

JURUPA COMMUNITY SERVICES DISTRICT
Jurupa Valley, California

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

JURUPA COMMUNITY SERVICES DISTRICT
Annual Financial Report
June 30, 2014

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Jurupa Community Services District
Jurupa Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedule of funding progress on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including, comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financials statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN, LLP
Glendora, California
January 29, 2015

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The following discussion and analysis of the financial performance of the Jurupa Community Services District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased \$18.7 million, or by 4.7%.
- During the year the District's revenues increased \$5.8 million or by 7.8% to \$79.8 million, while expenses increased \$5.5 million, or 9.9% to \$61.1 million.
- Capital contributions to the District amounted to \$19.0 million.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements offer short-term and long-term financial information about its activities. The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of the following components: Basic Financial Statements, Fund Financial Statements, and Notes to the Basic Financial Statements. This report also contains other supplementary information in an addition to the basic financial statements themselves. For governmental funds, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position (page 11) includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities (page 12). This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its taxes, user fees, and other charges, and credit worthiness.

These two statements report the District's net position and changes in them. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-wide Financial Statements (continued)

Statement of Net Position and Statement of Activities (continued)

Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the District's property tax base and the types of grants the District applies for to assess the overall financial health of the District.

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital, and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 58.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-wide Financial Analysis

Statement of Net Position

To begin our analysis, a summary of the District's Statements of Net Position are presented in Table A-1.

Table A-1
Condensed Statement of Net Position
(In thousands of dollars)

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2014			June 30, 2013		
Assets:						
Current and other assets	\$ 20,582	\$ 164,583	\$ 185,165	\$ 20,299	\$ 190,576	\$ 210,875
Capital Assets	73,870	282,757	356,627	72,755	233,296	306,051
Total Assets	94,452	447,340	541,792	93,054	423,872	516,926
Deferred outflows of resources:						
Amount deferred on refunding	-	700	700	-	727	727
Liabilities:						
Long-term debt outstanding		74,009	74,009		74,036	74,036
Other liabilities	3,247	46,037	49,284	2,493	40,639	43,132
Total Liabilities	3,247	120,046	123,293	2,493	114,675	117,168
Deferred inflows of resources:						
Amount deferred on refunding	-	355	355	-	369	369
Net Position:						
Net investment in capital assets	73,870	223,494	297,364	72,755	196,258	269,013
Restricted	17,335	67,618	84,953	22,547	68,895	91,442
Unrestricted		36,526	36,526	(4,741)	44,401	39,660
Total Net Position	\$ 91,205	\$ 327,638	\$ 418,843	\$ 90,561	\$ 309,554	\$ 400,115

Assets

Total assets increased by \$24.9 million, or 4.8% for the fiscal year ended June 30, 2014. This increase was due to several factors including a \$46.0 million, or 15.0% net increase in capital assets and an offsetting decrease in current and other assets of \$21.2 million or 10.0%. The \$46.0 million, or 15.0% increase in capital assets is from construction expenditures primarily related to the following: Chino Basin Desalter Expansion second phase (\$19.2 million), Well 27 and 28 Drilling and Construction (\$5.4 million), Pyrite Creek Trunk Sewer (\$9.7 million), Jurupa Trunk – Upstream (\$3.6 million), River Road Lift Station (\$2.0 million) and Eastvale Community Park (\$4.1 million). Additional information regarding capital assets can be found in Note 6 of the Notes to the Basic Financial Statements. The decrease of \$21.2 million or 10% in current and other assets is due to a decrease in cash and investments.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Liabilities

Total liabilities increased by \$6.1 million, or 5.2% for the fiscal year ended June 30, 2014. This change was primarily due to an increase of \$9.5 million in the governmental and business activities in customer deposits, retentions and advances, and accounts payable, and an offsetting \$3.4 million decrease in Long-term debt outstanding in both the governmental and business-type activities. There is a \$.8 million increase in the governmental funds due to a \$1.3 million increase in customer deposits and an offsetting \$.5 million decrease in accounts payable and other liabilities. There is an \$8.8 million increase in the business activities due to an increase of \$3.0 in accounts payable, and a \$3.6 million increase in customer deposits, retentions and advances, due to the district having multiple construction projects in progress and an increase in customer deposits as a result of increased development in the District. The remaining increase in liabilities is from various other liabilities. There is also, an additional decrease in long-term debt of \$3.4 million, due to normal debt payments in the business-type activities. Information on the Districts long- term debt activities can be found in Note 9 of the Notes to the Basic Financial Statements.

Net Position

Net Position is the difference between the District's assets and liabilities. Net position increased during fiscal year 2014 by \$18.7 million, or 4.7%. The District's net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position and (3) unrestricted net position.

1. Net investment in Capital Assets increased \$28.0 million, or 10.4%, for the fiscal year ended June 30, 2014. This is primarily due an increase of construction projects. The business-type activities increased \$26.9 million due to construction projects and the governmental activities increased \$1.1 million due to construction projects.
2. Restricted Net Position decreased \$6.5 million or 7.1%, for the fiscal year ended June 30, 2014. This is primarily due to an increase of \$8.3 million in facility fees received offset by a decrease of \$9.6 million to fund construction projects, and a \$5.2 million decrease in governmental activities utilizing park fees to fund construction projects.
3. Unrestricted Net Position decreased \$3.1 million, or 7.9% for the fiscal year ended June 30, 2014. This is primarily due to an increase of \$4.7 million in the governmental activities due to reimbursement of construction projects and a decrease of \$7.9 million in the business-type activities as a result of operations.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Statement of Activities

The following Table A-2 is a summary of the statement of activities for the year ended June 30, 2014.

Table A-2
Condensed Statement of Activities
(In thousands of dollars)

	Business- Type			Business- Type		
	Governmental Activities	Activities	Total	Governmental Activities	Activities	Total
	<u>June 30, 2014</u>			<u>June 30, 2013</u>		
Revenues						
Program revenues:						
Charges for services	\$ 9,117	\$ 47,992	\$ 57,109	\$ 8,801	\$ 47,064	\$ 55,865
Capital contributions and grants	5,941	13,105	19,046	2,072	13,275	15,347
General revenues:						
Property taxes	356	2,273	2,629	418	2,106	2,524
Interest earnings	76	944	1,020	24	271	295
Total Revenues	<u>\$ 15,490</u>	<u>\$ 64,314</u>	<u>\$ 79,804</u>	<u>\$ 11,315</u>	<u>\$ 62,716</u>	<u>\$ 74,031</u>
Program expenses:						
Eastvale parks	\$ 13,156	\$	\$ 13,156	\$ 10,900	\$	\$ 10,900
Graffiti abatement	369		369	306		306
Illumination District No 2	305		305	302		302
Landscape & lighting	1,015		1,015	923		923
Water		30,178	30,178		28,080	28,080
Wastewater		16,053	16,053	-	15,074	15,074
Total Program Expenses	<u>\$ 14,845</u>	<u>\$ 46,231</u>	<u>\$ 61,076</u>	<u>\$ 12,431</u>	<u>\$ 43,154</u>	<u>\$ 55,585</u>

Total revenues for the fiscal year ended June 30, 2014 increased by \$5.8 million, or by 7.8% from fiscal year 2013. This is primarily due to an increase in contributed capital, and an increase in charges for services.

Program Revenues

Charges for services increased as of June 30, 2014 by \$1.2 million, or 2.2%. Water and Wastewater sales increased by \$2.2 million over the prior year due to an increase in consumption, growth, and a rate increase in wastewater. There was a decrease in other revenue of \$1.3 million. The District's governmental funds had an increase of \$.3 million due to an increase in recreation programs offered by the District.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Program Revenues (continued)

Capital contributions and grants increased by \$3.7 million, or by 24.1% during the fiscal year ended June 30, 2014. This is primarily due to an increase in contributed capital of \$3.9 million in capital contributions and grants in the governmental activities; this is a result of an increase in reimbursement of construction projects from the trustee. Business-type activities decreased by \$.2 million due to a slight decrease in new connections in the water and wastewater funds from FY 2013.

General Revenues

Property taxes slightly increased by \$.2 million in Business-type Activities as of June 30, 2014. This is primarily due to property values' increasing as economic recovery occurs. Property taxes in the Governmental Funds decreased \$.1 million due to a decrease in transfers of taxes to the Graffiti fund. Interest earnings increased by \$.7 million in all funds as of June 30, 2014. This is a result of interest rates recovering as the economy continues to recover.

Program Expenses

Total expenses increased \$5.5 million, or 9.9%, for the year ended June 30, 2014. The increase in expenses is primarily a result of the District's increased costs in operations.

Eastvale Park's expenses increased \$2.3 million due to an increase in operating costs and an increase in participation in the Park's recreation programs. Landscape and Lighting districts expenses increased \$.1 million due to an increase in operating costs.

Water expenses increased \$2.1 million, or 7.5%, as a result of an increase in operating costs. Wastewater expenses increased \$1.0 million or by 6.5%, primarily due to an increase of \$.5 million in capital operation and maintenance costs and an increase in operating costs.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Capital Asset Administration

At the end of 2014, the District has invested \$450.4 million in a broad range of infrastructure as shown in Table A-3.

