



Jurupa Community Services District
Mira Loma, California

Annual Financial Report

For the Year Ended June 30, 2009



JURUPA COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2009

Elected Officials

BOARD OF DIRECTORS

President	Kathryn Bogart
Vice-President	Betty A. Anderson
Director	Jane F. Anderson
Director	R.M. "Cook" Barela
Director	Ken J. McLaughlin

Appointed Official

General Manager	Eldon E. Horst
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**Jurupa Community Services District
11201 Harrel Street
Mira Loma, California 91752
(951) 685-7434 www.jcsd.us**



Jurupa Community Services District
Annual Financial Report
For the Year Ended June 30, 2009

**Jurupa Community Services District
Annual Financial Report
For the Year Ended June 30, 2009**

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Financial Section



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Independent Auditor's Report

Board of Directors
Jurupa Community Services District
Mira Loma, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jurupa Community Services District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jurupa Community Services District as of June 30, 2009, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the required supplemental information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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**Jurupa Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Jurupa Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- Net assets increased 9.03% or \$24,588,597 to \$296,943,890 as a result of this year's operations.
- Total revenues increased 32.55% or \$16,115,152 due primarily to a \$6,979,943 increase in charges for services and a \$10,725,965 increase in facility fees from 2008.
- Total expenses increased by 15.13% or \$6,206,411 due primarily to an increase in the Eastvale Parks fund expenses of \$2,235,308, a increase in the water fund expenses of \$2,771,496 and an increase in wastewater fund expenses of \$902,832.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Assets and Statement of Activities

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

These two statements report the District's *net assets* and changes in them. Think of the District's net assets – 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 assets 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.

**Jurupa Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Fund Financial Statements

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

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

Because 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*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 41.

Government-wide Financial Analysis

Statement of Net Assets

The following table is a summary of the statement of net assets at June 30, 2009.

Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 13,527,497	8,660,446	107,050,146	100,345,683	120,577,643	109,006,129
Non-current assets	-	-	3,701,943	3,600,843	3,701,943	3,600,843
Capital assets, net	32,050,730	25,144,524	190,549,588	180,615,942	222,600,318	205,760,466
Total assets	45,578,227	33,804,970	301,301,677	284,562,468	346,879,904	318,367,438
Liabilities:						
Current liabilities	440,341	22,741	23,030,585	18,639,139	23,470,926	18,661,880
Non-current liabilities	27,797	13,903	26,437,291	27,336,362	26,465,088	27,350,265
Total liabilities	468,138	36,644	49,467,876	45,975,501	49,936,014	46,012,145
Net assets:						
Net investment in capital assets	32,050,730	25,144,524	163,559,227	153,048,949	195,609,957	178,193,473
Restricted	2,018,797	3,781,759	52,975,642	51,318,996	54,994,439	55,100,755
Unrestricted	11,040,562	4,842,043	35,298,932	34,219,022	46,339,494	39,061,065
Total net assets	\$ 45,110,089	33,768,326	251,833,801	238,586,967	296,943,890	272,355,293

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$296,943,890 as of June 30, 2009. Compared to prior year, net assets of the District increased 9.03% or \$24,588,597. The District's net assets are made-up of three components: (1) net investment in capital assets, (2) restricted net assets and (3) unrestricted net assets.

**Jurupa Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Statement of Activities

The following table is a summary of the statement of activities for the year ended June 30, 2009.

Condensed Statement of Activities						
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 7,782,433	6,022,954	28,586,211	23,365,747	36,368,644	29,388,701
Capital grants and contributions	10,179,322	6,618,222	13,797,736	6,632,871	23,977,058	13,251,093
General revenues:						
Property taxes	233,862	114,975	2,363,064	2,827,891	2,596,926	2,942,866
Interest earnings	223,684	323,736	2,247,142	3,584,723	2,470,826	3,908,459
Other	2,353	-	202,994	12,530	205,347	12,530
Transfers	47,045	-	(47,045)	-	-	-
Total revenues	<u>18,468,699</u>	<u>13,079,887</u>	<u>47,150,102</u>	<u>36,423,762</u>	<u>65,618,801</u>	<u>49,503,649</u>
Expenses:						
Eastvale parks	5,618,035	3,382,727	-	-	5,618,035	3,382,727
Graffiti abatement	182,666	104,269	-	-	182,666	104,269
Illumination District No. 2	314,160	257,887	-	-	314,160	257,887
Landscape and lighting	1,012,075	849,970	-	-	1,012,075	849,970
Water	-	-	22,131,002	19,359,506	22,131,002	19,359,506
Wastewater	-	-	11,772,266	10,869,434	11,772,266	10,869,434
Total expenses	<u>7,126,936</u>	<u>4,594,853</u>	<u>33,903,268</u>	<u>30,228,940</u>	<u>41,030,204</u>	<u>34,823,793</u>
Change in net assets	<u>11,341,763</u>	<u>8,485,034</u>	<u>13,246,834</u>	<u>6,194,822</u>	<u>24,588,597</u>	<u>14,679,856</u>
Net assets, beginning of year	<u>33,768,326</u>	<u>25,283,292</u>	<u>238,586,967</u>	<u>232,392,145</u>	<u>272,355,293</u>	<u>257,675,437</u>
Net assets, end of year	<u>\$ 45,110,089</u>	<u>33,768,326</u>	<u>251,833,801</u>	<u>238,586,967</u>	<u>296,943,890</u>	<u>272,355,293</u>

Government and business-type activities increased the District's net assets by \$24,588,597 thereby accounting for the 9.03% increase in the net assets of the District.

The District's total revenues increased 32.55% or \$16,115,152 due primarily to a \$6,979,943 increase in charges for services and a \$10,725,965 increase in facility fees from 2008.

The District's total expenses increased by 15.13% or \$6,206,411 due primarily to an increase in the Eastvale Parks fund expenses of \$2,235,308, a increase in the water fund expenses of \$2,771,496 and an increase in wastewater fund expenses of \$902,832.

Capital Asset Administration

Capital Assets						
	Governmental Activities		Business-type Activities		Total District	
	2009	2008	2009	2008	2009	2008
Capital assets:						
Non-depreciable assets	\$ 9,112,108	9,625,324	23,994,794	24,040,552	33,106,902	33,665,876
Depreciable assets	<u>26,725,635</u>	<u>17,741,903</u>	<u>216,104,196</u>	<u>201,259,052</u>	<u>242,829,831</u>	<u>219,000,955</u>
Total capital assets	35,837,743	27,367,227	240,098,990	225,299,604	275,936,733	252,666,831
Accumulated depreciation	<u>(3,787,013)</u>	<u>(2,222,703)</u>	<u>(49,549,402)</u>	<u>(44,683,662)</u>	<u>(53,336,415)</u>	<u>(46,906,365)</u>
Total capital assets, net	<u>\$ 32,050,730</u>	<u>25,144,524</u>	<u>190,549,588</u>	<u>180,615,942</u>	<u>222,600,318</u>	<u>205,760,466</u>

At the end of fiscal year 2009, the District's investment in capital assets amounted to \$222,600,318 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems and construction-in-process. The capital assets of the District are more fully analyzed in Note 7 to the basic financial statements.

