

JURUPA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2005 AND 2004

JURUPA COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

June 30, 2005 and 2004

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 9
Financial Statements:	
Combined Statements of Net Assets	10 - 11
Combined Statements of Revenues, Expenses and Changes in Net Assets	12
Combined Statements of Cash Flows	13 - 14
Notes to Financial Statements	15 - 47
Supplementary Information:	
Combining Statement of Net Assets	48 - 51
Combining Statement of Revenues, Expenses and Changes in Net Assets	52 - 53
Schedule of Reserve for Capital Improvements (Future Construction)	54
Schedule of Reserve for Capital Replacement (Sewer Department)	55
Schedule of Reserve for Parks Capital Improvement	56
Schedule of Reserve for Debt Service - 1977 Series Improvement District No. 2 Water Bond	57
Schedule of Reserve for Jurupa Public Facilities Corporation for Installment Purchase - Sewer Capacity	58
Schedule of General Reserves - Board Authorized	59
Statistical Information:	
History and Organization	60 - 62



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September 2, 2005

INDEPENDENT AUDITORS' REPORT

Board of Directors
Jurupa Community Services District
Mira Loma, California

We have audited the basic financial statements of the Jurupa Community Services District, California, as of and for the years ended June 30, 2005 and June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Jurupa Community Services District as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's Discussion and Analysis on pages 3 to 9, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Jurupa Community Services District. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit or apply limited procedures to the statistical information as listed in the table of contents, which is not a required part of the basic financial statements. Accordingly, we do not express any assurance concerning this information.

Dietl, Evans and Company, LLP

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Combined Statement of Net Assets
- Combined Statement of Revenues, Expenses and Changes in Net Assets
- Combined Statement of Cash Flows
- Notes to Financial Statements.

The Statement of Net Assets includes all the District's assets and liabilities, with the difference between the two reported as net assets. Net assets may be displayed in the categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted Net Assets
- Unrestricted Net Assets

The Statement of Net Assets provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Assets presents information, which shows how the District's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Assets measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2005

Financial Statements (Continued)

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operations
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the Statement of Revenues, Expenses and Changes in Net Assets because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The Notes to Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by accounting principles generally accepted in the United States of America that are not otherwise present in the financial statements.

Financial Highlights

During the year ended June 30, 2005, the District's total net assets increased by \$18,031,719 (or 9.93%). The District's operating revenues increased by \$1,670,203 (or 8.88%) while operating expenses increased by \$4,093,574 (or 24.12%). Nonoperating revenues decreased in the current year by \$880,063 (or 34.57%) while nonoperating expenses decreased by \$27,206 (or 2.03%).

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2005

Financial Analysis of the Financial Statements

Net Assets

The District's net assets at June 30, 2005 totaled \$199,642,451 compared with \$181,610,732 at June 30, 2004. The increase in net assets can be attributed to capital contributions of \$18,267,262 offset by an operating loss of \$588,930 and nonoperating income of \$353,387.

The following is a summary of the District's Statement of Net Assets:

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Assets:				
Current assets	\$37,122,831	\$35,785,053	\$ 1,337,778	3.74 %
Noncurrent assets:				
Restricted assets	63,213,845	53,524,975	\$9,688,870	18.10
Capital assets	151,640,549	135,405,188	16,235,361	11.99
Other noncurrent assets	<u>3,986,268</u>	<u>4,006,392</u>	<u>(20,124)</u>	(0.50)
Total Assets	<u>255,963,493</u>	<u>228,721,608</u>	<u>27,241,885</u>	11.91
Liabilities:				
Current liabilities	9,920,362	6,964,738	2,955,624	42.44
Liabilities payable from restricted assets	16,767,274	8,807,241	7,960,033	90.38
Long-term liabilities	<u>29,633,406</u>	<u>31,338,897</u>	<u>(1,705,491)</u>	(5.44)
Total Liabilities	<u>56,321,042</u>	<u>47,110,876</u>	<u>9,210,166</u>	19.55
Net Assets:				
Invested in capital assets, net of related debt	121,131,034	103,215,181	17,915,853	17.36
Restricted	47,538,895	45,568,843	1,970,052	4.32
Unrestricted	<u>30,972,522</u>	<u>32,826,708</u>	<u>(1,854,186)</u>	(5.65)
Total Net Assets	<u>\$199,642,451</u>	<u>\$181,610,732</u>	<u>\$ 18,031,719</u>	9.93

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2004

Financial Analysis of the Financial Statements (Continued)

Revenues, Expenses and Changes in Net Assets

The District reported a change in net assets of \$18,031,719 for the year ended June 30, 2005, a decrease of 31.32% when compared to the change for the year ended June 30, 2004. The change between years is due primarily to increased service related expenses and decreased contributed capital.

The following is a summary of the District's Statement of Revenues, Expenses and Changes in Net Assets:

	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Total Percent Change
Revenues:				
Operating revenues	\$ 20,474,865	\$ 18,804,662	\$ 1,670,203	8.88 %
Nonoperating revenues	<u>1,665,524</u>	<u>2,545,587</u>	<u>(880,063)</u>	(34.57)
Total Revenues	<u>22,140,389</u>	<u>21,350,249</u>	<u>790,140</u>	3.70
Expenses:				
Depreciation expense	3,281,989	3,005,974	276,015	9.18
Service related operating expense	17,781,806	13,964,247	3,817,559	27.34
Nonoperating expense	<u>1,312,137</u>	<u>1,339,343</u>	<u>(27,206)</u>	(2.03)
Total Expenses	<u>22,375,932</u>	<u>18,309,564</u>	<u>4,066,368</u>	22.21
Income Before Capital Contributions	(235,543)	3,040,685	(3,276,228)	(107.75)
Capital contributions	<u>18,267,262</u>	<u>23,214,503</u>	<u>(4,947,241)</u>	(21.31)
Changes in Net Assets	18,031,719	26,255,188	(8,223,469)	(31.32)
Net Assets - Beginning of Year	<u>181,610,732</u>	<u>155,355,544</u>	<u>26,255,188</u>	17.49
Net Assets - End of Year	<u>\$ 199,642,451</u>	<u>\$ 181,610,732</u>	<u>\$ 18,031,719</u>	9.93

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2005

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005 the District had invested \$151,640,549 in capital assets. This amount represents an increase of \$16,235,361 (or 11.99%) over the prior year.

The following is a summary of the capital assets at June 30, 2005 and 2004 respectively:

	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Total Percentage Change
Capital assets, not being depreciated:				
General land and easements	\$ 4,519,027	\$ 4,435,531	\$ 83,496	1.88 %
Park land and easements	3,260,621	2,060,284	1,200,337	58.26
Construction in progress	<u>31,003,407</u>	<u>20,811,074</u>	<u>10,192,333</u>	48.98
Total capital assets, not being depreciated	<u>38,783,055</u>	<u>27,306,889</u>	<u>11,476,166</u>	42.03
Capital assets, being depreciated:				
Land improvements	1,131,535	1,131,535	-	-
Structures and improvements	4,434,772	4,405,796	28,976	.66
Furniture and equipment	2,397,192	2,061,275	335,917	16.30
Source of supply	6,101,491	6,097,148	4,343	.07
Pumping plant	3,239,598	3,239,598	-	-
Transmission and distribution plant	50,562,917	48,351,309	2,211,608	4.57
Purchased treatment capacity	35,890,111	35,890,111	-	-
Structures and improvements	3,729,239	3,729,239	-	-
Sewage collection facilities	29,450,412	27,331,547	2,118,865	7.75
Sewage treatment facilities	2,530,894	2,530,894	-	-
Equipment	1,278,572	1,263,841	14,731	1.16
Land improvements - Parks	3,837,556	1,785,199	2,052,357	114.96
Structures and equipment - Parks	<u>2,941,927</u>	<u>1,667,540</u>	<u>1,274,387</u>	76.42
Total capital assets, being depreciated	147,526,216	139,485,032	8,041,184	5.76
Less accumulated depreciation	<u>(34,668,722)</u>	<u>(31,386,733)</u>	<u>(3,281,989)</u>	10.46
Total capital assets, being depreciated, net	<u>112,857,494</u>	<u>108,098,299</u>	<u>4,759,195</u>	4.40
Total capital assets, net	<u>\$ 151,640,549</u>	<u>\$135,405,188</u>	<u>\$ 16,235,361</u>	11.99

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2005

Capital Assets and Debt Administration (Continued)

Debt Administration

At June 30, 2005 the District had \$30,509,515 in long-term liabilities. This amount represents a decrease of \$1,680,491 (or 5.22%), over the prior year.

The following is a summary of the long-term liabilities at June 30, 2005 and 2004 respectively:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General Obligation Bonds:			
1977 bonds	\$ 255,000	\$ 295,000	\$ (40,000)
Certificates of Participation:			
1993 Certificates	10,360,000	11,610,000	(1,250,000)
2001 Certificates	8,930,000	9,085,000	(155,000)
Loans Payable:			
SWRCB loan	1,501,143	1,608,368	(107,225)
EDA loan	1,001,010	1,063,484	(62,474)
WMWD loan	9,287,870	9,486,754	(198,884)
Less deferred amounts	<u>(825,508)</u>	<u>(958,600)</u>	<u>133,092</u>
	<u>\$ 30,509,515</u>	<u>\$ 32,190,006</u>	<u>\$ (1,680,491)</u>

Economic Factors and Next Years Budget and Rates

Growth in the Districts service area is projected to remain at its current pace. The growth will continue to create new demands for water supply and additional capital facilities. These demands have been anticipated in the Districts facility master plan and long-range financial plans. New supply demands will be met through additional water treatment facilities currently under construction and conservation. The fiscal year 2006 budget reflects these increased changes in service from previous fiscal years. An analysis of water commodity rates and demand charges is in progress, which could result in changes within the current water rate structure.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2005

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ken Waring, Finance Manager at Jurupa Community Services District.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

