

JURUPA COMMUNITY SERVICES DISTRICT
Jurupa Valley, California

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

JURUPA COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

June 30, 2016

INDEPENDENT AUDITOR’S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS..... i

FINANCIAL SECTION.....1

Basic Financial Statements2

Government – Wide Financial Statements2

Statement of Net Position2

Statement of Activities.....3

Fund Financial Statements.....4

Balance Sheet – Governmental Funds4

Reconciliation of the Balance Sheet - Governmental Funds to the
Statement of Net Position5

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds.....6

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance – Governmental Funds to the Statement of Activities.....7

Statement of Fund Net Position – Enterprise Funds.....8

Statement of Revenues, Expenses and Changes in Fund Net Position –
Enterprise Funds9

Statement of Cash Flows – Enterprise Funds10

Statement of Fiduciary Net Position11

Notes to the Financial Statements.....12

REQUIRED SUPPLEMENTARY INFORMATION50

Schedule of Funding Progress – Other Post Employment Benefits51

Schedule of District’s Proportionate Share of the Net Pension Liability
California Public Employees’ Retirement System52

Schedule of District’s Contributions - California Public Employees’ Retirement
System.....53

Notes to the Required Supplementary Information54

SUPPLEMENTARY INFORMATION.....55

Schedule of Changes in Assets and Liabilities Agency Fund.....56

Schedule of Reserve for Enterprise Funds Capital Facility Fees.....57

Schedule of Community Facilities Districts Outstanding Debt.....58

Schedule of Community Facilities Districts Cash and Investment Balances59

JURUPA COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

June 30, 2016

| | |
|---|-----------|
| Schedule of Changes of Capital Assets for Enterprise Funds - Water | 60 |
| Schedule of Changes of Capital Assets for Enterprise Funds - Wastewater | 61 |
| REPORT ON COMPLIANCE AND INTERNAL CONTROLS | 62 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 63 |
| Schedule of Findings and Responses | 65 |
| Status of Prior Year Findings..... | 66 |



INDEPENDENT AUDITOR'S REPORT

District 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, and the aggregate remaining fund information of the Jurupa Community Services District (the District) as of and for the year ended June 30, 2016, 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

District Board of Directors
Jurupa Community Services District
Jurupa Valley, California

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended 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, schedule of postemployment healthcare benefits funding progress, schedule of the District's proportionate share of the net pension liability, and schedule of the District's pension contributions, 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 were presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were 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

INDEPENDENT AUDITOR'S REPORT

District Board of Directors
Jurupa Community Services District
Jurupa Valley, California

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 financial 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 supplementary schedules are 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 November 10, 2016 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 the 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

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 10, 2016

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

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, 2016. 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 \$22.7 million, or by 5.1%.
- During the year the District's revenues decreased \$9.0 million or by 9.6% to \$85.2 million, while expenses increased \$3.7 million, or 6.3% to \$62.5 million.
- Capital contributions to the District amounted to \$21.4 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 addition to the basic financial statement 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 includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully covered all its costs through its taxes, user fees, and other charges, and credit worthiness.

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

Government-wide Financial Statements (continued)

Statement of Net Position and Statement of Activities (continued)

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.

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 used in evaluating a government's near term financing requirements.

Because 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.

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

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 beginning on page 12.

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 Statements of Net Position
(In thousands of dollars)

| | Business- | | | Business- | | |
|------------------------------------|----------------------------|--------------------|-----------|----------------------------|--------------------|-----------|
| | Governmental Activities | Type Activities | Total | Governmental Activities | Type Activities | Total |
| | June 30, 2016 | | | June 30, 2015 | | |
| Assets: | | | | | | |
| Current and other assets | \$ 25,102 | \$ 160,360 | \$185,462 | \$ 23,226 | \$ 165,097 | \$188,323 |
| Capital assets | 72,498 | 328,788 | 401,286 | 73,937 | 302,280 | 376,217 |
| Total Assets | 97,600 | 489,148 | 586,748 | 97,163 | 467,377 | 564,540 |
| Deferred outflows of resources: | | | | | | |
| Amount deferred pension obligation | 1,291 | 4,692 | 5,983 | 725 | 2,910 | 3,635 |
| Amount deferred on refunding | - | 645 | 645 | - | 673 | 673 |
| Total Deferred Outflow | 1,291 | 5,337 | 6,628 | 725 | 3,583 | 4,308 |
| Liabilities: | | | | | | |
| Long-term debt outstanding | - | 66,839 | 66,839 | - | 68,763 | 68,763 |
| Other liabilities | 3,695 | 48,755 | 52,450 | 3,138 | 45,583 | 48,721 |
| Total Liabilities | 3,695 | 115,594 | 119,289 | 3,138 | 114,346 | 117,484 |
| Deferred inflows of resources: | | | | | | |
| Amount deferred pension obligation | 347 | 1,392 | 1,739 | 346 | 1,388 | 1,734 |
| Amount deferred on refunding | - | 328 | 328 | - | 342 | 342 |
| Total Deferred Infows | 347 | 1,720 | 2,067 | 346 | 1,730 | 2,076 |
| Net Assets: | | | | | | |
| Net investment in capital assets | 72,498 | 256,090 | 328,588 | 73,937 | 231,907 | 305,844 |
| Restricted | 22,351 | 58,939 | 81,290 | 20,466 | 63,761 | 84,227 |
| Unrestricted | - | 62,142 | 62,142 | - | 59,216 | 59,216 |
| Total Net Position | \$ 94,849 | \$ 377,171 | \$472,020 | \$ 94,403 | \$ 354,884 | \$449,287 |

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

Government-wide Financial Analysis (continued)

Assets

Total assets increased by \$22.2 million, or 3.9% for the fiscal year ended June 30, 2016. This increase was due to several factors including a \$25.1 million, or 6.7% net increase in capital assets and an offsetting decrease in current and other assets of \$2.9 million or 1.5%. The \$25.1 million increase in capital assets is from construction expenditures primarily related to the following: 1 MGD wastewater treatment capacity in the City of Riverside (\$15.0 million), Pyrite Creek Trunk Sewer Relocation (\$3.0 million), Chino Expansion Construction (\$2.7 million), Regional Forcemain to Riverside (\$2.0 million), Chino I Reliability (\$1.2 million), and Clay/Van Buren lift station (\$1.0 million). Additional information regarding capital assets can be found in Note 6 of the Notes to the Basic Financial Statements. Deferred outflows of resources increased by \$2.3 million, or 53.9% for the fiscal year ended June 30, 2016. This is due to a \$2.3 million increase in deferred pension obligations, which is primarily due to an increase in the District's change in proportion for the net pension liability.

Liabilities

Total liabilities increased by \$1.8 million, or 1.5% for the fiscal year ended June 30, 2016. This change was primarily due to an increase in other liabilities of \$3.7 million in the governmental and business activities, offset by a \$1.9 million decrease in long-term debt outstanding in the business-type activities. The increase of \$3.7 million is primarily due to a \$3.4 million increase in customer deposits, retentions and advances, a \$.7 million increase in Net OPEB obligation, an \$.8 million increase in Net Pension liability, and a \$.6 million increase in various other liabilities; this is offset by an decrease of \$1.8 million in accounts payable and accrued expenses. There is also an additional decrease in long-term debt of \$1.9 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 Basic Financial Statements.

Net Position

Net Position is the difference between the District's assets and liabilities. Net position increased during fiscal year 2016 by \$22.7 million, or 5.1%. 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 \$22.7 million, or 7.4% for the fiscal year ended June 30, 2016. The business-type activities increased \$24.2 million due to construction projects offset by a decrease of \$1.4 million in the governmental funds due to most construction projects being completed and depreciated.

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

Government-wide Financial Analysis (continued)

2. Restricted Net Position decreased \$2.9 million or 3.5% for the fiscal year ended June 30, 2016. This is primarily due to an increase of \$1.9 million in governmental activities offset by a decrease of \$4.8 million in business-type activities to fund facility fee designated construction projects.
3. Unrestricted Net Position increased \$2.9 million, or 4.9% for the fiscal year ended June 30, 2016. This is primarily due to an increase of \$2.9 million in the business-type activities.

Statement of Activities

The following Table A-2 is a summary of the statement of activities for the year ended June 30, 2016.

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

| | Business- | | | Business- | | |
|----------------------------------|----------------------|------------------|------------------|----------------------|------------------|------------------|
| | Governmental | Type | Total | Governmental | Type | Total |
| | Activities | | | Activities | | |
| | June 30, 2016 | | | June 30, 2015 | | |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 10,756 | \$ 49,058 | \$ 59,814 | \$ 10,002 | \$ 47,650 | \$ 57,652 |
| Capital contributions and grants | 2,917 | 18,531 | 21,448 | 7,106 | 26,249 | 33,355 |
| General revenues: | | | | | | |
| Property taxes | 265 | 2,687 | 2,952 | 299 | 2,444 | 2,743 |
| Interest earnings | 110 | 919 | 1,029 | 178 | 350 | 528 |
| Total Revenues | <u>\$ 14,048</u> | <u>\$ 71,195</u> | <u>\$ 85,243</u> | <u>\$ 17,585</u> | <u>\$ 76,693</u> | <u>\$ 94,278</u> |
| Program expenses: | | | | | | |
| Eastvale parks | \$ 12,011 | \$ - | \$ 12,011 | \$ 11,752 | \$ - | \$ 11,752 |
| Graffiti abatement | 295 | - | 295 | 340 | - | 340 |
| Illumination District No 2 | 316 | - | 316 | 268 | - | 268 |
| Landscape & lighting | 981 | - | 981 | 1,021 | - | 1,021 |
| Water | - | 32,660 | 32,660 | - | 29,437 | 29,437 |
| Wastewater | - | 16,248 | 16,248 | - | 15,968 | 15,968 |
| Total Program Expenses | <u>\$ 13,603</u> | <u>\$ 48,908</u> | <u>\$ 62,511</u> | <u>\$ 13,381</u> | <u>\$ 45,405</u> | <u>\$ 58,786</u> |

Total revenues for the fiscal year ended June 30, 2016 decreased by \$9.0 million, or by 9.6% from fiscal year 2015. This is primarily due to a decrease in contributed capital.

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2016

Government-wide Financial Analysis (continued)

Program Revenues

Charges for services increased as of June 30, 2016 by \$2.2 million, or 3.8%. Water and Wastewater sales increased modestly over the prior year increasing by \$1.2 million, this was due to growth and a modest rate increases in January 2016; there was also a \$.2 million increase in non-operating revenues. The District's governmental funds had an increase of \$.7 million due to an increase in recreation programs and special assessments. Capital contributions and grants decreased by \$13.6 million or 40.7%; \$9.4 million is related to the Business-type activities and \$4.2 million is related to the Governmental activities. The decrease of \$4.2 million in the Governmental funds is related to a decrease of \$4.2 million in park fees which is in Capital Grants and Contributions. The District only bonded one Community Facilities District (CFD) in FY 2016 vs. bonding three CFD's in FY 2015; CFD's provide the majority of facility fees for the business-type activities and the majority of park fees for the governmental activities. Of the \$7.7 million in Business-types activities, \$1.7 million is related to a decrease in facility fees and \$6.0 million is related to a decrease in Contributions in aid of Construction. The Wastewater funds Contributions in Aid of Construction account decreased by \$8.0 million due to the District being reimbursed for the Master Plan-Sewer Area B project which is now complete. This is offset by an increase of \$2.0 million in the Water funds Contributions in Aid of Construction account due to a change in accounting estimate for Water in Storage.