Table A-3
Capital Assets
(In thousands of dollars)

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2014			June 30, 2013		
Land and land rights	\$ 25,292	\$ 5,027	\$ 30,319	\$ 24,134	\$ 5,055	\$ 29,189
Construction in progress	8,339	79,859	88,198	4,237	34,116	38,353
Land improvements	16,929	1,166	18,095	18,242	1,229	19,471
Structures and equipment	23,310	52,131	75,441	26,142	52,631	78,773
Water transmission & distribution		76,197	76,197		78,612	78,612
Wastewater collection system		58,217	58,217		57,049	57,049
Vehicles and equipment		5,624	5,624		4,604	4,604
Total Capital Assets	<u>\$ 73,870</u>	<u>\$ 278,221</u>	<u>\$ 352,091</u>	<u>\$ 72,755</u>	<u>\$ 233,296</u>	<u>\$306,051</u>

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$352.1 million (net of accumulated depreciation). This investment in capital assets includes, land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems and construction-in process. The increase in the District's capital assets is primarily due to an increase in construction-in process which consists of the Chino II Expansion and Wells 27 & 28 construction projects in water. In sewer the increase in construction in process is due to the Pyrite Creek Trunk Sewer, the Jurupa Trunk Sewer, and the Clay Street Grade Separation. The governmental activities increase in construction-in process is due to the Eastvale Community Park. More information about the District's Capital assets is presented in Note 6 of the Notes to Basic Financial Statements and on page 5 of Management's Discussion and Analysis.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Long-Term Debt Administration

Table A-4
 Long-Term Debt
 (In thousands of dollars)

	Governmental			Business-		
	Activities	Type	Total	Governmental	Type	Total
	June 30, 2014			June 30, 2013		
Compensated absences	\$ 144	\$ 665	\$ 809	\$ 128	\$ 634	\$ 762
Other post employment benefits	622	2,717	3,339	476	2,253	2,729
Long-term debt		<u>70,627</u>	<u>70,627</u>		<u>73,678</u>	<u>73,678</u>
Total Long-term Liabilities	<u>\$ 766</u>	<u>\$ 74,009</u>	<u>\$ 74,775</u>	<u>\$ 604</u>	<u>\$ 76,565</u>	<u>\$ 77,169</u>

During the year, the District's long-term debt decreased \$3.0 million, or by 4.1%. A decrease of \$3.0 million is due to normal debt payments for the business-type activities. Additional information on long term debt is presented in Note 9 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The District has experienced moderate growth which is expected to continue over the next 5-7 years and will possibly grow at a more rapid pace as the economy recovers. This growth will further create demand for water supply and additional capital facilities. These demands have been anticipated in the District's capital improvement plan with new supply demands being addressed in the District's 2010 Urban Water Management Plan. The District will also conduct a facility fee study in FY 2014-2015 to assist the District in allowing adequate revenue to cover capital costs due to the anticipated growth in the area over the next 5-7 years. The Board of Director's approved a moderate 5-year rate increase starting January 1, 2015. This increase will assist the District in addressing future cost increases in water supply, power, labor and maintenance for the Water and Sewer enterprises.

Contacting the District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the District 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, please contact the District's Finance Department, 11201 Harrel Street Jurupa Valley, California 91752 or (951) 685-7434.

BASIC FINANCIAL STATEMENTS

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 3,135,680	\$ 68,169,571	\$ 71,305,251
Restricted - cash and cash equivalents (Note 2)	9,329,791	30,570,360	39,900,151
Restricted - investments (Note 2)		55,597,954	55,597,954
Accrued interest receivable	22,624	203,619	226,243
Accounts receivable - utilities, net (Note 3)		5,667,121	5,667,121
Accounts receivable - governmental agencies		186,755	186,755
Accounts receivable - developers and others		1,060,254	1,060,254
Property taxes and assessments receivables	8,086,582	111,166	8,197,748
Inventory, prepaid expenses and other assets (Note 4)	7,608	3,016,137	3,023,745
Total Current Assets	20,582,285	164,582,937	185,165,222
Non-current assets:			
Investment in WRCRWA, net (Note 5)		4,536,656	4,536,656
Capital assets - not being depreciated (Note 6)	33,631,098	84,885,382	118,516,480
Capital assets - being depreciated, net (Note 6)	40,238,906	193,335,107	233,574,013
Total Non-Current Assets	73,870,004	282,757,145	356,627,149
Total Assets	94,452,289	447,340,082	541,792,371
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding		699,754	699,754
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,060,304	8,295,059	9,355,363
Accrued wages and related payables	62,081	166,192	228,273
Customer deposits, retentions and advances (Note 7)	1,310,387	34,919,880	36,230,267
Accrued interest on long-term debt		748,458	748,458
Compensated absences - current (Note 8)	48,024	221,874	269,898
Bonds payable - current (Note 9)		1,320,000	1,320,000
Loans payable - current (Note 9)		365,774	365,774
Total Current Liabilities	2,480,796	46,037,237	48,518,033
Noncurrent liabilities:			
Compensated absences (Note 8)	144,073	665,624	809,697
Net OPEB obligation (Note 10)	622,186	2,717,374	3,339,560
Bonds payable (Note 9)		62,873,142	62,873,142
Loans payable (Note 9)		7,753,297	7,753,297
Total Noncurrent Liabilities	766,259	74,009,437	74,775,696
Total Liabilities	3,247,055	120,046,674	123,293,729
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding		355,409	355,409
NET POSITION			
Net investment in capital assets (Note 11)	73,870,004	223,149,508	297,019,512
Restricted (Note 12)	17,335,230	67,618,050	84,953,280
Unrestricted (Note 13)		36,870,195	36,870,195
Total Net Position	\$ 91,205,234	\$ 327,637,753	\$ 418,842,987

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Eastvale parks	\$ 13,156,259	\$ 7,843,255	\$ 5,940,565	\$ 627,561	\$ -	\$ 627,561
Graffiti abatement	369,200	93,730		(275,470)		(275,470)
Illumination District No. 2	304,674	181,554		(123,120)		(123,120)
Landscape and lighting	1,015,123	998,067		(17,056)		(17,056)
Total Governmental	<u>14,845,256</u>	<u>9,116,606</u>	<u>5,940,565</u>	<u>211,915</u>	<u>-</u>	<u>211,915</u>
Business-type activities:						
Water	30,178,082	31,702,852	9,743,108		11,267,878	11,267,878
Wastewater	16,053,323	16,289,249	3,362,368		3,598,294	3,598,294
Total Business-Type	<u>46,231,405</u>	<u>47,992,101</u>	<u>13,105,476</u>	<u>-</u>	<u>14,866,172</u>	<u>14,866,172</u>
Total	<u>\$ 61,076,661</u>	<u>\$ 57,108,707</u>	<u>\$ 19,046,041</u>	<u>211,915</u>	<u>14,866,172</u>	<u>15,078,087</u>
General Revenues:						
Property taxes				356,536	2,273,061	2,629,597
Interest earnings				76,269	944,126	1,020,395
Total General Revenues				<u>432,805</u>	<u>3,217,187</u>	<u>3,649,992</u>
Change in Net Position				644,720	18,083,359	18,728,079
Net Position, Beginning of Year				<u>90,560,514</u>	<u>309,554,394</u>	<u>400,114,908</u>
Net Position at End of Year				<u>\$ 91,205,234</u>	<u>\$ 327,637,753</u>	<u>\$ 418,842,987</u>

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
ASSETS					
Cash and cash equivalents	\$ 200	\$ 440,358	\$ 322,799	\$ 2,372,323	\$ 3,135,680
Restricted - cash and cash equivalents	9,329,791				9,329,791
Accrued interest receivable	22,624				22,624
Property taxes and assessments receivable	8,059,556	8,333	2,266	16,427	8,086,582
Prepaid expenses and other assets	7,608				7,608
Total Assets	<u>\$ 17,419,779</u>	<u>\$ 448,691</u>	<u>\$ 325,065</u>	<u>\$ 2,388,750</u>	<u>\$ 20,582,285</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 922,365	\$ 5,127	\$ 24,179	\$ 108,633	\$ 1,060,304
Accrued wages and related payables	62,081				62,081
Customer deposits	1,310,387				1,310,387
Total Liabilities	<u>2,294,833</u>	<u>5,127</u>	<u>24,179</u>	<u>108,633</u>	<u>2,432,772</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	5,080,782				5,080,782
Total Deferred Inflows of Resources	<u>5,080,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,080,782</u>
FUND BALANCE					
Nonspendable	7,608				7,608
Restricted for:					
Eastvale Parks	10,036,556				10,036,556
Graffiti Abatement		443,564			443,564
Illumination District No. 2			300,886		300,886
Landscape and lighting				2,280,117	2,280,117
Total Fund Balances	<u>10,044,164</u>	<u>443,564</u>	<u>300,886</u>	<u>2,280,117</u>	<u>13,068,731</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,419,779</u>	<u>\$ 448,691</u>	<u>\$ 325,065</u>	<u>\$ 2,388,750</u>	<u>\$ 20,582,285</u>

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Fund Balances of Governmental Funds	\$ 13,068,731
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those capital assets among the assets of the District as a whole.</p>	73,870,004
<p>Certain revenues are not available to pay for current period expenditures and are therefore reported as unavailable revenue in governmental funds.</p>	5,080,782
<p>Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:</p>	
Compensated absences	(192,097)
Other post-employment benefits payable	<u>(622,186)</u>
Net Position of Governmental Activities	<u>\$ 91,205,234</u>

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
REVENUES					
Property taxes	\$	\$ 277,536	\$ 79,000	\$	\$ 356,536
Special assessments	6,292,979		181,554	998,067	7,472,600
Charges for services	1,550,276	93,730			1,644,006
Capital grants and contributions	11,372,866				11,372,866
Interest earnings	76,269				76,269
Total revenues	<u>19,292,390</u>	<u>371,266</u>	<u>260,554</u>	<u>998,067</u>	<u>20,922,277</u>
EXPENDITURES					
Current:					
Eastvale parks	9,377,747				9,377,747
Graffiti abatement		369,200			369,200
Illumination District No. 2			304,674		304,674
Landscape and lighting				1,015,123	1,015,123
Capital outlay	4,725,701				4,725,701
Total Expenditures	<u>14,103,448</u>	<u>369,200</u>	<u>304,674</u>	<u>1,015,123</u>	<u>15,792,445</u>
Change in Fund Balances	5,188,942	2,066	(44,120)	(17,056)	5,129,832
Fund Balance, Beginning of Year	4,855,222	441,498	345,006	2,297,173	7,938,899
Fund Balance, End of Year	<u>\$ 10,044,164</u>	<u>\$ 443,564</u>	<u>\$ 300,886</u>	<u>\$ 2,280,117</u>	<u>\$ 13,068,731</u>

