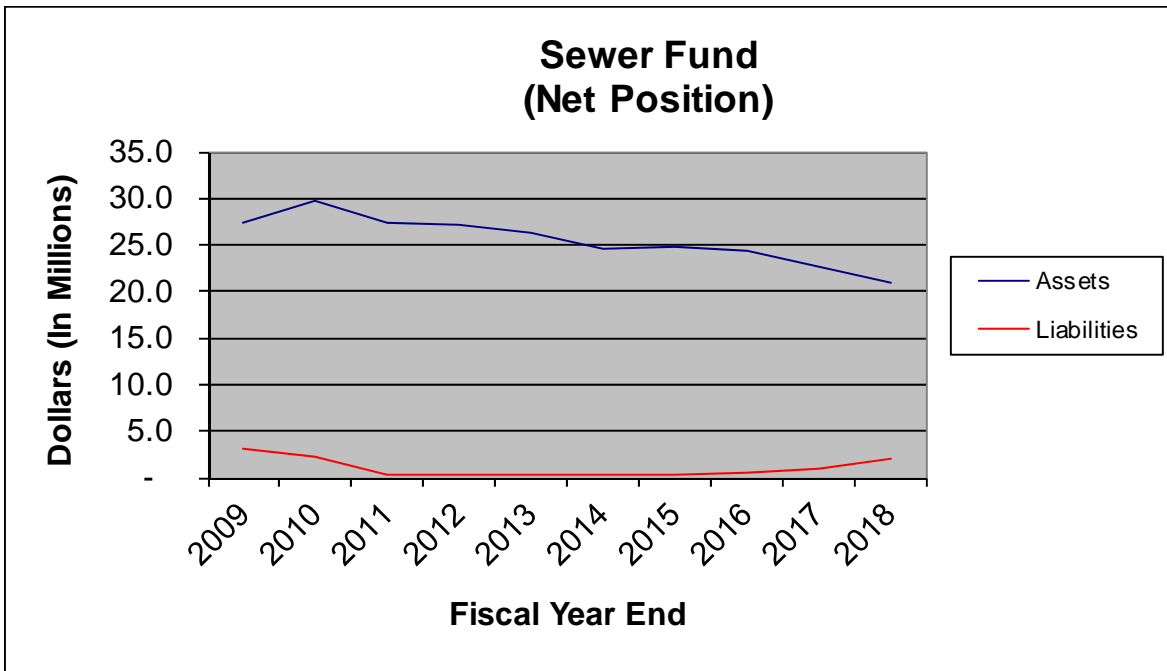
**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2018**