General Revenues

Property taxes slightly increased by \$.2 million in business-type activities as of June 30, 2016. This is primarily due to property values increasing as economic recovery occurs. Interest earnings increased by \$.5 million in all funds as of June 30, 2016.

Program Expenses

Total expenses increased \$3.7 million, or 6.3%, for the year ended June 30, 2016. The increase in Business-type activities of \$3.5 million is primarily related to an increase in source water costs as the cost of the District's water supplies continue to increase and modest cost increases in overall operations of the Water and Wastewater funds.

Eastvale Park's expenses increased \$.2 million due to an increase in operating costs. Landscape and Lighting district expenses decreased less than \$.1 million due to a decrease in operating costs.

JURUPA COMMUNITY SERVICES DISTRICT

MANAGEMENT’S DISCUSSION & ANALYSIS

June 30, 2016

Capital Asset Administration

At the end of 2016, the District has invested \$516.9 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 | Type | Total | Governmental | Type | Total |
| | Activities | Activities | | Activities | Activities | |
| | June 30, 2016 | | | June 30, 2015 | | |
| Land and land rights | \$ 26,870 | \$ 5,027 | \$ 31,897 | \$ 25,836 | \$ 5,027 | \$ 30,863 |
| Construction in progress | 1,572 | 49,766 | 51,338 | 9,173 | 93,144 | 102,317 |
| Land improvements | 24,064 | 1,041 | 25,105 | 17,302 | 1,104 | 18,406 |
| Structures and equipment | 19,991 | 74,182 | 94,173 | 21,626 | 56,034 | 77,660 |
| Water transmission & distribution | | 85,555 | 85,555 | | 73,793 | 73,793 |
| Wastewater collection system | | 102,868 | 102,868 | | 66,291 | 66,291 |
| Vehicles and equipment | | 5,973 | 5,973 | | 6,887 | 6,887 |
| Total Capital Assets | <u>\$ 72,497</u> | <u>\$324,412</u> | <u>\$396,909</u> | <u>\$ 73,937</u> | <u>\$ 302,280</u> | <u>\$376,217</u> |

At the end of fiscal year 2016, the District’s investment in capital assets amounted to \$396.9 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-progress. The increase in the District’s capital assets is primarily due to an increase in construction-in-progress which consists of the Chino II Expansion and Chino I reliability construction projects in water. In sewer the increase in construction-in-progress is due to the Treatment Capacity in the City of Riverside, Pyrite Creek Trunk Sewer Relocation, Regional Forcemain to Riverside, and the Clay Street Grade Separation. The governmental activities decrease in capital assets is due to less construction projects in progress in FY 2016 and normal depreciation. More information about the District’s Capital assets is presented in Note 6 of the Notes to the Basic Financial Statements and on page iv of Management’s Discussion and Analysis.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Long Term Debt Administration

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

| | Business- | | | Business- | | |
|--------------------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|
| | Governmental | Type | Total | Governmental | Type | Total |
| | Activities | Activities | | Activities | Activities | |
| | June 30, 2016 | | | June 30, 2015 | | |
| Compensated absences | \$ 182 | \$ 730 | \$ 912 | \$ 163 | \$ 756 | \$ 919 |
| Other post employment benefits | 969 | 3,683 | 4,652 | 763 | 3,152 | 3,915 |
| Long-term debt | | 66,839 | 66,839 | | 68,763 | 68,763 |
| Net pension liability | 1,355 | 5,269 | 6,624 | 1,154 | 4,639 | 5,793 |
| Total Long-term Liabilities | <u>\$ 2,506</u> | <u>\$ 76,521</u> | <u>\$ 79,027</u> | <u>\$ 2,080</u> | <u>\$ 77,310</u> | <u>\$ 79,390</u> |

During the year, the District's long-term debt decreased \$.4 million or by .4%. There was an increase in the District's other post-employment benefits of \$.7 million and an increase of \$.8 million in net pension liability in both the Governmental and Business-Type activities. This total increase of \$1.5 million is offset by a decrease of \$1.9 million 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 continues to experience growth as the economy is strengthening and the cities of Jurupa Valley and Eastvale are still developing and expanding. 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 2015 Urban Water Management Plan. The District increased its capital capacity charge in March of 2015 after the capacity charge study was adopted by the Board. This will allow the District to have adequate revenue to cover capital costs due to the anticipated growth in the area over the next 5-7 years and will assist the District in addressing future cost increases in water supply, power, labor and maintenance for the Water and Sewer enterprises.

The District anticipates revenues to increase slightly for the FY 2016-2017 budget year based on growth and rate increases. While the District is experiencing growth, conservation is still expected to keep the District's revenues from increasing dramatically. The State is now mandating the District self-regulate its conservation versus the mandatory 28% reduction that was in place in the prior year. The District's ability to self-regulate will ensure conservation efforts are still taking place, while being less restrictive on enforcement of conservation efforts. The District will continue to monitor the effects of conservation on revenue to ensure revenue and expenses are being properly budgeted.

JURUPA COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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.

FINANCIAL SECTION

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalent (Note 2) | \$ 3,175,935 | \$ 67,754,595 | \$ 70,930,530 |
| Cash and investments (Note 2) | - | 11,920,080 | 11,920,080 |
| Restricted - cash and cash equivalent (Note 2) | 16,247,163 | 132,161 | 16,379,324 |
| Restricted - investments (Note 2) | - | 65,162,749 | 65,162,749 |
| Accrued interest receivable | 29,032 | 261,289 | 290,321 |
| Accounts receivable - utilities, net (Note 3) | | 6,384,089 | 6,384,089 |
| Accounts receivable - governmental agencies | | 74,408 | 74,408 |
| Accounts receivable - developers and others | 5,521,037 | 3,392,364 | 8,913,401 |
| Property taxes and assessments receivable | 122,284 | 66,371 | 188,655 |
| Inventory, prepaid expenses and other assets (Note 4) | 6,079 | 5,211,829 | 5,217,908 |
| Investments in WRCRWA, net (Note 5) | - | 4,375,603 | 4,375,603 |
| Capital assets - not being depreciated, net (Note 6) | 28,442,696 | 54,792,180 | 83,234,876 |
| Capital assets - being depreciated, net (Note 6) | 44,054,848 | 269,619,922 | 313,674,770 |
| Total Assets | 97,599,074 | 489,147,640 | 586,746,714 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred amount pension obligation | 1,291,298 | 4,692,274 | 5,983,572 |
| Deferred amount on refunding | - | 645,227 | 645,227 |
| Total Deferred Outflows of Resources | 1,291,298 | 5,337,501 | 6,628,799 |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued expenses | 742,280 | 3,685,689 | 4,427,969 |
| Accrued wages and related payables | 146,021 | 288,621 | 434,642 |
| Customer deposits, retentions and advances (Note 7) | 239,425 | 31,770,052 | 32,009,477 |
| Accrued interest payable | - | 1,284,494 | 1,284,494 |
| Compensated absences - current (Note 8) | 60,626 | 243,351 | 303,977 |
| Bonds payable - current (Note 9) | - | 1,395,000 | 1,395,000 |
| Loans payable - current (Note 9) | - | 405,551 | 405,551 |
| Compensated absences - noncurrent (Note 8) | 181,879 | 730,053 | 911,932 |
| Net OPEB obligation (Note 10) | 969,490 | 3,682,575 | 4,652,065 |
| Bonds payable - noncurrent (Note 9) | - | 60,191,284 | 60,191,284 |
| Loans payable - noncurrent (Note 9) | - | 6,647,748 | 6,647,748 |
| Net pension liability (Note 15) | 1,355,160 | 5,269,771 | 6,624,931 |
| Total Liabilities | 3,694,881 | 115,594,189 | 119,289,070 |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred amount pension obligation | 346,791 | 1,392,459 | 1,739,250 |
| Deferred amount on refunding | - | 327,715 | 327,715 |
| Total Deferred Inflows of Resources | 346,791 | 1,720,174 | 2,066,965 |
| <u>Net Position</u> | | | |
| Net investment in capital assets (Note 11) | 72,497,545 | 256,090,032 | 328,587,577 |
| Restricted (Note 12) | 22,351,155 | 58,938,788 | 81,289,943 |
| Unrestricted (Note 13) | - | 62,141,958 | 62,141,958 |
| Total Net Position | \$ 94,848,700 | \$ 377,170,778 | \$ 472,019,478 |

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

| 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 | \$ 12,011,252 | \$ 9,553,403 | \$ 2,917,055 | \$ 459,205 | \$ - | \$ 459,205 |
| Graffiti abatement | 294,522 | 108,810 | - | (185,712) | - | (185,712) |
| Illumination District No. 2 | 315,767 | 205,264 | - | (110,503) | - | (110,503) |
| Landscape and lighting | 980,941 | 888,942 | - | (91,999) | - | (91,999) |
| Total Governmental Activities | <u>13,602,482</u> | <u>10,756,419</u> | <u>2,917,055</u> | <u>70,991</u> | <u>-</u> | <u>70,991</u> |
| Business-type Activities | | | | | | |
| Water | 32,660,399 | 31,467,411 | 12,608,350 | - | 11,415,363 | 11,415,363 |
| Wastewater | 16,248,011 | 17,590,998 | 5,922,148 | - | 7,265,135 | 7,265,135 |
| Total Business-type Activities | <u>48,908,410</u> | <u>49,058,409</u> | <u>18,530,498</u> | <u>-</u> | <u>18,680,498</u> | <u>18,680,498</u> |
| Total District | <u>\$ 62,510,892</u> | <u>\$ 59,814,828</u> | <u>\$ 21,447,553</u> | <u>70,991</u> | <u>18,680,498</u> | <u>18,751,489</u> |
| General Revenues | | | | | | |
| Property taxes | | | | 264,522 | 2,687,080 | 2,951,602 |
| Interest earnings | | | | 110,116 | 918,795 | 1,028,911 |
| Total General Revenues and Special Items | | | | <u>374,638</u> | <u>3,605,875</u> | <u>3,980,513</u> |
| Change in net position | | | | 445,629 | 22,286,373 | 22,732,002 |
| Net Position - Beginning of Year | | | | 94,403,071 | 354,884,405 | 449,287,476 |
| Net Position at End of Year | | | | <u>\$ 94,848,700</u> | <u>\$ 377,170,778</u> | <u>\$ 472,019,478</u> |