**Jurupa Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Long-Term Debt Administration

	Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Long-term debt:						
Long-term debt	\$ -	-	26,990,361	27,973,773	26,990,361	27,973,773

Long-term debt decreased due to regular debt payments. The long-term debt position of the District is more fully analyzed in Note 10 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net assets or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Director of Finance at 11201 Harrel Street Mira Loma, California 91752 or (951) 685-7434.

Basic Financial Statements

Jurupa Community Services District
Statement of Net Assets
June 30, 2009

<i>Assets</i>	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents (note 2)	\$ 9,858,065	46,281,245	56,139,310
Restricted – cash and cash equivalents (note 2)	2,018,797	35,946,892	37,965,689
Restricted – investments (note 2)	-	17,028,750	17,028,750
Accrued interest receivable	36,902	236,157	273,059
Accounts receivable – utilities, net (note 3)	-	4,117,486	4,117,486
Accounts receivable – governmental agencies	-	1,069,851	1,069,851
Accounts receivable – developers and others	880	693,103	693,983
Property taxes and assessments receivable	1,591,227	255,677	1,846,904
Prepaid expenses and other assets (note 4)	21,626	1,420,985	1,442,611
Total current assets	<u>13,527,497</u>	<u>107,050,146</u>	<u>120,577,643</u>
Non-current assets:			
Investment in WRCRWA, net (note 5)	-	3,315,286	3,315,286
Deferred charges, net (note 6)	-	386,657	386,657
Capital assets – not being depreciated (note 7)	9,112,108	23,994,794	33,106,902
Capital assets – being depreciated, net (note 7)	22,938,622	166,554,794	189,493,416
Total non-current assets	<u>32,050,730</u>	<u>194,251,531</u>	<u>226,302,261</u>
Total assets	<u>45,578,227</u>	<u>301,301,677</u>	<u>346,879,904</u>
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable and accrued expenses	256,762	6,573,010	6,829,772
Accrued wages and related payables	20,748	114,990	135,738
Customer deposits, deferred revenue and advances (note 8)	13,767	13,938,868	13,952,635
Accrued interest on long-term debt	-	292,871	292,871
Long-term liabilities – due within one year:			
Compensated absences (note 9)	9,266	140,938	150,204
Long-term debt (note 10)	-	975,885	975,885
Total current liabilities	<u>300,543</u>	<u>22,036,562</u>	<u>22,337,105</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 9)	27,797	422,815	450,612
Other post-employment benefits payable (note 11)	139,798	994,023	1,133,821
Long-term debt (note 10)	-	26,014,476	26,014,476
Total non-current liabilities	<u>167,595</u>	<u>27,431,314</u>	<u>27,598,909</u>
Total liabilities	<u>468,138</u>	<u>49,467,876</u>	<u>49,936,014</u>
Net assets:			
Net investment in capital assets (note 12)	32,050,730	163,559,227	195,609,957
Restricted (note 13)	2,018,797	52,975,642	54,994,439
Unrestricted (note 14)	11,040,562	35,298,932	46,339,494
Total net assets	<u>\$ 45,110,089</u>	<u>251,833,801</u>	<u>296,943,890</u>

See accompanying notes to the basic financial statements

**Jurupa Community Services District
Statement of Activities
For the Year Ended June 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
Eastvale parks	\$ 5,618,035	6,063,254	10,137,831	10,583,050	-	10,583,050
Graffiti abatement	182,666	183,835	-	1,169	-	1,169
Illumination District No. 2	314,160	197,203	-	(116,957)	-	(116,957)
Landscape and lighting	1,012,075	1,338,141	41,491	367,557	-	367,557
Total governmental	7,126,936	7,782,433	10,179,322	10,834,819	-	10,834,819
Business-type activities:						
Water	22,131,002	20,298,430	7,472,267	-	5,639,695	5,639,695
Wastewater	11,772,266	8,287,781	6,325,469	-	2,840,984	2,840,984
Total business-type	33,903,268	28,586,211	13,797,736	-	8,480,679	8,480,679
Total	\$ 41,030,204	36,368,644	23,977,058	10,834,819	8,480,679	19,315,498
General revenues:						
Property taxes				\$ 233,862	2,363,064	2,596,926
Interest earnings				223,684	2,247,142	2,470,826
Other				2,353	202,994	205,347
Transfers				47,045	(47,045)	-
Total general revenues				506,944	4,766,155	5,273,099
Change in net assets				11,341,763	13,246,834	24,588,597
Net assets, beginning of year				33,768,326	238,586,967	272,355,293
Net assets, end of year				\$ 45,110,089	251,833,801	296,943,890

See accompanying notes to the basic financial statements

Jurupa Community Services District
Balance Sheets – Governmental Funds
June 30, 2009

	<u>Eastvale Parks</u>	<u>Graffiti Abatement</u>	<u>Illumination District No. 2</u>	<u>Landscape and Lighting</u>	<u>Total Governmental Activities</u>
Assets:					
Cash and cash equivalents	\$ 7,858,566	130,878	456,872	1,411,749	9,858,065
Restricted – cash and cash equivalents	2,018,797	-	-	-	2,018,797
Accrued interest receivable	36,902	-	-	-	36,902
Accounts receivable – developers and others	880	-	-	-	880
Property taxes and assessments receivable	1,219,355	-	24,144	347,728	1,591,227
Prepaid expenses and other assets	21,626	-	-	-	21,626
Total assets	<u>11,156,126</u>	<u>130,878</u>	<u>481,016</u>	<u>1,759,477</u>	<u>13,527,497</u>
Liabilities:					
Accounts payable and accrued expenses	195,582	-	61,180	-	256,762
Accrued wages and related payables	20,748	-	-	-	20,748
Customer deposits and deferred revenue	13,767	-	-	-	13,767
Total liabilities	<u>230,097</u>	<u>-</u>	<u>61,180</u>	<u>-</u>	<u>291,277</u>
Fund balance:					
Reserved for Eastvale parks	8,708,745	-	-	-	8,708,745
Reserved for Eastvale parks capital improvements	2,018,797	-	-	-	2,018,797
Reserved for graffiti abatement	-	130,878	-	-	130,878
Reserved for Illumination District No. 2	-	-	419,836	-	419,836
Reserved for landscape and lighting	-	-	-	1,759,477	1,759,477
Reserved for prepaid expenditures	21,626	-	-	-	21,626
Reserved for provision for compensated absences	37,063	-	-	-	37,063
Reserved for provision for post-employment benefits	139,798	-	-	-	139,798
Total fund balance	<u>10,926,029</u>	<u>130,878</u>	<u>419,836</u>	<u>1,759,477</u>	<u>13,236,220</u>
Total liabilities and fund balance	<u>\$ 11,156,126</u>	<u>130,878</u>	<u>481,016</u>	<u>1,759,477</u>	<u>13,527,497</u>

Jurupa Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Assets
June 30, 2009

Reconciliation:

Fund balance of governmental funds	\$	13,236,220
Amounts reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net assets includes those capital assets among the assets of the District as a whole.		32,050,730
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets as follows:		
Compensated absences		(37,063)
Other post-employment benefits payable		(139,798)
Net assets of governmental activities	\$	45,110,089