COMBINED STATEMENTS OF NET ASSETS

June 30, 2005 and 2004

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 8,929,239	\$ 16,504,804
Investments (Note 2)	20,438,027	13,014,239
Accounts receivable (net of allowance)	909,870	983,254
Unbilled receivable	1,315,925	1,004,119
Taxes and assessment receivable	31,939	150,933
Interest receivable	400,271	233,768
Other receivables	3,415,523	2,444,334
Materials inventory	178,480	209,445
Water in storage	1,397,918	1,164,477
Prepaid expenses	105,639	75,680
TOTAL CURRENT ASSETS	37,122,831	35,785,053
RESTRICTED ASSETS (NOTE 3):		
Cash and cash equivalents (Note 2)	63,047,852	51,503,188
Investments (Note 2)	-	948,040
Taxes and assessment receivable	165,822	78,651
Interest receivable	171	20,090
Deposits in escrow	-	975,006
TOTAL RESTRICTED ASSETS	63,213,845	53,524,975
CAPITAL ASSETS (NOTE 4):		
Capital assets, not being depreciated:		
Land	7,779,648	6,495,815
Construction in progress	31,003,407	20,811,074
Total capital assets, not being depreciated	38,783,055	27,306,889
Capital assets, being depreciated	147,526,216	139,485,032
Less accumulated depreciation	(34,668,722)	(31,386,733)
Total capital assets, being depreciated, net	112,857,494	108,098,299
TOTAL CAPITAL ASSETS, NET	151,640,549	135,405,188
OTHER ASSETS:		
Investment in WRCRWA Joint Powers Authority (Note 9)	3,519,118	3,519,118
Deferred bond issuance costs	467,150	487,274
TOTAL OTHER ASSETS	3,986,268	4,006,392
TOTAL ASSETS	255,963,493	228,721,608

See independent auditors' report and notes to financial statements.

(Continued)

JURUPA COMMUNITY SERVICES DISTRICT

COMBINED STATEMENT OF NET ASSETS
(CONTINUED)

June 30, 2005 and 2004

LIABILITIES AND FUND EQUITY	2005	2004
CURRENT LIABILITIES:		
Accounts payable	\$ 4,604,801	\$ 3,501,720
Accrued payroll and employee benefits	487,073	348,706
Advances payable to Community Facilities Districts	4,828,488	3,114,312
TOTAL CURRENT LIABILITIES	9,920,362	6,964,738
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of long-term liabilities (Note 5)	876,109	851,109
Accrued interest payable	333,663	354,906
Construction deposits and retentions	15,367,629	7,453,835
Customer deposits	189,873	147,391
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	16,767,274	8,807,241
LONG-TERM LIABILITIES (LESS CURRENT PORTION) (NOTE 5):		
General obligation bonds	252,841	292,409
Certificates of participation	18,466,651	19,738,991
Loans payable	11,790,023	12,158,606
Subtotal	30,509,515	32,190,006
Less current portion	(876,109)	(851,109)
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	29,633,406	31,338,897
TOTAL LIABILITIES	56,321,042	47,110,876
NET ASSETS:		
Invested in capital assets, net of related debt	121,131,034	103,215,181
Restricted (Note 6)	47,538,895	45,568,843
Unrestricted	30,972,522	32,826,708
TOTAL NET ASSETS	\$ 199,642,451	\$ 181,610,732

See independent auditors' report and notes to financial statements.

JURUPA COMMUNITY SERVICES DISTRICT
 COMBINED STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS

For the years ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Water sales and services	\$ 12,801,509	\$ 12,780,951
Sewer charges	5,035,612	4,277,955
Other charges	2,637,744	1,745,756
TOTAL OPERATING REVENUES	20,474,865	18,804,662
OPERATING EXPENSES:		
Costs of Water Sales and Services:		
Sources of supply	5,624,319	4,609,141
Pumping	336,082	360,469
Transmission and distribution	1,548,703	1,408,509
Treatment	600,440	229,032
Customer accounts	1,083,774	788,287
Administrative	2,143,475	2,033,169
Depreciation	1,446,405	1,423,396
Total Costs of Water Sales and Services	12,783,198	10,852,003
Costs of Sewer Services:		
Collection	1,235,731	924,859
Treatment	2,940,060	1,981,343
Customer accounts	122,083	91,638
Administrative	426,186	334,946
Depreciation	1,654,382	1,422,269
Total Costs of Sewer Services	6,378,442	4,755,055
Costs of Landscaping and Lighting Services:		
Maintenance	1,711,034	1,191,982
Depreciation	181,202	160,309
Total Costs of Landscaping and Lighting Services	1,892,236	1,352,291
Graffiti removal	9,919	10,872
TOTAL OPERATING EXPENSES	21,063,795	16,970,221
OPERATING INCOME (LOSS)	(588,930)	1,834,441
NONOPERATING REVENUES (EXPENSES):		
Property taxes and assessments	71,255	1,712,418
Investment income	1,463,739	692,032
Other revenue	130,530	141,137
Interest expense	(1,259,668)	(1,279,373)
Gain (loss) on sale of assets	-	(11,469)
Miscellaneous expenses	(52,469)	(48,501)
TOTAL NONOPERATING REVENUES (EXPENSES)	353,387	1,206,244
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(235,543)	3,040,685
CAPITAL CONTRIBUTIONS	18,267,262	23,214,503
CHANGE IN NET ASSETS	18,031,719	26,255,188
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	181,610,732	155,355,544
NET ASSETS - END OF YEAR	\$ 199,642,451	\$ 181,610,732

See independent auditors' report and notes to financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

COMBINED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 19,220,565	\$ 19,428,956
Cash payments to employees and suppliers	(16,772,793)	(12,722,965)
Cash from other sources	130,530	141,137
Cash payments for miscellaneous expenses	(52,469)	(48,501)
	<u>2,525,833</u>	<u>6,798,627</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received	<u>115,343</u>	<u>1,559,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Property taxes and assessment received	74,906	98,401
Proceeds from sale of capital assets	-	3,060
Principal paid on capital debt	(1,813,581)	(691,713)
Interest paid on capital debt	(1,336,806)	(1,163,415)
Acquisition and construction of capital assets	(16,619,059)	(9,307,376)
Developers' deposits received (applied), net	7,913,794	3,247,770
Contributions in aid of construction	18,267,262	23,214,503
	<u>6,486,516</u>	<u>15,401,230</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	1,273,442	813,367
Purchase of investments	(10,377,888)	(13,148,407)
Maturity of investments	3,945,853	640,773
	<u>(5,158,593)</u>	<u>(11,694,267)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	3,969,099	12,064,808
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
	<u>68,007,992</u>	<u>55,943,184</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		
	<u>\$ 71,977,091</u>	<u>\$ 68,007,992</u>

(Continued)

See independent auditors' report and notes to financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

COMBINED STATEMENTS OF CASH FLOWS
(CONTINUED)

For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (588,930)	\$ 1,834,441
Depreciation	3,281,989	3,005,974
Other income	130,530	141,137
Miscellaneous expenses	(52,469)	(48,501)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	73,384	(63,864)
(Increase) decrease in unbilled receivable	(311,806)	(15,864)
(Increase) decrease in taxes and assessment receivable	(87,171)	30,956
(Increase) decrease in other receivables	(971,189)	638,715
(Increase) decrease in inventory	30,965	(15,691)
(Increase) decrease in water in storage	(233,441)	410,246
(Increase) decrease in prepaid expenses	(29,959)	(14,947)
Increase (decrease) in accounts payable	1,103,081	797,138
Increase (decrease) in customer and other deposits	42,482	34,351
Increase (decrease) in accrued salaries and vacation pay	138,367	64,536
	<u>\$ 2,525,833</u>	<u>\$ 6,798,627</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
NONCASH CAPITAL, AND FINANCING ACTIVITIES:		
Borrowing under installment note for sewer capacity rights	<u>\$ -</u>	<u>\$ 9,486,754</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Restricted cash and cash equivalents	\$ 8,929,239	\$ 16,504,804
Unrestricted cash and cash equivalents	<u>63,047,852</u>	<u>51,503,188</u>
	<u>\$ 71,977,091</u>	<u>\$ 68,007,992</u>

See independent auditors' report and notes to financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. The Organization:

Jurupa Community Services District (the District) is a special governmental district formed to provide water distribution, and wastewater collection and disposal for consumers within its service area. In addition, the District provides street lighting, landscape and park maintenance services.

b. Reporting Entity:

In determining the agencies or entities, which comprise the governmental entity for financial reporting purposes, the criteria of oversight responsibility over such entities, special financing relationships, and scope of public service are used.

Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on this criteria, the accounts and transactions of Landscaping and Lighting Districts 91-1, 96-1, 98-1, 98-2, 2001-1, 2001-2 2001-3 and 2003-1, Illumination District No. 2, Eastvale Area Parks and Landscape Maintenance District, and the Graffiti Abatement District, which are service type assessment districts, have been included in these financial statements.