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2016

| | Eastvale Parks | Graffiti Abatement | Illumination District No. 2 | Landscape and Lighting | Total Governmental Funds |
|---|-----------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 200 | \$ 453,606 | \$ 297,650 | \$ 2,424,479 | \$ 3,175,935 |
| Restricted - cash and cash equivalents | 16,247,163 | - | - | - | 16,247,163 |
| Accrued interest receivable | 29,032 | - | - | - | 29,032 |
| Accounts receivable - developers and others | 5,521,037 | - | - | - | 5,521,037 |
| Property taxes and assessments receivable | 100,786 | 8,333 | 2,447 | 10,718 | 122,284 |
| Prepaid expenses and other assets | 6,079 | - | - | - | 6,079 |
| Total Assets | <u>\$ 21,904,297</u> | <u>\$ 461,939</u> | <u>\$ 300,097</u> | <u>\$ 2,435,197</u> | <u>\$ 25,101,530</u> |
| <u>Liabilities</u> | | | | | |
| Accounts payable and accrued expenses | \$ 616,410 | \$ 2,473 | \$ 22,835 | \$ 100,561 | \$ 742,279 |
| Accrued wages and related payables | 146,021 | - | - | - | 146,021 |
| Customer deposits | 239,425 | - | - | - | 239,425 |
| Total Liabilities | <u>1,001,856</u> | <u>2,473</u> | <u>22,835</u> | <u>100,561</u> | <u>1,127,725</u> |
| <u>Deferred inflows of resources</u> | | | | | |
| Unavailable revenue | 5,332,218 | - | - | - | 5,332,218 |
| Total Deferred Inflows of Resources | <u>5,332,218</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,332,218</u> |
| <u>Fund Balances</u> | | | | | |
| Nonspendable | 6,079 | - | - | - | 6,079 |
| Restricted for: | | | | | |
| Eastvale Parks | 15,564,144 | - | - | - | 15,564,144 |
| Graffiti Abatement | - | 459,466 | - | - | 459,466 |
| Illumination District No. 2 | - | - | 277,262 | - | 277,262 |
| Landscape and Lighting | - | - | - | 2,334,636 | 2,334,636 |
| Total Fund Balances | <u>15,570,223</u> | <u>459,466</u> | <u>277,262</u> | <u>2,334,636</u> | <u>18,641,587</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 21,904,297</u> | <u>\$ 461,939</u> | <u>\$ 300,097</u> | <u>\$ 2,435,197</u> | <u>\$ 25,101,530</u> |

See 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, 2016

Total fund balances - governmental funds \$ 18,641,587

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

| | | |
|--------------------------|-------------------|------------|
| Cost of the assets | \$ 97,352,917 | |
| Accumulated Depreciation | <u>24,855,373</u> | |
| Depreciable assets, net | | 72,497,544 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

| | | |
|--|------------------|-------------|
| Net pension liability | (1,355,160) | |
| Compensated absences | (242,505) | |
| Other postemployment benefits other than pensions (OPEB) | <u>(969,491)</u> | (2,567,156) |

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year end consist of:

| | | |
|---|------------------|---------|
| Deferred outflows - pension contribution | 451,048 | |
| Deferred outflows related to pension obligation | 840,250 | |
| Deferred inflows related to pension obligation | <u>(346,791)</u> | 944,507 |

Certain revenues are not available to pay for current period expenditures and are therefore reported as unavailable revenue in governmental funds 5,332,218

Total net position - governmental activities \$ 94,848,700

See 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, 2016

| | Eastvale Parks | Graffiti Abatement | Illumination District No. 2 | Landscape and Lighting | Total Governmental Funds |
|---|----------------------|--------------------|--------------------------------|---------------------------|--------------------------------|
| Revenues | | | | | |
| Property tax | \$ - | \$ 194,522 | \$ 69,999 | \$ - | \$ 264,521 |
| Special assessments | 7,535,184 | - | 205,264 | 888,942 | 8,629,390 |
| Charges for services | 1,869,681 | 108,810 | - | - | 1,978,491 |
| Capital grants and contributions | 2,774,515 | - | - | - | 2,774,515 |
| Interest | 243,016 | - | - | - | 243,016 |
| Total Revenues | <u>12,422,396</u> | <u>303,332</u> | <u>275,263</u> | <u>888,942</u> | <u>13,889,933</u> |
| Expenditures | | | | | |
| Eastvale Parks | 8,974,857 | - | - | - | 8,974,857 |
| Graffiti Abatement | - | 294,523 | - | - | 294,523 |
| Illumination District No. 2 | - | - | 315,767 | - | 315,767 |
| Landscape and Lighting | - | - | - | 980,941 | 980,941 |
| Capital Outlay | 1,715,824 | - | - | - | 1,715,824 |
| Total Expenditures | <u>10,690,681</u> | <u>294,523</u> | <u>315,767</u> | <u>980,941</u> | <u>12,281,912</u> |
| Net changes in fund balance | 1,731,715 | 8,809 | (40,504) | (91,999) | 1,608,021 |
| Fund Balances at Beginning of Year | <u>13,838,508</u> | <u>450,657</u> | <u>317,766</u> | <u>2,426,635</u> | <u>17,033,566</u> |
| Fund Balances at End of Year | <u>\$ 15,570,223</u> | <u>\$ 459,466</u> | <u>\$ 277,262</u> | <u>\$ 2,334,636</u> | <u>\$ 18,641,587</u> |

See 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, 2016**

Net change in fund balances - total governmental funds \$ 1,608,021

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|---|--------------------|-------------|
| Capital outlay, net of deletions | 1,715,824 | |
| Depreciation expense | <u>(3,155,157)</u> | |
| Excess (deficiency) of capital outlay over depreciation expense | | (1,439,333) |

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. 142,541

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 | (24,491) |
| Net change in other post-employment benefits payable for the current period | (206,118) |
| Net change in net pension obligations for the current period | <u>365,009</u> |

Change in net position of governmental activities \$ 445,629

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF FUND NET POSITION – ENTERPRISE FUNDS June 30, 2016

| | Water | Wastewater | Total |
|--|-----------------------|-----------------------|-----------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalent | \$ 44,801,285 | \$ 22,953,310 | \$ 67,754,595 |
| Cash and investments | 11,920,080 | - | 11,920,080 |
| Restricted - cash and cash equivalent | 42,867 | 89,294 | 132,161 |
| Restricted - investments | 36,544,338 | 28,618,411 | 65,162,749 |
| Accrued interest receivable | 194,515 | 66,774 | 261,289 |
| Accounts receivable - utilities, net | 4,269,250 | 2,114,839 | 6,384,089 |
| Accounts receivable - governmental agencies | 74,408 | - | 74,408 |
| Accounts receivable - developers and others | 1,934,056 | 1,458,308 | 3,392,364 |
| Property taxes and assessments receivable | - | 66,371 | 66,371 |
| Prepaid expenses and other assets | 5,197,846 | 13,983 | 5,211,829 |
| Investments in WRCRWA, net | - | 4,375,603 | 4,375,603 |
| Capital assets - not being depreciated, net | 44,557,760 | 10,234,420 | 54,792,180 |
| Capital assets - being depreciated, net | 133,081,039 | 136,538,883 | 269,619,922 |
| Total Assets | 282,617,444 | 206,530,196 | 489,147,640 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred amount pension obligation | 3,479,074 | 1,213,200 | 4,692,274 |
| Deferred amount on refunding | 645,227 | - | 645,227 |
| Total Deferred Outflows of Resources | 4,124,301 | 1,213,200 | 5,337,501 |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued expenses | 2,430,876 | 1,254,813 | 3,685,689 |
| Accrued wages and related payables | 161,695 | 126,926 | 288,621 |
| Customer deposits, retentions and advances | 30,010,856 | 1,759,196 | 31,770,052 |
| Accrued interest payable | 575,584 | 708,910 | 1,284,494 |
| Compensated absences - current | 177,702 | 65,649 | 243,351 |
| Bonds payable - current | 615,000 | 780,000 | 1,395,000 |
| Loans payable - current | - | 405,551 | 405,551 |
| Compensated absences - noncurrent | 540,239 | 189,814 | 730,053 |
| Net OPEB obligation | 2,567,039 | 1,115,536 | 3,682,575 |
| Bonds payable - noncurrent | 27,267,497 | 32,923,787 | 60,191,284 |
| Loans payable - noncurrent | 69,023 | 6,578,725 | 6,647,748 |
| Net pension liability | 3,888,251 | 1,381,520 | 5,269,771 |
| Total Liabilities | 68,303,762 | 47,290,427 | 115,594,189 |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred amount pension obligation | 1,025,155 | 367,304 | 1,392,459 |
| Deferred amount on refunding | - | 327,715 | 327,715 |
| Total Deferred Inflows of Resources | 1,025,155 | 695,019 | 1,720,174 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 150,332,507 | 105,757,525 | 256,090,032 |
| Restricted | 33,718,754 | 25,220,034 | 58,938,788 |
| Unrestricted | 33,361,568 | 28,780,390 | 62,141,958 |
| Total Net Position | \$ 217,412,829 | \$ 159,757,949 | \$ 377,170,778 |

See 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, 2016

| | Water | Wastewater | Total |
|--|-----------------------|-----------------------|-----------------------|
| Operating Revenues | | | |
| Water consumption sales | \$ 15,973,464 | \$ - | \$ 15,973,464 |
| Monthly meter service charge | 14,080,399 | - | 14,080,399 |
| Sewer service charges | - | 17,481,851 | 17,481,851 |
| Other charges and services | 1,241,313 | - | 1,241,313 |
| Total Operating Revenues | <u>31,295,176</u> | <u>17,481,851</u> | <u>48,777,027</u> |
| Operating Expenses | | | |
| Source of supply | 15,202,199 | - | 15,202,199 |
| Pumping | 334,563 | - | 334,563 |
| Water treatment | 1,650,611 | - | 1,650,611 |
| Transmission and distribution | 2,671,853 | - | 2,671,853 |
| Sewage collection | - | 2,110,436 | 2,110,436 |
| Sewage treatment | - | 6,028,798 | 6,028,798 |
| Customer service | 1,380,319 | 345,080 | 1,725,399 |
| General administrative | 6,558,110 | 3,052,607 | 9,610,717 |
| Operations and maintenance | 78,503 | 95,017 | 173,520 |
| Total Operating Expenses | <u>27,876,158</u> | <u>11,631,938</u> | <u>39,508,096</u> |
| Operating income before depreciation | 3,419,018 | 5,849,913 | 9,268,931 |
| Depreciation | (4,909,861) | (3,494,389) | (8,404,250) |
| Operating income (loss) | <u>(1,490,843)</u> | <u>2,355,524</u> | <u>864,681</u> |
| Non-Operating Revenues (Expenses) | | | |
| Property tax revenue | - | 2,687,080 | 2,687,080 |
| Investment earnings | 671,691 | 247,104 | 918,795 |
| Interest expense | (57,046) | (939,402) | (996,448) |
| Other non-operating revenues (expenses), net | 354,902 | (73,135) | 281,767 |
| Total Non-Operating Revenues (Expenses) | <u>969,547</u> | <u>1,921,647</u> | <u>2,891,194</u> |
| Income before capital contributions | (521,296) | 4,277,171 | 3,755,875 |
| Capital contributions: | | | |
| Facility fees | 7,143,570 | 4,571,028 | 11,714,598 |
| Contributions in aid of construction | 5,464,780 | 1,351,120 | 6,815,900 |
| Capital contributions | 12,608,350 | 5,922,148 | 18,530,498 |
| Change in Net Position | 12,087,054 | 10,199,319 | 22,286,373 |
| Net Position - Beginning of Year | <u>205,325,775</u> | <u>149,558,630</u> | <u>354,884,405</u> |
| Net Position at End of Year | <u>\$ 217,412,829</u> | <u>\$ 159,757,949</u> | <u>\$ 377,170,778</u> |