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 5,129,832
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:	
Capital outlay, net of deletions	4,725,702
Depreciation expense	(3,610,636)
Certain revenues will be available after year end, but are not available to pay for current period expenditures and are therefore reported as unavailable revenue in governmental funds. This amount represents the change in unavailable revenue.	
	(5,432,301)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences for the current period	(21,474)
Net change in other post-employment benefits payable for the current period	(146,403)
Change in Net Position of Governmental Activities	<u>\$ 644,720</u>

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF FUND NET POSITION – ENTERPRISE FUNDS

June 30, 2014

	Water	Wastewater	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 56,186,440	\$ 11,983,131	\$ 68,169,571
Restricted - cash and cash equivalents	7,233,194	23,337,166	30,570,360
Restricted - investments	24,507,133	31,090,821	55,597,954
Accrued interest receivable	151,583	52,036	203,619
Accounts receivable - utilities, net	3,948,283	1,718,838	5,667,121
Accounts receivable - governmental agencies	186,755		186,755
Accounts receivable - developers and others	577,442	482,812	1,060,254
Property taxes and assessments receivable		111,166	111,166
Prepaid expenses and other assets	2,998,637	17,500	3,016,137
Total Current Assets	95,789,467	68,793,470	164,582,937
Noncurrent assets:			
Investment in WRCRWA, net		4,536,656	4,536,656
Capital assets - not being depreciated	53,439,306	31,446,076	84,885,382
Capital assets - being depreciated, net	114,196,213	79,138,894	193,335,107
Total Noncurrent Assets	167,635,519	115,121,626	282,757,145
Total Assets	263,424,986	183,915,096	447,340,082
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	699,754		699,754
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	3,725,125	4,569,934	8,295,059
Accrued wages and related payables	121,181	45,011	166,192
Customer deposits, retentions and advances	32,374,413	2,545,467	34,919,880
Accrued interest payable	349,144	399,314	748,458
Compensated absences - current	170,377	51,497	221,874
Bonds payable - current	600,000	720,000	1,320,000
Loans payable - current		365,774	365,774
Total Current Liabilities	37,340,240	8,696,997	46,037,237
Noncurrent liabilities:			
Compensated absences	511,132	154,492	665,624
Net OPEB obligation	1,909,431	807,943	2,717,374
Bonds payable	28,502,286	34,370,856	62,873,142
Loans payable	277,686	7,475,611	7,753,297
Total Noncurrent Liabilities	31,200,535	42,808,902	74,009,437
Total Liabilities	68,540,775	51,505,899	120,046,674
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding		355,409	355,409
NET POSITION			
Net investment in capital assets	139,986,975	83,162,533	223,149,508
Restricted	27,919,355	39,698,695	67,618,050
Unrestricted	27,677,635	9,192,560	36,870,195
Total Net Position	\$ 195,583,965	\$ 132,053,788	\$ 327,637,753

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
ENTERPRISE FUNDS
For the Year Ended June 30, 2014**

	Water	Wastewater	Total
Operating revenues:			
Water consumption sales	\$ 17,729,618	\$	\$ 17,729,618
Monthly meter service charge	12,671,042		12,671,042
Sewer service charges		15,952,553	15,952,553
Other charges and services	897,298		897,298
Total Operating Revenue	31,297,958	15,952,553	47,250,511
Operating expenses:			
Source of supply	11,834,918		11,834,918
Pumping	369,821		369,821
Water treatment	2,498,750		2,498,750
Transmission and distribution	2,916,168		2,916,168
Sewage collection		2,339,255	2,339,255
Sewage treatment		5,777,447	5,777,447
Customer service	1,797,248	346,037	2,143,285
General administrative	5,644,551	3,255,847	8,900,398
Operations and maintenance	892,047	574,432	1,466,479
Total Operating Expenses	25,953,503	12,293,018	38,246,521
Operating income before depreciation	5,344,455	3,659,535	9,003,990
Depreciation	(4,206,131)	(2,874,021)	(7,080,152)
Operating Income	1,138,324	785,514	1,923,838
Non-operating revenues (expenses)			
Property tax revenue		2,273,061	2,273,061
Investment earnings	660,905	283,221	944,126
Interest expense	(18,448)	(886,284)	(904,732)
Other non-operating revenues (expenses), net	404,894	336,696	741,590
Total Non-Operating Revenues (Expenses), net	1,047,351	2,006,694	3,054,045
Income Before Capital Contributions	2,185,675	2,792,208	4,977,883
Capital contributions:			
Facility fees	4,951,194	3,329,268	8,280,462
Contributions in aid of construction	4,791,914	33,100	4,825,014
Capital Contributions	9,743,108	3,362,368	13,105,476
Change in Net Position	11,928,783	6,154,576	18,083,359
Net Position, Beginning of Year	183,655,182	125,899,212	309,554,394
Net Position, End of Year	\$ 195,583,965	\$ 132,053,788	\$ 327,637,753

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

For the Year Ended June 30, 2014

	Water	Wastewater	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 38,304,401	\$ 12,115,452	\$ 50,419,853
Cash paid to vendors and suppliers	(25,487,748)	(9,257,657)	(34,745,405)
Net cash provided by operating activities	12,816,653	2,857,795	15,674,448
Cash flows from non-capital financing activities:			
Proceeds from property taxes		2,261,678	2,261,678
Other non-operating revenues	404,894	336,696	741,590
Net cash provided by non-capital financing activities	404,894	2,598,374	3,003,268
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(28,604,392)	(22,764,829)	(51,369,221)
Proceeds from capital contributions	4,480,039	2,864,286	7,344,325
Advance payments from Community Facility Districts	2,561,106		2,561,106
Contributions in aid of construction	4,791,914	33,100	4,825,014
Principal payments on long-term debt	(634,549)	(1,076,049)	(1,710,598)
Interest payments on long-term debt	(1,365,121)	(1,823,933)	(3,189,054)
Net cash used for capital and financing activities	(18,771,003)	(22,767,425)	(41,538,428)
Cash flows from investing activities:			
(Purchases)/sales of investments	14,916,750	(3,909,445)	11,007,305
Interest earnings	657,239	237,183	894,422
Net cash provided by (used in) investing activities	15,573,989	(3,672,262)	11,901,727
Net increase (decrease) in cash and cash equivalents	10,024,533	(20,983,518)	(10,958,985)
Cash and cash equivalents, beginning of year	53,395,101	56,303,815	109,698,916
Cash and cash equivalents, end of year	\$ 63,419,634	\$ 35,320,297	\$ 98,739,931
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	\$ 56,186,440	\$ 11,983,131	\$ 68,169,571
Restricted assets - cash and cash equivalents	7,233,194	23,337,166	30,570,360
Total Cash and Cash Equivalents	\$ 63,419,634	\$ 35,320,297	\$ 98,739,931
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,138,324	\$ 785,514	\$ 1,923,838
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,206,131	2,874,021	7,080,152
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable - utilities, net	(382,899)	3,040	(379,859)
Accounts receivable - governmental agencies	(97,183)		(97,183)
Prepaid expenses and other deposits	46,055	(4,287)	41,768
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	60,653	2,872,287	2,932,940
Accrued wages and related payable	6,346	13,367	19,713
Customer deposits, deferred revenue and advances	7,486,525	(3,840,141)	3,646,384
Compensated absences	72,994	(30,220)	42,774
Other post-employment benefits payable	279,707	184,214	463,921
Total Adjustments	11,678,329	2,072,281	13,750,610
Net cash provided by operating activities	\$ 12,816,653	\$ 2,857,795	\$ 15,674,448

See auditors' report and accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Jurupa Community Services District (District) is a special governmental district formed to provide water distribution and wastewater collection and distribution for consumers within its service area. In addition, the District provides street lighting, landscape and park maintenance services. The District is governed by a five- member Board of Directors who serve four-year terms and are elected at large. The Directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and there is a financial benefit or burden relationship between the District and component unit. Additionally, blending would be appropriate if the component unit provides services entirely, or almost entirely, to the District or for the benefit of the District. Lastly, if the component units' total debt outstanding is expected to be repaid with District resources, blending is also appropriate for the component unit. The District has the following blended component unit.

The Jurupa Public Facilities Corporation (Corporation) was formed in 1990 to assist the 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 Corporation have been included in these financial statements using the blended method.

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

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

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Organization and Operations of the Reporting Entity (continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Contributed capital and capital grants are included as capital contributions. Property taxes and interest earnings not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

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

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting and Measurement Focus

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset created, such as, unbilled but utilized utility services are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection and purchases of water, 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. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting and Measurement Focus (continued)

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category, governmental, proprietary, and fiduciary, are presented even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds

The District reports the following capital projects funds:

Eastvale Parks – This fund is used to account for the Eastvale parks special assessment revenue and facility fees restricted for Eastvale park maintenance.

Graffiti Abatement – This fund is used to account for the Eastvale parks special assessment revenue restricted for Eastvale park maintenance to be used for graffiti abatement activities within the District and the allocation of property taxes to fund those activities.

Illumination District No. 2 – This fund is used to account for the revenues received from property taxes and special assessments restricted for Illumination District No. 2.

Landscape and Lighting – This fund is used to account for the revenues received from special assessment revenue restricted for the Landscape and Lighting Districts 91-1, 98-1, 98-2, 2001-1, 2001-2, 2001-3 and 2003-1.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting and Measurement Focus (continued)

Enterprise Funds

Water – This fund accounts for the water transmission and distribution operations of the District.

Wastewater – This fund accounts for the wastewater service operations of the District.

Fiduciary Fund

Community Facilities Districts Agency Fund – This fund is used to account for receipts and disbursements associated with community facilities districts, which are administered by, but are not the liability of, the District.

New Accounting Pronouncements

GASB Statement No. 68 and No. 71 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Both Statements became effective as of July 1, 2014. The District has not determined the effect on the financial statements.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement became effective as of July 1, 2014. The District has not determined the effect on the financial statements.

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement became effective as of July 1, 2014. The District has not determined the effect on the financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. The District has adopted an investment policy directing the District's Director of Finance to deposit funds and to purchase investments.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management believes all of these amounts are collectible; therefore, no provisions for uncollectible accounts were recorded.

Deferred Inflow/Outflow of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue as a deferred inflow of resources in the governmental funds balance sheet. The District reports the deferred gain on refunding in the Wastewater Fund as a deferred inflow of resources and the deferred loss on refunding in the Water Fund as a deferred outflow of resources.

Property Taxes and Assessments

The Riverside County Assessor's Office assesses all real and personal property within the County each year. The Riverside County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Riverside County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (one percent) of countywide assessed valuations.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements (continued)

Property Taxes and Assessments (continued)

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Riverside County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

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

Prepaid Expenses

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

Inventory, Prepaid Expenses and Other Assets

Materials and supplies inventory consists primarily of materials used in the construction and maintenance of the District's water and wastewater systems and is valued at a weighted average cost.

Water-In-Storage Inventory

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 after the fiscal year end.

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.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements (continued)

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost including capitalized interest. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

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

Business-Type Activities

- Land improvements – 30 years
- Structures and improvements – 5 to 30 years
- Water transmission and distribution systems – 45 to 75 years
- Wastewater collection systems – 45 to 75 Years
- Vehicles and equipment – 5 to 30 years

Compensated Absences

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

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements (continued)

Net Position/Fund Balances

Net Position

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

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

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

Fund Balance

The following definitions and classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements (continued)

Net Position/Fund Balances (continued)

- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the Board of Directors such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Board of Directors. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- **Assigned:** Resources that are constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** The unassigned classification is to be used when there are negative residual resources in excess of what can be properly classified as nonspendable, restricted, committed or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to first apply unrestricted fund balance. Within the unrestricted classification, the District's policy is to first apply unassigned, then assigned, and then committed.

Utility Sales

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

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Financial Statement Elements (continued)

Capital Contributions

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

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Agency Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,135,680	\$ 68,169,571	\$	\$ 71,305,251
Restricted - cash and cash equivalents	9,329,791	30,570,360		39,900,151
Restricted - investments (current)		55,597,954		55,597,954
Cash and investments			<u>30,446,712</u>	<u>30,446,712</u>
Total	<u>\$ 12,465,471</u>	<u>\$ 154,337,885</u>	<u>\$ 30,446,712</u>	<u>\$ 197,250,068</u>

Cash and investments, consist of the following:

Cash on hand	\$ 4,139
Deposits held with financial institutions	2,798,661
Investments	<u>194,447,268</u>
Total	<u>\$ 197,250,068</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

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

The table below identifies the investment types that are authorized by the District in accordance with 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.

<u>Authorized Maximum Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	80%	None
U.S. Agency Securities	5 years	80%	None
U.S. Government Guaranteed Obligations	5 years	80%	None
California Asset Management Program	N/A	50%	None
Repurchase Agreements	7 days	5%	None
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Fund	N/A	40%	None
California Local Agency Investment Fund (LAIF)	N/A	60%	None

Investments Authorized by Debt Agreements

Investment 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 debt agreement for the District’s certificates-of-participation authorizes the bond trustee to invest reserve funds in investment contracts with a maturity up to the maturity date of the outstanding debt.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

Investment in Riverside County Pooled Investment Fund

The Riverside County Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors, and administered by the County of Riverside Treasurer and Tax Collector. 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 RCPIF for the entire RCPIF portfolio. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit. RCPIF is not registered with the Securities and Exchange Commission.

Information related to the RCPIF may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4th Floor – Capital Markets – Riverside, California 92506 or the Treasurer and Tax Collector's office website at www.countytreasurer.org.

Investment in California Asset Management Program

The California Asset Management Program (CAMP) is a public joint powers authority which provides California Public Agencies with investment management services for surplus funds and comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt financings. The CAMP currently offers the Cash Reserve Portfolio, a short-term investment portfolio, as a means for Public Agencies to invest these funds. Public Agencies that invest in the Pool ("Participants") purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts ("Individual Portfolios") by separate agreement with the Investment Advisor. The District participates in the Cash Reserve Portfolio and has also established a professionally managed investment portfolio through CAMP. CAMP is not registered with the Securities and Exchange Commission.

Investments in the pools and individual portfolios are made only in investments in which Public Agencies generally are permitted by California statute. The CAMP may reject any investment and may limit the size of a participant's account. The pool seeks to maintain, but does not guarantee, a constant net asset value of \$1.00 per share. A participant may withdraw funds from its Pool accounts at any time by check or wire transfers. Fair value of the pool is determined by the fair value per share of the pool's underlying portfolio.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Of the District's deposits with financial institutions, \$4,850,000 was in excess of federal depository insurance limits and subject to custodial credit risk as described above.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). Pursuant to the Master Repurchase Agreement the amounts in the Overnight Repurchase Agreement Sweep Account are collateralized at 102 percent with the collateral held by the financial institutions custodian but not in the District's name.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Investment Type	Totals	<i>Remaining Maturity</i>		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Overnight Repurchase Agreements Sweep Account	\$ 17,284,977	\$ 17,284,977	\$	\$
California Asset Management Program (CAMP)	437,391	437,391		
Local Agency Investment Fund (LAIF)	29,440,957	29,440,957		
Riverside County Investment Pool	43,963,420	43,963,420		
U.S. Treasury Notes	36,972,186	916,313	18,689,954	17,365,919
U.S. Agency Securities				
FHLMC	7,847,733		6,680,624	1,167,109
FNMA	4,507,539	927,551	2,098,570	1,481,418
Held by bond trustee:				
Money market mutual funds	33,852,348	33,852,348		
U.S. Agency Securities				
FHLB	6,546,726		1,668,746	4,877,980
FNMA	2,698,716		2,698,716	
FHLMC	10,895,275			10,895,275
Total	<u>\$ 194,447,268</u>	<u>\$ 126,822,957</u>	<u>\$ 31,836,610</u>	<u>\$ 35,787,701</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 Moody's rating as of year end for each investment type.

Investment Type	Minimum Rating	Totals	Exempt from Disclosure	Rating as of Year End	
				Aaa	Not Rated
Overnight Repurchase Agreements Sweep Account	N/A	\$ 17,284,977	\$	\$	\$ 17,284,977
California Asset Management Program (CAMP)	N/A	437,391			437,391
Local Agency Investment Fund (LAIF)	N/A	29,440,957			29,440,957
Riverside County Investment Pool	N/A	43,963,420		43,963,420	
U.S. Treasury Notes	N/A	36,972,186	36,972,186		
U.S. Agency Securities:					
FHLMC	A	7,847,733		7,847,733	
FNMA	A	4,507,539		4,507,539	
Held by bond trustee:					
Money market mutual funds	N/A	33,852,348			33,852,348
U.S. Agency Securities					
FHLB	A	6,546,726		6,546,726	
FNMA	A	2,698,716		2,698,716	
FHLMC	A	10,895,275		10,895,275	
Total		<u>\$ 194,447,268</u>	<u>\$ 36,972,186</u>	<u>\$ 76,459,409</u>	<u>\$ 81,015,673</u>

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. More than 5 percent of the District's investments are in total U.S. Agency Securities. FHLMC, FHLB and FNMA comprise 9.64 percent, 3.37 percent and 3.71 percent respectively, of the District's investment portfolio.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 – ACCOUNTS RECEIVABLE – UTILITIES, NET

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2014:

Account Description	Water	Wastewater	Total
Accounts receivable - utilities	\$ 3,948,283	\$ 1,718,838	\$ 5,667,121
Allowances for uncollectible receivables	-	-	-
Accounts receivable - utilities, net	<u>\$ 3,948,283</u>	<u>\$ 1,718,838</u>	<u>\$ 5,667,121</u>

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

Account Description	Parks	Water	Waste water	Total
Water-in-storage inventory	\$	\$ 2,947,658	\$	\$ 2,947,658
Prepaid expenses and other deposits	<u>7,608</u>	<u>50,979</u>	<u>17,500</u>	<u>76,087</u>
Total Prepaid Expenses and Other Deposits	<u>\$ 7,608</u>	<u>\$ 2,998,637</u>	<u>\$ 17,500</u>	<u>\$ 3,023,745</u>

NOTE 5 – INVESTMENT IN WRCRWA, NET

The District's investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2014 as follows:

Account Description	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Investment in WRCRWA	\$ 4,204,305	\$ 1,749,326	\$ (3,454)	\$ 5,950,177
Accumulated amortization	<u>(1,309,450)</u>	<u>(104,071)</u>	<u>-</u>	<u>(1,413,521)</u>
Investment in WRCRWA, net	<u>\$ 2,894,855</u>	<u>\$ 1,645,255</u>	<u>\$ (3,454)</u>	<u>\$ 4,536,656</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for the year were as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-depreciable assets:				
Land	\$ 24,133,521	\$ 1,158,500	\$ -	\$ 25,292,021
Construction in Progress	4,236,706	4,157,857	(55,486)	8,339,077
Total Non-Depreciable Assets	<u>28,370,227</u>	<u>5,316,357</u>	<u>(55,486)</u>	<u>33,631,098</u>
Depreciable assets:				
Land improvements	25,519,921	139,560	(4,230)	25,655,251
Structure and equipment	33,839,151	159,308	(909,640)	33,088,819
Total Depreciable Assets	<u>59,359,072</u>	<u>298,868</u>	<u>(913,870)</u>	<u>58,744,070</u>
Accumulated depreciation:				
Land improvements	(7,277,444)	(1,452,427)	4,221	(8,725,650)
Structure and equipment	(7,696,917)	(2,158,209)	75,612	(9,779,514)
Total Accumulated Depreciation	<u>(14,974,361)</u>	<u>(3,610,636)</u>	<u>79,833</u>	<u>(18,505,164)</u>
Total Depreciable Assets, Net	<u>44,384,711</u>	<u>(3,311,768)</u>	<u>(834,037)</u>	<u>40,238,906</u>
Total Capital Assets, Net	<u>\$ 72,754,938</u>	<u>\$ 2,004,589</u>	<u>\$ (889,523)</u>	<u>\$ 73,870,004</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 – CAPITAL ASSETS (continued)

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-depreciable assets:				
Land	\$ 5,055,137	\$	\$ (28,518)	\$ 5,026,619
Construction in Progress	<u>34,116,292</u>	<u>52,287,830</u>	<u>(6,545,359)</u>	<u>79,858,763</u>
Total Non-Depreciable Assets	<u>39,171,429</u>	<u>52,287,830</u>	<u>(6,573,877)</u>	<u>84,885,382</u>
Depreciable assets:				
Land improvements	2,380,420		(2,461)	2,377,959
Structure and improvements	76,493,591	1,627,432	(45,741)	78,075,282
Water transmission and distribution	105,348,323	87,989	(245,735)	105,190,577
Wastewater collection system	74,730,923	2,943,195	(520,945)	77,153,173
Vehicles and equipment	<u>9,536,481</u>	<u>1,759,448</u>	<u>(924,998)</u>	<u>10,370,931</u>
Total Depreciable Assets	<u>268,489,738</u>	<u>6,418,064</u>	<u>(1,739,880)</u>	<u>273,167,922</u>
Accumulated depreciation:				
Land improvements and rights	(1,151,882)	(62,429)	2,460	(1,211,851)
Structure and improvements	(23,863,220)	(2,122,798)	41,958	(25,944,060)
Water transmission and distribution	(26,736,046)	(2,645,808)	387,601	(28,994,253)
Wastewater collection system	(17,682,162)	(1,725,451)	471,708	(18,935,905)
Vehicles and equipment	<u>(4,932,008)</u>	<u>(523,666)</u>	<u>708,928</u>	<u>(4,746,746)</u>
Total Accumulated Depreciation	<u>(74,365,318)</u>	<u>(7,080,152)</u>	<u>1,612,655</u>	<u>(79,832,815)</u>
Total Depreciable Assets, Net	<u>194,124,420</u>	<u>(662,088)</u>	<u>(127,225)</u>	<u>193,335,107</u>
Total Capital Assets, Net	<u>\$ 233,295,849</u>	<u>\$ 51,625,742</u>	<u>\$ (6,701,102)</u>	<u>\$ 278,220,489</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 7 – CUSTOMER DEPOSITS, RETENTIONS AND ADVANCES

Account Description	Parks	Water	Waste water	Total
Customer Deposits	\$ 10,597	\$ 93,926	\$	\$ 104,523
Retentions payable		150,574	351,893	502,467
Construction advance and deposits	1,299,790	1,734,491		3,034,281
Agreement payable Benefit Area "A"			2,193,574	2,193,574
Advances payable to Community Facilities Districts	<u> </u>	<u>30,395,422</u>	<u> </u>	<u>30,395,422</u>
Total Customer Deposit, Retentions and Advances	<u>\$ 1,310,387</u>	<u>\$ 32,374,413</u>	<u>\$ 2,545,467</u>	<u>\$ 36,230,267</u>

NOTE 8 – COMPENSATED ABSENCES

Changes in compensated absences were as follows for the year ended June 30, 2014:

	Governmental Activities	Business-type Activities	Total
Compensated absences, beginning	\$ 170,623	\$ 844,724	\$ 1,015,347
Current year employee earnings	89,412	536,311	625,723
Employee vacation time taken	<u>(67,938)</u>	<u>(493,536)</u>	<u>(561,474)</u>
Compensated absences, ending	192,097	887,499	1,079,596
Less: current portion payable	<u>48,024</u>	<u>221,875</u>	<u>269,899</u>
Long-term portion payable	<u>\$ 144,073</u>	<u>\$ 665,624</u>	<u>\$ 809,697</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amount due within one year
Business-type Activities					
Bonds payable:					
2010 COPs - Series A - Water Fund	\$ 9,330,000	\$	\$ (550,000)	\$ 8,780,000	\$ 600,000
2010 COPs - Series B - Water Fund	19,940,000			19,940,000	
2010 COPs - Series A - Wastewater Fund	8,340,000		(695,000)	7,645,000	720,000
2010 COPs - Series B - Wastewater Fund	27,495,000			27,495,000	
Plus: premiums on debt issuance	860,380		(32,265)	828,115	
Less: discounts on debt issuance	(425,131)		(69,842)	(494,973)	
Total bonds payable	<u>65,540,249</u>	<u>-</u>	<u>(1,347,107)</u>	<u>64,193,142</u>	<u>1,320,000</u>
Loans payable:					
State Water Resources Control Board Loan	643,344		(107,224)	536,120	107,224
Economic Development Administration Loan	374,605		(96,919)	277,686	
Western Municipal Water District Loan	7,478,029		(172,764)	7,305,265	258,550
Total loans payable	<u>8,495,978</u>	<u>-</u>	<u>(376,907)</u>	<u>8,119,071</u>	<u>365,774</u>
Total Business-type Activities	<u>\$ 74,036,227</u>	<u>\$ -</u>	<u>\$ (1,724,014)</u>	<u>\$ 72,312,213</u>	<u>\$ 1,685,774</u>
Deferred amounts on refunding :					
Business-Type Activities					
Water refunding	<u>\$ (727,017)</u>	<u>\$ -</u>	<u>\$ 27,263</u>	<u>\$ (699,754)</u>	
Wastewater refunding	<u>\$ 369,256</u>	<u>\$ -</u>	<u>\$ (13,847)</u>	<u>\$ 355,409</u>	

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

2010 Series A – Certificates of Participation – Water Fund

On February 25, 2010, the District issued \$10,895,000 in Series A – Certificates of Participation. The proceeds of the sale of the Series A – Certificates of Participation were used to refinance the District’s 2001 Certificates of Participation, partially finance the Chino Desalter Authority expansion project phase No. 3 and to increase water supply and construct transmission facilities to convey water to appropriate pressure zones within the District’s service area.

The 2010 Series A – Certificates of Participation were issued with an original issue premium of \$446,828 which will be amortized over the life of the issuance.

The certificates are scheduled to mature in 2033. Principal and interest are payable annually on September 1st at rates of 2.0 percent to 5.00 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 600,000	\$ 371,050	\$ 971,050
2016	590,000	347,250	937,250
2017	615,000	323,150	938,150
2018	640,000	298,050	938,050
2019	670,000	271,850	941,850
2020-2024	2,410,000	1,055,675	3,465,675
2025-2029	1,630,000	613,175	2,243,175
2030-2033	1,625,000	167,875	1,792,875
Total	<u>\$ 8,780,000</u>	<u>\$ 3,448,075</u>	<u>\$ 12,228,075</u>

2010 Series B – Certificates of Participation – Water Fund

On February 25, 2010, the District issued \$19,940,000 in Series B – Certificates of Participation. The proceeds of the sale of the Series B – Certificates of Participation will be used to partially finance the Chino Desalter Authority expansion project phase No. 3 and to increase water supply and construct transmission facilities to convey water to appropriate pressure zones within the District’s service area.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

2010 Series B – Certificates of Participation – Water Fund (continued)

The certificates are scheduled to mature in 2041. Principal and interest are payable annually on September 1st at rates of 5.197 percent to 6.597 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$	\$ 1,391,302	\$ 1,391,302
2016		1,391,302	1,391,302
2017		1,391,302	1,391,302
2018		1,391,302	1,391,302
2019		1,391,302	1,391,302
2020-24	1,350,000	6,778,658	8,128,658
2025-29	3,060,000	6,113,063	9,173,063
2030-34	4,495,000	4,855,497	9,350,497
2035-39	7,515,000	2,662,670	10,177,670
2040-41	<u>3,520,000</u>	<u>256,035</u>	<u>3,776,035</u>
Total	<u>\$ 19,940,000</u>	<u>\$ 27,622,433</u>	<u>\$ 47,562,433</u>

Build America Bonds

The District is treating the 2010 Series B – Certificates of Participation as ***Build America Bonds*** under Section 54AA of the Internal Revenue Code and the Series B – Certificates of Participation will be “qualified bonds” under Section 54AA(g)(2) of the Internal Revenue Code which makes the District eligible for a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series B – Certificates of Participation. Such cash subsidy payments received by the District are referred to as U.S. Treasury Credits and are reflected in the above noted annual debt service schedule. U.S. Treasury Credits is defined to mean, with respect to the Series B – Certificates of Participation, the amounts which are payable by the Federal government under Section 6431 of the Internal Revenue Code, which the District has elected to receive under Section 54AA(g)(1) of the Internal Revenue Code. U.S. Treasury Credits are expected to be received contemporaneously with each interest payment date, upon timely receipt by the Internal Revenue Service of IRS Form 8038-CP, which is due at least 45 days (but not more than 90 days) before each interest payment date.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

2010 Series A & B – Certificates of Participation – Water Fund

The District has pledged future water fund revenues, net of specified operating expenses, to repay the water system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$59,790,508. Principal and interest paid for the current year and net revenues were \$2,362,352 and \$10,956,554, respectively.

2010 Series A – Certificates of Participation – Wastewater Fund

On February 25, 2010, the District issued \$10,295,000 in Series A – Certificates of Participation. The proceeds of the sale of the Series A – Certificates of Participation were used to refinance the District’s 1993 Refunding Certificates of Participation, partially finance the Jurupa Trunk Line Improvements, Pyrite Creek Project, Pedley Trunk Line System Improvements, Sky Country Trunk Line Sewer Project, Regional Wastewater Pump Station Expansion and New Force Main to the Riverside Plant, and Florine Lift Station Replacement as well as other wastewater system improvements.

The 2010 Series A – Certificates of Participation were issued with an original issue premium of \$521,099 which will be amortized over the life of the issuance. The certificates are scheduled to mature in 2033. Principal and interest are payable annually on September 1st at rates of 2.00 percent to 5.00 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 720,000	\$ 299,406	\$ 1,019,406
2016	750,000	271,131	1,021,131
2017	780,000	240,531	1,020,531
2018	810,000	208,731	1,018,731
2019	845,000	175,630	1,020,630
2020-24	2,870,000	511,473	3,381,473
2025-29	440,000	152,236	592,236
2030-33	430,000	43,409	473,409
Total	<u>\$ 7,645,000</u>	<u>\$ 1,902,547</u>	<u>\$ 9,547,547</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

2010 Series B – Certificates of Participation – Wastewater Fund

On February 25, 2010, the District issued \$27,495,000 in Series B – Certificates of Participation. The proceeds of the sale of the Series B – Certificates of Participation will be used to partially finance the Jurupa Trunk Line Improvements, Pyrite Creek Project, Pedley Trunk Line System Improvements, Sky Country Trunk Line Sewer Project, Regional Wastewater Pump Station Expansion and New Force Main to the Riverside Plant, and Florine Lift Station Replacement as well as other wastewater system improvements.

The 2010 Series B – Certificates of Participation were issued with an original issue discount of \$478,271 which will be amortized over the life of the issuance.

The certificates are scheduled to mature in 2041. Principal and interest are payable annually on September 1st at rates of 5.197 percent to 6.697 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$	\$ 1,870,597	\$ 1,870,597
2016		1,870,597	1,870,597
2017		1,870,597	1,870,597
2018		1,870,597	1,870,597
2019		1,870,597	1,870,597
2020-24	1,870,000	9,106,945	10,976,945
2025-29	5,385,000	7,998,884	13,383,884
2030-34	6,840,000	5,946,850	12,786,850
2035-39	9,125,000	3,150,875	12,275,875
2040-41	4,275,000	302,575	4,577,575
Total	<u>\$ 27,495,000</u>	<u>\$ 35,859,114</u>	<u>\$ 63,354,114</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

Build America Bonds

The District is treating the 2010 Series B – Certificates of Participation as Build America Bonds under Section 54AA of the Internal Revenue Code and the Series B – Certificates of Participation will be “qualified bonds” under Section 54AA(g)(2) of the Internal Revenue Code which makes the District eligible for a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series B – Certificates of Participation. Such cash subsidy payments received by the District are referred to as U.S. Treasury Credits and are reflected in the above noted annual debt service schedule. U.S. Treasury Credits is defined to mean, with respect to the Series B – Certificates of Participation, the amounts which are payable by the Federal government under Section 6431 of the Internal Revenue Code, which the District has elected to receive under Section 54AA(g)(1) of the Internal Revenue Code. U.S. Treasury Credits are expected to be received contemporaneously with each interest payment date, upon timely receipt by the Internal Revenue Service of IRS Form 8038-CP, which is due at least 45 days (but not more than 90 days) before each interest payment date.

2010 Series A & B – Certificates of Participation – Wastewater Fund

The District has pledged future sewer fund revenues, net of specified operating expenses, to repay the sewer system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$72,901,661. Principal and interest paid for the current year and net revenues were \$2,890,003 and \$9,545,085 respectively.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (continued)

State Water Resources Control Board Loan

In October 1997, the District entered into a loan contract with the California State Water Resources Control Board (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 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 percent. The discount is being amortized on a straight-line basis through 2018. Amortization expense of \$21,445 is included annually as a component on interest expense. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 107,224	\$ 21,445	\$ 128,669
2016	107,224	21,445	128,669
2017	107,224	21,445	128,669
2018	107,224	21,445	128,669
2019	<u>107,224</u>	<u>21,445</u>	<u>128,669</u>
Total	<u>\$ 536,120</u>	<u>\$ 107,225</u>	<u>\$ 643,345</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 (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 annual installment due July 1, 2015 was paid in June 2014. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 101,787	\$ 13,862	\$ 115,649
2017	106,876	8,773	115,649
2018	<u>69,023</u>	<u>3,429</u>	<u>72,452</u>
Total	<u>\$ 277,686</u>	<u>\$ 26,064</u>	<u>\$ 303,750</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 – LONG-TERM DEBT (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 (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 17) 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 4.484 percent as of June 30, 2014. The variable interest rate is determined by comparing the three month average daily interest rates as provided by Paine Webber and J.P. Morgan. Principal payments are due annually on January 1, commencing January 1, 2005 in amounts ranging from \$198,884 to \$517,099. 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 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 278,437	\$ 323,721	\$ 602,158
2016	278,437	311,236	589,673
2017	298,326	298,751	597,077
2018	298,326	285,374	583,700
2019	318,214	257,729	575,943
2020-24	1,730,288	1,062,128	2,792,416
2025-29	2,068,390	629,607	2,697,997
2030-33	<u>2,034,847</u>	<u>135,552</u>	<u>2,170,399</u>
Total	<u>\$ 7,305,265</u>	<u>\$ 3,304,098</u>	<u>\$ 10,609,363</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS

Other Post Employment Benefits Obligations

The District provides post-retirement health care benefits through a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. The District contributes a fixed amount for health care benefits up to 100 percent of the premium for the retiree and their dependents.

Plan Description – Eligibility

The following requirements must be satisfied in order to be eligible for lifetime post employment medical benefits: (1) For employees hired prior to 2008, attainment of age 55, and 5 years for full-time service and for employees hired after 2008, attainment of age 55, and 20 years for full-time service, and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement).

Plan Description – Benefits

Membership in the OPEB plan consisted of the following members as of June 30, 2014:

Active plan members	119
Retirees and beneficiaries receiving benefits	<u>18</u>
Total Plan Membership	<u><u>137</u></u>

Funding Policy

The Annual Required Contribution (ARC) of the Employer is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 9.0% percent of the annual covered payroll. The District will pay 100 percent of the cost of the post-employment benefit plan.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2014, the District’s OPEB cost is \$754,205. The District’s net OPEB obligation amounted to \$3,339,560 for the year ended June 30, 2014. The District contributed \$143,883 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2014 as follows:

	2014
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 793,720
Interest on net OPEB obligation	207,695
Adjustment to annual required contribution	(247,210)
Total annual OPEB cost	754,205
Change in net OPEB obligation:	
Contributions	(143,883)
Total change in Net OPEB obligation	610,322
Net OPEB obligation - beginning of year	2,729,238
Net OPEB obligation - end of year	\$ 3,339,560

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2014	\$ 754,205	\$ 143,883	19.08%	\$ 3,339,560
2013	717,644	136,802	19.06%	2,729,238
2012	691,027	129,742	18.78%	2,148,396

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS (continued)

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2013	\$ 1,968,400	\$ 5,461,512	\$ 3,493,112	36.00%	\$ 8,461,242	41.30%

The most recent valuation (dated June 30, 2013) includes an Actuarial Accrued Liability of \$5,461,512 and an Unfunded Actuarial Accrued Liability of \$3,493,112. The Actuarial Value of Plan Assets was \$1,968,400.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit cost method
Amortization method	Level-dollar amortization method on a closed basis
Remaining amortization period	27 Years as of the valuation date
Actuarial assumptions:	
Interest discount	7.61%
Projected healthcare trend increase	7.25%

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

The calculation of the net investment in capital assets is as follows:

	Governmental	Business-type	
The balance consists of the following:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Capital assets - not being depreciated	\$ 33,631,098	\$ 84,885,382	\$ 118,516,480
Capital assets - being depreciated, net	40,238,906	193,335,107	233,574,013
Water fund - unspent debt proceeds		1,376,016	1,376,016
Wastewater fund - unspent debt proceeds		15,865,216	15,865,216
Long-term debt - current portion		(1,685,774)	(1,685,774)
Long-term debt - long-term portion		(70,626,439)	(70,626,439)
	<u>\$ 73,870,004</u>	<u>\$ 223,149,508</u>	<u>\$ 297,019,512</u>

NOTE 12 – RESTRICTED NET POSITION

The District's net position is restricted as follows:

	Governmental	Business-type	
The balance consists of the following:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Eastvale parks	\$ 14,310,663	\$	\$ 14,310,663
Graffiti abatement	443,564		443,564
Illumination District No. 2	300,886		300,886
Landscape and Lighting	2,280,117		2,280,117
Water fund - debt service reserves		2,852,691	2,852,691
Water fund - capital facility fees		25,066,664	25,066,664
Wastewater fund - debt service reserves		3,445,064	3,445,064
Wastewater fund - capital facility fees		36,253,631	36,253,631
	<u>\$ 17,335,230</u>	<u>\$ 67,618,050</u>	<u>\$ 84,953,280</u>

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 13 – UNRESTRICTED NET POSITION

The unrestricted net position is for specific uses as follows:

	Governmental Activities	Business-type Activities
The balance consists of the following:		
Prepaid expenses and other prepaid assets	\$	\$ 3,016,137
Water operations and capital replacement		24,678,998
Wastewater operations and capital replacements		9,175,060
	\$ -	\$ 36,870,195

NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors. Market value of all plan assets held in trust by CalPERS and Nationwide at June 30, 2014 was \$1,443,151 and \$424,823, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, California, 95814.

Funding Policy

There are two retirement plans for eligible District employees. The contribution rate for plan members in the CalPERS 2.7 percent at 55 years-old Risk Pool Retirement Plan is 8 percent of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. The contribution rate for plan members in the CalPERS 2 percent at 62 years-old Risk Pool Retirement Plan is 6.25 percent of their annual covered salary. The employee is responsible for paying these contributions. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for FY 2013-2014 was 17.669 percent of annual covered payroll for 2.7 percent at 55 years-old Risk Pool Retirement Plan and 6.25 percent of annual covered payroll for 2 percent at 62 years-old Risk Pool Retirement Plan. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established on an actuarially determined basis and may be amended by CalPERS.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 – DEFINED BENEFIT PENSION PLAN (continued)

Annual Pension Cost

For the fiscal year ended June 30, 2014, the District’s annual pension cost of \$2,181,899 for CalPERS was equal to both the District’s required and actual contributions.

Three Year Trend Information for the Plan

Fiscal Year Ended	Annual Pension Cost	Contributions	Percentage APC Contributed
2014	\$ 2,181,899	\$ 2,181,899	100%
2013	2,041,627	2,041,627	100%
2012	1,762,206	1,762,206	100%

NOTE 16 – 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. The District has experienced no losses exceeding coverage during the past three years.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 17 – JOINT-VENTURE

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 member's share in the construction costs, as well as administrative costs, of WRCRWA is based on their capacity rights in different components of the plant. The District is billed for flows through the plant attributable to its jurisdiction as well as general and administrative costs. Payment of these bills is included in the costs of the District's sewer services activity. 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 year June 30, 2014 is reported in the accompanying financial statements at \$4,536,656.

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, California, 92517-5286.

Western Municipal Water District Facilities Authority

In January 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 (WMWDFa) 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 WMWDFa of obligations of the District or WMWD pursuant to bond purchase agreements and/or the lending of funds by the WMWDFa to the District and/or WMWD. WMWD shall administer this agreement. Financial information of WMWDFa can be obtained from WMWD, 450 Alessandro Boulevard, Riverside, California 92517-5286.

**JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

NOTE 17 – JOINT-VENTURE (continued)

Chino Basin Desalter Authority

On September 25, 2001, the Chino Basin Desalter Authority (the Authority) was created under a joint exercise of powers agreement between Jurupa Community Services District, the Santa Ana River Water Company, the cities of Chino, Chino Hills, Ontario, Norco, and the Inland Empire Utilities Agency, as an ex-officio member with the power among others, to design, finance, lease, purchase, acquire, construct, operate, maintain, sell, hypothecate or otherwise dispose of the Project for the purposes of the production, treatment and distribution of water to the Project Participants. This agreement was formed to successfully manage the groundwater resources in the Chino Basin.

The governing Board of Director consists of one representative appointed from each participating agency and has the power and responsibility to adopt budgets, operating plans and finance activities to further the purpose of the Authority. Financial statements of the Authority can be obtained from the CDA Treasurer's office located at 2151 S. Haven Avenue, Suite 202, Ontario, California 91761.

NOTE 18 – COMMUNITY FACILITIES DISTRICTS

Jurupa Community Services District is the lead agency for thirty-seven 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.

The bonds issued 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 bond trustees, and initiating foreclosure proceedings, if necessary. Since the District is acting in an agency capacity, the assets and liabilities of the community facilities districts have been excluded from the District's government-wide statement of net position.

JURUPA COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 19 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2014, twenty-eight of the Community Facilities Districts have issued debt with an original aggregate principal amount payable of \$336,915,000. The amount outstanding as of June 30, 2014 is \$305,410,000.

Acting in a fiduciary capacity, the District collects assessments which are then forwarded to the trustee for future debt service payments. Until the funds are forwarded to the trustee, the District records a liability. The advance payable to community services districts held as of June 30, 2014 was \$30,395,422 in the Water Fund and \$-0- in the Wastewater Fund.

Construction Commitments

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's bond financing. The District has committed to approximately \$32,459,657 of open construction contracts as of June 30, 2014.

Litigation

The City of Riverside has filed suit against three community services districts, including the District, regarding the cost of physical plant improvements relating to the treatment of domestic and industrial sewage. The case is ongoing. The future of this matter will be directed by the outcome of the litigation.

There are other lawsuits and claims pending against the District which arise during the normal course of business. To the extent the outcome of such litigation would result in a probable loss to the District, any such loss would be accrued in the accompanying financial statements.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

REQUIRED SUPPLEMENTARY INFORMATION

JURUPA COMMUNITY SERVICE DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2013	\$ 1,968,400	\$ 5,461,512	\$ 3,493,112	36.0%	\$ 8,461,242	41.30%
6/30/2011	1,763,031	4,829,344	3,066,313	36.5%	7,282,000	42.11%
6/30/2010	-	6,164,428	6,164,428	0.0%	7,507,125	82.11%

NOTE 1 – PURPOSE OF SCHEDULE

The Schedule of postemployment healthcare benefits funding progress is intended to show trends about the funding progress of the District’s actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

**JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Cash and investments	<u>\$ 33,568,495</u>	<u>\$ 2,810,819</u>	<u>\$ (5,932,602)</u>	<u>\$ 30,446,712</u>
LIABILITIES				
Due to bondholders	<u>\$ 33,568,495</u>	<u>\$ 2,810,819</u>	<u>\$ (5,932,602)</u>	<u>\$ 30,446,712</u>

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF RESERVE FOR ENTERPRISE FUNDS CAPITAL FACILITY FEES
June 30, 2014

	Water Fund	Wastewater Fund	Total
Reserve for Capital Facility Fees:			
Balance - beginning of year	\$ 27,506,318	\$ 35,115,641	\$ 62,621,959
Capital contributions:			
Facility Fees	4,951,194	3,329,268	8,280,462
Total Contributions	4,951,194	3,329,268	8,280,462
Construction costs	7,390,848	2,191,278	9,582,126
Total Expenses	7,390,848	2,191,278	9,582,126
Balance - end of year	\$ 25,066,664	\$ 36,253,631	\$ 61,320,295

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF COMMUNITY FACILITIES DISTRICTS OUTSTANDING DEBT
June 30, 2014

CFD No.	Bonds Issued	Rating	Outstanding	Yield	Issued	Maturity
CFD # 1	\$ 24,710,000	AAA/Aaa	\$ 20,415,000	4.76738	Aug-10	Sep-24
CFD # 2	18,315,000	AAA/AAA	16,325,000	5.10550	Aug-02	Sep-32
CFD # 3	9,240,000	Not Rated	8,470,000	4.76738	Aug-10	Sep-33
CFD # 4	15,065,000	Not Rated	12,730,000	5.61010	Sep-04	Sep-34
CFD # 5	3,135,000	Not Rated	2,855,000	4.76738	Aug-10	Sep-32
CFD # 6	3,560,000	Not Rated	3,240,000	4.76738	Aug-10	Sep-32
CFD # 7	10,745,000	Not Rated	8,990,000	5.01310	Nov-05	Sep-35
CFD # 10	6,690,000	Not Rated	6,130,000	4.76738	Aug-10	Sep-33
CFD # 11	12,020,000	Not Rated	10,320,000	4.95200	Aug-05	Sep-35
CFD # 12	14,380,000	Not Rated	12,340,000	4.97830	Jun-05	Sep-35
CFD # 14	13,115,000	Not Rated	12,275,000	4.76780	Aug-10	Sep-37
CFD # 14.2	2,035,000	Not Rated	2,035,000	5.22440	Jun-13	Sep-41
CFD # 15	8,235,000	Not Rated	7,985,000	6.28240	May-11	Sep-42
CFD # 16	9,100,000	Not Rated	7,590,000	5.08410	Mar-05	Sep-34
CFD # 17	17,475,000	Not Rated	15,550,000	5.14167	Aug-06	Sep-36
CFD # 18	16,575,000	Not Rated	14,675,000	4.84380	Nov-06	Sep-36
CFD # 19	24,225,000	Not Rated	21,660,000	4.91500	Oct-06	Sep-36
CFD # 21	9,885,000	Not Rated	8,645,000	5.12450	May-06	Sep-36
CFD # 22	3,420,000	Not Rated	3,420,000	5.26652	Dec-13	Sep-43
CFD # 23	4,920,000	Not Rated	4,825,000	4.75572	Jun-12	Sep-42
CFD # 24	11,990,000	Not Rated	11,375,000	4.76738	Aug-10	Sep-40
CFD # 25	8,750,000	Not Rated	8,105,000	8.77600	Dec-08	Sep-38
CFD # 25	3,010,000	Not Rated	2,930,000	5.76829	Dec-11	Sep-42
CFD # 27	7,885,000	Not Rated	7,885,000	4.75212	Mar-14	Sep-43
CFD # 28	6,145,000	Not Rated	6,145,000	4.60219	Mar-14	Sep-43
CFD # 29	13,945,000	Not Rated	13,360,000	4.76738	Aug-10	Sep-40
CFD # 30	7,395,000	Not Rated	6,595,000	5.46040	Oct-07	Sep-37
CFD # 31	12,095,000	Not Rated	11,670,000	4.22977	Mar-13	Sep-42
CFD # 32	3,700,000	Not Rated	3,280,000	5.11695	Aug-07	Sep-36
CFD # 34	7,330,000	Not Rated	6,875,000	6.21300	Dec-10	Sep-40
CFD # 35	4,005,000	Not Rated	3,805,000	4.37794	Nov-12	Sep-42
CFD # 38	6,675,000	Not Rated	6,470,000	5.65264	Aug-11	Sep-42
CFD # 38	5,295,000	Not Rated	4,810,000	6.21280	May-10	Sep-40
CFD # 39	11,850,000	Not Rated	11,630,000	4.87063	May-12	Sep-42
Total	<u>\$ 336,915,000</u>		<u>\$ 305,410,000</u>			