See accompanying notes to the basic financial statements

Jurupa Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2009

	<u>Eastvale Parks</u>	<u>Graffiti Abatement</u>	<u>Illumination District No. 2</u>	<u>Landscape and Lighting</u>	<u>Total Governmental Activities</u>
Revenues:					
Property taxes	\$ -	169,856	64,006	-	233,862
Special assessments	5,724,564	183,835	197,203	1,338,141	7,443,743
Charges for services	338,690	260	-	2,093	341,043
Capital grants and contributions	10,137,831	-	-	41,491	10,179,322
Interest earnings	223,684	-	-	-	223,684
Total revenues	<u>16,424,769</u>	<u>353,951</u>	<u>261,209</u>	<u>1,381,725</u>	<u>18,421,654</u>
Expenditures:					
Eastvale parks	3,933,676	-	-	-	3,933,676
Graffiti abatement	-	182,666	-	-	182,666
Illumination District No. 2	-	-	314,160	-	314,160
Landscape and lighting	-	-	-	1,012,075	1,012,075
Capital outlay	8,400,877	-	-	-	8,400,877
Total expenditures	<u>12,334,553</u>	<u>182,666</u>	<u>314,160</u>	<u>1,012,075</u>	<u>13,843,454</u>
Net income(loss)	<u>4,090,216</u>	<u>171,285</u>	<u>(52,951)</u>	<u>369,650</u>	<u>4,578,200</u>
Other financing sources(uses):					
Transfers in(out)	47,045	-	-	-	47,045
Total other financing sources	<u>47,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,045</u>
Change in fund balance	<u>4,137,261</u>	<u>171,285</u>	<u>(52,951)</u>	<u>369,650</u>	<u>4,625,245</u>
Fund balance, beginning of year	<u>6,788,768</u>	<u>(40,407)</u>	<u>472,787</u>	<u>1,389,827</u>	<u>8,610,975</u>
Fund balance, end of year	<u>\$ 10,926,029</u>	<u>130,878</u>	<u>419,836</u>	<u>1,759,477</u>	<u>13,236,220</u>

Jurupa Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Reconciliation:

Net changes in fund balance of total governmental funds	\$	4,625,245
<p style="margin-left: 20px;">Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="margin-left: 40px;">Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Capital outlay		8,400,877
Depreciation expense		(1,526,035)
<p style="margin-left: 20px;">Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:</p>		
Net change in compensated absences for the current period		(18,526)
Net change in other post-employment benefits payable for the current period		<u>(139,798)</u>
Change in net assets of governmental activities	\$	<u><u>11,341,763</u></u>

See accompanying notes to the basic financial statements

Jurupa Community Services District
Statements of Net Assets – Enterprise Funds
June 30, 2009

<i>Assets</i>	Water	Wastewater	Total
Current assets:			
Cash and cash equivalents	\$ 26,580,878	19,700,367	46,281,245
Restricted – cash and cash equivalents	14,530,171	21,416,721	35,946,892
Restricted – investments	7,028,750	10,000,000	17,028,750
Accrued interest receivable	103,756	132,401	236,157
Accounts receivable – utilities, net	3,342,998	774,488	4,117,486
Accounts receivable – governmental agencies	1,069,851	-	1,069,851
Accounts receivable – developers and others, net	685,532	7,571	693,103
Property taxes and assessments receivable	174	255,503	255,677
Prepaid expenses and other assets	1,415,128	5,857	1,420,985
Total current assets	<u>54,757,238</u>	<u>52,292,908</u>	<u>107,050,146</u>
Non-current assets:			
Investment in WRCRWA, net	-	3,315,286	3,315,286
Deferred charges, net	274,165	112,492	386,657
Capital assets – not being depreciated	19,789,955	4,204,839	23,994,794
Capital assets – being depreciated, net	91,043,352	75,511,442	166,554,794
Total non-current assets	<u>111,107,472</u>	<u>83,144,059</u>	<u>194,251,531</u>
Total assets	<u>165,864,710</u>	<u>135,436,967</u>	<u>301,301,677</u>
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable and accrued expenses	5,020,379	1,552,631	6,573,010
Accrued wages and related payables	85,867	29,123	114,990
Customer deposits, deferred revenue and advances	8,126,391	5,812,477	13,938,868
Accrued interest on long-term debt	141,125	151,746	292,871
Long-term liabilities – due within one year:			
Compensated absences	102,583	38,355	140,938
Long-term debt	185,000	790,885	975,885
Total current liabilities	<u>13,661,345</u>	<u>8,375,217</u>	<u>22,036,562</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	307,750	115,065	422,815
Other post-employment benefits payable	706,388	287,635	994,023
Long-term debt	8,782,127	17,232,349	26,014,476
Total non-current liabilities	<u>9,796,265</u>	<u>17,635,049</u>	<u>27,431,314</u>
Total liabilities	<u>23,457,610</u>	<u>26,010,266</u>	<u>49,467,876</u>
Net assets:			
Net investment in capital assets	101,866,180	61,693,047	163,559,227
Restricted	21,558,921	31,416,721	52,975,642
Unrestricted	18,981,999	16,316,933	35,298,932
Total net assets	<u>\$ 142,407,100</u>	<u>109,426,701</u>	<u>251,833,801</u>

See accompanying notes to the basic financial statements

Jurupa Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds
For the Year Ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Water consumption sales	\$ 11,293,050	-	11,293,050
Monthly meter service charge	8,455,675	-	8,455,675
Sewer service charges	-	8,000,393	8,000,393
Other charges and services	549,705	287,388	837,093
Total operating revenues	<u>20,298,430</u>	<u>8,287,781</u>	<u>28,586,211</u>
Operating expenses:			
Source of supply	8,133,015	-	8,133,015
Pumping	476,160	-	476,160
Water treatment	1,534,997	-	1,534,997
Transmission and distribution	1,686,121	-	1,686,121
Sewage collection	-	1,609,587	1,609,587
Sewage treatment	-	5,174,817	5,174,817
Customer service	1,705,004	259,966	1,964,970
General and administrative	5,064,059	1,550,625	6,614,684
Total operating expenses	<u>18,599,356</u>	<u>8,594,995</u>	<u>27,194,351</u>
Operating income(loss) before depreciation	1,699,074	(307,214)	1,391,860
Depreciation	<u>(3,040,527)</u>	<u>(2,130,083)</u>	<u>(5,170,610)</u>
Operating loss	<u>(1,341,453)</u>	<u>(2,437,297)</u>	<u>(3,778,750)</u>
Non-operating revenues(expenses):			
Property tax revenue	2,407	2,360,657	2,363,064
Investment earnings	481,839	1,765,303	2,247,142
Interest expense – long-term debt	(474,354)	(954,637)	(1,428,991)
Other non-operating revenues(expenses), net	166,010	(72,332)	93,678
Total non-operating revenues, net	<u>175,902</u>	<u>3,098,991</u>	<u>3,274,893</u>
Net income(loss) before capital contributions	<u>(1,165,551)</u>	<u>661,694</u>	<u>(503,857)</u>
Capital contributions:			
Facility fees	7,472,267	6,325,469	13,797,736
Capital contributions	<u>7,472,267</u>	<u>6,325,469</u>	<u>13,797,736</u>
Other financing sources:			
Transfers in(out):	9,127,161	(9,174,206)	(47,045)
Total other financing sources	<u>9,127,161</u>	<u>(9,174,206)</u>	<u>(47,045)</u>
Change in net assets	15,433,877	(2,187,043)	13,293,879
Net assets, beginning of year	<u>126,973,223</u>	<u>111,613,744</u>	<u>238,586,967</u>
Net assets, end of year	<u>\$ 142,407,100</u>	<u>109,426,701</u>	<u>251,880,846</u>