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
For the Year Ended June 30, 2016**

| | Water | Wastewater | Total |
|---|----------------------|----------------------|----------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from operating customers | \$ 33,910,084 | \$ 16,948,270 | \$ 50,858,354 |
| Cash paid to vendors and suppliers | <u>(31,202,072)</u> | <u>(13,590,049)</u> | <u>(44,792,121)</u> |
| Net cash provided by operating activities | <u>2,708,012</u> | <u>3,358,221</u> | <u>6,066,233</u> |
| Cash Flows from Non-Capital Financing Activities | | | |
| Proceeds from property taxes | - | 2,720,264 | 2,720,264 |
| Other non-operating revenues | <u>354,902</u> | <u>(73,135)</u> | <u>281,767</u> |
| Net cash provided by non-capital financing activities | <u>354,902</u> | <u>2,647,129</u> | <u>3,002,031</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (6,289,283) | (22,012,115) | (28,301,398) |
| Advance payments from Community Facility Districts | 7,104,865 | 6,809,436 | 13,914,301 |
| Contributions in aid of construction | 4,021,316 | 406,481 | 4,427,797 |
| Principal payments on long-term debt | (684,508) | (1,150,937) | (1,835,445) |
| Interest payments on long-term debt | <u>(1,182,438)</u> | <u>(1,600,603)</u> | <u>(2,783,041)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>2,969,952</u> | <u>(17,547,738)</u> | <u>(14,577,786)</u> |
| Cash Flows from Investing Activities | | | |
| (Purchases)/sales of investments | (22,320,487) | 2,258,802 | (20,061,685) |
| Interest earnings | <u>(97,661)</u> | <u>213,578</u> | <u>115,917</u> |
| Net cash provided by (used in) investing activities | <u>(22,418,148)</u> | <u>2,472,380</u> | <u>(19,945,768)</u> |
| Net decrease in cash and cash equivalents | (16,385,282) | (9,070,008) | (25,455,290) |
| Cash and cash equivalents, beginning of year | <u>61,229,434</u> | <u>32,112,612</u> | <u>93,342,046</u> |
| Cash and cash equivalents, end of year | <u>\$ 44,844,152</u> | <u>\$ 23,042,604</u> | <u>\$ 67,886,756</u> |
| Reconciliation of cash and cash equivalents to statement of financial position: | | | |
| Cash and cash equivalents | \$ 44,801,285 | \$ 22,953,310 | \$ 67,754,595 |
| Restricted assets - cash and cash equivalents | <u>42,867</u> | <u>89,294</u> | <u>132,161</u> |
| Total Cash and Cash Equivalents | <u>\$ 44,844,152</u> | <u>\$ 23,042,604</u> | <u>\$ 67,886,756</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ (1,490,843) | \$ 2,355,524 | \$ 864,681 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 4,909,237 | 3,353,706 | 8,262,943 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in assets: | | | |
| Accounts receivable - utilities, net | (1,003,917) | (361,178) | (1,365,095) |
| Prepaid expenses and other deposits | (2,793,884) | (138) | (2,794,022) |
| (Increase) decrease in liabilities: | | | |
| Accounts payable and accrued expenses | (50,478) | (1,687,186) | (1,737,664) |
| Accrued wages and related payable | 5,735 | 33,656 | 39,391 |
| Customer deposits, deferred revenue and advances | 3,618,825 | (172,403) | 3,446,422 |
| Compensated absences | (29,091) | (5,438) | (34,529) |
| Other post-employment benefits payable | 402,740 | 128,371 | 531,111 |
| Pension liability | <u>(860,312)</u> | <u>(286,693)</u> | <u>(1,147,005)</u> |
| Total adjustments | <u>4,198,855</u> | <u>1,002,697</u> | <u>5,201,552</u> |
| Net cash provided by operating activities | <u>\$ 2,708,012</u> | <u>\$ 3,358,221</u> | <u>\$ 6,066,233</u> |

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

| | Community Facilities Districts Agency Fund |
|---------------------------|--|
| <u>Assets</u> | |
| Cash and Investments | \$ 52,903,704 |
| <u>Liabilities</u> | |
| Due to bondholders | \$ 38,653,609 |
| Due to other agencies | 5,356,673 |
| Due to JCSD | 8,893,422 |
| Total Liabilities | \$ 52,903,704 |

See accompanying notes to the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 is 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 comprised of the following:

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

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the 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.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The funds of the financial reporting entity are described herein.

Governmental Funds

The District reports the following capital project 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.

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. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of statement No. 68, which are effective for the fiscal year 2016-17.

GASB Statement No. 77 – Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, 68 and 73

This statement was issued in March 2016 and addresses issues 1) the presentation of payroll related measurements; 2) the selection of assumptions and the treatment of deviations; and 3) the classification of payments made by employers. The statement is effective for the fiscal year 2016-17.

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 and Administration 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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the net pension obligation resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the difference between actual and expected experience. The deferred outflows related to the net pension obligation will be deferred and amortized as detailed in Note 15 to the financial statements. The District also reports 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.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 are to be used for specified purposes such as servicing debt or construction of plant assets.

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, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to the net pension obligation, results from the difference between the estimated and actual return on pension plan investments, change in actuary assumptions, and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized as detailed in Note 15. The District also reports the deferred gain on refunding in the Wastewater Fund as deferred inflows of resources.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

It is 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.
- **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 constraints remain 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 revenue through June 30 has been accrued at year-end for the enterprise funds.

Capital Contributions

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States 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:

| | Governmental Activities | Business-type Activities | Agency Fund | Total |
|--|----------------------------|-----------------------------|----------------------|-----------------------|
| Cash and cash equivalents | \$ 3,175,935 | \$ 67,754,595 | \$ | \$ 70,930,530 |
| Restricted - cash and cash equivalents | 16,247,163 | 132,161 | | 16,379,324 |
| Restricted - investments (current) | | 3,514,458 | | 3,514,458 |
| Restricted - investments (non-current) | | 61,648,291 | | 61,648,291 |
| Cash and investments | | 11,920,080 | 52,903,704 | 64,823,784 |
| Total | <u>\$ 19,423,098</u> | <u>\$ 144,969,585</u> | <u>\$ 52,903,704</u> | <u>\$ 217,296,387</u> |

Cash and investments, consist of the following:

| | |
|---|-----------------------|
| Cash on hand | \$ 4,235 |
| Deposits held with financial institutions | 28,090,925 |
| Investments | 189,201,227 |
| Total | <u>\$ 217,296,387</u> |

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

| <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 bills and notes | 5 years | 80% | None |
| U.S. Agency obligations | 5 years | 80% | None |
| Supranational securities | 5 years | 30% | None |
| Municipal Obligations | 5 years | 80% | 5% |
| California Local Agency Investment Fund (LAIF) | N/A | 60% | None |
| Riverside County Investment Pool | N/A | 40% | None |
| Money Market Mutual Fund | N/A | 20% | 10% |
| California Asset Management Program | N/A | 50% | None |
| Repurchase Agreement | 7 days | 5% | 5% |
| Bankers' Acceptances | 180 days | 40% | 5% |
| Commercial Paper | 270 days | 25% | 5% |
| Negotiable CDs | 5 years | 30% | 5% |
| Corporate and Depository Institution Debt Securities | 5 years | 30% | 5% |
| Asset Backed Securities | 5 years | 20% | 5% |

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2016 are presented herein.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

| <u>Investments by Fair Value Level</u> | Fair Value | Fair Value Measurements Using | | |
|--|-----------------------|-------------------------------|-----------------------|----------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Overnight Repurchase Agreements Sweep Account | \$ 24,021,834 | \$ | \$ 24,021,834 | \$ |
| US Treasury Notes | 15,627,307 | 15,627,307 | | |
| Supra-National Agency Bond | 1,399,202 | | 1,399,202 | |
| Federal Agency Collateralized Mortgage | 3,403,474 | | 3,403,474 | |
| US Agency Securities | | | | |
| FHLB | 8,741,284 | | 8,741,284 | |
| FHLMC | 1,511,546 | | 1,511,546 | |
| FNMA | 12,539,920 | | 12,539,920 | |
| Tenn. Valley Authority Agency Note | 1,050,527 | | 1,050,527 | |
| Corporate Notes | 14,451,356 | | 14,451,356 | |
| Commercial Paper | 2,141,126 | | 2,141,126 | |
| Certificate of Deposit | 9,993,127 | | 9,993,127 | |
| Held by Bond trustee: | | | | |
| Money Market Deposit Account | 20,917,836 | | 20,917,836 | |
| US Treasury Notes | 9,255,179 | 9,255,179 | | |
| US Agency Securities: | | | | |
| FHLB | 6,313,946 | | 6,313,946 | |
| FNMA | 17,905,157 | | 17,905,157 | |
| FHLMC | 4,867,707 | | 4,867,707 | |
| Total | <u>154,140,528</u> | <u>\$ 24,882,486</u> | <u>\$ 129,258,042</u> | <u>\$ -</u> |
| Investments Measured at Net Asset Value (NAV) | | | | |
| California Asset Management Program (CAMP) | 262,713 | | | |
| Local Agency Investment Fund (LAIF) | 24,596,912 | | | |
| Riverside County Investment Pool | <u>34,222,908</u> | | | |
| Total investments measured at NAV | <u>59,082,533</u> | | | |
| Total Investments at Fair Value | <u>\$ 213,223,061</u> | | | |

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

by LAIF, which are recorded on an amortized cost basis. LAIF is not subject to categorization to indicate the level of custodial credit risk assumed by the District at yearend. LAIF is not registered with the Securities and Exchange Commission.

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 any time 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 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, 2016

NOTE 2: CASH AND INVESTMENTS

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, \$4,752,231 was in excess of federal depository insurance limits and subject to custodial credit risk as described above.

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.

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:

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

| Investment Type | Totals | <i>Remaining Maturity</i> | | |
|---|-----------------------|---------------------------|----------------------|----------------------|
| | | 12 Months Or Less | 13 to 24 Months | 25 to 60 Months |
| Overnight Repurchase Agreements Sweep Account | \$ 24,021,834 | \$ 24,021,834 | \$ | \$ |
| California Asset Management Program (CAMP) | 262,713 | 262,713 | | |
| Local Agency Investment Fund (LAIF) | 24,596,912 | 24,596,912 | | |
| Riverside County Investment Pool | 34,222,908 | 34,222,908 | | |
| US Treasury Notes | 15,627,307 | | 4,836,952 | 10,790,355 |
| Supra-National Agency Bond | 1,399,202 | | | 1,399,202 |
| Federal Agency Collateralized Mortgage | 3,403,474 | | 1,396,470 | 2,007,004 |
| US Agency Securities | | | | |
| FHLB | 8,741,284 | | 6,172,674 | 2,568,610 |
| FHLMC | 1,511,546 | | | 1,511,546 |
| FNMA | 12,539,920 | | 2,433,705 | 10,106,215 |
| Tenn. Valley Authority Agency Note | 1,050,527 | | 1,050,527 | |
| Corporate Notes | 14,451,356 | 1,826,545 | 7,122,746 | 5,502,065 |
| Commercial Paper | 2,141,126 | 2,141,126 | | |
| Certificate of Deposit | 9,993,127 | 3,751,372 | 6,241,755 | |
| Held by Bond trustee: | | | | |
| Money Market Deposit Account | 20,917,836 | 20,917,836 | | |
| US Treasury Notes | 9,255,179 | 677,584 | 683,253 | 7,894,342 |
| US Agency Securities: | | | | |
| FHLB | 6,313,946 | 888,452 | 4,966,272 | 459,222 |
| FNMA | 17,905,157 | | 8,900,828 | 9,004,329 |
| FHLMC | 4,867,707 | 4,745,483 | 122,224 | - |
| Total | <u>\$ 213,223,061</u> | <u>\$ 118,052,765</u> | <u>\$ 43,927,406</u> | <u>\$ 51,242,890</u> |

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.

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. Less than 15 percent of the District's investments are in total Corporate Notes and Certificates of Deposit. Corporate Notes and Certificates of Deposit comprise 6.78 percent and 4.69 percent respectively, of the District's investment portfolio.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS

| Investment Type | Minimum Rating | Totals | Exempt from Disclosure | Rating as of Year End | | | | | Not Rated |
|---|----------------|-----------------------|------------------------|-----------------------|----------------------|---------------------|---------------------|----------------------|---------------|
| | | | | AAA | AA | A | A-1 | | |
| Overnight Repurchase Agreements Sweep Account | N/A | \$ 24,021,834 | \$ | \$ | \$ | \$ | \$ | \$ | \$ 24,021,834 |
| California Asset Management Program (CAMP) | N/A | 262,713 | | | | | | | 262,713 |
| Local Agency Investment Fund (LAIF) | N/A | 24,596,912 | | | | | | | 24,596,912 |
| Riverside County Investment Pool | N/A | 34,222,908 | | | | | | | 34,222,908 |
| US Treasury Notes | N/A | 15,627,307 | 15,627,307 | | | | | | |
| Supra-National Agency Bond | AA | 1,399,202 | | 1,399,202 | | | | | |
| Federal Agency Collateralized Mortgage | N/A | 3,403,474 | 3,403,474 | | | | | | |
| US Agency Securities: | | | | | | | | | |
| FHLB | N/A | 8,741,284 | 8,741,284 | | | | | | |
| FNMA | N/A | 1,511,546 | 1,511,546 | | | | | | |
| FHLMC | N/A | 12,539,920 | 12,539,920 | | | | | | |
| Tenn. Valley Authority Agency Note | N/A | 1,050,527 | 1,050,527 | | | | | | |
| Corporate Notes | A | 14,451,356 | | | 7,446,760 | 7,004,596 | | | |
| Commercial Paper | A-1 | 2,141,126 | | | | | 2,141,126 | | |
| Certificate of Deposit | A | 9,993,127 | | | 3,254,820 | | 6,738,307 | | |
| Held by Bond trustee: | | | | | | | | | |
| Money Market Deposit Account | N/A | 20,917,836 | | 20,917,836 | | | | | |
| US Treasury Notes | N/A | 9,255,179 | 9,255,179 | | | | | | |
| US Agency Securities: | | | | | | | | | |
| FHLB | N/A | 6,313,946 | 6,313,946 | | | | | | |
| FNMA | N/A | 17,905,157 | 17,905,157 | | | | | | |
| FHLMC | N/A | 4,867,707 | 4,867,707 | | | | | | |
| Total | | <u>\$ 213,223,061</u> | <u>\$ 81,216,047</u> | <u>\$ 22,317,038</u> | <u>\$ 10,701,580</u> | <u>\$ 7,004,596</u> | <u>\$ 8,879,433</u> | <u>\$ 83,104,367</u> | |

NOTE 3: ACCOUNTS RECEIVABLE – UTILITIES , NET

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2016:

| Account Description | Water | Wastewater | Total |
|--|---------------------|---------------------|---------------------|
| Accounts receivable - utilities | \$ 4,269,250 | \$ 2,114,839 | \$ 6,384,089 |
| Allowances for uncollectible receivables | - | - | - |
| Accounts receivable - utilities, net | <u>\$ 4,269,250</u> | <u>\$ 2,114,839</u> | <u>\$ 6,384,089</u> |

NOTE 4: INVENTORY, PREPAID EXPENSES AND OTHER ASSETS

| Account Description | Parks | Water | Wastewater | Total |
|---|-----------------|---------------------|------------------|---------------------|
| Water-in-storage inventory | \$ - | \$ 5,157,113 | \$ - | \$ 5,157,113 |
| Prepaid expenses and other deposits | <u>6,079</u> | <u>40,733</u> | <u>13,983</u> | <u>60,795</u> |
| Total Prepaid Expenses and Other Deposits | <u>\$ 6,079</u> | <u>\$ 5,197,846</u> | <u>\$ 13,983</u> | <u>\$ 5,217,908</u> |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: INVESTMENT IN WRCRWA, NET

The District's investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2016 as follows:

| Account Description | Balance | | | Balance | |
|----------------------------|----------------------|--------------------|------------------|----------------------|--|
| | June 30, 2015 | Additions | Deletions | June 30, 2016 | |
| Investment in WRCRWA | \$ 6,015,151 | \$ 55,288 | \$ - | \$ 6,070,439 | |
| Accumulated amortization | (1,553,529) | (141,307) | - | (1,694,836) | |
| Investment in WRCRWA, net | <u>\$ 4,461,622</u> | <u>\$ (86,019)</u> | <u>\$ -</u> | <u>\$ 4,375,603</u> | |

NOTE 6: CAPITAL ASSETS

Governmental Activities

Changes in capital assets for the year were as follows:

| | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|----------------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 25,836,271 | \$ 1,034,100 | \$ - | \$ 26,870,371 |
| Construction in Progress | 9,172,834 | 625,720 | (8,226,229) | 1,572,325 |
| Total Non-Depreciable Assets | <u>35,009,105</u> | <u>1,659,820</u> | <u>(8,226,229)</u> | <u>28,442,696</u> |
| Depreciable assets: | | | | |
| Land improvements | 27,538,525 | 8,226,229 | - | 35,764,754 |
| Structure and equipment | 33,102,258 | 99,658 | (56,449) | 33,145,467 |
| Total Depreciable Assets | <u>60,640,783</u> | <u>8,325,887</u> | <u>(56,449)</u> | <u>68,910,221</u> |
| Accumulated depreciation: | | | | |
| Land improvements | (10,237,350) | (1,463,688) | - | (11,701,038) |
| Structure and equipment | (11,475,661) | (1,691,469) | 12,795 | (13,154,335) |
| Total Accumulated Depreciation | <u>(21,713,011)</u> | <u>(3,155,157)</u> | <u>12,795</u> | <u>(24,855,373)</u> |
| Total Depreciable Assets, Net | <u>38,927,772</u> | <u>5,170,730</u> | <u>(43,654)</u> | <u>44,054,848</u> |
| Total Capital Assets, Net | <u>\$ 73,936,877</u> | <u>\$ 6,830,550</u> | <u>\$ (8,269,883)</u> | <u>\$ 72,497,544</u> |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: CAPITAL ASSETS

Business-Type Activities

Changes in capital assets for the year were as follows:

| | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|---------------------------------------|-----------------------------|----------------------|------------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 5,026,619 | \$ - | \$ - | \$ 5,026,619 |
| Construction in Progress | 93,143,552 | 12,202,918 | (55,580,909) | 49,765,561 |
| Total Non-Depreciable Assets | 98,170,171 | 12,202,918 | (55,580,909) | 54,792,180 |
| Depreciable assets: | | | | |
| Land improvements | 2,377,959 | - | - | 2,377,959 |
| Structure and improvements | 84,343,794 | 20,729,788 | - | 105,073,582 |
| Water transmission and distribution | 105,190,577 | 14,154,383 | - | 119,344,960 |
| Wastewater collection system | 87,045,018 | 38,609,752 | - | 125,654,770 |
| Vehicles and equipment | 12,060,280 | 303,561 | (24,099) | 12,339,742 |
| Total Depreciable Assets | 291,017,628 | 73,797,484 | (24,099) | 364,791,013 |
| Accumulated depreciation: | | | | |
| Land improvements and rights | (1,274,279) | (62,428) | - | (1,336,707) |
| Structure and improvement | (28,310,005) | (2,581,717) | - | (30,891,722) |
| Water transmission and distribution | (31,397,143) | (2,392,399) | - | (33,789,542) |
| Wastewater collection system | (20,753,698) | (2,032,900) | - | (22,786,598) |
| Vehicles and equipment | (5,173,023) | (1,193,499) | - | (6,366,522) |
| Total Accumulated Depreciation | (86,908,148) | (8,262,943) | - | (95,171,091) |
| Total Depreciable Assets, Net | 204,109,480 | 65,534,541 | (24,099) | 269,619,922 |
| Total Capital Assets, Net | \$ 302,279,651 | \$ 77,737,459 | \$ (55,605,008) | \$ 324,412,102 |

NOTE 7: CUSTOMER DEPOSITS, RETENTIONS AND ADVANCES

| Account Description | Parks | Water | Wastewater | Total |
|--|-------------------|----------------------|---------------------|----------------------|
| Customer Deposits | \$ - | \$ 92,041 | \$ 192 | \$ 92,233 |
| Retentions payable | 236,806 | 133,955 | 10,458 | 381,219 |
| Construction advance and deposits | 2,619 | 1,768,067 | 502,350 | 2,273,036 |
| Benefit Area "A" | - | - | 1,246,196 | 1,246,196 |
| Advances payable to Community Facilities Districts | - | 28,016,793 | - | 28,016,793 |
| Total Customer Deposit, | - | 2,999,856 | 1,758,746 | 4,758,602 |
| Retentions and Advances | \$ 239,425 | \$ 30,010,856 | \$ 1,759,196 | \$ 32,009,477 |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: COMPENSATED ABSENCES