The Jurupa Public Facilities Corporation (the Corporation) was formed in 1990 to assist Jurupa Community Services District in the acquisition of additional wastewater disposal and treatment capacity. Under an installment purchase agreement, the District purchased the capacity from the Corporation and is required to make payments to the Corporation, which are sufficient to meet debt service requirements on Certificates of Participation issued by the Corporation. Based on this special financing relationship, the accounts and transactions of the Jurupa Public Facilities Corporation have been included in these financial statements using the blended method.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resource measurement focus, all assets and liabilities (whether current or noncurrent) associated with the District's activities are included on the balance sheet. The Operating Statement presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Unbilled revenue is accrued at year-end. The District also follows the Uniform System of Accounts for Water Utility Districts as prescribed by the California State Controller's Office.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

The District has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletin (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

d. GASB Statement No. 34:

On July 1, 2002, the District adopted the provisions of GASB Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board, "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources based on the Board's discretion.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. GASB Statement No. 34 (Continued):

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets, the presentation of the Statement of Cash Flows using the direct method and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

e. Operating Revenues and Expenses:

Operating revenues, such as charges for services (water sales and services, sewer charges and other charges) result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and assessments, and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

f. Property Taxes and Assessments:

Property taxes and assessments are billed by the Riverside County to property owners. The District's property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

Property taxes and assessments are collected by Riverside County, and are remitted to the District periodically according to the following estimated schedule:

December	30% Advance - First Installment
January	Balance on First Installment (to 55%)
April	10% Advance - Second Installment
May	Balance of Second Installment (to 95%)
August	Third Installment (to 100%)

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

g. Investments:

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

h. Materials Inventory:

Materials inventory consists primarily of materials used in the construction and maintenance of utility plant and is valued at weighted average cost.

i. Water in Storage:

The District is utilizing two water storage programs implemented by the Chino Basin Watermaster to pre-purchase water at discounted rates. Water is valued at cost on a first-in/first-out basis. The amount recorded as water in storage is based on an estimate of the number of acre feet available to the District since the Chino Basin Watermaster does not perform a final reconciliation of the water storage programs until December (after the fiscal year end). Estimated activity for water in storage is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Balance at beginning of year	\$ 1,164,477	\$ 1,574,723
Additions	316,880	198,040
Deletions	-	(555,051)
Adjustments	<u>(83,439)</u>	<u>(53,235)</u>
Balance at end of year	<u>\$ 1,397,918</u>	<u>\$ 1,164,477</u>

During the year ended June 30, 2004, the District sold 3,000 acre feet of water in storage to the City of Ontario for \$603,000. Pursuant to the 85/15 Rule of the water storage programs, the District receives 85% of the sales price in cash and the remaining 15% comes in the form of a credit from the Chino Basin Watermaster against the ground water replenishment assessment. The sale transactions for the year ended June 30, 2004 resulted in a gain of \$47,949.

j. Restricted Assets:

The District holds certain assets, which have been restricted by bond covenants or by board action, and are to be used for specified purposes such as servicing debt or construction of plant assets.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Capital Assets and Depreciation:

Capital assets purchased and/or constructed are capitalized at historical cost, while contributed assets are recorded at fair market value at the time received. The District's capitalization policy dollar threshold is \$1,000 with a useful life of more than 2 years. Depreciation has been provided on a straight-line basis over the following useful lives:

<u>Water and Sewer System</u>	<u>Useful Life</u>
General Plant	3 - 30 years
Wells, Pumps and Boosters	10 - 30 years
Field and Heavy Equipment	5 - 30 years
Pipelines	45 - 75 years

Amortization of certain intangible assets is computed on a straight-line basis with a maximum life of 40 years. Amortization has been included with depreciation.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year ended June 30, 2005, \$209,108 of interest was included as part of the cost of capital assets under construction in connection with a waste water treatment facilities construction project that began during the year.

Expenses for maintenance and repairs of property, including renewals of minor items, are charged to the appropriate maintenance expense account. A betterment or replacement of a unit of property is accounted for as an addition or retirement of property respectively.

l. Deferred Bond Issuance Costs:

Deferred bond issuance costs are included in other assets, net of accumulated amortization. The costs are amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense is included with interest expense and totaled \$20,123 for both of the years ended June 30, 2005 and 2004.

m. Interest:

The District incurs interest charges on long-term liabilities. There was no interest capitalized for the years ended June 30, 2005 and 2004.

n. Compensated Absences:

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

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Liabilities Payable from Restricted Assets:

Certain current liabilities, which will be paid by restricted assets, are classified as Liabilities Payable from Restricted Assets.

p. Capital Contributions:

Capital contributions represent cash and utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment. Capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Net Assets.

The following special charges levied by the District against newly connecting customers are being accounted for as capital contributions:

Water Facility Fees: Range from \$3,873 to \$206,519 based on meter size.

Sewer Facility Fees: \$3,468 per equivalent dwelling unit.

q. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the District includes cash and all investments with an original maturity date of less than 90 days in cash and cash equivalents.

r. 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.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS:

Cash and investments are reported in the accompanying combined statements of net assets as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current Assets:		
Cash and cash equivalents	\$ 8,929,239	\$ 16,504,804
Investments	20,438,027	13,014,239
Restricted Assets:		
Cash and cash equivalents	63,047,852	51,503,188
Investments	<u>-</u>	<u>948,040</u>
	<u>\$ 92,415,118</u>	<u>\$ 81,970,271</u>

Cash and investments consisted of the following:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cash on hand	\$ 1,050	\$ 1,050
Deposits	31,581,476	28,150,696
Investments	<u>60,832,592</u>	<u>53,818,525</u>
Total cash and investments	<u>\$ 92,415,118</u>	<u>\$ 81,970,271</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the District's Investment Policy
(Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agencies (U.S. Government Sponsored Enterprise Obligations)	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Agencies (U.S. Government Sponsored Enterprise Obligations)	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	1 year	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

June 30, 2005

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	12 - 24 Months	25 - 60 Months	More than 60 Months	
Federal Agencies	\$ 994,060	\$ 3,944,060	\$ 11,950,620	\$ -	\$ 16,888,740
Local Agency Investment Fund	38,981,946	-	-	-	38,981,946
Money Market Mutual Fund	3,549,287	-	-	-	3,549,287
Held by Bond Trustee:					
Money Market Funds	1,412,619	-	-	-	1,412,619
	<u>\$ 44,937,912</u>	<u>\$ 3,944,060</u>	<u>\$ 11,950,620</u>	<u>\$ -</u>	<u>\$ 60,832,592</u>

June 30, 2004

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	12 - 24 Months	25 - 60 Months	More than 60 Months	
Federal Agencies	\$ -	\$ 991,880	\$ 11,865,340	\$ -	\$ 12,857,220
Local Agency Investment Fund	38,286,489	-	-	-	38,286,489
Money Market Mutual Fund	157,019	-	-	-	157,019
Held by Bond Trustee:					
Money Market Funds	1,569,757	-	-	-	1,569,757
Investment Contracts	948,040	-	-	-	948,040
	<u>\$ 40,961,305</u>	<u>\$ 991,880</u>	<u>\$ 11,865,340</u>	<u>\$ -</u>	<u>\$ 53,818,525</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued)

June 30, 2005

Investment	Not Required to be Rated	AAA	Unrated	Total
Federal Agencies	\$ -	\$ 16,888,740	\$ -	\$ 16,888,740
Local Agency Investment Fund	38,981,946	-	-	38,981,946
Money Market Mutual Fund	-	-	3,549,287	3,549,287
Held by Bond Trustee:				
Money Market Funds	-	-	1,412,619	1,412,619
	<u>\$ 38,981,946</u>	<u>\$ 16,888,740</u>	<u>\$ 4,961,906</u>	<u>\$ 60,832,592</u>

June 30, 2004

Investment	Not Required to be Rated	AAA	Unrated	Total
Federal Agencies	\$ -	\$ 12,857,220	\$ -	\$ 12,857,220
Local Agency Investment Fund	38,286,489	-	-	38,286,489
Money Market Mutual Fund	-	-	157,019	157,019
Held by Bond Trustee:				
Money Market Funds	-	-	1,569,757	1,569,757
Investment Contracts	-	-	948,040	948,040
	<u>\$ 38,286,489</u>	<u>\$ 12,857,220</u>	<u>\$ 2,674,816</u>	<u>\$ 53,818,525</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represents 5% or more of total District's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	
		<u>June 30, 2005</u>	<u>June 30, 2004</u>
Federal Home Loan Bank	Federal agency securities	\$ 16,888,740	\$ 12,857,220

Custodial Credit Risk

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 the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments:

As of June 30, 2005, the District had an uncollateralized deposit with the County of Riverside totaling \$82,966.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 cost basis.

3. RESTRICTED ASSETS:

Restricted assets were provided by, and are to be used for, the following:

<u>Funding Source</u>	<u>Use</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Bond proceeds and interest earned	Acquisition and construction of capital assets	\$ 30,653	\$ 30,300
Bond proceeds and interest earned	Bond reserves	1,347,655	1,617,922
Bond proceeds and interest earned	Debt service	117,448	974,373
Facility fees and capital contributions	Acquisition and construction of capital assets	59,267,166	49,499,682
Customer deposits	Security deposit for services	189,873	147,391
Assessments	Operation and maintenance of illumination, landscaping and lighting, graffiti abatement and parks districts	<u>2,261,050</u>	<u>1,255,307</u>
		<u>\$ 63,213,845</u>	<u>\$ 53,524,975</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2005 is as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Sales or</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, not being depreciated				
General land and easements	\$ 4,435,531	\$ 83,496	\$ -	\$ 4,519,027
Park land and easements	2,060,284	1,200,337	-	3,260,621
Construction in progress	<u>20,811,074</u>	<u>14,990,269</u>	<u>(4,797,936)</u>	<u>31,003,407</u>
Total capital assets, not being depreciated	<u>27,306,889</u>	<u>16,274,102</u>	<u>(4,797,936)</u>	<u>38,783,055</u>
Capital assets, being depreciated:				
General Department:				
Land improvements	1,131,535	-	-	1,131,535
Structures and improvements	4,405,796	28,976	-	4,434,772
Furniture and equipment	<u>2,061,275</u>	<u>335,917</u>	-	<u>2,397,192</u>
Total General Department	<u>7,598,606</u>	<u>364,893</u>	-	<u>7,963,499</u>
Water Department:				
Source of supply	6,097,148	4,343	-	6,101,491
Pumping plant	3,239,598	-	-	3,239,598
Transmission and distribution plant	<u>48,351,309</u>	<u>2,211,608</u>	-	<u>50,562,917</u>
Total Water Department	<u>57,688,055</u>	<u>2,215,951</u>	-	<u>59,904,006</u>
Sewer Department:				
Purchased treatment capacity	35,890,111	-	-	35,890,111
Structures and improvement	3,729,239	-	-	3,729,239
Sewage collection facilities	27,331,547	2,118,865	-	29,450,412
Sewage treatment facilities	2,530,894	-	-	2,530,894
Equipment	<u>1,263,841</u>	<u>14,731</u>	-	<u>1,278,572</u>
Total Sewer Department	<u>70,745,632</u>	<u>2,133,596</u>	-	<u>72,879,228</u>
Parks Districts:				
Land improvements	1,785,199	2,052,357	-	3,837,556
Structures and equipment	<u>1,667,540</u>	<u>1,274,387</u>	-	<u>2,941,927</u>
Total Parks Districts	<u>3,452,739</u>	<u>3,326,744</u>	-	<u>6,779,483</u>
Total capital assets, being depreciated	<u>139,485,032</u>	<u>8,041,184</u>	-	<u>147,526,216</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