See accompanying notes to the basic financial statements

Jurupa Community Services District
Statements of Cash Flows – Enterprise Funds
For the Year Ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 21,081,663	10,872,383	31,954,046
Cash paid to vendors and suppliers	<u>(14,552,551)</u>	<u>(7,940,021)</u>	<u>(22,492,572)</u>
Net cash provided by operating activities	<u>6,529,112</u>	<u>2,932,362</u>	<u>9,461,474</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes	2,233	2,552,007	2,554,240
Other non-operating revenues(expenses), net	<u>166,010</u>	<u>(72,332)</u>	<u>93,678</u>
Net cash provided by non-capital financing activities	<u>168,243</u>	<u>2,479,675</u>	<u>2,647,918</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(10,937,015)	(4,126,872)	(15,063,887)
Acquisition and construction of joint venture capital assets	-	(204,103)	(204,103)
Proceeds from capital contributions	7,472,267	6,325,469	13,797,736
Transfer from other funds	9,127,161	(9,174,206)	(47,045)
Principal payments on long-term debt	(370,938)	(745,994)	(1,116,932)
Interest payments on long-term debt	<u>(448,883)</u>	<u>(919,821)</u>	<u>(1,368,704)</u>
Net cash provided(used) by capital and financing activities	<u>4,842,592</u>	<u>(8,845,527)</u>	<u>(4,002,935)</u>
Cash flows from investing activities:			
Purchases and sales of investments, net	7,509,598	18,202,714	25,712,312
Interest earnings	<u>679,285</u>	<u>1,934,107</u>	<u>2,613,392</u>
Net cash provided by investing activities	<u>8,188,883</u>	<u>20,136,821</u>	<u>28,325,704</u>
Net increase in cash	19,560,587	14,223,656	33,784,243
Cash and cash equivalents, beginning of year	<u>21,550,462</u>	<u>26,893,432</u>	<u>48,443,894</u>
Cash and cash equivalents, end of year	<u>\$ 41,111,049</u>	<u>41,117,088</u>	<u>82,228,137</u>
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	\$ 26,580,878	19,700,367	46,281,245
Restricted assets – cash and cash equivalents	<u>14,530,171</u>	<u>21,416,721</u>	<u>35,946,892</u>
Total cash and cash equivalents	<u>\$ 41,111,049</u>	<u>41,117,088</u>	<u>82,228,137</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (1,341,453)	(2,437,297)	(3,778,750)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	3,040,527	2,130,083	5,170,610
Amortization of WRCRWA investment	-	82,880	82,880
Changes in assets and liabilities:			
(Increase)decrease in assets:			
Accounts receivable – utilities, net	(1,504,666)	612,323	(892,343)
Accounts receivable – governmental agencies	2,203,309	1,979,850	4,183,159
Accounts receivable – developers and others, net	84,590	(7,571)	77,019
Prepaid expenses and other deposits	129,355	(641)	128,714
Increase(decrease) in liabilities:			
Accounts payable and accrued expenses	226,163	204,527	430,690
Accrued wages and related payables	552	13,756	14,308
Customer deposits, deferred revenue and advances	2,979,692	(34,167)	2,945,525
Compensated absences	4,655	100,984	105,639
Other post-employment benefits payable	<u>706,388</u>	<u>287,635</u>	<u>994,023</u>
Total adjustments	<u>7,870,565</u>	<u>5,369,659</u>	<u>13,240,224</u>
Net cash provided by operating activities	<u>\$ 6,529,112</u>	<u>2,932,362</u>	<u>9,461,474</u>

See accompanying notes to the basic financial statements

Jurupa Community Services District
Notes to the Basic Financial Statements
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

A. 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 criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). 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. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has the following blended component units.

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues 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. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

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 assets presented in the Government-wide Financial Statements.

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

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 used, such as, unbilled but utilized utility services are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and propriety fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

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.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

Eastvale Parks – This fund is used to account for all park maintenance activities within the District along with the Eastvale parks special assessment revenue and facility fees.

Graffiti Abatement – This fund is used to account for all the 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 for Illumination District No. 2 that fund the expenditures for this service area.

Landscape and Lighting – This fund is used to account for the revenues received from special assessments for the Landscape and Lighting Districts 91-1, 98-1, 98-2, 2001-1, 2001-2, 2001-3 and 2003-1 that fund the expenditures for these service areas.

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.

C. Financial Statement Elements

1. 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.

2. Investments

The District has adopted an investment policy directing the District's Director of Finance to deposit funds in financial institutions.

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 Basic Financial Statements, continued
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

3. Accounts Receivable

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

4. Property Taxes and Assessments

The Riverside County Assessor's Office assesses all real and personal property within the County each year. The Riverside County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Riverside County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

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

5. 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.

6. Materials and Supplies Inventory

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

7. 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.

8. Restricted Assets

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

9. Deferred Charges

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

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. 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

11. Compensated Absences

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

12. Net Assets/Fund Balances

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

- **Net Investment in Capital Assets** – This component of net assets 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 Assets** – This component of net assets consists of constraints placed on net assets use through external constraints 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 Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

In the fund financial statements, reserves and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. Reservations and designations of fund balance are described below:

- **Reserved** – Some of the assets reported in governmental funds are not available for spending in the subsequent year's budget. Fund balance also is reserved to indicate situations where a position of fund balance is not available for spending on any and all purposes of the fund.
- **Unreserved Designated** – Designations essentially reflect a government's self imposed limitations on the use of otherwise available current financial resources.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

13. Utility Sales

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

14. 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.

15. Use of Estimates

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

(2) Cash and Investments

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

	<u>2009</u>
Cash and cash equivalents	\$ 56,139,310
Restricted – cash and cash equivalents	37,965,689
Restricted – investments	<u>17,028,750</u>
Total	<u>\$ 111,133,749</u>

Cash and investments, consist of the following:

	<u>2009</u>
Cash on hand	\$ 1,200
Deposits held with financial institutions	52,722,275
Investments	<u>58,410,274</u>
Total	<u>\$ 111,133,749</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(2) Cash and Investments, continued

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

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

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

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

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

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 revenue refunding bonds (see note 6) authorizes the bond trustee to invest reserve funds in investment contracts with a maturity up to the maturity date of the outstanding debt.

Investment in State Investment Pool

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

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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 Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF)

Interest Rate Risk

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

Investments at June 30, 2009 have the following maturities:

<u>Investment Type</u>	<u>2009 Total</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>13 -24 Months</u>	<u>25 - 60 Months</u>
Federal Farm Credit Banks	\$ 3,015,940	-	2,008,440	1,007,500
Federal Home Loan Banks	4,012,810	-	2,005,000	2,007,810
Certificate of Deposit	10,000,000	10,000,000	-	-
Local Agency Investment Fund (LAIF)	39,682,158	39,682,158	-	-
Held by bond trustee:				
Money market mutual funds	1,699,366	1,699,366	-	-
Total	\$ 58,410,274	51,381,524	4,013,440	3,015,310

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(2) Cash and Investments, continued

Credit Risk

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

Investments at June 30, 2009:

<u>Investment Types</u>	<u>2009 Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal Farm Credit Banks	\$ 3,015,940	AAA	\$ 3,015,940	-
Federal Home Loan Banks	4,012,810	AAA	4,012,810	-
Certificate of Deposit	10,000,000	N/A		10,000,000
Local Agency Investment Fund (LAIF)	39,682,158	N/A	-	39,682,158
Held by bond trustee:				
Money market mutual funds	1,699,366	N/A	1,699,366	-
Total	<u>\$ 58,410,274</u>		<u>\$ 8,728,116</u>	<u>49,682,158</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than external investment pools such as LAIF) that represent 5% or more of total District investments are \$3,015,940 in Federal Farm Credit Banks securities and \$4,012,810 in Federal Home Loan Banks securities.