Changes in compensated absences were as follows for the year ended June 30, 2016:

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------|----------------------------|-----------------------------|-------------------|
| Compensated absences, beginning | \$ 218,000 | \$ 1,007,932 | \$ 1,225,932 |
| Current year employee earnings | 91,078 | 564,635 | 655,713 |
| Employee vacation time taken | <u>(66,573)</u> | <u>(599,163)</u> | <u>(665,736)</u> |
| Compensated absences, ending | 242,505 | 973,404 | 1,215,909 |
| Less: current portion payable | <u>60,626</u> | <u>243,351</u> | <u>303,977</u> |
| Long-term portion payable | <u>\$ 181,879</u> | <u>\$ 730,053</u> | <u>\$ 911,932</u> |

NOTE 9: LONG-TERM DEBT

Changes in long-term debt were as follows:

| | Balance June 30, 2015 | Additions | Deletions | Balance June 30, 2016 | Amount due within one year |
|--|--------------------------|-------------|-----------------------|--------------------------|-------------------------------|
| Business-type Activities | | | | | |
| Bonds payable: | | | | | |
| 2010 COPs - Series A - Water Fund | \$ 8,180,000 | | \$ (590,000) | \$ 7,590,000 | \$ 615,000 |
| 2010 COPs - Series B - Water Fund | 19,940,000 | | | 19,940,000 | |
| 2010 COPs - Series A - Wastewater Fund | 6,925,000 | | (750,000) | 6,175,000 | 780,000 |
| 2010 COPs - Series B - Wastewater Fund | 27,495,000 | | | 27,495,000 | |
| Plus: premiums on debt issuance | 795,850 | | (32,264) | 763,586 | |
| Less: discounts on debt issuance | <u>(393,245)</u> | | <u>15,942</u> | <u>(377,303)</u> | |
| Total bonds payable | <u>62,942,605</u> | <u>-</u> | <u>(1,356,322)</u> | <u>61,586,283</u> | <u>1,395,000</u> |
| Loans payable: | | | | | |
| State Water Resources Control Board Loan | 428,896 | | (107,224) | 321,672 | 107,224 |
| Economic Development Administration Loan | 175,899 | | (106,876) | 69,023 | |
| Western Municipal Water District Loan | <u>6,941,042</u> | | <u>(278,437)</u> | <u>6,662,605</u> | <u>298,327</u> |
| Total loans payable | <u>7,545,837</u> | <u>-</u> | <u>(492,537)</u> | <u>7,053,300</u> | <u>405,551</u> |
| Total Business-type Activities | <u>\$ 70,488,442</u> | <u>\$ -</u> | <u>\$ (1,848,859)</u> | <u>\$ 68,639,583</u> | <u>\$ 1,800,551</u> |
| Deferred amounts on refunding : | | | | | |
| Business-Type Activities | | | | | |
| Water refunding | <u>\$ (672,490)</u> | <u>\$ -</u> | <u>\$ 27,263</u> | <u>\$ (645,227)</u> | |
| Wastewater refunding | <u>\$ 341,562</u> | <u>\$ -</u> | <u>\$ (13,847)</u> | <u>\$ 327,715</u> | |

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

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 1 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 |
|-------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 615,000 | \$ 323,150 | \$ 938,150 |
| 2018 | 640,000 | 298,050 | 938,050 |
| 2019 | 670,000 | 271,850 | 941,850 |
| 2020 | 445,000 | 249,550 | 694,550 |
| 2021-2025 | 2,265,000 | 958,325 | 3,223,325 |
| 2026-2030 | 1,705,000 | 532,850 | 2,237,850 |
| 2031-2033 | <u>1,250,000</u> | <u>96,000</u> | <u>1,346,000</u> |
| Total | <u>\$ 7,590,000</u> | <u>\$ 2,729,775</u> | <u>\$ 10,319,775</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.

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ - | \$ 1,391,302 | \$ 1,391,302 |
| 2018 | | 1,391,302 | 1,391,302 |
| 2019 | | 1,391,302 | 1,391,302 |
| 2020 | 250,000 | 1,384,806 | 1,634,806 |
| 2021-25 | 1,645,000 | 6,692,488 | 8,337,488 |
| 2026-30 | 3,260,000 | 5,901,799 | 9,161,799 |
| 2031-35 | 5,140,000 | 4,511,431 | 9,651,431 |
| 2036-40 | 7,845,000 | 2,110,672 | 9,955,672 |
| 2041 | 1,800,000 | 64,728 | 1,864,728 |
| Total | <u>\$ 19,940,000</u> | <u>\$ 24,839,830</u> | <u>\$ 44,779,830</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 at least 45 days (but not more than 90 days) before each interest payment date.

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 \$55,099,605. Principal and interest paid for the current year and net revenues were \$2,328,552 and \$10,373,967, respectively.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

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 | |
| 2017 | \$ 780,000 | \$ 240,531 | \$ 1,020,531 | |
| 2018 | 810,000 | 208,731 | 1,018,731 | |
| 2019 | 845,000 | 175,631 | 1,020,631 | |
| 2020 | 535,000 | 148,031 | 683,031 | |
| 2021-25 | 2,415,000 | 401,188 | 2,816,188 | |
| 2026-30 | 460,000 | 132,850 | 592,850 | |
| 2031-33 | <u>330,000</u> | <u>25,053</u> | <u>355,053</u> | |
| Total | <u>\$ 6,175,000</u> | <u>\$ 1,332,015</u> | <u>\$ 7,507,015</u> | |

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ - | \$ 1,870,597 | \$ 1,870,597 |
| 2018 | | 1,870,597 | 1,870,597 |
| 2019 | | 1,870,597 | 1,870,597 |
| 2020 | 340,000 | 1,861,762 | 2,201,762 |
| 2021-25 | 2,520,000 | 8,980,118 | 11,500,118 |
| 2026-30 | 5,620,000 | 7,637,872 | 13,257,872 |
| 2031-35 | 7,280,000 | 5,452,650 | 12,732,650 |
| 2036-40 | 9,550,000 | 2,497,250 | 12,047,250 |
| 2041 | 2,185,000 | 76,475 | 2,261,475 |
| Total | <u>\$ 27,495,000</u> | <u>\$ 32,117,918</u> | <u>\$ 59,612,918</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 due.

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 \$67,119,933.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

Principal and interest paid for the current year and net revenues were \$2,891,728 and \$13,068,433 respectively.

State Water Resources Control Board Loan

In October 1977, 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 |
|-------------------------|------------|-----------|------------|
| 2017 | \$ 107,224 | \$ 21,445 | \$ 128,669 |
| 2018 | 107,224 | 21,445 | 128,669 |
| 2019 | 107,224 | 21,445 | 128,669 |
| Total | \$ 321,672 | \$ 64,335 | \$ 386,007 |

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, 2016 was paid in June 2016. Annual debt service requirements are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------|----------|-----------|
| 2018 | \$ 69,023 | \$ 3,429 | \$ 72,452 |
| Total | \$ 69,023 | \$ 3,429 | \$ 72,452 |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: LONG-TERM DEBT

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 18) 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 3.305 percent as of June 30, 2016. 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 | |
| 2017 | \$ 298,326 | \$ 214,448 | \$ 512,774 | |
| 2018 | 298,326 | 204,588 | 502,914 | |
| 2019 | 318,214 | 194,345 | 512,559 | |
| 2020 | 318,214 | 183,828 | 502,042 | |
| 2021 | 338,102 | 172,928 | 511,030 | |
| 2022-26 | 1,849,618 | 688,040 | 2,537,658 | |
| 2027-31 | 2,227,498 | 350,128 | 2,577,626 | |
| 2032-33 | 1,014,307 | 31,058 | 1,045,365 | |
| Total | <u>\$ 6,662,605</u> | <u>\$ 2,039,363</u> | <u>\$ 8,701,968</u> | |

NOTE 10: POST EMPLOYMENT RETIREMENT BENEFITS

Other Post Employment Benefit 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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 10: POST EMPLOYMENT RETIREMENT BENEFITS

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).
- (3) Lifetime post-employment medical benefits are no longer offered to employees hired after June 1, 2014

Plan Description – Benefits

Membership in the OPEB plan consisted of the following members as of June 30, 2016:

| | |
|---|------------|
| Active plan members | 128 |
| Retirees and beneficiaries receiving benefits | <u>27</u> |
| Total Plan Membership | <u>155</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.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2016, the District's OPEB cost is \$1,011,185. The District's net OPEB obligation amounted to \$4,652,065 for the year ended June 30, 2016. The District contributed \$273,957 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2016, as follows:

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 10: POST EMPLOYMENT RETIREMENT BENEFITS

The balance at June 30 consists of the following:

| | 2016 |
|--|--------------|
| Annual OPEB cost: | |
| Annual required contribution (ARC) | \$ 1,081,831 |
| Interest on net OPEB obligation | 285,000 |
| Adjustment to annual required contribution | (355,646) |
| Total annual OPEB cost | 1,011,185 |
| Change in net OPEB obligation: | |
| Contributions | (273,957) |
| Total change in Net OPEB obligation | 737,228 |
| Net OPEB obligation - beginning of year | 3,914,837 |
| Net OPEB obligation - end of year | \$ 4,652,065 |

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 2016 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 |
|-------------------------|------------------------|---------------|---|-----------------------------------|
| 2016 | \$ 1,011,185 | \$ 273,957 | 27.09% | \$ 4,652,065 |
| 2015 | 745,370 | 170,092 | 22.82% | 3,914,837 |
| 2014 | 754,205 | 143,883 | 19.08% | 3,339,559 |

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 |
|--------------------------------|---------------------------------|-------------------------------------|---|-----------------|------------------------------|------------------------------|
| 6/30/2015 | \$ 2,324,679 | \$ 8,277,432 | \$ 5,952,753 | 28.08% | \$ 9,402,000 | 63% |

The most recent valuation (dated June 30, 2015) includes an Actuarial Accrued Liability of \$8,277,432 and an Unfunded Actuarial Accrued Liability of \$5,952,753. The Actuarial Value of Plan Assets was \$2,324,679.

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 10: POST EMPLOYMENT RETIREMENT BENEFITS

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, 2015 |
| Actuarial cost method | Projected Unit Credit cost method |
| Amortization method | Level-dollar amortization method on a closed basis |
| Remaining amortization period | 23 Years as of the value date |
| Actuarial assumptions: | |
| Interest discount | 7.28% |
| Projected healthcare trend increase | 6.25% |

NOTE 11: NET INVESTMENT IN CAPITAL ASSETS

| The balance consists of the following: | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Capital assets - not being depreciated | \$ 28,442,697 | \$ 54,792,180 | \$ 83,234,877 |
| Capital assets - being depreciated, net | 44,054,848 | 269,619,923 | 313,674,771 |
| Water fund - unspent debt proceeds | | | - |
| Wastewater fund - unspent debt proceeds | | | - |
| Long-term debt - current portion | | (1,800,550) | (1,800,550) |
| Long-term debt - long-term portion | | (66,521,521) | (66,521,521) |
| | <u>\$ 72,497,545</u> | <u>\$ 256,090,032</u> | <u>\$ 328,587,577</u> |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 12: RESTRICTED NET POSITION

| | Governmental | Business-type | |
|---|----------------------|----------------------|----------------------|
| The balance consists of the following: | Activities | Activities | Total |
| Eastvale parks | \$ 19,279,791 | \$ | \$ 19,279,791 |
| Graffiti abatement | 459,466 | | 459,466 |
| Illumination District No. 2 | 277,262 | | 277,262 |
| Landscape and Lighting | 2,334,636 | | 2,334,636 |
| Water fund - debt service reserves | | 2,859,004 | 2,859,004 |
| Water fund - capital facility fees | | 30,859,750 | 30,859,750 |
| Wastewater fund - debt service reserves | | 3,473,730 | 3,473,730 |
| Wastewater fund - capital facility fees | | 21,746,304 | 21,746,304 |
| | <u>\$ 22,351,155</u> | <u>\$ 58,938,788</u> | <u>\$ 81,289,943</u> |

NOTE 13: UNRESTRICTED NET POSITION

| | Governmental | Business-type |
|--|--------------|----------------------|
| The balance consists of the following: | Activities | Activities |
| Prepaid expenses and other prepaid assets | \$ | \$ 5,211,829 |
| Water operations and capital replacement | | 28,163,722 |
| Wastewater operations and capital replacements | | 28,766,407 |
| | <u>\$ -</u> | <u>\$ 62,141,958</u> |

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, 2016 was \$2,025,461 and \$615,271 respectively.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 14: DEFERRED COMPENSATION SAVINGS PLAN

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.

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

The District participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the District. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the District in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of June 30, 2016, the District’s proportionate share of the net pension liability, deferred inflow of resources, deferred outflow of resources and proportionate share of pension expense is as shown herein.

| Pension Plan | Proportionate Share of Net Pension Liability | Deferred Outflow of Resources | Deferred Inflow of Resources | Proportionate Share of Pension Expense |
|--------------|--|-------------------------------------|------------------------------------|--|
| CalPERS | <u>\$ 6,624,931</u> | <u>\$ 5,983,572</u> | <u>\$ 1,739,250</u> | <u>\$ 634,349</u> |

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan in comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The District sponsors two Miscellaneous Risk Pool plans; however, the information presented below represents the sum of the allocated pension amounts for each of the District’s respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired by the district, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2016, are summarized herein.

| | Miscellaneous Risk Pool | |
|-------------------------------------|-------------------------|--------------------|
| | First Tier Plan | PEPRA Misc. Plan |
| | On or Before | On or After |
| Hire date | 12/31/2012 | 1/1/2013 |
| Benefit formula | 2.7% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of services | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Required employee contribution rate | 8.000% | 6.250% |
| Required employer contribution rate | 10.003% | 6.237% |

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$2,090,055.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016 the District reported net pension liabilities for its proportionate share of Miscellaneous Risk Pool net pension liability totaling \$6,624,931. The net pension liability was measured as of June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District’s proportion was 0.09652%.

For the year ended June 30, 2016, the District recognized pension expense of \$634,349. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contribution subsequent to measurement date | \$ 2,090,055 | \$ - |
| Adjustment due to differences in experience | 111,366 | |
| Net differences between projected and actual earnings on plan investments | | 528,117 |
| Effect of changes in assumption about future economic and demographic factors | | 1,053,470 |
| Adjustment due to differences in proportions | 2,055,737 | 157,663 |
| Differences between contributions and proportionate share of contributions | 1,726,414 | |
| | <u>\$ 5,983,572</u> | <u>\$ 1,739,250</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis. All other deferred inflows or resources and deferred outflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the Miscellaneous Plan for the June 30, 2015 measurement date is 3.8 years.

The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.8 years.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as shown herein.

| Year Ended June 30, | <u>Amortization</u> |
|------------------------|---------------------|
| 2017 | \$ 639,033 |
| 2018 | 653,279 |
| 2019 | 186,894 |
| 2020 | <u>675,061</u> |
| | <u>\$ 2,154,267</u> |

Actuarial Methods and Assumptions

Total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2014 |
| Measurement date | June 30, 2015 |
| Experience study | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.65% |
| Investment rate of return | 7.50% |
| Consumer price inflation | 2.75% |
| Wage growth | Varies by entry age and service |

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of long-term expected real rate of return by asset class are summarized herein.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------------|---------------------------------|---|
| Global equity | 51.00% | 5.25% |
| Global debt securities | 19.00% | 0.99% |
| Private equity | 10.00% | 6.83% |
| Real Estate | 10.00% | 4.50% |
| Inflation sensitive | 6.00% | 0.45% |
| Infrastructure and Forestland | 2.00% | 4.50% |
| Liquidity | 2.00% | -0.55% |

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 15: PENSION PLAN – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS)

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decreases (6.65%) | \$ 11,110,472 |
| Current discount rate (7.65%) | \$ 6,624,931 |
| 1% increase (8.65%) | \$ 2,921,596 |

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 17: JOINT VENTURE

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 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, 2016 is reported in the accompanying financial statements at \$4,375,603.

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.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 17: JOINT VENTURE

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 forty-eight 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.

As of June 30, 2016, thirty-four of the Community Facilities Districts have issued debt with an original aggregate principal amount payable of \$329,580,000. The amount outstanding as of June 30, 2016 is \$309,230,000.

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 the community services districts held as of June 30, 2016 was \$28,016,793 in the Water Fund and \$-0 in the Wastewater Fund.

NOTE 19: COMMITMENTS AND CONTINGENCIES

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 with 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 \$16,297,312 of open construction contracts as of June 30, 2016.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 19: COMMITMENTS AND CONTINGENCIES

Litigation

There are 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 SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS
June 30, 2016**

| 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 |
|--------------------------------|---------------------------------|-------------------------------------|---|-----------------|------------------------------|------------------------------|
| 6/30/2015 | \$ 2,324,679 | \$ 8,277,432 | \$ 5,952,753 | 28.0% | \$ 9,402,000 | 63% |
| 6/30/2013 | 1,968,400 | 5,461,512 | 3,493,112 | 36.0% | N/A | N/A |
| 6/30/2011 | 1,763,031 | 4,829,344 | 3,066,313 | 36.5% | 7,282,000 | 42.11% |

See the accompanying notes to the required supplementary information.

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2016**

| | <u>2015</u> | <u>2016</u> |
|---|--------------|--------------|
| District's proportion of the net pension liability (assets) | 0.093098% | 0.096520% |
| District's proportionate share of the net pension liability (asset) | \$ 5,793,320 | \$ 6,624,931 |
| District's covered-employee payroll | \$ 8,409,453 | \$ 8,375,274 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 68.89% | 79.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.88% | 81.15% |

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

See the accompanying notes to the required supplementary information.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Fiscal Year Ended June 30, 2016

| | 2015 | 2016 |
|--|------------------|------------------|
| Contractually required contribution \$ - | \$ 1,500,900 | \$ 2,433,461 |
| Contributions in relation to the contractually required contribution | <u>1,500,900</u> | <u>2,433,461</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 7,586,241 | \$ 8,409,453 |
| Contributions as a percentage of covered employee payroll | 19.78% | 28.94% |

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

See the accompanying notes to the required supplementary information.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits Funding Progress

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

Schedule of District's Proportionate Share of the Net Pension Liability

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedule of District Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Year Ended June 30, 2016

| | Balance <u>June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2016</u> |
|-----------------------|---------------------------------|----------------------|-------------------------|---------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 120,957,637 | \$ 38,067,577 | \$ (106,121,510) | \$ 52,903,704 |
| LIABILITIES | | | | |
| Due to bondholders | 109,398,117 | 30,409,730 | (101,154,238) | 38,653,609 |
| Due to other agencies | 4,834,965 | 3,556,085 | (3,034,377) | 5,356,673 |
| Due to JCSD | 6,724,555 | 4,101,762 | (1,932,895) | 8,893,422 |
| | <u>\$ 120,957,637</u> | <u>\$ 38,067,577</u> | <u>\$ (106,121,510)</u> | <u>\$ 52,903,704</u> |

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF RESERVE FOR ENTERPRISE FUNDS CAPITAL FACILITY FEES
June 30, 2016**

| | Water Fund | Wastewater Fund | Total |
|------------------------------------|---------------|--------------------|---------------|
| Reserve for Capital Facility Fees: | | | |
| Balance - beginning of year | \$ 25,988,020 | \$ 35,186,142 | \$ 61,174,162 |
| Capital contributions: | | | |
| Facility Fees | 7,143,570 | 4,571,028 | 11,714,598 |
| Total Contributions | 7,143,570 | 4,571,028 | 11,714,598 |
| Construction costs | 2,271,840 | 18,010,866 | 20,282,706 |
| Total Expenses | 2,271,840 | 18,010,866 | 20,282,706 |
| Balance - end of year | \$ 30,859,750 | \$ 21,746,304 | \$ 52,606,054 |

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF COMMUNITY FACILITIES DISTRICTS
OUTSTANDING DEBT**

June 30, 2016

| CFD No. | Bonds Issued | Rating | Outstanding | Yield on the Bonds | Issued | Final Maturity |
|----------|----------------------|-----------|----------------------|-----------------------|----------|----------------|
| CFD # 1 | \$ 24,710,000 | Not Rated | \$ 17,310,000 | 4.76738 | Aug-2010 | Sep-2024 |
| CFD # 2 | 13,805,000 | Not Rated | 13,515,000 | 3.43880 | Aug-2014 | Sep-2032 |
| CFD # 3 | 9,240,000 | Not Rated | 7,900,000 | 4.76738 | Aug-2010 | Sep-2033 |
| CFD # 4 | 12,650,000 | Not Rated | 11,925,000 | 4.97990 | Jul-2013 | Sep-2034 |
| CFD # 5 | 3,135,000 | Not Rated | 2,645,000 | 4.76738 | Aug-2010 | Sep-2032 |
| CFD # 6 | 3,560,000 | Not Rated | 3,005,000 | 4.76738 | Aug-2010 | Sep-2032 |
| CFD # 7 | 7,925,000 | Not Rated | 7,700,000 | 3.43880 | Aug-2014 | Sep-2035 |
| CFD # 10 | 6,690,000 | Not Rated | 5,715,000 | 4.76738 | Aug-2010 | Sep-2033 |
| CFD # 11 | 9,110,000 | Not Rated | 8,860,000 | 3.43880 | Aug-2014 | Sep-2035 |
| CFD # 12 | 10,895,000 | Not Rated | 10,590,000 | 3.43880 | Aug-2014 | Sep-2035 |
| CFD # 14 | 13,115,000 | Not Rated | 11,670,000 | 4.76738 | Aug-2010 | Sep-2037 |
| CFD # 14 | 2,035,000 | Not Rated | 2,025,000 | 5.22440 | Jun-2013 | Sep-2041 |
| CFD # 15 | 8,405,000 | Not Rated | 8,150,000 | 4.97990 | Jul-2013 | Sep-2042 |
| CFD # 16 | 6,570,000 | Not Rated | 6,370,000 | 3.43880 | Aug-2014 | Sep-2034 |
| CFD # 17 | 13,985,000 | Not Rated | 13,635,000 | 3.43880 | Aug-2014 | Sep-2036 |
| CFD # 18 | 12,825,000 | Not Rated | 12,825,000 | 3.59870 | Nov-2006 | Sep-2036 |
| CFD # 19 | 18,915,000 | Not Rated | 18,915,000 | 3.59870 | Jun-2015 | Sep-2036 |
| CFD # 21 | 7,775,000 | Not Rated | 7,580,000 | 3.43880 | Aug-2014 | Sep-2036 |
| CFD # 22 | 3,205,000 | Not Rated | 3,205,000 | 3.59870 | Jun-2015 | Sep-2043 |
| CFD # 23 | 4,920,000 | Not Rated | 4,625,000 | 4.75572 | Jun-2012 | Sep-2042 |
| CFD # 24 | 11,990,000 | Not Rated | 10,915,000 | 4.76738 | Aug-2010 | Sep-2040 |
| CFD # 25 | 11,945,000 | Not Rated | 11,710,000 | 3.43880 | Aug-2014 | Sep-2042 |
| CFD # 26 | 4,810,000 | Not Rated | 4,810,000 | 3.79900 | May-2015 | Sep-2044 |
| CFD # 27 | 7,885,000 | Not Rated | 7,725,000 | 4.75212 | Mar-2014 | Sep-2043 |
| CFD # 28 | 6,145,000 | Not Rated | 6,020,000 | 4.60219 | Mar-2014 | Sep-2043 |
| CFD # 29 | 13,945,000 | Not Rated | 12,830,000 | 4.76738 | Aug-2010 | Sep-2040 |
| CFD # 30 | 6,015,000 | Not Rated | 5,875,000 | 3.43880 | Aug-2014 | Sep-2037 |
| CFD # 31 | 12,095,000 | Not Rated | 11,185,000 | 4.22977 | Mar-2013 | Sep-2042 |
| CFD # 32 | 2,980,000 | Not Rated | 2,905,000 | 3.43880 | Aug-2014 | Sep-2036 |
| CFD # 33 | 15,865,000 | Not Rated | 15,540,000 | 4.16030 | Jul-2014 | Sep-2043 |
| CFD # 34 | 7,150,000 | Not Rated | 6,895,000 | 4.97990 | Jul-2013 | Sep-2040 |
| CFD # 35 | 4,005,000 | Not Rated | 3,645,000 | 4.37794 | Nov-2012 | Sep-2042 |
| CFD # 38 | 6,025,000 | Not Rated | 5,930,000 | 3.43880 | Aug-2014 | Sep-2042 |
| CFD # 38 | 4,935,000 | Not Rated | 4,760,000 | 4.97990 | Jul-2013 | Sep-2040 |
| CFD # 39 | 10,740,000 | Not Rated | 10,740,000 | 3.59870 | Jun-2015 | Sep-2042 |
| CFD # 42 | 2,115,000 | Not Rated | 2,115,000 | 3.84259 | Dec-2014 | Sep-2044 |
| CFD # 43 | 7,465,000 | Not Rated | 7,465,000 | 2.94374 | Jun-2016 | Sep-2045 |
| Total | <u>\$329,580,000</u> | | <u>\$309,230,000</u> | | | |

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF COMMUNITY FACILITIES DISTRICTS
CASH AND INVESTMENT BALANCES
June 30, 2016

| CFD No. | Location | Balance |
|----------------------|---------------|----------------------|
| CFD # 1 | Mira Loma | \$ 1,815,462 |
| CFD # 2 | Eastvale Area | 212,942 |
| CFD # 3 | Eastvale Area | 169,824 |
| CFD # 4 | Eastvale Area | 231,686 |
| CFD # 5 | Eastvale Area | 84,914 |
| CFD # 6 | Eastvale Area | 72,625 |
| CFD # 7 | Eastvale Area | 159,765 |
| CFD # 10 | Eastvale Area | 136,632 |
| CFD # 11 | Eastvale Area | 172,835 |
| CFD # 12 | Eastvale Area | 197,997 |
| CFD # 14 | Eastvale Area | 484,294 |
| CFD # 15 | Eastvale Area | 96,534 |
| CFD # 16 | Eastvale Area | 1,683,759 |
| CFD # 17 | Eastvale Area | 240,166 |
| CFD # 18 | Eastvale Area | 108,553 |
| CFD # 19 | Eastvale Area | 139,956 |
| CFD # 21 | Eastvale Area | 131,603 |
| CFD # 22 | Eastvale Area | 325,586 |
| CFD # 23 | Eastvale Area | 946,596 |
| CFD # 24 | Eastvale Area | 117,110 |
| CFD # 25 | Eastvale Area | 9,413,127 |
| CFD # 26 | Eastvale Area | 361,533 |
| CFD # 27 | Eastvale Area | 1,653,771 |
| CFD # 28 | Eastvale Area | 492,073 |
| CFD # 29 | Eastvale Area | 393,125 |
| CFD # 30 | Eastvale Area | 220,075 |
| CFD # 31 | Eastvale Area | 1,266,736 |
| CFD # 32 | Eastvale Area | 77,321 |
| CFD # 33 | Eastvale Area | 2,007,372 |
| CFD # 34 | Eastvale Area | 101,491 |
| CFD # 35 | Eastvale Area | 301,333 |
| CFD # 38 | Eastvale Area | 148,165 |
| CFD # 39 | Eastvale Area | 30,160 |
| CFD # 42 | Eastvale Area | 995,883 |
| CFD # 43 | Eastvale Area | 8,233,462 |
| JPFA Refunding 2010 | Eastvale Area | 4,855,041 |
| JPFA Refunding 2013 | Eastvale Area | 2,518,006 |
| JPFA Refunding 2014 | Eastvale Area | 7,302,842 |
| JPFA Refunding 2015A | Eastvale Area | 3,479,424 |
| JPFA Refunding 2015B | Eastvale Area | 1,523,925 |
| | | <u>\$ 52,903,704</u> |

JURUPA COMMUNITY SERVICES DISTRICT

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

June 30, 2016

| Water | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|---------------------------------------|-----------------------------|----------------------|------------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 4,758,779 | \$ | \$ | \$ 4,758,779 |
| Construction in Progress | 52,282,140 | 5,457,856 | (17,941,015) | 39,798,981 |
| Total Non-Depreciable Assets | <u>57,040,919</u> | <u>5,457,856</u> | <u>(17,941,015)</u> | <u>44,557,760</u> |
| Depreciable assets: | | | | |
| Land improvements | 2,253,630 | | | 2,253,630 |
| Structure and equipment | 46,935,868 | 5,729,788 | | 52,665,656 |
| Water transmission and distribution | 105,190,577 | 14,154,383 | | 119,344,960 |
| Vehicles and equipment | 10,066,810 | 191,590 | (24,099) | 10,234,301 |
| Total Depreciable Assets | <u>164,446,885</u> | <u>20,075,761</u> | <u>(24,099)</u> | <u>184,498,547</u> |
| Accumulated depreciation: | | | | |
| Land improvements | (1,212,619) | (58,024) | | (1,270,643) |
| Structure and equipment | (9,568,919) | (1,552,769) | | (11,121,688) |
| Water transmission and distribution | (31,397,143) | (2,392,399) | | (33,789,542) |
| Vehicles and equipment | (4,329,590) | (906,045) | - | (5,235,635) |
| Total Accumulated Depreciation | <u>(46,508,271)</u> | <u>(4,909,237)</u> | <u>-</u> | <u>(51,417,508)</u> |
| Total Depreciable Assets, Net | <u>117,938,614</u> | <u>15,166,524</u> | <u>(24,099)</u> | <u>133,081,039</u> |
| Total Capital Assets, Net | <u>\$ 174,979,533</u> | <u>\$ 20,624,380</u> | <u>\$ (17,965,114)</u> | <u>\$ 177,638,799</u> |

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF CHANGES OF CAPITAL ASSETS FOR
ENTERPRISE FUNDS - WASTEWATER
June 30, 2016**

| Wastewater | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|--------------------------------|-----------------------------|----------------------|------------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 267,840 | \$ | \$ | \$ 267,840 |
| Construction in Progress | <u>40,861,412</u> | <u>6,745,062</u> | <u>(37,639,894)</u> | <u>9,966,580</u> |
| Total Non-Depreciable Assets | <u>41,129,252</u> | <u>6,745,062</u> | <u>(37,639,894)</u> | <u>10,234,420</u> |
| Depreciable assets: | | | | |
| Land improvements | 124,329 | | | 124,329 |
| Structure and improvements | 37,407,925 | 15,000,000 | | 52,407,925 |
| Wastewater collection system | 87,045,017 | 38,609,752 | | 125,654,769 |
| Vehicles and equipment | <u>1,993,470</u> | <u>111,971</u> | <u>-</u> | <u>2,105,441</u> |
| Total Depreciable Assets | <u>126,570,741</u> | <u>53,721,723</u> | <u>-</u> | <u>180,292,464</u> |
| Accumulated depreciation: | | | | |
| Land improvements | (61,659) | (4,404) | | (66,063) |
| Structure and improvements | (18,741,086) | (1,028,948) | | (19,770,034) |
| Wastewater collection system | (20,753,698) | (2,032,900) | | (22,786,598) |
| Vehicles and equipment | <u>(843,433)</u> | <u>(287,454)</u> | <u>-</u> | <u>(1,130,887)</u> |
| Total Accumulated Depreciation | <u>(40,399,876)</u> | <u>(3,353,706)</u> | <u>-</u> | <u>(43,753,582)</u> |
| Total Depreciable Assets, Net | <u>86,170,865</u> | <u>50,368,017</u> | <u>-</u> | <u>136,538,882</u> |
| Total Capital Assets, Net | <u>\$ 127,300,117</u> | <u>\$ 57,113,079</u> | <u>\$ (37,639,894)</u> | <u>\$ 146,773,302</u> |

REPORT ON COMPLIANCE AND INTERNAL CONTROLS

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

District Board of Directors
Jurupa Community Services District
Jurupa Valley, California

We have audited, 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, the financial statements of the governmental activities the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Jurupa Community Services District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2016.

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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 10, 2016

JURUPA COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

There were no findings related to the basic financial statements for the year ended June 30, 2016.

JURUPA COMMUNITY SERVICES DISTRICT

STATUS OF PRIOR YEAR FINDINGS

June 30, 2016

There were no findings related to the basic financial statements for the year ended June 30, 2015.