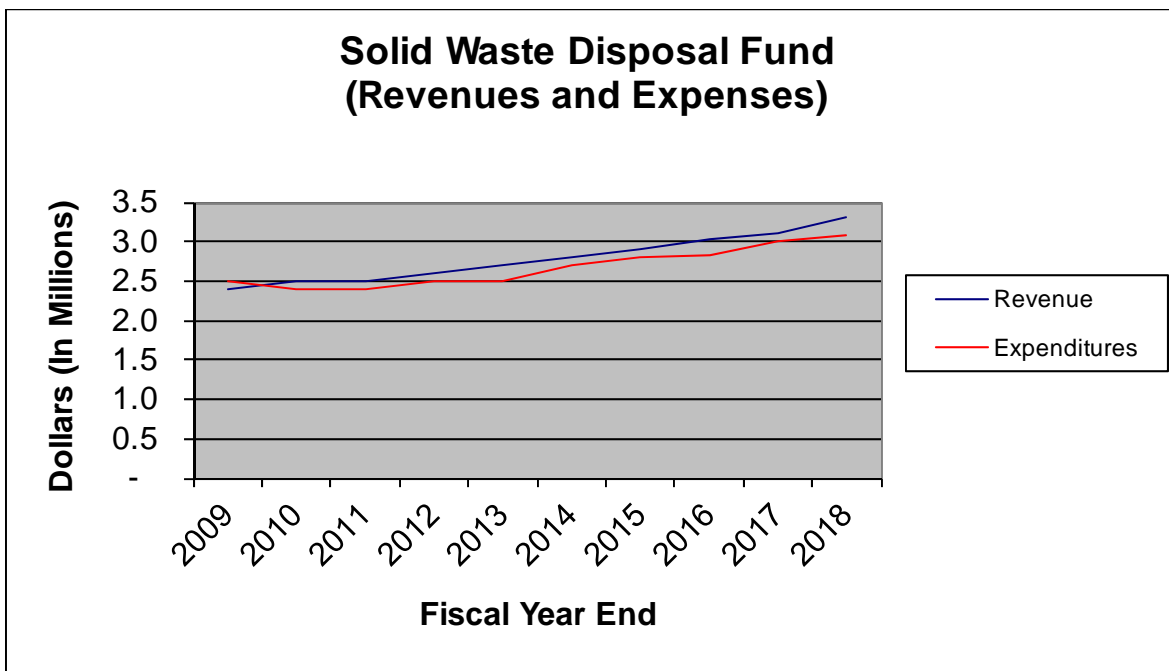
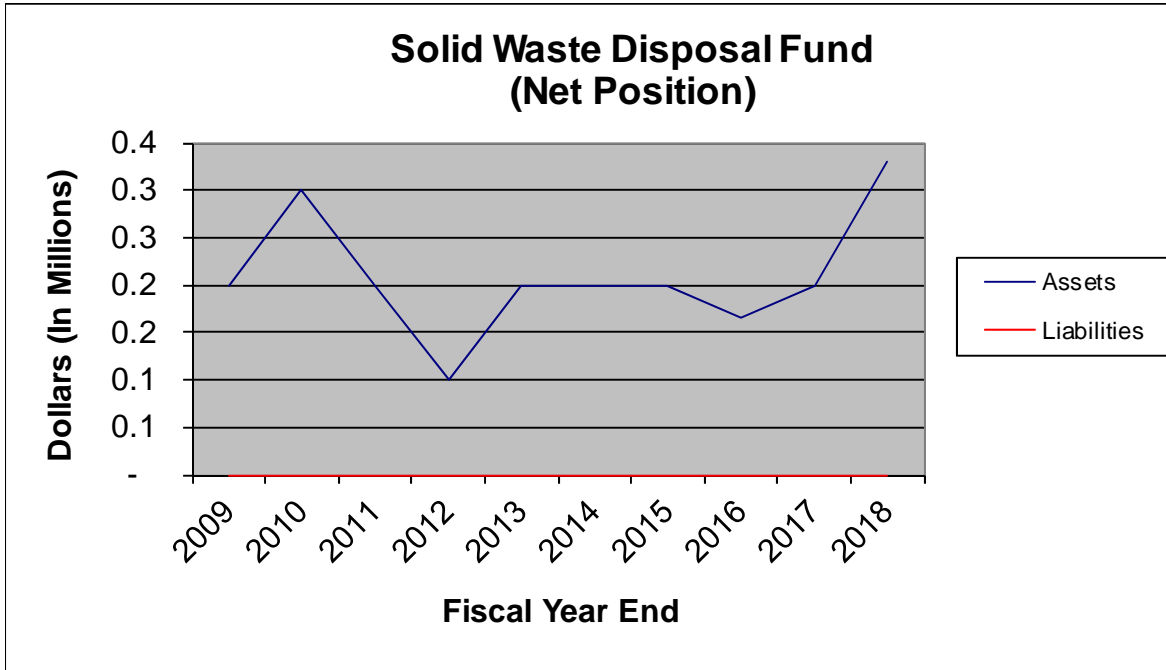


**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2018**



**Rubidoux Community Services District
 Graphic Financial Comparisons
 For the year ended June 30, 2018**





REPORT ON COMPLIANCE AND INTERNAL CONTROL



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradford A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA



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Certified Public Accountants

**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
Jurupa Valley, California

INDEPENDENT AUDITOR'S REPORT

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, 2018, and the related notes to the financial statements, which collectively comprise Rubidoux Community Services District's basic financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

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

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

Board of Directors
Rubidoux Community Services District

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, reference number **2018-1**.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2018

**Rubidoux Community Services District
Schedule of Findings and Responses
For the year ended June 30, 2018**

2018-1 Segregation of Duties

Condition and Criteria

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

Auditor's Recommendation

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

Management Response

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

**Rubidoux Community Services District
Schedule of Findings and Responses, continued
For the year ended June 30, 2018**

<u>Finding No.</u>	<u>Topic</u>	<u>Status of Corrective Action</u>
2012-2	Utility Billing	Finding corrected with new software implementation