(3) Accounts Receivable – Utilities, net

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2009:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Accounts receivable – utilities	\$ 3,775,107	811,130	4,586,237
Allowance for uncollectible receivables	(432,109)	(36,642)	(468,751)
Accounts receivable – utilities, net	<u>\$ 3,342,998</u>	<u>774,488</u>	<u>4,117,486</u>

(4) Prepaid Expenses and Other Assets

The prepaid expenses and other assets balance consists of the following balances as of June 30, 2009:

<u>Account Description</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Materials and supplies inventory	\$ 283,596	-	283,596
Water-in-storage inventory	1,113,961	-	1,113,961
Prepaid expenses and other deposits	17,571	5,857	23,428
Total prepaid expenses and other deposits	<u>\$ 1,415,128</u>	<u>5,857</u>	<u>1,420,985</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(5) Investment in WRCRWA, net

The District's investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2009 as follows:

<u>Account Description</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2009</u>
Investment in WRCRWA	\$ 4,000,202	204,103	-	4,204,305
Accumulated amortization	(806,139)	(82,880)	-	(889,019)
Investment in WRCRWA, net	<u>\$ 3,194,063</u>	<u>121,223</u>	<u>-</u>	<u>3,315,286</u>

(6) Deferred Charges, net

The changes in the deferred charges balances for fiscal year 2009 were as follows:

<u>Account Description</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2009</u>
1993 COPs deferred bond issuance costs	\$ 120,433	-	(7,941)	112,492
2001 COPs deferred bond issuance costs	286,347	-	(12,182)	274,165
Deferred charges, net	<u>\$ 406,780</u>	<u>-</u>	<u>(20,123)</u>	<u>386,657</u>

(7) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

<u>Account Description</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 5,462,371	3,273,750	-	8,736,121
Construction in progress	4,162,953	375,987	(4,162,953)	375,987
Total non-depreciable assets	<u>9,625,324</u>	<u>3,649,737</u>	<u>(4,162,953)</u>	<u>9,112,108</u>
Depreciable assets:				
Land improvements	7,765,632	5,785,757	-	13,551,389
Structures and equipment	9,976,271	3,128,336	69,639	13,174,246
Total depreciable assets	<u>17,741,903</u>	<u>8,914,093</u>	<u>69,639</u>	<u>26,725,635</u>
Accumulated depreciation:				
Land improvements	(880,795)	(680,601)	(7,313)	(1,568,709)
Structures and equipment	(1,341,908)	(845,434)	(30,962)	(2,218,304)
Total accumulated depreciation	<u>(2,222,703)</u>	<u>(1,526,035)</u>	<u>(38,275)</u>	<u>(3,787,013)</u>
Total depreciable assets, net	<u>15,519,200</u>	<u>7,388,058</u>	<u>31,364</u>	<u>22,938,622</u>
Total capital assets, net	<u>\$ 25,144,524</u>			<u>32,050,730</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(7) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 5,506,477	-	-	5,506,477
Construction in progress	18,534,075	15,267,991	(15,313,749)	18,488,317
Total non-depreciable assets	<u>24,040,552</u>	<u>15,267,991</u>	<u>(15,313,749)</u>	<u>23,994,794</u>
Depreciable assets:				
Land improvements	2,380,420	-	-	2,380,420
Structures and improvements	60,131,719	388,044	-	60,519,763
Water transmission and distribution	78,412,736	6,009,826	-	84,422,562
Wastewater collection system	54,279,688	8,236,486	124,518	62,640,692
Vehicles and equipment	6,054,489	475,289	(389,019)	6,140,759
Total depreciable assets	<u>201,259,052</u>	<u>15,109,645</u>	<u>(264,501)</u>	<u>216,104,196</u>
Accumulated depreciation:				
Land improvements and rights	(839,742)	(62,428)	-	(902,170)
Structures and improvements	(14,466,455)	(1,727,456)	-	(16,193,911)
Water transmission and distribution	(15,699,632)	(1,834,571)	-	(17,534,203)
Wastewater collection system	(10,809,082)	(1,148,078)	(34,888)	(11,992,048)
Vehicles and equipment	(2,868,751)	(398,077)	339,758	(2,927,070)
Total accumulated depreciation	<u>(44,683,662)</u>	<u>(5,170,610)</u>	<u>304,870</u>	<u>(49,549,402)</u>
Total depreciable assets, net	<u>156,575,390</u>	<u>9,939,035</u>	<u>40,369</u>	<u>166,554,794</u>
Total capital assets, net	<u>\$ 180,615,942</u>		<u>(15,273,380)</u>	<u>190,549,588</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(7) Capital Assets, continued

A summary of changes of capital assets per Enterprise Funds are as follows:

<u>Water Enterprise</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 5,255,797	-	-	5,255,797
Construction in progress	10,256,194	10,937,015	(6,659,051)	14,534,158
Total non-depreciable assets	<u>15,511,991</u>	<u>10,937,015</u>	<u>(6,659,051)</u>	<u>19,789,955</u>
Depreciable assets:				
Land improvements	2,253,630	-	-	2,253,630
Structures and improvements	22,720,413	388,044	-	23,108,457
Water transmission and distribution	78,412,736	6,009,826	-	84,422,562
Vehicles and equipment	5,626,047	261,181	(389,019)	5,498,209
Total depreciable assets	<u>109,012,826</u>	<u>6,659,051</u>	<u>(389,019)</u>	<u>115,282,858</u>
Accumulated depreciation:				
Land improvements	(806,451)	(58,024)	-	(864,475)
Structures and improvements	(2,269,276)	(792,089)	-	(3,061,365)
Water transmission and distribution	(15,699,632)	(1,834,571)	-	(17,534,203)
Vehicles and equipment	(2,763,378)	(355,843)	339,758	(2,779,463)
Total accumulated depreciation	<u>(21,538,737)</u>	<u>(3,040,527)</u>	<u>339,758</u>	<u>(24,239,506)</u>
Total depreciable assets, net	<u>87,474,089</u>	<u>3,618,524</u>	<u>(49,261)</u>	<u>91,043,352</u>
Total capital assets, net	<u>\$ 102,986,080</u>			<u>110,833,307</u>
<hr/>				
<u>Wastewater Enterprise</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 250,680	-	-	250,680
Construction in progress	8,277,881	4,330,976	(8,654,698)	3,954,159
Total non-depreciable assets	<u>8,528,561</u>	<u>4,330,976</u>	<u>(8,654,698)</u>	<u>4,204,839</u>
Depreciable assets:				
Land improvements	126,790	-	-	126,790
Structures and improvements	37,411,306	-	-	37,411,306
Wastewater collection system	54,279,688	8,236,486	124,518	62,640,692
Vehicles and equipment	428,442	214,108	-	642,550
Total depreciable assets	<u>92,246,226</u>	<u>8,450,594</u>	<u>124,518</u>	<u>100,821,338</u>
Accumulated depreciation:				
Land improvements	(33,291)	(4,404)	-	(37,695)
Structures and improvements	(12,197,179)	(935,367)	-	(13,132,546)
Wastewater collection system	(10,809,082)	(1,148,078)	(34,888)	(11,992,048)
Vehicles and equipment	(105,373)	(42,234)	-	(147,607)
Total accumulated depreciation	<u>(23,144,925)</u>	<u>(2,130,083)</u>	<u>(34,888)</u>	<u>(25,309,896)</u>
Total depreciable assets, net	<u>69,101,301</u>	<u>6,320,511</u>	<u>89,630</u>	<u>75,511,442</u>
Total capital assets, net	<u>\$ 77,629,862</u>			<u>79,716,281</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(8) Customer Deposits, Deferred Revenue and Advances