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF COMMUNITY FACILITIES DISTRICTS
CASH AND INVESTMENTS BALANCES
June 30, 2014

CFD No.	Location	Balance
CFD # 1	Mira Loma	\$ 965,799
CFD # 2	Eastvale Area	1,656,054
CFD # 3	Eastvale Area	59
CFD # 4	Eastvale Area	35
CFD # 5	Eastvale Area	8,675
CFD # 6	Eastvale Area	5,606
CFD # 7	Eastvale Area	712,286
CFD # 10	Eastvale Area	1,545
CFD # 11	Eastvale Area	803,725
CFD # 12	Eastvale Area	955,950
CFD # 14	Eastvale Area	373,349
CFD # 15	Eastvale Area	12
CFD # 16	Eastvale Area	2,169,047
CFD # 17	Eastvale Area	1,180,683
CFD # 18	Eastvale Area	1,096,649
CFD # 19	Eastvale Area	1,610,050
CFD # 21	Eastvale Area	655,923
CFD # 22	Eastvale Area	542,275
CFD # 23	Eastvale Area	890,775
CFD # 24	Eastvale Area	144
CFD # 25	Eastvale Area	2,675,394
CFD # 27	Eastvale Area	1,853,068
CFD # 28	Eastvale Area	1,541,475
CFD # 29	Eastvale Area	392,963
CFD # 30	Eastvale Area	568,977
CFD # 31	Eastvale Area	2,479,907
CFD # 32	Eastvale Area	296,362
CFD # 34	Eastvale Area	3,031,426
CFD # 35	Eastvale Area	566,468
CFD # 38	Eastvale Area	2,644,655
CFD # 39	Eastvale Area	1,020,642
		<u>\$ 30,699,978</u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF CHANGES OF CAPITAL ASSETS FOR ENTERPRISE FUNDS WATER
June 30, 2014**

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-depreciable assets:				
Land	\$ 4,783,297	\$ -	\$ (24,518)	\$ 4,758,779
Construction in Progress	<u>21,506,487</u>	<u>31,136,128</u>	<u>(3,962,088)</u>	<u>48,680,527</u>
Total Non-Depreciable Assets	<u>26,289,784</u>	<u>31,136,128</u>	<u>(3,986,606)</u>	<u>53,439,306</u>
Depreciable assets:				
Land improvements	2,253,630			2,253,630
Structure and improvements	39,082,285	1,627,432	(42,360)	40,667,357
Water transmission and distribution	105,348,323	87,989	(245,735)	105,190,577
Vehicles and equipment	<u>8,111,787</u>	<u>1,148,045</u>	<u>(821,966)</u>	<u>8,437,866</u>
Total Depreciable Assets	<u>154,796,025</u>	<u>2,863,466</u>	<u>(1,110,061)</u>	<u>156,549,430</u>
Accumulated depreciation:				
Land improvements	(1,096,571)	(58,025)		(1,154,596)
Structure and improvements	(6,989,205)	(1,187,544)	38,577	(8,138,172)
Water transmission and distribution	(26,736,046)	(2,645,808)	387,601	(28,994,253)
Vehicles and equipment	<u>(4,373,402)</u>	<u>(314,754)</u>	<u>621,960</u>	<u>(4,066,196)</u>
Total Accumulated Depreciation	<u>(39,195,224)</u>	<u>(4,206,131)</u>	<u>1,048,138</u>	<u>(42,353,217)</u>
Total Depreciable Assets, Net	<u>115,600,801</u>	<u>(1,342,665)</u>	<u>(61,923)</u>	<u>114,196,213</u>
Total Capital Assets, Net	<u>\$ 141,890,585</u>	<u>\$ 29,793,463</u>	<u>\$ (4,048,529)</u>	<u>\$ 167,635,519</u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF CHANGES OF CAPITAL ASSETS FOR ENTERPRISE FUNDS -
WASTEWATER**

June 30, 2014

Wastewater	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-depreciable assets:				
Land	\$ 271,840	\$ -	\$ (4,000)	\$ 267,840
Construction in Progress	<u>12,609,805</u>	<u>21,151,702</u>	<u>(2,583,271)</u>	<u>31,178,236</u>
Total Non-Depreciable Assets	<u>12,881,645</u>	<u>21,151,702</u>	<u>(2,587,271)</u>	<u>31,446,076</u>
Depreciable assets:				
Land improvements	126,790		(2,461)	124,329
Structure and improvements	37,411,306		(3,381)	37,407,925
Wastewater collection system	74,730,923	2,943,195	(520,945)	77,153,173
Vehicles and equipment	<u>1,424,694</u>	<u>611,403</u>	<u>(103,032)</u>	<u>1,933,065</u>
Total Depreciable Assets	<u>113,693,713</u>	<u>3,554,598</u>	<u>(629,819)</u>	<u>116,618,492</u>
Accumulated depreciation:				
Land improvements	(55,311)	(4,404)	2,460	(57,255)
Structure and improvements	(16,874,015)	(935,254)	3,381	(17,805,888)
Wastewater collection system	(17,682,162)	(1,725,452)	471,709	(18,935,905)
Vehicles and equipment	<u>(558,606)</u>	<u>(208,911)</u>	<u>86,967</u>	<u>(680,550)</u>
Total Accumulated Depreciation	<u>(35,170,094)</u>	<u>(2,874,021)</u>	<u>564,517</u>	<u>(37,479,598)</u>
Total Depreciable Assets, Net	<u>78,523,619</u>	<u>680,577</u>	<u>(65,302)</u>	<u>79,138,894</u>
Total Capital Assets, Net	<u>\$ 91,405,264</u>	<u>\$ 21,832,279</u>	<u>\$ (2,652,573)</u>	<u>\$ 110,584,970</u>

REPORT ON COMPLIANCE AND INTERNAL CONTROLS

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

Board of Directors
Jurupa Community Services District
Jurupa Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN, LLP
Glendora, California
January 29, 2015

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

There were no findings for the fiscal year ended June 30, 2014.

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2014

FINDING 2013-01 – Opening Equity Reconciliation

Criteria: Opening equity for each fund should be reconciled from the trial balance to the prior year financial statements according to its respective accounting basis.

Condition: The District reconciled its records to opening equity for the enterprise funds and governmental activities on the full accrual basis of accounting, but the District should develop procedures to reconcile opening equity on the modified accrual basis for the governmental funds.

Context: The condition noted above was identified during testing of opening equity balances. The District maintains its records on an accrual basis of accounting. Governmental funds are reported in the financial statements on a modified accrual basis. Reconciliation between the accrual basis and modified accrual basis for the governmental funds was not performed by the District.

Effect: There is an increased risk of material misstatement.

Cause: The District does not have procedures in place to reconcile the opening equity of the governmental funds.

Recommendation: We recommend that the District develop procedures to reconcile opening equity for the governmental funds.

Status: Implemented

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2014

FINDING 2013-02 – Information Technology

Criteria: The District should have controls in place to ensure that access to the financial system is limited to authorized individuals. The District should also have the ability to query data in a timely manner to assist in its monitoring of financial activities.

Condition: During our fieldwork we noted the following:

User Access

- No formal documentation is required to create, edit, or terminate user access.
- The same user can be logged on to multiple terminals simultaneously.
- Periodic review of access granted to users has not been performed.
- Several individuals have edit access to master vendor listing.

System Information

We noted the following related to the information reported by the system:

- Trial balance account numbers, i.e. chart of accounts, are inconsistent between funds.
- General ledger transaction reports do not provide a clear detail of the underlying transactions. This includes descriptions that are not useful for review and posting dates that reflect month end and cannot be differentiated from other similar postings resulting in a cumbersome review process.
- One-sided journal entries were posted between funds creating out of balance funds.

Context: The conditions noted above were identified during testing of various transaction cycles and inquiry with personnel in various departments throughout the engagement.

Effect: There is an increased risk related to unauthorized user access. Also the internal control environment is weakened by not having useful financial information in a timely manner.

Cause:

User Access

The District does not maintain formal procedures over user access.

System Information

District staff does not have the ability to query information in a useable format in a timely manner.

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2014

FINDING 2013-02 – Information Technology (continued)

Recommendation:

User Access

We recommend strengthening procedures over system users to limit access to only modules necessary to perform duties assigned to each function and to periodically review access granted to each user.

System Information

We recommend reviewing the chart of accounts for consistency between funds and inquiring with the system vendor to create reports with fields useful in the review process. Additionally, we recommend enhancing procedures to prevent the posting of one-sided journal entries between funds.

Status: Implemented