4. CAPITAL ASSETS (CONTINUED):

Changes in capital assets for the year ended June 30, 2005 (Continued):

	Balance <u>July 1, 2004</u>	Additions	Sales or Retirements	Balance <u>June 30, 2005</u>
Less accumulated depreciation for:				
General Department:				
Land improvements	\$ 138,080	\$ 31,479	\$ -	\$ 169,559
Structures and improvements	268,417	210,541	-	478,958
Furniture and equipment	<u>1,011,281</u>	<u>174,413</u>	-	<u>1,185,694</u>
Total General Department	<u>1,417,778</u>	<u>416,433</u>	-	<u>1,834,211</u>
Water department:				
Source of supply	2,394,806	279,322	-	2,674,128
Pumping plant	996,930	90,604	-	1,087,534
Transmission and distribution plant	<u>9,814,213</u>	<u>757,650</u>	-	<u>10,571,863</u>
Total Water Department	<u>13,205,949</u>	<u>1,127,576</u>	-	<u>14,333,525</u>
Sewer Department:				
Purchased treatment capacity	8,607,830	897,337	-	9,505,167
Structures and improvements	1,063,427	116,433	-	1,179,860
Sewage collection facilities	5,496,525	423,676	-	5,920,201
Sewage treatment facilities	1,130,425	66,972	-	1,197,397
Equipment	<u>304,490</u>	<u>52,360</u>	-	<u>356,850</u>
Total Sewer Department	<u>16,602,697</u>	<u>1,556,778</u>	-	<u>18,159,475</u>
Parks Districts:				
Land improvements	49,067	69,960	-	119,027
Structures and equipment	<u>111,242</u>	<u>111,242</u>	-	<u>222,484</u>
Total Parks Districts	<u>160,309</u>	<u>181,202</u>	-	<u>341,511</u>
Total accumulated depreciation	<u>31,386,733</u>	<u>3,281,989</u>	-	<u>34,668,722</u>
Total capital assets, being depreciated, net	<u>108,098,299</u>	<u>4,759,195</u>	-	<u>112,857,494</u>
Total capital assets, net	<u>\$ 135,405,188</u>	<u>\$ 21,033,297</u>	<u>\$ (4,797,936)</u>	<u>\$ 151,640,549</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

4. CAPITAL ASSETS (CONTINUED):

Changes in capital assets for the year ended June 30, 2004 is as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Sales or</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital assets, not being depreciated:				
General land and easements	\$ 4,435,531	\$ -	\$ -	\$ 4,435,531
Park land and easements	2,060,284	-	-	2,060,284
Construction in progress	<u>10,969,094</u>	<u>10,108,851</u>	<u>266,871</u>	<u>20,811,074</u>
Total capital assets, not being depreciated	<u>17,464,909</u>	<u>10,108,851</u>	<u>266,871</u>	<u>27,306,889</u>
Capital assets, being depreciated:				
General Department:				
Land improvements	1,131,535	-	-	1,131,535
Structures and improvements	4,405,796	-	-	4,405,796
Furniture and equipment	<u>1,824,770</u>	<u>236,505</u>	-	<u>2,061,275</u>
Total General Department	<u>7,362,101</u>	<u>236,505</u>	-	<u>7,598,606</u>
Water Department:				
Source of supply	6,073,927	23,221	-	6,097,148
Pumping plant	3,239,598	-	-	3,239,598
Transmission and distribution plant	<u>48,326,270</u>	<u>39,567</u>	<u>14,528</u>	<u>48,351,309</u>
Total Water Department	<u>57,639,795</u>	<u>62,788</u>	<u>14,528</u>	<u>57,688,055</u>
Sewer Department:				
Purchased treatment capacity	26,403,357	9,486,754	-	35,890,111
Structures and improvements	3,717,438	11,801	-	3,729,239
Sewage collection facilities	27,331,547	-	-	27,331,547
Sewage treatment facilities	2,530,894	-	-	2,530,894
Equipment	<u>967,921</u>	<u>295,920</u>	-	<u>1,263,841</u>
Total Sewer Department	<u>60,951,157</u>	<u>9,794,475</u>	-	<u>70,745,632</u>
Parks Districts:				
Land improvements	1,785,199	-	-	1,785,199
Structures and equipment	<u>1,667,540</u>	-	-	<u>1,667,540</u>
Total Parks Districts	<u>3,452,739</u>	-	-	<u>3,452,739</u>
Total capital assets, being depreciated	<u>129,405,792</u>	<u>10,093,768</u>	<u>14,528</u>	<u>139,485,032</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

4. CAPITAL ASSETS (CONTINUED):

Changes in capital assets for the year ended June 30, 2004 (Continued):

	Balance July 1, 2003	Additions	Sales or Retirements	Balance June 30, 2004
Less accumulated depreciation for:				
General Department:				
Land improvements	\$ 106,602	\$ 31,478	\$ -	\$ 138,080
Structures and improvements	58,263	210,154	-	268,417
Furniture and equipment	<u>851,177</u>	<u>160,104</u>	-	<u>1,011,281</u>
Total General Department	<u>1,016,042</u>	<u>401,736</u>	-	<u>1,417,778</u>
Water Department:				
Source of supply	2,111,350	283,456	-	2,394,806
Pumping plant	905,578	91,352	-	996,930
Transmission and distribution plant	<u>9,057,736</u>	<u>756,477</u>	-	<u>9,814,213</u>
Total Water Department	<u>12,074,664</u>	<u>1,131,285</u>	-	<u>13,205,949</u>
Sewer Department:				
Purchased treatment capacity	7,947,661	660,169	-	8,607,830
Structures and improvements	946,160	117,267	-	1,063,427
Sewage collection facilities	5,072,850	423,675	-	5,496,525
Sewage treatment facilities	1,060,835	69,590	-	1,130,425
Equipment	<u>262,547</u>	<u>41,943</u>	-	<u>304,490</u>
Total Sewer Department	<u>15,290,053</u>	<u>1,312,644</u>	-	<u>16,602,697</u>
Parks Districts:				
Land improvements	-	49,067	-	49,067
Structure and equipment	<u>-</u>	<u>111,242</u>	-	<u>111,242</u>
Total Parks Districts	<u>-</u>	<u>160,309</u>	-	<u>160,309</u>
Total accumulated depreciation	<u>28,380,759</u>	<u>3,005,974</u>	-	<u>31,386,733</u>
Total capital assets, being depreciated, net	<u>101,025,033</u>	<u>7,087,794</u>	<u>14,528</u>	<u>108,098,299</u>
Total capital assets, net	<u>\$ 118,489,942</u>	<u>\$ 17,196,645</u>	<u>\$ 281,399</u>	<u>\$ 135,405,188</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES:

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
1977 bonds	\$ 295,000	\$ -	\$ (40,000)	\$ 255,000	\$ 45,000
Less deferred amounts:					
For issuance discounts	<u>(2,591)</u>	<u>-</u>	<u>432</u>	<u>(2,159)</u>	<u>-</u>
Total bonds payable	<u>292,409</u>	<u>-</u>	<u>(39,568)</u>	<u>252,841</u>	<u>45,000</u>
Certificates of Participation:					
1993 certificates	11,610,000	-	(1,250,000)	10,360,000	365,000
2001 certificates	9,085,000	-	(155,000)	8,930,000	160,000
Less deferred amounts:					
For issuance discounts	(188,098)	-	9,793	(178,305)	-
On refunding	<u>(767,911)</u>	<u>-</u>	<u>122,867</u>	<u>(645,044)</u>	<u>-</u>
Total certificates of participation payable	<u>19,738,991</u>	<u>-</u>	<u>(1,272,340)</u>	<u>18,466,651</u>	<u>525,000</u>
Loans Payable:					
SWRCB loan	1,608,368	-	(107,225)	1,501,143	107,225
EDA loan	1,063,484	-	(62,474)	1,001,010	-
WMWD loan	<u>9,486,754</u>	<u>-</u>	<u>(198,884)</u>	<u>9,287,870</u>	<u>198,884</u>
Total loans payable	<u>12,158,606</u>	<u>-</u>	<u>(368,583)</u>	<u>11,790,023</u>	<u>306,109</u>
Total long-term debt	<u>\$32,190,006</u>	<u>\$ -</u>	<u>\$ (1,680,491)</u>	<u>\$30,509,515</u>	<u>\$ 876,109</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

1977 General Obligation Water Bonds, Series B

In January 1988, the District issued \$500,000 in General Obligation Water Bonds of Improvement District No. 2 (the 1977 Bonds) to finance the construction of wells, pumps and transmission facilities in order to improve water service within Improvement District No. 2. The 1977 Bonds mature annually on January 1 through the year 2010 in amounts ranging from \$40,000 to \$60,000. Interest is payable semi-annually on July 1 and January 1 at rates ranging from 8.15% to 8.5% per annum.

The 1977 Bonds were issued at a discount of \$10,000. The discount is being amortized on a straight-line basis through 2010. Amortization expense of \$432 is included annually as a component of interest expense. The remaining unamortized discount is reported in the accompanying financial statements as a deduction from the outstanding principal balance of the 1977 Bonds.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 45,000	\$ 21,540	\$ 66,540
2007	45,000	17,805	62,805
2008	50,000	14,025	64,025
2009	55,000	9,775	64,775
2010	60,000	5,100	65,100
Total	\$ 255,000	\$ 68,245	\$ 323,245

1993 Refunding Certificates of Participation

In September 1993, the Jurupa Public Facilities Corporation issued \$14,360,000 in Refunding Certificates of Participation (the 1993 Certificates) to advance refund \$12,545,000 of the 1990 Certificates of Participation. A portion of the proceeds were deposited into an escrow fund in order to defease the 1990 Certificates of Participation, which had been issued to finance the acquisition of capacity rights in the Riverside Regional Wastewater Treatment Plant and certain facilities. The defeased 1990 Certificates of Participation were completely retired in October 1998.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

1993 Refunding Certificates of Participation (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,098,970. This difference, reported in the accompanying financial statements as a deduction from the outstanding principal balance of the 1993 Certificates, is being amortized on the straight-line method through the year 2010. Amortization expense of \$122,867 is included annually as a component of interest expense.

The 1993 Certificates were issued at a discount of \$292,253. The discount is being amortized on a straight-line basis through 2024. Amortization expense of \$9,743 is included annually as a component of interest expense. The remaining unamortized discount is reported in the accompanying financial statements as a deduction from the outstanding principal balance of the 1993 Certificates.

The 1993 Certificates mature annually on September 1 through the year 2023 in amounts ranging from \$350,000 to \$900,000. Interest is payable semi-annually on September 1 and March 1 at rates ranging from 4.6% to 5.2% per annum. The District has pledged net sewer revenues and available water and tax revenues towards the payment of debt service on the 1993 Certificates. On September 1, 2004, in addition to the retirement of \$350,000 of bonds that matured on that date, the Corporation called and retired an additional \$900,000 of bonds that had a maturity date of September 1, 2023.

Annual debt service requirements to maturity for the 1993 Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 365,000	\$ 524,284	\$ 889,284
2007	385,000	506,091	891,091
2008	400,000	486,658	886,658
2009	420,000	465,948	885,948
2010	445,000	443,835	888,835
2011 - 2015	2,580,000	1,844,712	4,424,712
2016 - 2020	3,330,000	1,083,680	4,413,680
2021 - 2023	<u>2,435,000</u>	<u>194,350</u>	<u>2,629,350</u>
Total	<u>\$ 10,360,000</u>	<u>\$ 5,549,558</u>	<u>\$ 15,909,558</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

2001 Certificates of Participation, Series NN

In December 2001, the CSDA Finance Corporation, an unrelated nonprofit public benefit corporation, issued \$9,390,000 in Certificates of Participation (the 2001 Certificates) on behalf of the District to provide financing for the acquisition of real property to be used by the District as its administration building and operations facilities as well as its site for a new ion exchange facility for treatment of water sold by the District. The Certificates evidence interests in installment purchase payments to be made to the CSDA Finance Corporation by the District. The installment purchase payments are designed to be sufficient in amount to pay the principal and interest, as it comes due, on the 2001 Certificates.

The 2001 Certificates were issued at a discount of \$1,464. The discount is being amortized on a straight-line basis through 2032. Amortization expense of \$49 is included annually as a component of interest expense. The remaining unamortized discount is reported in the accompanying financial statements as a deduction from the outstanding principal balance of the 2001 Certificates.

The 2001 Certificates are comprised of serial and term certificates. The \$1,520,000 of serial certificates matures annually on September 1 through the year 2010 in amounts ranging from \$155,000 to \$195,000. The serial certificates bear interest at rates ranging from 2.0% to 4.2% per annum. \$2,230,000 of term certificates bearing interest at a rate of 5.0% per annum matures on September 1, 2019. \$2,570,000 of term certificates bearing interest at a rate of 5.25% per annum mature on September 1, 2026. \$3,070,000 of term certificates bearing interest at a rate of 5.25% per annum mature on September 1, 2032. Interest on all the certificates is payable semi-annually on September 1 and March 1. The term certificates are subject to mandatory sinking fund prepayment commencing September 1, 2011 until maturity in principal amounts ranging from \$200,000 to \$580,000. The District has pledged both net water and sewer revenues towards the payment of debt service on the 2001 Certificates.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

2001 Certificates of Participation, Series NN (Continued)

Annual debt service requirements for the 2001 Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 160,000	\$ 445,300	\$ 605,300
2007	165,000	439,894	604,894
2008	175,000	433,767	608,767
2009	180,000	426,930	606,930
2010	185,000	419,582	604,582
2011 - 2015	1,065,000	1,858,095	2,923,095
2016 - 2020	1,360,000	1,657,250	3,017,250
2021 - 2025	1,740,000	1,261,313	3,001,313
2026 - 2030	2,245,000	740,909	2,985,909
2031 - 2033	<u>1,655,000</u>	<u>133,220</u>	<u>1,788,220</u>
Total	<u>\$ 8,930,000</u>	<u>\$ 7,816,260</u>	<u>\$ 16,746,260</u>

State Water Resources Control Board Loan

In October 1997, the District entered into a loan contract with the California State Water Resources Control Board (the SWRCB Loan) to finance the construction of two wastewater equalization basins and the slip-lining of inverted siphons of the Regional Force Main. Upon completion of the project in 1998, the final loan amount was determined to be \$2,573,401. The interest rate on the loan is zero percent per annum. Payments of \$128,670 are payable annually on December 22 through the year 2018. Since the loan does not bear interest, the District is reporting the SWRCB loan in the accompanying financial statements at a discount of 6.5 %. The discount is being amortized on a straight-line basis through 2018. Amortization expense of \$21,445 is included annually as a component of interest expense.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

State Water Resources Control Board Loan (Continued)

Annual debt service requirements for the SWRCB loan based on an estimated discount rate of 6.5% are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 107,225	\$ 21,445	\$ 128,670
2007	107,225	21,445	128,670
2008	107,225	21,445	128,670
2009	107,225	21,445	128,670
2010	107,225	21,445	128,670
2011 - 2015	536,125	107,225	643,350
2016 - 2019	<u>428,893</u>	<u>85,780</u>	<u>514,673</u>
Total	<u>\$ 1,501,143</u>	<u>\$ 300,230</u>	<u>\$ 1,801,373</u>

Economic Development Administration Loan

In October 1977, the District entered into a loan contract with the U.S. Department of Commerce, Economic Development Administration (the EDA Loan) to finance the improvement and expansion of the District's water system. Upon completion of the project in 1979, the final loan amount was determined to be \$1,968,000. The interest rate on the loan is 5.0% percent per annum. Principal and interest are payable in annual installments of \$115,649 on July 1 through the year 2018. The District prepaid the annual installment due June 1, 2006.

Annual debt service requirements for the EDA loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ -	\$ -
2007	65,613	50,036	115,649
2008	68,893	46,756	115,649
2009	72,338	43,311	115,649
2010	75,955	39,694	115,649
2011 - 2015	440,683	137,562	578,245
2016 - 2018	<u>277,528</u>	<u>26,064</u>	<u>303,592</u>
Total	<u>\$ 1,001,010</u>	<u>\$ 343,423</u>	<u>\$ 1,344,433</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

5. LONG-TERM LIABILITIES (CONTINUED):

Western Municipal Water District of Riverside County Loan

On May 6, 2004, the District entered into an installment sale agreement with the Western Municipal Water District of Riverside County (the WMWD loan) for the acquisition of 3.0 million gallons per day of capacity rights for wastewater treatment and disposal in the Western Riverside County Regional Wastewater Authority (see Note 9) treatment facility for \$9,486,754. The term of the WMWD loan is 28.5 years. Interest on the WMWD loan amount is payable monthly at a variable rate plus fees for liquidity facility and remarketing that equaled a rate of 2.425% as of June 30, 2005. The variable interest rate is determined by comparing the three month average daily interest rates as provided by Paine Webber, J.P. Morgan-801113AA9 and J.P. Morgan-463904AA0. Principal payments are due annually on January 1, commencing January 1, 2005 in amounts ranging from \$198,884 to \$517,098. The final principal payment is due January 1, 2033. The District has pledged net water and sewer revenues as well as tax revenues towards the payment of the debt service on the WMWD loan. The District has the option to prepay the WMWD loan in whole or in part at any time upon 60 days written notice.

Estimated annual debt service requirements for the WMWD loan based on the current variable rate of 2.425% are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 198,884	\$ 204,452	\$ 403,336
2007	198,884	219,398	417,282
2008	218,772	213,374	432,146
2009	218,772	208,069	426,841
2010	238,660	202,563	441,223
2011 - 2015	1,272,855	923,753	2,196,608
2016 - 2020	1,511,517	755,431	2,266,948
2021 - 2025	1,789,953	556,326	2,346,279
2026 - 2030	2,147,944	318,797	2,466,741
2031 - 2033	1,491,629	58,237	1,549,866
Total	<u>\$ 9,287,870</u>	<u>\$ 3,659,400</u>	<u>\$ 12,947,270</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

6. RESTRICTED NET ASSETS:

A portion of the District's net assets has been classified as restricted as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Restricted for:		
Debt Service	\$ -	\$ 619,467
Bond Reserves	1,347,655	1,617,922
Capital Improvements	40,514,581	35,642,998
Illumination District No. 2	370,820	227,639
Landscaping and Lighting Districts	684,209	430,839
Graffiti Abatement	7,732	17,651
Eastvale Area Parks Maintenance and Improvements	<u>4,613,898</u>	<u>7,012,327</u>
	<u>\$ 47,538,895</u>	<u>\$ 45,568,843</u>

7. PENSION:

a. Plan Description:

Jurupa Community Services District contributes to the California Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. All full-time District employees are required to participate in PERS. Copies of PERS' annual financial report may be obtained from their Executive Office located at, 400 P Street, Sacramento, CA 95814.

b. Funding Policy:

Participants are required to contribute 7% of their annual covered salary. The District made the contributions required of District employees on their behalf and for their account for the years ended June 30, 2005 and 2004. The District is required to contribute the actuarially determined remaining amount necessary to fund benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2005 and 2004 was 6.167% and 3.011%, respectively.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

7. PENSION (CONTINUED):

c. Annual Pension Cost:

For the fiscal years ended June 30, 2005 and 2004, the District's annual pension cost of \$188,359 and \$75,780, respectively, for PERS was equal to the District's required and actual contributions. The required contributions were determined as part of actuarial valuations that were based on the following methods and assumptions:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Valuation date	June 30, 2002	June 30, 2001
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll
Average remaining period (as of valuation date)	22 years	25 years
Asset valuation method	3 year smoothed market	3 year smoothed market
Actuarial assumptions:		
Investment rate of return (net of administrative expenses)	8.25%	8.25%
Projected salary increases depending on age, service and type of employment	3.75% to 14.20%	3.75% to 14.20%
Inflation	3.50%	3.50%
Payroll growth	3.75%	3.75%

Individual salary growth for both valuations was a merit scale varying by duration of employment coupled with assumed annual inflation of 3.50% and an annual production growth of 0.25%

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ -	100%	\$ -
6/30/04	75,780	100%	-
6/30/05	188,359	100%	-

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

7. PENSION (CONTINUED):

c. Annual Pension Cost (Continued):

Three-Year Schedule of Funding Progress for PERS (Most Recent Available)

Actuarial Valuation Date	Entry Age Normal Accrued Liability (AAL) (A)	Actuarial Value of Assets (B)	Unfunded Liability (Excess Assets) (UAAL) (A-B)	Funded Ratio (B/A)	Covered Payroll (C)	% of Covered Payroll [(A-B)/C]
6/30/00	\$ 2,948,537	\$ 4,256,380	\$ (1,307,843)	144.4%	\$ 1,443,387	(90.6) %
6/30/01	3,653,608	4,464,518	(810,910)	122.2%	1,571,489	(51.6) %
6/30/02	4,095,595	4,337,885	(242,290)	105.9%	1,833,578	(13.2) %

8. POST RETIREMENT BENEFITS:

a. Deferred Compensation:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees on a voluntary basis, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to employees until termination, retirement, death, or unforeseen emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the participants and their beneficiaries. As a result, the assets of the deferred compensation plan are not reflected in the District's financial statements.

b. Post Retirement Medical Insurance:

Under PERS (see Note 7), the medical premium is paid for the retired employee. Insurance premiums for dependents are paid by the retiree.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

9. JOINT VENTURES:

Western Riverside County Regional Wastewater Authority

The Western Riverside County Regional Wastewater Authority (WRCRWA) was formed under a joint exercise of powers agreement for the purpose of constructing, maintaining, and operating a regional wastewater treatment plant. WRCRWA is composed of five member agencies: Jurupa Community Services District, Santa Ana Watershed Project Authority, Western Municipal Water District, Home Gardens Sanitary District, and the City of Norco. The governing body of the Authority is a Board of Directors, which consists of ten individuals, two appointed by each member.

The construction of the wastewater treatment plant was substantially completed at June 30, 1999. Each members' share in the construction costs, as well as administrative costs, of WRCRWA is based on their capacity rights in different components of the plant. Members are deemed to have an ownership interest in the Authority and new members may only be admitted upon unanimous consent of the existing members. Upon withdrawal from the Authority, any member is entitled to receive its proportionate share of the Authority's assets or the equivalent value thereof and is responsible for discharge of its proportionate share of the Authority's liabilities. The investment in the Authority for the years June 30, 2005 and 2004 is reported in the accompanying financial statements at \$3,519,118 for each year.

Financial data for WRCRWA is available at the District office. Audited financial information for WRCRWA can be obtained at Western Riverside County Regional Wastewater Authority, 450 Alessandro Boulevard, Riverside, CA, 92517-5286.

Western Municipal Water District Facilities Authority

In October 2002, the District entered into a Joint Exercise of Powers Agreement (Agreement) with the Western Municipal Water District of Riverside County (WMWD) for the formation of the Western Municipal Water District Facilities Authority (WMW DFA) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, Article Y (Commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The purpose of this Agreement is to provide for the financing of public capital improvements for, and working capital requirements of the District and WMWD through the construction and/or the purchase by the WMW DFA of obligations of the District or WMWD pursuant to bond purchase agreements and/or the lending of funds by the WMW DFA to the District and/or WMWD. WMWD shall administer this agreement. Financial information of WMW DFA can be obtained from WMWD, 450 Alessandro Boulevard, Riverside, CA 92517-5286.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

10. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District purchases commercial package insurance policies.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An umbrella insurance policy with a self-insured retention of \$10,000 covers individual claims in excess of commercial coverage limits up to \$5,000,000. An excess coverage insurance policy covers individual claims in excess of \$5,000,000. Settlements have not exceeded coverages of the past three fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	6,446	7,867
Claim payments	<u>(6,446)</u>	<u>(7,867)</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

11. SEGMENT INFORMATION:

The District was involved with the issuance of certificates of participation to finance its sewer department, which operates sewage collection and treatment facilities and its water department, which operates storage, pumping and transmission and distribution facilities. In connection with the certificates of participation, the District has pledged net water and sewer revenues as well as available tax revenues to pay the debt service on the certificates of participation. A summary of financial information, as of and for the years ended June 30, 2005 and 2004 for the water and sewer departments are presented on the following page.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

11. SEGMENT INFORMATION (CONTINUED):

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>
Sales, services and charges	\$ 12,801,509	\$ 5,035,612	\$12,780,951	\$ 4,277,955
Depreciation expense	(1,446,405)	(1,654,382)	(1,423,396)	(1,422,269)
Other operating expenses	<u>(11,336,793)</u>	<u>(4,724,060)</u>	<u>(9,428,607)</u>	<u>(3,332,786)</u>
Operating income (loss)	<u>18,311</u>	<u>(1,342,830)</u>	<u>1,928,948</u>	<u>(477,100)</u>
Nonoperating revenues (expenses):				
Property taxes and assessments	71,255	-	81,795	1,630,623
Investment income	84,755	1,378,984	37,254	651,954
Interest expense	(547,586)	(712,082)	(518,503)	(760,870)
Other miscellaneous revenues (expenses), net	<u>(5,248)</u>	<u>(3,492)</u>	<u>(4,882)</u>	<u>27,274</u>
Total nonoperating revenues (expenses)	<u>(396,824)</u>	<u>663,410</u>	<u>(404,336)</u>	<u>1,548,981</u>
Net income (loss) before contributed capital	(378,513)	(679,420)	1,524,612	1,071,881
Capital contributions	<u>6,617,045</u>	<u>10,138,526</u>	<u>10,409,129</u>	<u>7,983,019</u>
Change in net assets	6,238,532	9,459,106	11,933,741	9,054,900
Beginning net assets	<u>99,558,478</u>	<u>69,011,084</u>	<u>87,624,737</u>	<u>59,956,184</u>
Ending net assets	<u>\$105,797,010</u>	<u>\$78,470,190</u>	<u>\$99,558,478</u>	<u>\$69,011,084</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

12. COMMUNITY FACILITIES DISTRICTS:

Jurupa Community Services District is the lead agency for twenty-one community facilities districts that were formed to finance the construction and installation of certain public improvements that will service or provide benefit to properties located within the respective community facilities districts.

As of June 30, 2005, nine Community Facilities Districts have issued debt as follows:

In June 1989, the Community Facilities District No. 1 (Mira Loma Area) of the Jurupa Community Services District issued \$20,500,000 of Special Tax Bonds, Series A. In October 1990, an additional \$12,605,000 of Special Tax Bonds, Series B were issued. In December 1998, the District defeased the Series A and Series B bonds of the CFD No. 1 by creating an irrevocable trust fund. 1998 Special Tax Bonds have been issued in the amount of \$39,695,000. The proceeds have been used to purchase U.S. government securities that were placed in the trust fund together with an additional \$8,021,894 in new bonds for continued construction of facilities within CFD No. 1. Investments of the proceeds for the defeasance and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called. The District completed the refunding to decrease the interest rate on the Special Tax Bonds and to fund additional capital improvements within the benefiting area. The bonds represent the first portions of an overall authorization of \$90,000,000 Special Tax Bonds. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$33,275,000 and \$34,315,000, respectively.

In August 2002, the Community Facilities District No. 2 of the Jurupa Community Services District issued \$18,315,000 of Special Tax Bonds, 2003 Series A. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$18,170,000 and \$18,255,000, respectively.

In January 2003, the Community Facilities District No. 3 located within the area of Eastvale of the Jurupa Community Services District issued \$10,290,000 of Special Tax Bonds, 2003 Series A. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$10,125,000 and \$10,290,000, respectively.

In September 2004, the Community Facilities District No. 4 (within the area of Eastvale) of the Jurupa Community Services District issued \$15,065,000 of Special Tax Bonds, 2004 Series A. The outstanding balance of these bonds at June 30, 2005 is \$15,065,000.

In June 2002, the Community Facilities District No. 5 (Tract 29093 within I-15 area of Eastvale) of the Jurupa Community Services District issued \$3,615,000 of Special Tax Bonds, 2002 Series A. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$3,615,000 and \$3,560,000, respectively.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

12. COMMUNITY FACILITIES DISTRICTS (CONTINUED):

As of June 30, 2005, nine Community Facilities Districts have issued debt as follows (Continued):

In December 2002, the Community Facilities District No. 6 (within the area of Eastvale) of the Jurupa Community Services District issued \$4,020,000 of Special Tax Bonds, 2002 Series A. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$3,950,000 and \$4,020,000, respectively.

In December 2003, the Community Facilities District No. 10 (within the area of Eastvale) of the Jurupa Community Services District issued \$7,415,000 of Special Tax Bonds, 2003 Series A. The outstanding balance of these bonds at June 30, 2005 and 2004 is \$7,415,000.

In June 2005, the Community Facilities District No. 12 (within the area of Eastvale) of the Jurupa Community Services District issued \$14,380,000 of Special Tax Bonds, 2005 Series A. The outstanding balance of these bonds at June 30, 2005 is \$14,380,000.

In March 2005, the Community Facilities District No. 16 (within the area of Eastvale) of the Jurupa Community Services District issued \$9,100,000 of Special Tax Bonds, 2005 Series A. The outstanding balance of these bonds at June 30, 2005 is \$9,100,000.

In August 2005, the Community Facilities District No. 11 (Eastvale Area) of the Jurupa Community Services District issued \$12,020,000 of Special Tax Bonds, 2005, Series A.

The bonds used by the Community Facilities Districts are payable solely from the revenues of annual special taxes levied against land within the districts and do not constitute an indebtedness of the Jurupa Community Services District. Jurupa Community Services District is not liable for the bonds, but acts as an agent for the bondholders in collecting the assessments from property owners, forwarding the collection to bondholders, and initiating foreclosure proceedings, if necessary.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005 and 2004

13. CONSTRUCTION COMMITMENTS:

The District had active construction projects as of June 30, 2005 and 2004. The projects include general projects, water projects and sewer projects. At year end the District's construction commitments were as follows:

June 30, 2005

	<u>Commitments</u>	<u>Expended to Date</u>	<u>Remaining Commitments</u>
Water projects	\$ 37,696,105	\$ 11,890,271	\$ 25,805,834
Sewer projects	22,454,684	7,402,395	15,052,289
General projects	<u>429,500</u>	<u>304,789</u>	<u>124,711</u>
	<u>\$ 60,580,289</u>	<u>\$ 19,597,455</u>	<u>\$ 40,982,834</u>

June 30, 2004

	<u>Commitments</u>	<u>Expended to Date</u>	<u>Remaining Commitments</u>
Water projects	\$ 21,395,661	\$ 9,568,808	\$ 11,826,853
Sewer projects	11,223,931	1,295,987	9,927,944
General projects	<u>932,000</u>	<u>586,229</u>	<u>345,771</u>
	<u>\$ 33,551,592</u>	<u>\$ 11,451,024</u>	<u>\$ 22,100,568</u>

14. RESTATEMENT OF NET ASSETS:

Net assets as of July 1, 2005 have been reduced by \$929,630 from \$182,540,362 to \$181,610,732 as a result of an understatement of the water replenishment assessment liability as of June 30, 2004. Also, accounts payable as of June 30, 2004 and water sources of supply expenses for the year then ended have been restated to reflect this prior period adjustment.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

ASSETS	General District	Illumination District No. 2
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,929,239	\$ -
Investments	20,438,027	-
Accounts receivable (net of allowance)	909,870	-
Unbilled receivables	1,315,925	-
Taxes and assessment receivable	31,939	-
Interest receivable	400,271	-
Other receivables	3,415,523	-
Materials inventory	178,480	-
Water in storage	1,397,918	-
Prepaid expenses	105,639	-
	<u>37,122,831</u>	<u>-</u>
TOTAL CURRENT ASSETS		
RESTRICTED ASSETS:		
Cash and cash equivalents	57,534,865	357,591
Investments	-	-
Taxes and assessment receivable	-	13,229
Interest receivable	171	-
	<u>57,535,036</u>	<u>370,820</u>
TOTAL RESTRICTED ASSETS		
CAPITAL ASSETS:		
Capital assets, not being depreciated:		
Land	4,519,027	-
Construction in progress	31,003,407	-
Total capital assets, not being depreciated	<u>35,522,434</u>	<u>-</u>
Capital assets, being depreciated		
Less accumulated depreciation	(34,327,210)	-
Total capital assets, being depreciated, net	<u>106,419,523</u>	<u>-</u>
TOTAL CAPITAL ASSETS, NET		
	<u>141,941,957</u>	<u>-</u>
OTHER ASSETS:		
Investment in WRCRWA Joint Powers Authority	3,519,118	-
Deferred bond issuance costs	467,150	-
	<u>3,986,268</u>	<u>-</u>
TOTAL OTHER ASSETS		
	<u>3,986,268</u>	<u>-</u>
TOTAL ASSETS		
	<u>240,586,092</u>	<u>370,820</u>

See independent auditors' report.

Landscaping and Lighting Districts	Graffiti Abatement District	Eastvale Area Parks	Totals
\$ -	\$ -	\$ -	\$ 8,929,239
-	-	-	20,438,027
-	-	-	909,870
-	-	-	1,315,925
-	-	-	31,939
-	-	-	400,271
-	-	-	3,415,523
-	-	-	178,480
-	-	-	1,397,918
-	-	-	105,639
-	-	-	37,122,831
660,222	7,633	4,487,541	63,047,852
-	-	-	-
23,987	99	128,507	165,822
-	-	-	171
684,209	7,732	4,616,048	63,213,845
-	-	3,260,621	7,779,648
-	-	-	31,003,407
-	-	3,260,621	38,783,055
-	-	6,779,483	147,526,216
-	-	(341,512)	(34,668,722)
-	-	6,437,971	112,857,494
-	-	9,698,592	151,640,549
-	-	-	3,519,118
-	-	-	467,150
-	-	-	3,986,268
684,209	7,732	14,314,640	255,963,493

(Continued)

JURUPA COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF NET ASSETS
(CONTINUED)

June 30, 2005

LIABILITIES AND NET ASSETS	General District	Illumination District No. 2
CURRENT LIABILITIES:		
Accounts payable	\$ 4,604,801	\$ -
Accrued payroll and employee benefits	487,073	-
Advances payable to Community Facilities Districts	4,828,488	-
TOTAL CURRENT LIABILITIES	9,920,362	-
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of long-term liabilities	876,109	-
Accrued interest payable	333,663	-
Construction deposits and retentions	15,367,629	-
Deposits	187,723	-
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	16,765,124	-
LONG-TERM LIABILITIES (LESS CURRENT PORTION):		
General obligation bonds	252,841	-
Certificates of participation	18,466,651	-
Loans payable	11,790,023	-
Subtotal	30,509,515	-
Less current portion	(876,109)	-
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	29,633,406	-
TOTAL LIABILITIES	56,318,892	-
NET ASSETS:		
Invested in capital assets, net of related debt	111,432,442	-
Restricted	41,862,236	370,820
Unrestricted	30,972,522	-
TOTAL NET ASSETS	\$ 184,267,200	\$ 370,820

See independent auditors' report.

<u>Landscaping and Lighting Districts</u>	<u>Graffiti Abatement District</u>	<u>Eastvale Area Parks</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 4,604,801
-	-	-	487,073
-	-	-	4,828,488
-	-	-	9,920,362
-	-	-	876,109
-	-	-	333,663
-	-	-	15,367,629
-	-	2,150	189,873
-	-	2,150	16,767,274
-	-	-	252,841
-	-	-	18,466,651
-	-	-	11,790,023
-	-	-	30,509,515
-	-	-	(876,109)
-	-	-	29,633,406
-	-	2,150	56,321,042
-	-	9,698,592	121,131,034
684,209	7,732	4,613,898	47,538,895
-	-	-	30,972,522
<u>\$ 684,209</u>	<u>\$ 7,732</u>	<u>\$ 14,312,490</u>	<u>\$ 199,642,451</u>

JURUPA COMMUNITY SERVICES DISTRICT
 COMBINING STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS

For the year ended June 30, 2005

	General District	Illumination District No. 2
OPERATING REVENUES:		
Water sales and services	\$ 12,801,509	\$ -
Sewer charges	5,035,612	-
Other charges	-	351,256
TOTAL OPERATING REVENUES	17,837,121	351,256
OPERATING EXPENSES:		
Costs of Water Sales and Services:		
Sources of supply	5,624,319	-
Pumping	336,082	-
Transmission and distribution	1,548,703	-
Treatment	600,440	-
Customer accounts	1,083,774	-
Administrative	2,143,475	-
Depreciation	1,446,405	-
Total Costs of Water Sales and Services	12,783,198	-
Costs of Sewer Services:		
Collection	1,235,731	-
Treatment	2,940,060	-
Customer accounts	122,083	-
Administrative	426,186	-
Depreciation	1,654,382	-
Total Costs of Sewer Services	6,378,442	-
Costs of Landscaping and Lighting Services:		
Maintenance	-	208,075
Depreciation	-	-
Total Costs of Landscaping and Lighting Services	-	208,075
Graffiti removal	-	-
TOTAL OPERATING EXPENSES	19,161,640	208,075
OPERATING INCOME (LOSS)	(1,324,519)	143,181
NONOPERATING REVENUES (EXPENSES):		
Property taxes and assessments	71,255	-
Investment income	1,463,739	-
Other revenue	15,402	-
Interest expense	(1,259,668)	-
Miscellaneous expenses	(24,142)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	266,586	-
NET INCOME (LOSS) BEFORE CONTRIBUTED CAPITAL	(1,057,933)	143,181
CONTRIBUTED CAPITAL	16,755,571	-
CHANGE NET ASSETS	15,697,638	143,181
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	168,569,562	227,639
NET ASSETS - END OF YEAR	\$ 184,267,200	\$ 370,820

See independent auditors' report.

Landscaping and Lighting Districts	Graffiti Abatement District	Eastvale Area Parks	Totals
\$ -	\$ -	\$ -	\$ 12,801,509
-	-	-	5,035,612
536,423	-	1,750,065	2,637,744
<u>536,423</u>	<u>-</u>	<u>1,750,065</u>	<u>20,474,865</u>
-	-	-	5,624,319
-	-	-	336,082
-	-	-	1,548,703
-	-	-	600,440
-	-	-	1,083,774
-	-	-	2,143,475
-	-	-	1,446,405
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,783,198</u>
-	-	-	1,235,731
-	-	-	2,940,060
-	-	-	122,083
-	-	-	426,186
-	-	-	1,654,382
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,378,442</u>
372,644	-	1,130,315	1,711,034
-	-	181,202	181,202
<u>372,644</u>	<u>-</u>	<u>1,311,517</u>	<u>1,892,236</u>
-	9,919	-	9,919
<u>372,644</u>	<u>9,919</u>	<u>1,311,517</u>	<u>21,063,795</u>
<u>163,779</u>	<u>(9,919)</u>	<u>438,548</u>	<u>(588,930)</u>
-	-	-	71,255
-	-	-	1,463,739
111,523	-	3,605	130,530
-	-	-	(1,259,668)
(21,932)	-	(6,395)	(52,469)
<u>89,591</u>	<u>-</u>	<u>(2,790)</u>	<u>353,387</u>
253,370	(9,919)	435,758	(235,543)
-	-	1,511,691	18,267,262
253,370	(9,919)	1,947,449	18,031,719
430,839	17,651	12,365,041	181,610,732
<u>\$ 684,209</u>	<u>\$ 7,732</u>	<u>\$ 14,312,490</u>	<u>\$ 199,642,451</u>

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENTS (FUTURE CONSTRUCTION)