The customer deposits, deferred revenue and advances balance consists of the following balances as of June 30, 2009:

<u>Account Description</u>	<u>Parks</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Customer deposits and deferred revenue	\$ 13,767	450,823	-	464,590
Retentions payable	-	645,575	654,325	1,299,900
Construction advances and deposits	-	837,071	-	837,071
Agreement payable Benefit Area "A"	-	-	5,158,152	5,158,152
Advances payable to Community Facility Districts	-	6,192,922	-	6,192,922
Total customer deposits, deferred revenue and advances	\$ <u>13,767</u>	<u>8,126,391</u>	<u>5,812,477</u>	<u>13,952,635</u>

(9) Compensated Absences

Changes in compensated absences were as follows for the year ended June 30, 2009:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Compensated absences, beginning	\$ 18,537	458,114	476,651
Current year employee earnings	30,528	452,654	483,182
Employee vacation time taken	<u>(12,002)</u>	<u>(347,015)</u>	<u>(359,017)</u>
Compensated absences, ending	37,063	563,753	600,816
Less: current portion payable	<u>(9,266)</u>	<u>(140,938)</u>	<u>(150,204)</u>
Long-term portion payable	\$ <u>27,797</u>	<u>422,815</u>	<u>450,612</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(10) Long-Term Debt

Changes in long-term debt were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2009</u>
General obligation bonds:				
1977 Bonds	\$ 115,000	-	(115,000)	-
Less: deferred issuance discounts	(864)	-	864	-
Total bonds payable	<u>114,136</u>	<u>-</u>	<u>(114,136)</u>	<u>-</u>
Certificates of participation (COPs):				
1993 Refunding COPs	9,210,000	-	(420,000)	8,790,000
2001 COPs - Series NN	8,430,000	-	(180,000)	8,250,000
Less: deferred issuance discounts	(148,928)	-	9,789	(139,139)
Less: deferred amounts on refunding	(276,442)	-	122,867	(153,575)
Total COPs	<u>17,214,630</u>	<u>-</u>	<u>(467,344)</u>	<u>16,747,286</u>
Loans payable:				
State Water Resources Control Board loan	1,179,468	-	(107,224)	1,072,244
Economic Development Administration loan	794,211	-	(75,938)	718,273
Western Muni. Water District loan	8,671,328	-	(218,770)	8,452,558
Total loans payable	<u>10,645,007</u>	<u>-</u>	<u>(401,932)</u>	<u>10,243,075</u>
	<u>\$ 27,973,773</u>	<u>-</u>	<u>(983,412)</u>	<u>26,990,361</u>
	<u>(980,997)</u>			<u>(975,885)</u>
	<u>\$ 26,992,776</u>			<u>26,014,476</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(10) Long-Term Debt, continued

1993 Refunding Certificates of Participation

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

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

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

The 1993 Certificates mature annually on September 1 through the year 2023 in amounts ranging from 840,000 to \$855,000. Interest is payable semi-annually on September 1 and March 1 at rates ranging from 4.6% to 5.2% per annum. The District has pledged net sewer revenues and available water and tax revenues towards the payment of debt service on the '1993 Certificates. Annual debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 445,000	443,835	888,835
2011	465,000	420,517	885,517
2012	490,000	396,045	886,045
2013	515,000	370,292	885,292
2014	540,000	343,257	883,257
2015-2019	3,165,000	1,252,550	4,417,550
2020-2023	<u>3,170,000</u>	<u>340,080</u>	<u>3,510,080</u>
Totals	8,790,000	<u><u>3,566,576</u></u>	<u><u>12,356,576</u></u>
Less: current	<u>(445,000)</u>		
Long-term	<u><u>\$ 8,345,000</u></u>		

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(10) Long-Term Debt, continued

2001 Certificates of Participation – Series NN

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

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

The 2001 Certificates are comprised of serial and term certificates. The \$1,520,000 of serial certificates matures annually on September 1 through the year 2010 in amounts ranging from \$175,000 to \$195,000. The serial certificates bear interest at rates ranging from 2.0% to 4.2% per annum. \$2,230,000 of term certificates bearing interest at a rate of 5.0% per annum matures on September 1, 2019. \$2,570,000 of term certificates bearing interest at a rate of 5.25% per annum mature on September 1, 2026. \$3,070,000 of term certificates bearing interest at a rate of 5.25% per annum mature on September 1, 2032. Interest on all the certificates is payable semi-annually on September 1 and March 1. The term certificates are subject to mandatory sinking fund prepayment commencing September 1, 2011 until maturity in principal amounts ranging from \$200,000 to \$580,000. The District has pledged both net water and sewer revenues towards the payment of debt service on the 2001 Certificates. Annual debt service requirements are as follows:

Year	Principal	Interest	Total
2010	\$ 185,000	419,582	604,582
2011	195,000	411,695	606,695
2012	200,000	402,600	602,600
2013	210,000	392,350	602,350
2014	225,000	381,475	606,475
2014-2018	1,295,000	1,723,875	3,018,875
2019-2023	1,655,000	1,350,126	3,005,126
2024-2028	2,135,000	855,880	2,990,880
2029-2033	2,150,000	233,100	2,383,100
Totals	8,250,000	6,170,683	14,420,683
Less: current	(185,000)		
Long-term	\$ 8,065,000		

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(10) Long-Term Debt, continued

State Water Resources Control Board Loan

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 107,225	21,445	128,670
2011	107,225	21,445	128,670
2012	107,224	21,446	128,670
2013	107,225	21,445	128,670
2014	107,225	21,445	128,670
2014-2019	<u>536,120</u>	<u>107,230</u>	<u>643,350</u>
Totals	1,072,244	<u>214,456</u>	<u>1,286,700</u>
Less: current	<u>(107,225)</u>		
Long-term	\$ <u>965,019</u>		

Economic Development Administration Loan

In October 1977, the District entered into a loan contract with the U.S. Department of Commerce, Economic Development Administration (EDA Loan) to finance the improvement and expansion of the District's water system. Upon completion of the project in 1979, the final loan amount was determined to be \$1,968,000. The interest rate on the loan is 5.0% 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, 2009 was paid in June 2009. Annual debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	-	-
2011	79,753	35,896	115,649
2012	83,740	31,909	115,649
2013	87,827	27,722	115,549
2014	92,324	23,325	115,649
2015-2018	<u>374,629</u>	<u>44,772</u>	<u>419,401</u>
Totals	718,273	<u>163,624</u>	<u>881,897</u>
Less: current	<u>-</u>		
Long-term	\$ <u>718,273</u>		

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(10) Long-Term Debt, continued

Western Municipal Water District of Riverside County Loan

On May 6, 2004, the District entered into an installment sale agreement with the Western Municipal Water District of Riverside County (WMWD loan) for the acquisition of 3.0 million gallons per day of capacity rights for wastewater treatment and disposal in the Western Riverside County Regional Wastewater Authority (see Note 9) treatment facility for \$9,486,754. The term of the WMWD loan is 28.5 years. Interest on the WMWD loan amount is payable monthly at a variable rate plus fees for liquidity facility and remarketing that equaled a rate of 4.484% as of June 30, 2008. The variable interest rate is determined by comparing the three month average daily interest rates as provided by Paine Webber, J.P. Morgan-801113AA9 and J.P. Morgan-463904AA0, Principal payments are due annually on January 1, commencing January 1, 2005 in amounts ranging from \$198,884 to \$517,099. 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 238,660	379,013	617,673
2011	238,660	368,311	606,971
2012	238,660	357,610	596,270
2013	258,549	346,522	605,071
2014	258,549	335,434	593,983
2015-2019	1,471,740	1,590,652	3,062,392
2020-2024	1,730,288	1,109,476	2,839,764
2025-2029	2,068,390	743,804	2,812,194
2030-2033	<u>1,949,062</u>	<u>291,524</u>	<u>2,240,586</u>
Totals	8,452,558	<u>5,522,346</u>	<u>13,974,904</u>
Less: current	<u>(238,660)</u>		
Long-term	<u>\$ 8,213,898</u>		

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(11) Post Employment Retirement Benefits

Other Post-Employment Benefits Obligations

In addition to the pension benefits described in Note 16, the District provides post-retirement health care benefits. The District contributes a fixed amount for health care benefits up to 100% of the premium for the retiree and their dependents.

Post-Employment Benefits Payable:

Plan Description – Eligibility

The District administers its post-employment benefits plan, a single-employer defined benefit plan. The following requirements must be satisfied in order to be eligible for lifetime post-employment medical benefits: (1) Attainment of age 55, and 5 years for full-time service, and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement).

Plan Description – Benefits

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Active plan members	\$ 108	99	85
Retirees and beneficiaries receiving benefits	13	12	10
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>\$ 121</u>	<u>111</u>	<u>95</u>

Post-Employment Benefits Payable, continued

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount 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 18.2% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(11) Post Employment Retirement Benefits, continued

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2009, the District's ARC cost is \$1,211,585. The District's net OPEB payable obligation amounted to \$1,133,821 for the year ended June 30, 2009. The District contributed \$77,764 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2009. Because the District implemented GASB 45 for the first time this year, the difference, or net post-employment benefits payable liability of \$1,133,821, is both the increase and net post-employment benefits payable obligation at the end of the year, and is comprised only of the annual required contribution with no interest or adjustments as follows:

The balance at June 30, consists of the following:	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,211,585	-	-
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	<u>1,211,585</u>	<u>-</u>	<u>-</u>
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(77,764)</u>	<u>-</u>	<u>-</u>
Total change in net OPEB payable obligation	<u>1,133,821</u>	<u>-</u>	<u>-</u>
OPEB payable – beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
OPEB payable – end of year	<u>\$ 1,133,821</u>	<u>-</u>	<u>-</u>

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 2009 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2009	\$ 1,211,585	77,764	6.42%	\$ 1,133,821
2008*	-	-	0.00%	-
2007*	-	-	0.00%	-

* The information for this year is unavailable.
GASB No. 45 was implemented in fiscal year 2009.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(11) Post Employment Retirement Benefits, continued

Post-Employment Benefits Payable, continued

Funded Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	4,742,495	4,742,495	0.00%	\$ 6,654,006	71.27%

The most recent valuation (dated June 30, 2009) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$4,742,495. There are no plan assets because the District funds on a pay-as-you-go basis and is to maintain net assets equal to the remaining net post-employment benefits payable obligation. No trend information is reported because the year ended June 30, 2009, is the first year the District implemented GASB 45. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2009 was \$6,654,006. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 71.27%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. 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	July 1, 2007
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.75%
Projected salary increase	3.00%
Inflation - discount rate	3.00%
Individual salary growth	2.00%

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(12) Net Investment in Capital Assets

The calculations of net investment in capital assets are as follows:

	Governmental Activities	Business-type Activities	Total
The balance consists of the following:			
Capital assets – not being depreciated	\$ 9,112,108	23,994,794	33,106,902
Capital assets – being depreciated, net	22,938,622	166,554,794	189,493,416
Long-term debt – current portion	-	(975,885)	(975,885)
Long-term debt – long-term portion	-	(26,014,476)	(26,014,476)
Total	<u>\$ 32,050,730</u>	<u>163,559,227</u>	<u>195,609,957</u>

(13) Restricted Net Assets

The District's net assets are restricted as follows:

	Governmental Activities	Business-type Activities	Total
Net assets are restricted as follows:			
Eastvale parks capital improvements	\$ 2,018,797	-	2,018,797
Water fund – debt service reserves	-	747,365	747,365
Water fund – capital improvements	-	20,811,556	20,811,556
Wastewater fund – debt service reserves	-	952,000	952,000
Wastewater fund – capital improvements	-	30,464,721	30,464,721
Total	<u>\$ 2,018,797</u>	<u>52,975,642</u>	<u>54,994,439</u>

(14) Unrestricted Net Assets

The unrestricted net assets are designated for specific uses as follows:

	Governmental Activities	Business-type Activities	Total
Net assets are designated as follows:			
Eastvale parks	\$ 8,708,745	-	8,708,745
Graffiti abatement	130,878	-	130,878
Illumination District No. 2	419,836	-	419,836
Landscape and lighting	1,759,477	-	1,759,477
Prepaid expenses and other assets	21,626	1,807,642	1,829,268
Water operations and capital replacement	-	17,292,706	17,292,706
Wastewater operations and capital replacement	-	16,198,584	16,198,584
Total	<u>\$ 11,040,562</u>	<u>35,298,932</u>	<u>46,339,494</u>

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(15) 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. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

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, 2009 was \$188,660 and \$254,885, respectively.

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

(16) Defined Benefit Pension Plan

Plan Description

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

Funding Policy

In fiscal year 2007, the District changed its CalPERS defined benefit contribution plan from a 2.0% at 55 years-old Risk Pool Retirement Plan to a 2.7% at 55 years-old Risk Pool Retirement Plan. The contribution rate for plan members in the CalPERS 2.7% at 55 years-old Risk Pool Retirement Plan is 8% of their annual covered salary. The contribution rate for plan members in the CalPERS 2.0% at 55 years-old Risk Pool Retirement Plan was 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2009, 2008 and 2007 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2009, 2008 and 2007, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2006-2007	\$ 633,200	100%	-	14.901%
2007-2008	879,258	100%	-	14.331%
2008-2009	862,279	100%	-	14.420%

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(17) 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.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2009, 2008 and 2007. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2009, 2008 and 2007.