For the year ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
BALANCES - BEGINNING OF YEAR	\$ 24,992,480	\$ 18,074,053	\$ 43,066,533
Contributions in aid of construction (includes facility and connection fees)	<u>6,617,045</u>	<u>6,165,828</u>	<u>12,782,873</u>
BALANCES - END OF YEAR	<u>\$ 31,609,525</u>	<u>\$ 24,239,881</u>	<u>\$ 55,849,406</u>
THIS BALANCE CONSISTS OF:			
Cash and investments	<u>\$ 31,609,525</u>	<u>\$ 24,239,881</u>	<u>\$ 55,849,406</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF RESERVE FOR CAPITAL REPLACEMENT (SEWER DEPARTMENT)

For the year ended June 30, 2005

	<u>Reserve for ID #1</u>	<u>Wastewater Capital</u>	<u>Wastewater Pipeline</u>	<u>Treatment Capacity</u>	<u>Total</u>
BALANCES - BEGINNING OF YEAR	\$ 73,303	\$ 119,016	\$ 1,176,725	\$ 400,000	\$ 1,769,044
Transfers from unreserved funds	-	24,500	267,894	-	292,394
BALANCES - END OF YEAR	<u>\$ 73,303</u>	<u>\$ 143,516</u>	<u>\$ 1,444,619</u>	<u>\$ 400,000</u>	<u>\$ 2,061,438</u>
THIS BALANCE CONSISTS OF:					
Cash and investments					<u>\$ 2,061,438</u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF RESERVE FOR PARKS CAPITAL IMPROVEMENT

For the year ended June 30, 2005

BALANCE - BEGINNING OF YEAR	\$ 5,458,143
Contributed capital	4,544
Expended for capital improvements	<u>(2,044,928)</u>
BALANCE - END OF YEAR	<u>\$ 3,417,759</u>

THIS BALANCE CONSISTS OF:

Cash and investments	<u>\$ 3,417,759</u>
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See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF RESERVE FOR DEBT SERVICE -
1977 SERIES IMPROVEMENT DISTRICT NO. 2 WATER BOND

For the year ended June 30, 2005

BALANCE - BEGINNING OF YEAR	<u>\$ 88,015</u>
REVENUES:	
Taxes	71,255
Interest	<u>7</u>
TOTAL REVENUES	<u>71,262</u>
EXPENDITURES:	
Bond interest	23,190
Bond principal	<u>40,000</u>
TOTAL EXPENDITURES	<u>63,190</u>
BALANCE - END OF YEAR	<u><u>\$ 96,087</u></u>

THIS BALANCE CONSISTS OF:

Cash	\$ 91,389
Taxes receivable	15,297
Interest receivable	171
Interest payable	<u>(10,770)</u>
	<u><u>\$ 96,087</u></u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF RESERVE FOR JURUPA PUBLIC FACILITIES CORPORATION
INSTALLMENT PURCHASE -SEWER CAPACITY

For the year ended June 30, 2005

BALANCE - BEGINNING OF YEAR	<u>\$ 1,703,613</u>
REVENUES:	
Transfers from reserve for capital outlay	672,398
Interest	<u>12,477</u>
TOTAL REVENUES	<u>684,875</u>
EXPENDITURES:	
Debt service - principal	1,250,000
Debt service - interest	<u>550,085</u>
TOTAL EXPENDITURES	<u>1,800,085</u>
BALANCE - END OF YEAR	<u><u>\$ 588,403</u></u>
THIS BALANCE CONSISTS OF:	
Cash	\$ 23,530
Investments	728,516
Interest payable	<u>(163,643)</u>
	<u><u>\$ 588,403</u></u>

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF GENERAL RESERVES - BOARD AUTHORIZED

For the year ended June 30, 2005

	<u>Construction</u>	<u>Rate Stabilization</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ 4,000,000	\$ 2,500,000	\$ 6,500,000
Contributions in aid of construction	<u>3,750,000</u>	<u>-</u>	<u>3,750,000</u>
BALANCE - END OF YEAR	<u>\$ 7,750,000</u>	<u>\$ 2,500,000</u>	<u>\$ 10,250,000</u>
THIS BALANCE CONSISTS OF:			
Cash			<u>\$ 10,250,000</u>

See independent auditors' report.

STATISTICAL INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

HISTORY AND ORGANIZATION

The District is a public agency of the State of California, formed July 30, 1956, under Sections 61000 et. seq. of the Government Code. The District provides water, sewer, street lighting, and park services.

In 1958, the qualified electors of a portion of the District designated as Improvement District No. 1 authorized the District to issue General Obligation bonds for \$1,550,000 to fund the construction of a sanitary sewer system and sewage treatment plant. In 1960, the electors authorized issuance of an additional \$650,000 in General Obligation Bonds to provide funds for completion of the project. The project was completed in 1961 and the District began providing sewer services later that year. This bonded indebtedness was paid off August 1985.

In 1963, the qualified electors within the Jurupa Community Services District approved issuance of \$2,100,000 in Water Revenue Bonds to be used for the acquisition and improvement of water facilities including three existing water companies: the Jurupa Heights Water Company, the La Bonita Mutual Water Company, and the Monte Rue Acres Mutual Water Company. In 1966, \$770,000 of the authorized bonds (Series "A") were issued to finance the purchase of these companies. An additional \$200,000 (Series "B") were issued to finance the purchase of a portion of the existing Sunnyslope Water Company.

In 1977, an issue of \$850,000 in Water Revenue Bonds was approved to finance general improvements to the existing water system. Also in 1977, two new issues of General Obligation Bonds were authorized in order to make facility improvements within specific areas of the District. Bonds for \$240,000 were issued to finance water improvements within an area designated Improvement District No. 2, and bonds for \$160,000 were issued to finance sewer improvements within an area designated Improvement District No. 3.

In 1978, as part of the acquisition of Mira Loma Water Company, the District agreed to pay a private party \$830,000. The loan has been repaid. Also in 1978, the District borrowed \$1,968,000 for U.S. Department of Commerce to improve and expand the water system. The loan is being repaid over 35 years and bears interest at 5%.

In 1986, the State of California authorized a contract under SB 1063 and SB 1891 to provide service to approximately 380 properties formerly served by Felspar Gardens Mutual Water Company. Total project costs authorized for payment by the State of California are \$3,200,000. In 1988, Improvement District No. 2 issued an additional \$500,000 in water general obligation bonds to pay for water improvements. These bonds will be paid off over 13 years commencing January 1988.

In 1988, the District formed the Community Facilities District No. 1 to provide for water, sewer, flood control and street infrastructure within the Mira Loma area. The boundaries of CFD No. 1 has expanded from 1,900 acres to 3,000 acres in 1992 with the authority to issue \$90,000,000 of bonded indebtedness for infrastructure.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

HISTORY AND ORGANIZATION (CONTINUED)

In October 1990, the District entered into an Installment Purchase Agreement with the Jurupa Public Facilities Corporation to purchase additional sewage treatment capacity in the City of Riverside Water Quality Control Plant, and to purchase capacity in Reach IV D of the Santa Ana Regional Interceptor. The original amount financed was \$13,650,000 which was to be paid off over 20 years; however, in September 1993, the debt was refinanced, the result of which was to extend the term of the debt 13 years.

In 1997, through an agreed-upon condemnation, the District consolidated the Mutual Water Company of Glen Avon Heights. The District now provides both water and sewer services within the area of Glen Avon Heights.

In October 1997, the District entered into an installment note for the funding of wastewater equalization basins with the State Water Resources Control Board Clean Water Programs.

In March 1999, the District formed Community Facilities District No. 2 within the Eastvale area for the acquisition and improvement of parkland and ongoing maintenance of the parks and landscaping within the public right of way. CFD No. 2 is authorized to issue \$50,000,000 in bonded indebtedness for infrastructure.

In September 2000, the District formed Community Facilities District No. 5 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 5 is authorized to issue \$4,000,000 in bonded indebtedness.

In December 2001, the District formed Community Facilities District No. 6 within the Eastvale area for the acquisition and improvement of parkland. CFD No. 6 is authorized to issue \$4,400,000 in bonded indebtedness.

In December 2001, the District entered into an Installment Purchase Agreement with the California Special Districts Finance Corporation in the amount of \$9,390,000, to purchase the Administrative Headquarters and construct the Roger Teagarden Ion Exchange Water Treatment Facilities.

In January 2002, the District formed Community Facilities District No. 3 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 3 is authorized to issue \$10,550,000 in bonded indebtedness.

In September 2002, the District formed Community Facilities District No. 4 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 4 is authorized to issue \$15,500,000 in bonded indebtedness for infrastructure.

See independent auditors' report.

JURUPA COMMUNITY SERVICES DISTRICT

HISTORY AND ORGANIZATION (CONTINUED)

In December 2003, the District formed Community Facilities District No. 10 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 5 is authorized to issue \$7,415,000 in bonded indebtedness for infrastructure.

In May 2004, the District formed Community Facilities District No. 16 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 16 is authorized to issue \$12,000,000 in bonded indebtedness for infrastructure.

In August 2004, the District formed Community Facilities District No. 12 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of the Jurupa Area Park and Recreation District. CFD No. 12 is authorized to issue \$18,000,000 in bonded indebtedness for infrastructure.

In September 2004, the District formed Community Facilities District No. 11 within the Eastvale area for the acquisition and improvement of parkland and certain public school facilities of the Corona-Norco Unified School District and public park facilities of Jurupa Area Park and Recreation District. CFD No. 11 is authorized to issue \$17,000,000 in bonded indebtedness for infrastructure.

At the beginning of fiscal year 2004-2005, there were 19,691 meters in service receiving water from the District. There were 460 additions during the year for a total of 20,151 meters in service at year-end and 18,839 sewer services. The District currently has 20 wells, 7 booster stations, and 14 reservoirs creating 40 million-gallons of storage capacity and approximately 228 miles of sewer collection lines. The District has 72 employees.

BOARD OF DIRECTORS

President	Jack E. Smith
Director	James C. Huber
Director	Paul E. Hamrick
Director	Curtis W. Hummel
Director	Kenneth McLaughlin

MANAGEMENT

District Manager and Secretary to the Board	Carole McGreevy
Finance Manager	Kenneth Waring
Operations Manager	Charles Smith
Administrative Manager	Cheryl Russell

PROFESSIONAL CONSULTANTS

Attorney: Best, Best & Krieger, Riverside, California
Engineer: A.A. Webb and Associates, Riverside, California
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