(18) Joint-Ventures

Western Riverside County Regional Wastewater Authority

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

The construction of the wastewater treatment plant was substantially completed at June 30, 1999. Each member's share in the construction costs, as well as administrative costs, of WRCRWA is based on their capacity rights in different components of the plant. The District is billed for flows through the plant attributable to its jurisdiction as well as general and administrative costs. Payment of these bills is included in the costs of the District's sewer services activity. Members are deemed to have an ownership interest in the Authority and new members may only be admitted upon unanimous consent of the existing members. Upon withdrawal from the Authority, any member is entitled to receive its proportionate share of the Authority's assets or the equivalent value thereof and is responsible for discharge of its proportionate share of the Authority's liabilities. The investment in the Authority for the years June 30, 2009 and 2008 is reported in the accompanying financial statements at \$3,315,286 and \$3,194,063 respectively.

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

Western Municipal Water District Facilities Authority

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

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(19) Community Facilities Districts

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

As of June 30, 2009, nineteen of the Community Facilities Districts have issued debt as follows:

<u>CFD No.</u>	<u>Bonds Issued</u>	<u>Rating</u>	<u>Outstanding</u>	<u>Yield</u>	<u>Issued</u>	<u>Maturity</u>
CFD # 1	\$ 39,695,000	AAA/Aaa	\$ 28,705,000	4.95960	Dec-98	Sep-24
CFD # 2	18,315,000	AAA/AAA	17,610,000	5.10550	Aug-02	Sep-32
CFD # 3	10,290,000	Not Rated	9,435,000	5.86720	Jan-03	Sep-33
CFD # 4	15,065,000	Not Rated	14,265,000	5.61010	Sep-04	Sep-34
CFD # 5	3,615,000	Not Rated	3,310,000	6.01540	Jun-02	Sep-32
CFD # 6	4,020,000	Not Rated	3,660,000	5.84370	Dec-02	Sep-32
CFD # 7	10,475,000	Not Rated	9,800,000	5.01310	Nov-05	Sep-35
CFD # 10	7,415,000	Not Rated	6,880,000	5.73660	Dec-03	Sep-33
CFD # 11	12,020,000	Not Rated	11,575,000	4.95200	Aug-05	Sep-33
CFD # 12	14,380,000	Not Rated	13,935,000	4.97830	Jun-05	Sep-35
CFD # 14	12,605,000	Not Rated	12,605,000	6.05362	Dec-07	Sep-37
CFD # 16	9,100,000	Not Rated	8,575,000	5.08410	Mar-05	Sep-34
CFD # 17	17,475,000	Not Rated	17,185,000	5.14167	Aug-06	Sep-36
CFD # 18	16,575,000	Not Rated	16,290,000	4.84380	Nov-06	Sep-36
CFD # 19	24,225,000	Not Rated	24,040,000	4.91500	Oct-06	Sep-36
CFD # 21	9,885,000	Not Rated	9,565,000	5.12450	Apr-06	Sep-36
CFD # 24	9,340,000	Not Rated	9,340,000	6.50534	Apr-08	Sep-38
CFD # 25	8,750,000	Not Rated	8,750,000	8.77619	Dec-08	Sep-38
CFD # 29	6,525,000	Not Rated	6,525,000	8.47500	Jul-09	Sep-38
CFD # 30	7,395,000	Not Rated	7,225,000	5.46040	Oct-07	Sep-37
CFD # 32	3,700,000	Not Rated	3,635,000	5.11695	Aug-07	Sep-36
Total	\$ <u>260,865,000</u>		\$ <u>242,910,000</u>			

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 bondholders, 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 assets.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(19) Community Facilities Districts, continued

Cash and investments held by bond trustees for the benefit of the Community Facilities Districts as of June 30, 2009 were as follows:

<u>CFD No.</u>	<u>Location</u>	<u>Balance</u>
CFD # 1	Mira Loma	\$ 3,270,986
CFD # 2	Eastvale Area	6,203,811
CFD # 3	Eastvale Area	1,898,848
CFD # 4	Eastvale Area	2,716,072
CFD # 5	Eastvale Area	517,627
CFD # 6	Eastvale Area	777,491
CFD # 7	Eastvale Area	1,779,289
CFD # 10	Eastvale Area	1,499,069
CFD # 11	Eastvale Area	1,980,268
CFD # 12	Eastvale Area	5,359,942
CFD # 14	Eastvale Area	9,310,253
CFD # 16	Eastvale Area	3,654,529
CFD # 17	Eastvale Area	4,944,295
CFD # 18	Eastvale Area	5,283,838
CFD # 19	Eastvale Area	8,919,760
CFD # 21	Eastvale Area	2,190,147
CFD # 24	Eastvale Area	4,455,299
CFD # 25	Eastvale Area	4,445,980
CFD # 30	Eastvale Area	2,549,953
CFD # 32	Eastvale Area	1,199,129
Total		\$ <u>72,956,586</u>

Cash and investments held by bond trustees were comprised substantially of investments in money market mutual funds.

Jurupa Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2009

(20) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 51

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is not effective for this District until the fiscal year ended June 30, 2010. This statement is expected to have a significant impact on the presentation of the District's financial statements.

Governmental Accounting Standards Board Statement No. 53

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is not effective for this District until the fiscal year ended June 30, 2009. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

(21) 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 within its service area. The financing of such construction contracts is being provided primarily from the District's bond financing. The District has committed to approximately \$14,007,988 of open construction contracts as of June 30, 2009.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such 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.

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Supplemental Schedules

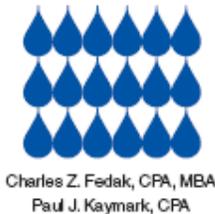
Jurupa Community Services District
Schedule of Reserve for Enterprise Funds Capital Improvements
June 30, 2009

Reserve for Capital Improvements:	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Balance – beginning of year	\$ 23,977,966	25,818,965	49,796,931
Capital contributions:			
Facility fees	7,472,268	6,325,469	13,797,737
Total contributions	<u>7,472,268</u>	<u>6,325,469</u>	<u>13,797,737</u>
Completed construction:			
Completed construction projects	(2,444,498)	(1,517,495)	(3,961,993)
Construction-in-process restricted projects expended	<u>(8,194,180)</u>	<u>(162,218)</u>	<u>(8,356,398)</u>
Total expenses	<u>(10,638,678)</u>	<u>(1,679,713)</u>	<u>(12,318,391)</u>
Balance – end of year	\$ <u>20,811,556</u>	<u>30,464,721</u>	<u>51,276,277</u>

Jurupa Community Services District
Schedule of Reserve for Parks Fund Capital Improvements
June 30, 2009

Reserve for Park Development:	<u>Park Fund</u>
Balance – beginning of year	\$ <u>3,781,759</u>
Revenues:	
Capital financings	3,889,598
Interest earnings	-
Miscellaneous	<u>-</u>
Total revenues	<u>3,889,598</u>
Expenses:	
Capital outlay	<u>5,652,560</u>
Total expenses	<u>5,652,560</u>
Balance – end of year	\$ <u><u>2,018,797</u></u>

Report on Compliance and Internal Controls



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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Jurupa Community Services District
Mira Loma, California

We have audited the basic financial statements of the Jurupa Community Services District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation