

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Mira Loma, California**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2011**

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2011**

**Table of Contents**

	<u><b>Page No.</b></u>
Table of Contents .....	i
 <b>Financial Section</b>	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis.....	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheets – Governmental Funds .....	11
Reconciliation – Balance Sheets – Governmental Funds .....	12
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation – Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Statements of Net Assets – Enterprise Funds .....	15
Statements of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds .....	16
Statements of Cash Flows – Enterprise Funds .....	17
Notes to the Basic Financial Statements .....	18-52
 <b>Required Supplementary Information</b>	
Funded Status and Funding Progress of the Plan.....	53
 <b>Supplemental Schedules</b>	
Budgetary Comparison Schedule – Eastvale Parks Fund .....	54
Budgetary Comparison Schedule – Graffiti Abatement Fund .....	55
Budgetary Comparison Schedule – Illumination District No. 2 Fund .....	56
Budgetary Comparison Schedule – Lighting and Landscape Fund .....	57
Schedule of Reserves for Enterprise Funds Capital Facility Fees .....	58
Schedule of Reserves for Parks Fund Capital Improvements.....	59
Schedule of Community Facilities Districts Outstanding Debt .....	60
Schedule of Community Facilities Districts Cash and Investments Balances .....	61
 <b>Report on Compliance and Internal Controls</b>	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	62-63
Schedule of Findings and Responses .....	64-70

## **FINANCIAL STATEMENTS**



## INDEPENDENT AUDITORS' 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, and each major fund of the Jurupa Community Services District (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration over internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Jurupa Community Services District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010. As discussed in Note 22 to the financial statements, net assets were restated as of July 1, 2010 to account for corrections to receivable balances and capitalized interest balances.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2012 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 considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 8, and the schedule of funding progress on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules, schedules of reserves, schedule of community facilities districts outstanding debt and schedule of community facilities districts cash and investment balances on pages 54 through 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vavrinch, Train, Douglas & Co., LLP*

Rancho Cucamonga, California  
March 19, 2012

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

The following discussion and analysis of the financial performance of the Jurupa Community Services District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net assets increased \$9.1 million, or by 2.8%.
- During the year the District's revenues decreased \$4.4 million or 6.4% to \$64 million, while expenses increased \$6.9 million, or by 14.4% to \$55 million.
- Capital contributions to the District amounted to \$14.2 million.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

**Statement of Net Assets and Statement of Activities**

The Statement of Net Assets and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Assets (page 9) includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities (page 10). This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

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.

**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

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

**Statement of Cash Flows**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 52.

**Government-wide Financial Analysis**

**Statement of Net Assets**

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

TABLE A-1  
Condensed Statements of Net Assets  
(In thousands of dollars)

	<b>Business- Type</b>			<b>Business- Type</b>		
	<b>Governmental Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Activities</b>	<b>Total</b>
	<b>June 30, 2011</b>			<b>June 30, 2010</b>		
<b>Assets:</b>						
Current and other assets	\$ 14,283	\$ 164,949	\$ 179,232	\$ 13,692	\$ 177,435	\$ 191,127
Capital assets	52,842	219,280	272,122	44,607	200,392	244,999
Total Assets	<u>\$ 67,125</u>	<u>\$ 384,229</u>	<u>\$ 451,354</u>	<u>\$ 58,299</u>	<u>\$ 377,827</u>	<u>\$ 436,126</u>
<b>Liabilities:</b>						
Long-term debt outstanding	\$ 2,627	\$ 76,986	\$ 79,613	\$ 2,954	\$ 78,529	\$ 81,483
Other liabilities	727	40,320	41,047	512	36,799	37,311
Total Liabilities	<u>\$ 3,354</u>	<u>\$ 117,306</u>	<u>\$ 120,660</u>	<u>\$ 3,466</u>	<u>\$ 115,328</u>	<u>\$ 118,794</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	\$ 50,215	\$ 183,903	\$ 234,118	\$ 41,653	\$ 127,632	\$ 169,285
Restricted	13,556	50,041	63,597	2,020	102,169	104,189
Unrestricted	-	32,979	32,979	11,160	36,982	48,142
Total Net Assets	<u>\$ 63,771</u>	<u>\$ 266,923</u>	<u>\$ 330,694</u>	<u>\$ 54,833</u>	<u>\$ 266,783</u>	<u>\$ 321,616</u>

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Assets**

Total assets increased by \$15.2 million, or 3.5% for the fiscal year ended June 30, 2011. This increase was due to several factors including a \$27.1 million, or 11.1% net increase in capital assets. The increase in capital assets resulted primarily from contributed capital assets from developers (\$9.6 million) for our parks, construction expenditures related to Chino Basin Desalter Expansion, second phase (\$4.0 million), Florine Lift Station (\$2.0 million), River Road Lift station (\$1.4 million), Well No. 8 discharge line (\$1.3 million, Well 17 and 18 IXP phase 2 (\$1.2 million), various other capital projects (\$16.5 million) less depreciation (\$8.9 million). Additional information regarding capital assets can be found in Note 7 of the Notes to the Basic Financial Statements. The above increases were offset by a decrease in the Districts cash and cash equivalents of approximately \$11.9 million dollars, which is a result of spending bond proceeds on construction projects and a decrease in facility fees received from developers.

**Liabilities**

Total liabilities increased by \$1.9 million, or 1.6% for the fiscal year ended June 30, 2011. This change was primarily due to legal contingency that was accrued at June 30, 2011 that was settled subsequent to year end for \$3.2 million. This increase was offset primarily by a reduction in long-term debt (\$2.1 million), and various other increases in other liabilities of approximately \$.8 million. Information on the Districts commitments and contingencies and long-term debt activities can be found in Note 20 and Note 10 of the Notes to the Basic Financial Statements.

**Net Assets**

Net Assets is the difference between the District's assets and liabilities. Net assets increased during fiscal year 2011 by \$9.1 million, or 2.8%. 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.

1. Net investment in Capital Assets increased \$64.8 million, or 38.3%, for the fiscal year ended June 30, 2011. This is primarily due to a reclassification (increase) of restricted net assets of \$41.6 million to net investment in capital assets, an increase of developer contributions to parks of \$9.6 million, an increase to beginning net assets of \$5.7 million (see note 22), an increase of bond funded construction projects of \$4.1 million, and an additional increase of construction projects of \$9.6 million.
2. Restricted Net Assets decreased \$40.6 million, or 39%, for the fiscal year ended June 30, 2011. This is primarily due to a reclassification (decrease) of \$41.6 million to net investment in capital assets, an increase of \$11.2 million due to a reclassification of funds previously classified as unrestricted as a result of the new GASB 54 pronouncement, a decrease of \$12.5 million due to a decrease in facility fees received and an increase in capital projects funded by facility fees.
3. Unrestricted Net Assets decreased \$15.2 million, or 31.5% for the fiscal year ended June 30, 2011. This is primarily due to a reclassification (increase) of \$11.2 million now classified as restricted net assets as a result of the new GASB 54 pronouncement, and a decrease of \$5.4 million as a result of operations and special items (see note 20).

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Statement of Activities**

The following Table A-2 is a summary of the statement of activities for the year ended June 30, 2011.

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

	<b>Business-</b>			<b>Business-</b>		
	<b>Governmental</b>	<b>Type</b>	<b>Total</b>	<b>Governmental</b>	<b>Type</b>	<b>Total</b>
	<b>Activities</b>			<b>Activities</b>		
	<b>June 30, 2011</b>			<b>June 30, 2010</b>		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 8,218	\$ 37,868	\$46,086	\$ 7,758	\$ 38,379	\$46,137
Capital contributions and grants	9,897	4,337	14,234	10,642	8,113	18,755
General revenues:						
Property taxes	249	2,301	2,550	225	2,748	2,973
Interest earnings	78	1,108	1,186	86	485	571
Total Revenues	<u>\$ 18,442</u>	<u>\$ 45,614</u>	<u>\$64,056</u>	<u>\$ 18,711</u>	<u>\$ 49,725</u>	<u>\$68,436</u>
<b>Program expenses:</b>						
Eastvale parks	\$ 7,919	\$ -	\$ 7,919	\$ 7,493	\$ -	\$ 7,493
Graffiti abatement	274	-	274	239	-	239
Illumination District No 2	316	-	316	305	-	305
Landscape & lighting	994	-	994	951	-	951
Water	-	27,021	27,021	-	25,769	25,769
Wastewater	-	18,453	18,453	-	13,291	13,291
Total Program Expenses	<u>\$ 9,503</u>	<u>\$ 45,474</u>	<u>\$54,977</u>	<u>\$ 8,988</u>	<u>\$ 39,060</u>	<u>\$48,048</u>

Total revenues for the fiscal year ended June 30, 2011 decreased by \$4.4 million, or 6.4% from fiscal year 2010. This is primarily due to a decrease in contributed capital, property taxes, and non-operating revenues over the 2010 fiscal year.

**Program Revenues**

Charges for services decreased slightly as of June 30, 2011 by \$51,000, or .1%. While water and wastewater sales increased by \$4 million over the prior year due to a rate increase, growth and an increase in consumption, there was a significant decrease of \$4.4 million in the Business-type activities due to one-time refund that was paid to the Water fund in the 2010 fiscal year that was not received in the current fiscal year. The District's governmental funds had an increase of \$.5 million due to improved collection of delinquent assessment revenues and an increase in recreation programs offered by the District.

Capital contributions and grants decreased \$4.5 million, or 24.1% during the fiscal year ended June 30, 2011. This is primarily due to a decline in development; the governmental activities decreased \$.7 million due to slower development of parks and business-type activities decreased \$3.8 million due to less facility fees being collected by the district as a result of slowing development in the District.

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**General Revenues**

Property taxes decreased \$.4 million in Business-type Activities as of June 30, 2011. This is primarily due to poor economic times facing the area, there are higher delinquencies related to the collection of property tax for the District and a reduction in pass through monies received by the County Redevelopment Agency.

Interest earnings increased by \$.6 million in Business-type Activities as of June 30, 2011. This is a result of a full year of bond construction proceeds being held with the District's Trustee and earning a full year of interest.

**Program Expenses**

Total expenses increased \$6.9 million, or 14.4%, for the year ended June 30, 2011. The increase in expenses is primarily a result of the District's operations and contingency commitments.

Eastvale Park's expenses increased \$.4 million primarily due to an increase in the parks recreation programs. This continues to be an area of growth for the District's parks department as the community continues to increase participation on an annual basis.

Water expenses increased \$1.3 million, or 4.9%, as a result of increasing costs related to operations, an increase in depreciation and a litigation commitment that was settled. Wastewater expenses increased \$5.2 million or by 38.9%, primarily due to litigation contingency that was settled (\$3.7 million), an increase in treatment expense due to higher costs and increased flows (\$.7 million) and an overall increase in costs related to operations. More information about the District's Commitments and Contingencies is presented in Note 20 of the Notes to Basic Financial Statements.

**Capital Asset Administration**

At the end of 2011, the District has invested \$266.4 million in a broad range of infrastructure as shown in Table A-3.

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

	<b>Business-</b>			<b>Business-</b>		
	<b>Governmental</b>	<b>Type</b>	<b>Total</b>	<b>Governmental</b>	<b>Type</b>	<b>Total</b>
<b>Activities</b>	<b>Activities</b>	<b>Activities</b>		<b>Activities</b>	<b>Activities</b>	
	<b>June 30, 2011</b>			<b>June 30, 2010</b>		
Land and land rights	\$ 21,680	\$ 5,034	\$ 26,714	\$ 17,675	\$ 5,034	\$ 22,709
Construction in progress	2,527	29,506	32,033	1,296	14,907	16,203
Land improvements	17,878	1,353	19,231	13,740	1,416	15,156
Structures and Equipment	10,757	41,728	52,485	11,896	42,726	54,622
Water transmission & distribution	-	79,433	79,433	-	80,388	80,388
Wastewater collection system	-	51,501	51,501	-	52,869	52,869
Vehicles and equipment	-	4,955	4,955	-	3,052	3,052
Total Capital Assets	<u>\$ 52,842</u>	<u>\$ 213,510</u>	<u>\$ 266,352</u>	<u>\$ 44,607</u>	<u>\$ 200,392</u>	<u>\$ 244,999</u>

At the end of fiscal year 2011, the District's investment in capital assets amounted to \$266.4 million (net of accumulated depreciation). This investment in capital assets includes, land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems and construction-in process. The increase in the District's capital assets is primarily due to an increase in construction-in-process, which are capital projects that have not yet been completed as of the fiscal year end 2011, and an increase in capital contributions as a result of Community Facility District's bonding and the District

**JURUPA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

taking ownership of three additional parks from developers. More information about the District's Capital assets is presented in Note 7 of the Notes to Basic Financial Statements.

**Long-Term Debt Administration**

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

	<b>Business-</b>			<b>Business-</b>		
	<b>Governmental Activities</b>	<b>Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Type Activities</b>	<b>Total</b>
	<b>June 30, 2011</b>			<b>June 30, 2010</b>		
Compensated absences	\$ 77	\$ 545	\$ 622	\$ 45	\$ 505	\$ 550
Other post employment benefits	205	1,382	1,587	277	1,973	2,250
Long-term debt	2,286	75,460	77,746	2,658	77,073	79,731
Total Long-term Liabilities	<u>\$ 2,568</u>	<u>\$ 77,387</u>	<u>\$79,955</u>	<u>\$ 2,980</u>	<u>\$ 79,551</u>	<u>\$82,531</u>

During the year, the District's long-term debt decreased \$2.6 million, or 3.1%, and can be attributed to normal debt payments. Additional information on long term debt is presented in Note 10 of the Notes to Basic Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

The District has experienced moderate growth which is expected to continue over the next 5-7 years and possibly grow at a more rapid pace as the economy recovers. This growth will further create demand for water supply and additional capital facilities. These demands have been anticipated in the District's capital improvement plan with new supply demands being addressed in the District's 2010 Urban Water Management Plan. The District's 2012 fiscal budget includes the last year of a five year water rate increase that was put in place in 2007. The Board of Director's is reviewing the District current and future financial needs to accommodate increasing costs in water supply, power, labor and maintenance. The wastewater enterprise is in the third year of five year rate increase that was 9% for the FY 2011-2012 year. The wastewater enterprise also accrued a loss contingency of \$3.2 million as a result of a settlement with Banshee Construction Company that was part of an ongoing legal dispute for the past five years (See Note 20).

**Contacting the District's Financial Management**

This financial report is designed to provide our customers and creditors with a general overview of the District finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Finance Department, 11201 Harrel Street Jurupa Valley, California 91752 or (951) 685-7434.

## **BASIC FINANCIAL STATEMENTS**

**JURUPA COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 11,193,978	\$ 52,627,154	\$ 63,821,132
Restricted - cash and cash equivalents (Note 2)	2,340,261	50,099,264	52,439,525
Restricted - investments (Note 2)	-	21,333,885	21,333,885
Accrued interest receivable	3,624	37,794	41,418
Accounts receivable - utilities, net (Note 3)	-	4,127,479	4,127,479
Accounts receivable - governmental agencies	-	20,146	20,146
Accounts receivable - developers and others	-	149,994	149,994
Property taxes and assessments receivables	727,401	141,835	869,236
Prepaid expenses and other assets (Note 4)	18,125	2,021,736	2,039,861
Total Current Assets	<u>14,283,389</u>	<u>130,559,287</u>	<u>144,842,676</u>
Non-current assets:			
Investments (Note 2)		9,997,698	9,997,698
Restricted - investments (Note 2)		20,217,406	20,217,406
Investment in WRCRWA, net (Note 5)	-	3,105,070	3,105,070
Deferred charges, net (Note 6)	-	1,069,646	1,069,646
Capital assets - not being depreciated (Note 7)	24,207,103	34,540,229	58,747,332
Capital assets - being depreciated, net (Note 7)	28,634,551	184,739,341	213,373,892
Total Non-Current Assets	<u>52,841,654</u>	<u>253,669,390</u>	<u>306,511,044</u>
<b>Total Assets</b>	<u>67,125,043</u>	<u>384,228,677</u>	<u>451,353,720</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable and accrued expenses	356,271	9,253,838	9,610,109
Accrued wages and related payables	32,526	363,612	396,138
Customer deposits, deferred revenue and advances (Note 8)	30,706	27,623,799	27,654,505
Accrued interest on long-term debt	-	970,018	970,018
Long-term liabilities - due within on year:			
Compensated absences (Note 9)	25,568	181,719	207,287
Long-term debt (Note 10)	341,000	1,525,885	1,866,885
Total Current Liabilities	<u>786,071</u>	<u>39,918,871</u>	<u>40,704,942</u>
Non-current liabilities:			
Compensated absences (Note 9)	76,705	545,156	621,861
Net OPEB obligation (Note 11)	205,429	1,381,682	1,587,111
Long-term debt (Note 10)	2,285,680	75,460,263	77,745,943
Total Non-Current Liabilities	<u>2,567,814</u>	<u>77,387,101</u>	<u>79,954,915</u>
<b>Total Liabilities</b>	<u>3,353,885</u>	<u>117,305,972</u>	<u>120,659,857</u>
Net assets:			
Net investments in capital assets (Note 12)	50,214,974	183,903,232	234,118,206
Restricted (Note 13)	13,556,184	50,040,745	63,596,929
Unrestricted (Note 14)	-	32,978,728	32,978,728
Total Net Assets	<u>\$ 63,771,158</u>	<u>\$ 266,922,705</u>	<u>\$ 330,693,863</u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
Eastvale parks	\$ 7,918,428	\$ 6,688,389	\$ 9,897,026	\$ 8,666,987	\$ -	\$ 8,666,987
Graffiti abatement	273,797	174,965	-	(98,832)	-	(98,832)
Illumination District No. 2	316,265	204,788	-	(111,477)	-	(111,477)
Landscape and lighting	994,393	1,149,620	-	155,227	-	155,227
Total Governmental	9,502,883	8,217,762	9,897,026	8,611,905	-	8,611,905
<b>Business-type activities:</b>						
Water	27,021,487	26,479,102	3,221,756	-	2,679,371	2,679,371
Wastewater	18,452,549	11,388,375	1,115,449	-	(5,948,725)	(5,948,725)
Total Business-Type	45,474,036	37,867,477	4,337,205	-	(3,269,354)	(3,269,354)
<b>Total</b>	<b>\$ 54,976,919</b>	<b>\$ 46,085,239</b>	<b>\$ 14,234,231</b>	<b>8,611,905</b>	<b>(3,269,354)</b>	<b>5,342,551</b>
General Revenues:						
Property taxes				248,694	2,301,206	2,549,900
Interest earnings				77,718	1,107,743	1,185,461
Total General Revenues				326,412	3,408,949	3,735,361
Change in Net Assets				8,938,317	139,595	9,077,912
Net Assets, Beginning of Year, as restated				54,832,841	266,783,110	321,615,951
Net Assets at End of Year				\$ 63,771,158	\$ 266,922,705	\$ 330,693,863

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,676,558	\$ 302,250	\$ 399,368	\$ 1,815,802	\$ 11,193,978
Restricted - cash and cash equivalents	2,340,261	-	-	-	2,340,261
Accrued interest receivable	3,624	-	-	-	3,624
Property taxes and assessments receivable	579,996	-	22,360	125,045	727,401
Prepaid expenses and other assets	18,125	-	-	-	18,125
Total Assets	<u>\$ 11,618,564</u>	<u>\$ 302,250</u>	<u>\$ 421,728</u>	<u>\$ 1,940,847</u>	<u>\$ 14,283,389</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 276,122	\$ -	\$ 80,149	\$ -	\$ 356,271
Accrued wages and related payables	32,526	-	-	-	32,526
Customer deposits and deferred revenue	30,706	-	-	-	30,706
Total Liabilities	<u>339,354</u>	<u>-</u>	<u>80,149</u>	<u>-</u>	<u>419,503</u>
Fund balances:					
Nonspendable	18,125				18,125
Restricted for:					
Park maintenance	11,261,085	302,250	-	-	11,563,335
Illumination District No. 2	-	-	341,579	-	341,579
Landscape and lighting	-	-	-	1,940,847	1,940,847
Total Fund Balances	<u>11,279,210</u>	<u>302,250</u>	<u>341,579</u>	<u>1,940,847</u>	<u>13,863,886</u>
Total Liabilities and and Fund Balances	<u>\$ 11,618,564</u>	<u>\$ 302,250</u>	<u>\$ 421,728</u>	<u>\$ 1,940,847</u>	<u>\$ 14,283,389</u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

Fund Balances of Governmental Funds	\$ 13,863,886
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net assets includes those capital assets among the assets of the District as a whole.	52,841,654
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	(102,273)
Other post-employment benefits payable	(205,429)
Loan payable	(2,742,000)
Discount on loan payable	<u>115,320</u>
Net Assets of Governmental Activities	<u><u>\$ 63,771,158</u></u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
<b>REVENUES</b>					
Property taxes	\$ -	\$ 169,694	\$ 79,000	\$ -	\$ 248,694
Special assessments	5,858,281	174,965	204,788	1,138,950	7,376,984
Charges for services	830,108	-	-	10,670	840,778
Capital grants and contributions	9,897,026	-	-	-	9,897,026
Interest earnings	77,718	-	-	-	77,718
Total Revenues	<u>16,663,133</u>	<u>344,659</u>	<u>283,788</u>	<u>1,149,620</u>	<u>18,441,200</u>
<b>EXPENDITURES</b>					
Current:					
Eastvale parks	5,074,865	-	-	-	5,074,865
Graffiti abatement	-	273,797	-	-	273,797
Illumination District No. 2	-	-	316,265	-	316,265
Landscape and lighting	-	-	-	994,393	994,393
Debt service	372,000	-	-	-	372,000
Capital outlay	11,063,760	-	-	-	11,063,760
Total Expenditures	<u>16,510,625</u>	<u>273,797</u>	<u>316,265</u>	<u>994,393</u>	<u>18,095,080</u>
Net change in fund balance	<u>152,508</u>	<u>70,862</u>	<u>(32,477)</u>	<u>155,227</u>	<u>346,120</u>
Fund Balances, Beginning of Year	<u>11,126,702</u>	<u>231,388</u>	<u>374,056</u>	<u>1,785,620</u>	<u>13,517,766</u>
Fund Balances, End of Year	<u>\$ 11,279,210</u>	<u>\$ 302,250</u>	<u>\$ 341,579</u>	<u>\$ 1,940,847</u>	<u>13,863,886</u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ 346,120
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:	
Capital outlay	11,063,760
Depreciation expense	(2,828,861)
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:	
Net change in compensated absences for the current period	(41,633)
Net change in other post-employment benefits payable for the current period	71,571
Repayment of loan principal is reported as expenditure in governmental funds and, thus has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities	372,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of loan payable discount to interest expense	(44,640)
Change in Net Assets of Governmental Activities	<u>\$ 8,938,317</u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET ASSETS – ENTERPRISE FUNDS  
JUNE 30, 2011**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 37,748,230	\$ 14,878,924	\$ 52,627,154
Restricted - cash and cash equivalents	20,247,787	29,851,477	50,099,264
Restricted - investments	4,790,313	16,543,572	21,333,885
Accrued interest receivable	20,118	17,676	37,794
Accounts receivable - utilities, net	3,273,290	854,189	4,127,479
Accounts receivable - governmental agencies	20,146	-	20,146
Accounts receivable - developers and others	149,994	-	149,994
Property taxes and assessments receivable	-	141,835	141,835
Prepaid expenses and other assets	2,013,736	8,000	2,021,736
Total Current Assets	<u>68,263,614</u>	<u>62,295,673</u>	<u>130,559,287</u>
Non-current assets:			
Investments	4,998,849	4,998,849	9,997,698
Restricted - investments	8,617,439	11,599,967	20,217,406
Investment in WRCRWA, net	-	3,105,070	3,105,070
Deferred charges, net	577,346	492,300	1,069,646
Capital assets - not being depreciated	25,734,907	8,805,322	34,540,229
Capital assets - being depreciated, net	107,832,639	76,906,702	184,739,341
Total Non-Current Assets	<u>147,761,180</u>	<u>105,908,210</u>	<u>253,669,390</u>
<b>Total Assets</b>	<u>216,024,794</u>	<u>168,203,883</u>	<u>384,228,677</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable and accrued expenses	4,858,528	4,395,310	9,253,838
Accrued wages and related payables	253,186	110,426	363,612
Customer deposits, deferred revenue and advances	23,718,752	3,905,047	27,623,799
Accrued interest on long-term debt	441,103	528,915	970,018
Long-term liabilities - due within on year:			
Compensated absences	149,986	31,733	181,719
Long-term debt	530,000	995,885	1,525,885
Total Current Liabilities	<u>29,951,555</u>	<u>9,967,316</u>	<u>39,918,871</u>
Non-current liabilities:			
Long-term liabilities - due in more than one year:			
Compensated absences	449,959	95,197	545,156
Net OPEB obligation	986,936	394,746	1,381,682
Long-term debt	30,010,242	45,450,021	75,460,263
Total Non-Current Liabilities	<u>31,447,137</u>	<u>45,939,964</u>	<u>77,387,101</u>
<b>Total Liabilities</b>	<u>61,398,692</u>	<u>55,907,280</u>	<u>117,305,972</u>
Net assets:			
Net investments in capital assets	119,392,316	64,510,916	183,903,232
Restricted	17,290,527	32,750,218	50,040,745
Unrestricted	17,943,259	15,035,469	32,978,728
<b>Total Net Assets</b>	<u>\$ 154,626,102</u>	<u>\$ 112,296,603</u>	<u>\$ 266,922,705</u>

See accompanying notes to the basic financial statements.

**JURUPA COMMUNITY SERVICES DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS –  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Water	Wastewater	Total
Operating revenues:			
Water consumption sales	\$ 13,174,487		\$ 13,174,487
Monthly meter service charge	11,998,996		11,998,996
Sewer service charges	-	\$ 11,364,738	11,364,738
Other charges and services	1,224,656	11,780	1,236,436
Total Operating Revenue	<u>26,398,139</u>	<u>11,376,518</u>	<u>37,774,657</u>
Operating expenses:			
Source of supply	9,661,292	-	9,661,292
Pumping	392,564	-	392,564
Water treatment	1,828,501	-	1,828,501
Transmission and distribution	1,968,706	-	1,968,706
Sewage collection	-	1,935,205	1,935,205
Sewage treatment	-	6,315,972	6,315,972
Customer service	2,227,211	257,885	2,485,096
General administrative	6,676,889	2,649,939	9,326,828
Total Operating Expenses	<u>22,755,163</u>	<u>11,159,001</u>	<u>33,914,164</u>
Operating income before depreciation	3,642,976	217,517	3,860,493
Depreciation	(3,688,179)	(2,405,969)	(6,094,148)
<b>Operating Loss</b>	<u>(45,203)</u>	<u>(2,188,452)</u>	<u>(2,233,655)</u>
Non-operating revenues (expenses)			
Property tax revenue	-	2,301,206	2,301,206
Investment earnings	524,713	583,030	1,107,743
Interest expense - long-term debt	(565,269)	(1,482,769)	(2,048,038)
Other non-operating revenues (expenses), net	68,087	(122,153)	(54,066)
Total Non-Operating Revenues (Expenses), net	<u>27,531</u>	<u>1,279,314</u>	<u>1,306,845</u>
<b>Net Income(Loss) Before Capital Contributions and Special Item</b>	<u>(17,672)</u>	<u>(909,138)</u>	<u>(926,810)</u>
Capital contributions:			
Facility fees	3,221,756	1,115,449	4,337,205
Special Item (note 21)	-	(3,270,800)	(3,270,800)
<b>Changes in Net Assets</b>	<u>3,204,084</u>	<u>(3,064,489)</u>	<u>139,595</u>
Net Assets, Beginning of Year, as restated	<u>151,422,018</u>	<u>115,361,092</u>	<u>266,783,110</u>
Net Assets, End of Year	<u>\$ 154,626,102</u>	<u>\$ 112,296,603</u>	<u>\$ 266,922,705</u>

See accompanying notes to the basic financial statements.

# JURUPA COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Water	Wastewater	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 27,862,567	\$ 10,640,245	\$ 38,502,812
Cash paid to vendors and suppliers	(23,278,735)	(11,232,836)	(34,511,571)
Net cash provided(used) by operating activities	<u>4,583,832</u>	<u>(592,591)</u>	<u>3,991,241</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes	-	2,577,872	2,577,872
Other non-operating revenues(expenses), net	68,087	(17,045)	51,042
Net cash provided by non-capital financing activities	<u>68,087</u>	<u>2,560,827</u>	<u>2,628,914</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(13,066,748)	(6,145,216)	(19,211,964)
Proceeds from capital contributions	3,221,756	1,115,449	4,337,205
Principal payments on long-term debt	(566,353)	(976,160)	(1,542,513)
Interest payments on long-term debt	(729,743)	(1,714,102)	(2,443,845)
Net cash used for capital and financing activities	<u>(11,141,088)</u>	<u>(7,720,029)</u>	<u>(18,861,117)</u>
Cash flows from investing activities:			
Purchases and sales of investments, net	(4,970,247)	(13,792,181)	(18,762,428)
Interest earnings	593,924	675,462	1,269,386
Net cash used in investing activities	<u>(4,376,323)</u>	<u>(13,116,719)</u>	<u>(17,493,042)</u>
Net decrease in cash	(10,865,492)	(18,868,512)	(29,734,004)
Cash and cash equivalents, beginning of year	68,861,509	63,598,913	132,460,422
Cash and cash equivalents, end of year	<u>\$ 57,996,017</u>	<u>\$ 44,730,401</u>	<u>\$ 102,726,418</u>
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	\$ 37,748,230	\$ 14,878,924	\$ 52,627,154
Restricted assets - cash and cash equivalents	20,247,787	29,851,477	50,099,264
Total Cash and Cash Equivalents	<u>\$ 57,996,017</u>	<u>\$ 44,730,401</u>	<u>\$ 102,726,418</u>
Reconciliation of operating loss to net cash provided(used) by operating activities:			
Operating income (loss)	\$ (45,203)	\$ (2,188,452)	\$ (2,233,655)
Adjustments to reconcile operating income (loss) to net cash provided(used) by operating activities:			
Depreciation expense	3,688,179	2,405,969	6,094,148
Special item	-	(3,270,800)	(3,270,800)
Changes in assets and liabilities:			
(Increase)decrease in assets:			
Accounts receivable - utilities, net	(199,808)	(228,075)	(427,883)
Accounts receivable - governmental agencies	548,633	-	548,633
Accounts receivable - developers and others, net	(4,439)	-	(4,439)
Prepaid expenses and other deposits	(676,532)	8,274	(668,258)
Increase(decrease) in liabilities:			
Accounts payable and accrued expenses	240,865	3,352,533	3,593,398
Accrued wages and related payable	207,017	79,006	286,023
Customer deposits, deferred revenue and advances	1,120,042	(508,198)	611,844
Compensated absences	120,617	(66,944)	53,673
Other post-employment benefits payable	(415,539)	(175,904)	(591,443)
Total Adjustments	<u>4,629,035</u>	<u>1,595,861</u>	<u>6,224,896</u>
Net cash provided(used) by operating activities	<u>\$ 4,583,832</u>	<u>\$ (592,591)</u>	<u>\$ 3,991,241</u>

See accompanying notes to the basic financial statements.

## JURUPA COMMUNITY SERVICES DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 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 unit.

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

##### 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

## JURUPA COMMUNITY SERVICES DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. Basis of Accounting and Measurement Focus (Continued)

###### *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. Contributed capital and capital grants are included as capital contributions. Property taxes and interest earnings not properly included among program revenues are reported instead as general revenues.

###### *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 the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

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

## JURUPA COMMUNITY SERVICES DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. Basis of Accounting and Measurement Focus (Continued)

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.

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.

## JURUPA COMMUNITY SERVICES DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### B. Basis of Accounting and Measurement Focus (Continued)

The funds of the financial reporting entity are described below:

###### *Governmental Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District reports the following major funds:

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

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

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

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

###### *Enterprise Funds*

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

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

##### 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

Investments are recorded at fair value. 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  
JUNE 30, 2011**

**NOTE 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.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Financial Statement Elements (Continued)**

**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.

**10. Capital Assets**

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

*Governmental Activities*

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

*Business-Type Activities*

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

**11. Compensated Absences**

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

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Financial Statement Elements (Continued)**

**12. Net Assets/Fund Balances**

*Net Assets*

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*.

*Fund Balance*

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* July 1, 2010. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following definitions and classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

## JURUPA COMMUNITY SERVICES DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### C. Financial Statement Elements (Continued)

###### 12. Net Assets/Fund Balances (Continued)

- Committed: Resources that are constrained to specific purposes by a formal action of the Board of Directors such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Board of Directors. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- Assigned: Resources that are constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed.
- Unassigned: The unassigned classification is to be used when there are negative residual resources in excess of what can be properly classified as nonspendable, restricted, committed or assigned.

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

###### 13. New GASB Pronouncements

###### Implemented during 2010-2011

**GASB Statement No. 54** – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement was implemented July 1, 2010.

**GASB Statement No. 59** – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement did not significantly impact the financial statements of the District.

###### 14. 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.

###### 15. Capital Contributions

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

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Financial Statement Elements (Continued)**

**16. 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.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and cash equivalents	\$ 63,821,132
Restricted - cash and cash equivalents	52,439,525
Restricted - investments (current)	21,333,885
Investments (non-current)	9,997,698
Restricted - investments (non-current)	20,217,406
Total	<u>\$ 167,809,646</u>

Cash and investments, consist of the following:

Cash on hand	\$ 2,650
Deposits held with financial institutions	(600,746)
Investments	168,407,742
Total	<u>\$ 167,809,646</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

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

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

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

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The debt agreement for the District’s certificates-of-participation authorizes the bond trustee to invest reserve funds in investment contracts with a maturity up to the maturity date of the outstanding debt.

***Investment in State Investment Pool***

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

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011**

#### **NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

##### ***Investment in Riverside County Treasurer Fund***

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

Information related to the RCPIF may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4<sup>th</sup> Floor – Capital Markets – Riverside, California 92506 or the Treasurer and Tax Collector’s office website at [www.countytreasurer.org](http://www.countytreasurer.org).

##### ***Investment in California Asset Management Program***

The California Asset Management Program (CAMP) is a public joint powers authority which provides California Public Agencies with investment management services for surplus funds and comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt financings. The CAMP currently offers the Cash Reserve Portfolio, a short-term investment portfolio, as a means for Public Agencies to invest these funds. Public Agencies that invest in the Pool (“Participants”) purchase shares of beneficial interest. Participants may also establish individual, professionally managed investment accounts (“Individual Portfolios”) by separate agreement with the Investment Advisor. The District participates in the Cash Reserve Portfolio and has also established a professionally managed investment portfolio through CAMP.

Investments in the pools and individual portfolios are made only in investments in which Public Agencies generally are permitted by California statute. The CAMP may reject any investment and may limit the size of a participant’s account. The pool seeks to maintain, but does not guarantee, a constant net asset value of \$1.00 per share. A participant may withdraw funds from its Pool accounts at any time by check or wire transfers. Requests for wire transfers must be made by 9:00 AM that day. Fair value of the pool is determined by the fair value per share of the pool’s underlying portfolio.

##### ***Custodial Credit Risk***

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

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Totals	Remaining Maturity		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Money market mutual funds	\$ 20,320,290	\$ 20,320,290	\$ -	\$ -
California Asset Management Program (CAMP)	30,204,926	30,204,926	-	-
Local Agency Investment Fund (LAIF)	34,679,067	34,679,067	-	-
Riverside County Investment Pool	20,222,393	20,222,393	-	-
U.S. Treasury Notes	4,990,405	4,990,405	-	-
U.S. Agency Securities				
FHLMC	9,997,698	-	4,500,015	5,497,683
Held by bond trustee:				
Money market mutual funds	6,441,671	6,441,671	-	-
U.S. Treasury Notes	8,868,541	8,868,541	-	-
U.S. Agency Securities				
FHLB	12,128,764	6,228,644	5,900,120	-
FNMA	10,759,735	6,236,701	4,523,034	-
FHLMC	9,794,252	-	3,379,925	6,414,327
Total	<u>\$ 168,407,742</u>	<u>\$ 138,192,638</u>	<u>\$ 18,303,094</u>	<u>\$ 11,912,010</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

***Credit Risk***

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

Investment Type	Totals	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Money market mutual funds	\$ 20,320,290	N/A	\$ -	\$ 20,320,290
California Asset Management Program (CAMP)	30,204,926	N/A	-	30,204,926
Local Agency Investment Fund (LAIF)	34,679,067	N/A	-	34,679,067
Riverside County Investment Pool	20,222,393	N/A	20,222,393	-
U.S. Treasury Notes	4,990,405	N/A	-	4,990,405
U.S. Agency Securities				
FHLMC	9,997,698	AAA	9,997,698	-
Held by bond trustee:				
Money market mutual funds	6,441,671	N/A	-	6,441,671
U.S. Treasury Notes	8,868,541	N/A	-	8,868,541
U.S. Agency Securities				
FHLB	12,128,764	AAA	12,128,764	-
FNMA	10,759,735	AAA	10,759,735	-
FHLMC	9,794,252	AAA	9,794,252	-
Total	<u>\$ 168,407,742</u>		<u>\$ 62,902,842</u>	<u>\$ 105,504,900</u>

***Concentration of Credit Risk***

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. More than 5 percent of the District's investments are in FHLMC, FHLB, and FNMA. These investments comprise 11.7%, 7.2%, and 6.4% respectively, of the District’s total investments.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 – ACCOUNTS RECEIVABLE – UTILITIES, NET**

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2011:

	Water	Wastewater	Total
Accounts receivable - utilities	\$ 3,301,047	\$ 856,867	\$ 4,157,914
Allowances for uncollectible receivables	(27,757)	(2,678)	(30,435)
Accounts receivable - utilities, net	<u>\$ 3,273,290</u>	<u>\$ 854,189</u>	<u>\$ 4,127,479</u>

**NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS**

The prepaid expenses and other assets balance consists of the following balances as of June 30, 2011:

Account Description	Parks	Water	Wastewater	Total
Materials and supplies inventory	\$ -	\$ 256,499	\$ -	\$ 256,499
Water-in-storage inventory	-	31,440	-	31,440
Prepaid expenses and other deposits	18,125	1,725,797	8,000	1,751,922
Total Prepaid Expenses and Other Deposits	<u>\$ 18,125</u>	<u>\$ 2,013,736</u>	<u>\$ 8,000</u>	<u>\$ 2,039,861</u>

**NOTE 5 – INVESTMENT IN WRCRWA, NET**

The District’s investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2011 as follows:

Account Description	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Investment in WRCRWA	\$ 4,204,305	\$ -	\$ -	\$ 4,204,305
Accumulated amortization	(994,127)	(105,108)	-	(1,099,235)
Investment in WRCRWA, net	<u>\$ 3,210,178</u>	<u>\$ (105,108)</u>	<u>\$ -</u>	<u>\$ 3,105,070</u>

**NOTE 6 – DEFERRED CHARGES, NET**

The changes in the deferred charges balances for fiscal year 2011 were as follows:

Account Description	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
2010 A COPs - Water deferred charges	\$ 372,096	\$ -	\$ (12,543)	\$ 359,553
2010 B COPs - Water deferred charges	225,391	-	(7,598)	217,793
2010 A COPs - Wastewater deferred charges	203,013	-	(6,843)	196,170
2010 B COPs - Wastewater deferred charges	306,460	-	(10,330)	296,130
Deferred Charges, Net	<u>\$ 1,106,960</u>	<u>\$ -</u>	<u>\$ (37,314)</u>	<u>\$ 1,069,646</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS**

*Governmental Activities*

Changes in capital assets for the year were as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Non-depreciable assets:				
Land	\$ 17,675,471	\$ 4,004,500	\$ -	\$ 21,679,971
Construction in progress	1,295,547	1,487,079	(255,494)	2,527,132
Total Non-depreciable Assists	<u>18,971,018</u>	<u>5,491,579</u>	<u>(255,494)</u>	<u>24,207,103</u>
Depreciable assets:				
Land improvements	16,600,831	5,572,180	-	22,173,011
Structures and equipment	15,428,818	255,494	-	15,684,312
Total Depreciable Assets	<u>32,029,649</u>	<u>5,827,674</u>	<u>-</u>	<u>37,857,323</u>
Accumulated depreciation:				
Land improvements	(2,860,971)	(1,434,207)	-	(4,295,178)
Structures and equipment	(3,532,941)	(1,394,653)	-	(4,927,594)
Total Accumulated Depreciation	<u>(6,393,912)</u>	<u>(2,828,860)</u>	<u>-</u>	<u>(9,222,772)</u>
Total Depreciable Assets, Net	<u>25,635,737</u>	<u>2,998,814</u>	<u>-</u>	<u>28,634,551</u>
Total Capital Assets, Net	<u>\$ 44,606,755</u>	<u>\$ 8,490,393</u>	<u>\$ (255,494)</u>	<u>\$ 52,841,654</u>

Depreciation expense of \$2,828,860 was charged to Eastvale Parks.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

*Business-Type Activities*

Changes in capital assets for the year were as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Non-depreciable assets:				
Land	\$ 5,033,977	\$ -	\$ -	\$ 5,033,977
Construction in progress	14,906,986	18,571,346	(3,972,080)	29,506,252
Total Non-depreciable Assets	<u>19,940,963</u>	<u>18,571,346</u>	<u>(3,972,080)</u>	<u>34,540,229</u>
Depreciable assets:				
Land improvements	2,380,420	-	-	2,380,420
Structures and improvements	64,294,554	840,910	-	65,135,464
Water transmission and distribution	100,067,773	1,409,522	(572)	101,476,723
Wastewater collection system	68,621,122	256,081	(234,017)	68,643,186
Vehicles and equipment	6,537,530	2,327,651	-	8,865,181
Total Depreciable Assets	<u>241,901,399</u>	<u>4,834,164</u>	<u>(234,589)</u>	<u>246,500,974</u>
Accumulated depreciation:				
Land improvement and rights	(964,598)	(62,428)	-	(1,027,026)
Structures and improvements	(18,259,359)	(1,839,768)	-	(20,099,127)
Water transmission and distribution	(19,679,848)	(2,363,655)	-	(22,043,503)
Wastewater collection system	(13,291,258)	(1,403,779)	13,123	(14,681,914)
Vehicles and equipment	(3,485,545)	(424,518)	-	(3,910,063)
Total Accumulated Depreciation	<u>(55,680,608)</u>	<u>(6,094,148)</u>	<u>13,123</u>	<u>(61,761,633)</u>
Total Depreciable Assets, Net	<u>186,220,791</u>	<u>(1,259,984)</u>	<u>(221,466)</u>	<u>184,739,341</u>
Total Capital Assets, Net	<u>\$ 206,161,754</u>	<u>\$ 17,311,362</u>	<u>\$ (4,193,546)</u>	<u>\$ 219,279,570</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

Water Enterprise	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Non-depreciable assets:				
Land	\$ 4,783,297	\$ -	\$ -	\$ 4,783,297
Construction in progress	12,243,449	12,411,107	(3,702,946)	20,951,610
Total Non-depreciable Assets	17,026,746	12,411,107	(3,702,946)	25,734,907
Depreciable assets:				
Land improvements	2,253,630	-	-	2,253,630
Structures and improvements	26,883,248	840,910	-	27,724,158
Water transmission and distribution	100,067,773	1,409,522	(572)	101,476,723
Vehicles and equipment	5,830,272	2,108,727	-	7,938,999
Total Depreciable Assets	135,034,923	4,359,159	(572)	139,393,510
Accumulated depreciation:				
Land improvement and rights	(922,499)	(58,024)	-	(980,523)
Structures and improvements	(4,191,446)	(904,401)	-	(5,095,847)
Water transmission and distribution	(19,679,848)	(2,363,655)	-	(22,043,503)
Vehicles and equipment	(3,078,899)	(362,099)	-	(3,440,998)
Total Accumulated Depreciation	(27,872,692)	(3,688,179)	-	(31,560,871)
Total Depreciable Assets, Net	107,162,231	670,980	(572)	107,832,639
Total Capital Assets, Net	\$ 124,188,977	\$ 13,082,087	\$ (3,703,518)	\$ 133,567,546

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

Wastewater Enterprise	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Non-depreciable assets:				
Land	\$ 250,680	\$ -	\$ -	\$ 250,680
Construction in progress	2,663,537	6,160,239	(269,134)	8,554,642
Total Non-depreciable Assets	<u>2,914,217</u>	<u>6,160,239</u>	<u>(269,134)</u>	<u>8,805,322</u>
Depreciable assets:				
Land improvements	126,790	-	-	126,790
Structures and improvements	37,411,306	-	-	37,411,306
Water transmission and distribution	-	-	-	-
Wastewater collection system	68,621,122	256,081	(234,017)	68,643,186
Vehicles and equipment	707,258	218,924	-	926,182
Total Depreciable Assets	<u>106,866,476</u>	<u>475,005</u>	<u>(234,017)</u>	<u>107,107,464</u>
Accumulated depreciation:				
Land improvement and rights	(42,099)	(4,404)	-	(46,503)
Structures and improvements	(14,067,913)	(935,367)	-	(15,003,280)
Wastewater collection system	(13,291,258)	(1,403,779)	13,123	(14,681,914)
Vehicles and equipment	(406,646)	(62,419)	-	(469,065)
Total Accumulated Depreciation	<u>(27,807,916)</u>	<u>(2,405,969)</u>	<u>13,123</u>	<u>(30,200,762)</u>
Total Depreciable Assets, Net	<u>79,058,560</u>	<u>(1,930,964)</u>	<u>(220,894)</u>	<u>76,906,702</u>
Total Capital Assets, Net	<u>\$ 81,972,777</u>	<u>\$ 4,229,275</u>	<u>\$ (490,028)</u>	<u>\$ 85,712,024</u>

**NOTE 8 – CUSTOMER DEPOSITS, DEFERRED REVENUE AND ADVANCES**

The customer deposits, deferred revenue and advances balance consists of the following balances as of June 30, 2011:

Account Description	Parks	Water	Wastewater	Total
Customer deposits and deferred revenue	\$ 17,156	\$ 226,678	\$ -	\$ 243,834
Retentions payable	-	236,337	446,998	683,335
Construction advances and deposits	13,550	1,283,882	-	1,297,432
Agreement payable Benefit Area "A"	-	-	3,458,049	3,458,049
Advances payable to Community Facilities Districts	-	21,971,855	-	21,971,855
Total Customer Deposits, Deferred Revenue and Advances	<u>\$ 30,706</u>	<u>\$ 23,718,752</u>	<u>\$ 3,905,047</u>	<u>\$ 27,654,505</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9 – COMPENSATED ABSENCES**

Changes in compensated absences were as follows for the year ended June 30, 2011:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Compensated absences, beginning	\$ 60,640	\$ 673,202	\$ 733,842
Current year employee earnings	73,861	666,006	739,867
Employee vacation time taken	<u>(32,228)</u>	<u>(612,333)</u>	<u>(644,561)</u>
Compensated absences, ending	102,273	726,875	829,148
Less: current portion payable	<u>25,568</u>	<u>181,719</u>	<u>207,287</u>
Long-term portion payable	<u><u>\$ 76,705</u></u>	<u><u>\$ 545,156</u></u>	<u><u>\$ 621,861</u></u>

**NOTE 10 – LONG-TERM DEBT**

Changes in long-term debt were as follows:

Business-type Activities

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount due within one year
Certificates of participation (COPs):					
2010 COPs - Series A - Water Fund	\$ 10,895,000	\$ -	\$ (495,000)	\$ 10,400,000	\$ 530,000
2010 COPs - Series B - Water Fund	19,940,000	-	-	19,940,000	-
2010 COPs - Series A - Wastewater Fund	10,295,000	-	(615,000)	9,680,000	650,000
2010 COPs - Series B - Wastewater Fund	27,495,000	-	-	27,495,000	-
Plus: premiums on debt issuance	957,172	-	(32,264)	924,908	-
Less: deferred issuance discounts	(472,957)	-	15,942	(457,015)	-
Less: deferred amounts on refunding	<u>(398,009)</u>	<u>-</u>	<u>13,416</u>	<u>(384,593)</u>	<u>-</u>
Total COPs	<u>68,711,206</u>	<u>-</u>	<u>(1,112,906)</u>	<u>67,598,300</u>	<u>1,180,000</u>
Loans payable:					
State Water Resources Control Board Loan	965,019	-	(107,225)	857,794	107,225
Economic Development Administration Loan	638,538	-	(83,722)	554,816	-
Western Municipal Water District Loan	<u>8,213,898</u>	<u>-</u>	<u>(238,660)</u>	<u>7,975,238</u>	<u>238,660</u>
Total Loans payable	<u>9,817,455</u>	<u>-</u>	<u>(429,607)</u>	<u>9,387,848</u>	<u>345,885</u>
Total Business-type Activities	<u><u>\$ 78,528,661</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,542,513)</u></u>	<u><u>\$ 76,986,148</u></u>	<u><u>\$ 1,525,885</u></u>

Governmental Activities

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount due within one year
Regional Park Property Loan	\$ 3,114,000	\$ -	\$ (372,000)	\$ 2,742,000	\$ 341,000
Less: discount on property loan	<u>(159,960)</u>	<u>-</u>	<u>44,640</u>	<u>(115,320)</u>	<u>-</u>
Total Loans Payable	<u>2,954,040</u>	<u>-</u>	<u>(327,360)</u>	<u>2,626,680</u>	<u>341,000</u>
Total Governmental Activities	<u><u>\$ 2,954,040</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (327,360)</u></u>	<u><u>\$ 2,626,680</u></u>	<u><u>\$ 341,000</u></u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

***2010 Series A – Certificates of Participation – Water Fund***

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

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

The certificates are scheduled to mature in 2033. Principal and interest are payable annually on September 1st at rates of 2.00% to 5.00%. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 530,000	\$ 410,150	\$ 940,150
2013	540,000	399,450	939,450
2014	550,000	388,550	938,550
2015	600,000	371,050	971,050
2016	590,000	347,250	937,250
2017-2021	2,830,000	1,374,050	4,204,050
2022-2026	2,115,000	866,100	2,981,100
2027-2031	1,790,000	446,250	2,236,250
2032-2033	855,000	43,375	898,375
Total	<u>\$ 10,400,000</u>	<u>\$ 4,646,225</u>	<u>\$ 15,046,225</u>

***2010 Series B – Certificates of Participation – Water Fund***

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

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 1,391,302	\$ 1,391,302
2013	-	1,391,302	1,391,302
2014	-	1,391,302	1,391,302
2015	-	1,391,302	1,391,302
2016	-	1,391,302	1,391,302
2017-2021	510,000	6,930,008	7,440,008
2022-2026	1,960,000	6,584,695	8,544,695
2027-2031	3,460,000	5,671,389	9,131,389
2032-2036	5,790,000	4,120,765	9,910,765
2037-2041	8,220,000	1,532,975	9,752,975
Total	<u>\$ 19,940,000</u>	<u>\$ 31,796,342</u>	<u>\$ 51,736,342</u>

***Build America Bonds***

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

The District has pledged future water fund revenues, net of specified operating expenses, to repay the water system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$66,782,567. Principal and interest paid for the current year and net revenues were \$2,336,980 and \$7,389,445, respectively.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

***2010 Series A – Certificates of Participation – Wastewater Fund***

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

The 2010 Series A – Certificates of Participation were issued with an original issue premium of \$521,099 which will be amortized over the life of the issuance.

The certificates are scheduled to mature in 2033. Principal and interest are payable annually on September 1st at rates of 2.00% to 5.00%. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 650,000	\$ 367,631	\$ 1,017,631
2013	690,000	347,331	1,037,331
2014	695,000	323,107	1,018,107
2015	720,000	299,406	1,019,406
2016	750,000	271,131	1,021,131
2017-2021	3,520,000	899,256	4,419,256
2022-2026	1,950,000	309,194	2,259,194
2027-2031	480,000	112,191	592,191
2032-2033	225,000	11,375	236,375
Total	\$ 9,680,000	\$ 2,940,622	\$ 12,620,622

***2010 Series B – Certificates of Participation – Wastewater Fund***

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

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

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 1,870,597	\$ 1,870,597
2013	-	1,870,597	1,870,597
2014	-	1,870,597	1,870,597
2015	-	1,870,597	1,870,597
2016	-	1,870,597	1,870,597
2017-2021	700,000	9,316,768	10,016,768
2022-2026	3,190,000	8,808,481	11,998,481
2027-2031	5,870,000	7,252,546	13,122,546
2032-2036	7,740,000	4,296,950	12,036,950
2037-2041	9,995,000	1,813,175	11,808,175
Total	<u>\$ 27,495,000</u>	<u>\$ 40,840,905</u>	<u>\$ 68,335,905</u>

***Build America Bonds***

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

The District has pledged future sewer fund revenues, net of specified operating expenses, to repay the sewer system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$80,956,527. Principal and interest paid for the current year and net revenues were \$2,903,496 and \$7,425,835, respectively.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 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:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 107,225	\$ 21,445	\$ 128,670
2013	107,224	21,445	128,669
2014	107,224	21,445	128,669
2015	107,224	21,445	128,669
2016	107,224	21,445	128,669
2017-2019	321,673	64,335	386,008
Total	<u>\$ 857,794</u>	<u>\$ 171,560</u>	<u>\$ 1,029,354</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, 2011 was paid in June 2011. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 87,927	\$ 27,722	\$ 115,649
2014	92,324	23,325	115,649
2015	96,940	18,709	115,649
2016	101,787	13,862	115,649
2017-2021	175,838	12,202	188,040
Total	<u>\$ 554,816</u>	<u>\$ 95,820</u>	<u>\$ 650,636</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 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 18) treatment facility for \$9,486,754. The term of the WMWD loan is 28.5 years. Interest on the WMWD loan amount is payable monthly at a variable rate plus fees for liquidity facility and remarketing that equaled a rate of 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:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 238,660	\$ 357,610	\$ 596,270
2013	258,549	346,908	605,457
2014	258,549	335,315	593,864
2015	278,737	323,721	602,458
2016	278,437	311,223	589,660
2017-2021	1,571,182	1,357,244	2,928,426
2022-2026	1,849,630	981,798	2,831,428
2027-2031	2,227,498	533,224	2,760,722
2032-2033	1,013,996	68,640	1,082,636
Total	<u>\$ 7,975,238</u>	<u>\$ 4,615,684</u>	<u>\$ 12,590,922</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

***Regional Park Property Loan***

On February 1, 2010, the District executed a loan for \$3,300,000 with an individual property owner for the purchase of land for a regional park. The loan terms are for the first 48 payments to be \$31,000 with an interest rate of 0.000% with the remaining 65 payments to be \$30,238 with an interest rate of 3.000%. The first 48 payments have been discounted \$178,560 to enact a simple interest rate of 3.000% on the loan which will be amortized \$3,720 per month. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 341,000	\$ -	\$ 341,000
2013	372,000	-	372,000
2014	346,184	22,006	368,190
2015	316,703	46,153	362,856
2016	326,337	36,519	362,856
2017-2019	1,039,776	48,792	1,088,568
Total	<u>\$ 2,742,000</u>	<u>\$ 153,470</u>	<u>\$ 2,895,470</u>

**NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS**

***Other Post Employment Benefits Obligations***

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

***Post Employment Benefits Payable:***

***Plan Description – Eligibility***

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).

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

*Plan Description – Benefits*

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

	<u>2011</u>
Active plan members	111
Retirees and beneficiaries receiving benefits	<u>11</u>
Total Plan Membership	<u><u>122</u></u>

*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 16.3% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District began funding the plan in the current year.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

*Annual OPEB Cost and Net OPEB Obligation*

For the year ended June 30, 2011, the District’s OPEB cost is \$1,244,511. The District’s net OPEB obligation amounted to \$1,587,111 for the year ended June 30, 2011. The District contributed \$1,907,525 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2011 as follows:

The balance at June 30 consists of the following:

	<u><b>2011</b></u>
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 1,220,996
Interest on net OPEB obligation	140,632
Adjustment to annual required contribution	<u>(117,117)</u>
Total annual OPEB cost	1,244,511
Change in net OPEB obligation:	
Contributions	<u>(1,907,525)</u>
Total Change in Net OPEB obligation	(663,014)
Net OPEB obligation - beginning of year	<u>2,250,125</u>
Net OPEB obligation - end of year	<u><u>\$ 1,587,111</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 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2011	\$ 1,244,511	\$ 1,907,525	153.28%	\$ 1,587,111
2010	1,192,960	76,656	6.43%	2,250,125
2009	1,211,585	77,764	6.42%	1,133,821

*Funded Status and Funding Progress of the Plan*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2010	\$ -	\$ 6,164,428	\$ 6,164,428	0.0%	\$ 7,507,125	82.11%

The most recent valuation (dated June 30, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$6,164,428. There are no plan assets because at the time of the valuation the District funded the plan on a pay-as-you-go basis.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

*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	June 30, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Interest discount	6.25%
Projected salary increase	3.00%
Inflation – discount rate	3.00%
Individual salary growth	2.00%

**NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS**

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

Net Investment in Capital Assets

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Capital assets - not being depreciated	\$ 24,207,103	\$ 34,540,229	\$ 58,747,332
Capital assets - being depreciated, net	28,634,551	184,739,341	213,373,892
Water fund - debt funded construction	-	16,365,012	16,365,012
Wastewater fund - debt funded construction	-	25,244,798	25,244,798
Long-term debt - current portion	(341,000)	(1,525,885)	(1,866,885)
Long-term debt - long-term portion	(2,285,680)	(75,460,263)	(77,745,943)
	<u>\$ 50,214,974</u>	<u>\$ 183,903,232</u>	<u>\$ 234,118,206</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 – RESTRICTED NET ASSETS**

The District’s net assets are restricted as follows:

Restricted Net Assets

	Governmental Activities	Business-type Activities	Total
The balance consists of the following:			
Eastvale parks capital improvements	\$ 2,340,261	\$ -	\$ 2,340,261
Eastvale parks	8,613,122	-	8,613,122
Graffiti abatement	302,250	-	302,250
Illumination District No. 2	341,579	-	341,579
Landscape and Lighting	1,940,847	-	1,940,847
Prepaid expenses and other prepaid assets	18,125	-	18,125
Water fund - debt service reserves	-	2,871,886	2,871,886
Water fund - capital facility fees	-	14,418,641	14,418,641
Wastewater fund - debt service reserves	-	3,498,426	3,498,426
Wastewater fund - capital facility fees	-	29,251,792	29,251,792
	<u>\$ 13,556,184</u>	<u>\$ 50,040,745</u>	<u>\$ 63,596,929</u>

**NOTE 14 – UNRESTRICTED NET ASSETS**

The unrestricted net assets are for specific uses as follows:

Unrestricted Net Assets

	Governmental Activities	Business-type Activities	Total
The balance consists of the following:			
Prepaid expenses and other prepaid assets	\$ -	\$ 2,021,736	\$ 2,021,736
Water operations and capital replacement	-	15,929,523	15,929,523
Wastewater operations and capital replacement	-	15,027,469	15,027,469
	<u>\$ -</u>	<u>\$ 32,978,728</u>	<u>\$ 32,978,728</u>

**NOTE 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.

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, 2011 was \$708,831 and \$243,072, respectively.

**JURUPA COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN (CONTINUED)**

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.

**NOTE 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, California, 95814.

***Funding Policy***

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 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 actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for FY 2010-2011 was 14.43% of annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established on an actuarially determined basis and may be amended by CalPERS.

***Annual Pension Cost***

For the fiscal year ended June 30, 2011 the District’s annual pension cost of \$1,014,185 for CalPERS was equal to both the District’s required and actual contributions.

***Three Year Trend Information for the Plans***

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Contributions</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2011	\$ 1,014,185	\$ 1,014,185	100.00%		14.426%
2010	980,404	980,404	100.00%		14.514%
2009	862,279	862,279	100.00%		14.420%

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011**

#### **NOTE 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.

#### **NOTE 18 – JOINT-VENTURE**

##### ***Western Riverside County Regional Wastewater Authority***

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

The construction of the wastewater treatment plant was substantially completed at June 30, 1999. Each member's share in the construction costs, as well as administrative costs, of WRCRWA is based on their capacity rights in different components of the plant. The District is billed for flows through the plant attributable to its jurisdiction as well as general and administrative costs. Payment of these bills is included in the costs of the District's sewer services activity. Members are deemed to have an ownership interest in the Authority and new members may only be admitted upon unanimous consent of the existing members. Upon withdrawal from the Authority, any member is entitled to receive its proportionate share of the Authority's assets or the equivalent value thereof and is responsible for discharge of its proportionate share of the Authority's liabilities. The investment in the Authority for the year June 30, 2011 is reported in the accompanying financial statements at \$3,105,070.

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

##### ***Western Municipal Water District Facilities Authority***

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

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011**

#### **NOTE 18 – JOINT-VENTURE (CONTINUED)**

##### *Chino Basin Desalter Authority*

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

The governing Board of Director consists of one representative appointed from each participating agency and has the power and responsibility to adopt budgets, operating plans and finance activities to further the purpose of the Authority. Financial statements of the Authority can be obtained from the CDA Treasurer's office located at 6075 Kimball Avenue, Chino, California 91710.

#### **NOTE 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.

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.

As of June 30, 2011, twenty-four of the Community Facilities Districts have issued debt with an aggregate principal amount payable of \$263,615,000.

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2011**

#### **NOTE 20 – 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 \$11,498,000 of open construction contracts as of June 30, 2011.

##### *Litigation*

There are lawsuits and claims pending against the District which may arise during the normal course of business. To the extent the outcome of such litigation would result in a probable loss to the District, any such loss would be accrued in the accompanying financial statements. The lawsuits and claims discussed below represent loss contingencies which have been accrued by the District.

- Jurupa Area Recreation and Park District vs. Jurupa Community Services District
- Banshee Construction Company, Inc vs. Jurupa Community Services District  
As described in Note 21, the District has accrued the loss contingency as a special item in the Sewer Fund.

##### *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.

#### **NOTE 21 – SPECIAL ITEM**

Banshee Construction Company, Inc. filed a lawsuit against the District seeking damages for work performed in constructing River Road Sewer Lift Station. This matter was submitted to binding arbitration. Based on the arbitrator's ruling, the District has accrued \$3,717,798 in the Sewer Fund. The amount of \$446,998 had been previously accrued as retention for work performed. The incremental amount of \$3,270,800 is considered a special item.



**REQUIRED SUPPLEMENTARY INFORMATION**

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/2010	\$ -	\$ 6,164,428	\$ 6,164,428	0.0%	\$ 7,507,125	82.11%
7/1/2007		4,742,495	4,742,495	0.0%	6,654,006	71.27%

**SUPPLEMENTAL SCHEDULES**

**JURUPA COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – EASTVALE PARKS FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
<b>Revenues:</b>					
Special assessments	\$ 5,780,139	\$ -	\$ 5,780,139	\$ 5,858,281	\$ 78,142
Charges for services	732,360	-	732,360	830,108	97,748
Capital grants and contributions	-	-	-	9,897,026	9,897,026
Interest earnings	93,000	-	93,000	77,718	(15,282)
<b>Total Revenues</b>	<b>6,605,499</b>	<b>-</b>	<b>6,605,499</b>	<b>16,663,133</b>	<b>10,057,634</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Eastvale parks	4,929,864	-	4,929,864	5,074,865	(145,001)
Debt service	-	-	-	372,000	(372,000)
Capital outlay	-	-	-	11,063,760	(11,063,760)
<b>Total Expenditures</b>	<b>4,929,864</b>	<b>-</b>	<b>4,929,864</b>	<b>16,510,625</b>	<b>(11,580,761)</b>
<b>Net Change in Fund Balance</b>	<b>1,675,635</b>	<b>\$ -</b>	<b>1,675,635</b>	<b>152,508</b>	<b>\$ (1,523,127)</b>
Fund Balance - Beginning of Year	11,126,702		11,126,702	11,126,702	
Fund Balance - End of Year	<u>\$ 12,802,337</u>		<u>\$ 12,802,337</u>	<u>\$ 11,279,210</u>	

**JURUPA COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – GRAFFITI ABATEMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
<b>Revenues:</b>					
Property taxes	\$ 169,695	\$ -	\$ 169,695	\$ 169,694	\$ (1)
Special assessments	169,694	-	169,694	174,965	5,271
Interest earnings	-	-	-	-	-
Total Revenues	<u>339,389</u>	<u>-</u>	<u>339,389</u>	<u>344,659</u>	<u>5,270</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Graffiti abatement	<u>339,362</u>	<u>-</u>	<u>339,362</u>	<u>273,797</u>	<u>65,565</u>
Total Expenditures	<u>339,362</u>	<u>-</u>	<u>339,362</u>	<u>273,797</u>	<u>65,565</u>
Net Change in Fund Balance	27	<u>\$ -</u>	27	70,862	<u>\$ 70,835</u>
Fund Balance - Beginning of Year	<u>231,388</u>		<u>231,388</u>	<u>231,388</u>	
Fund Balance - End of Year	<u>\$ 231,415</u>		<u>\$ 231,415</u>	<u>\$ 302,250</u>	

**JURUPA COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – ILLUMINATION DISTRICT NO. 2 FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
<b>Revenues:</b>					
Property taxes	\$ 79,000	\$ -	\$ 79,000	\$ 79,000	\$ -
Special assessments	203,319	-	203,319	204,788	1,469
Interest earnings	-	-	-	-	-
Total Revenues	<u>282,319</u>	<u>-</u>	<u>282,319</u>	<u>283,788</u>	<u>1,469</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Illumination District No. 2	282,161	-	282,161	316,265	(34,104)
Total Expenditures	<u>282,161</u>	<u>-</u>	<u>282,161</u>	<u>316,265</u>	<u>(34,104)</u>
Net Change in Fund Balance	158	<u>\$ -</u>	158	(32,477)	<u>\$ (32,635)</u>
Fund Balance - Beginning of Year	<u>374,056</u>		<u>374,056</u>	<u>374,056</u>	
Fund Balance - End of Year	<u>\$ 374,214</u>		<u>\$ 374,214</u>	<u>\$ 341,579</u>	

**JURUPA COMMUNITY SERVICES DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – LANDSCAPE AND LIGHTING FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:					
Special assessments	\$ 876,878	\$ -	\$ 876,878	\$ 1,138,950	\$ 262,072
Capital grants and contributions	-	-	-	10,670	10,670
Total Revenues	<u>876,878</u>	<u>-</u>	<u>876,878</u>	<u>1,149,620</u>	<u>272,742</u>
Expenditures:					
Current:					
Landscape and lighting	<u>1,127,667</u>	<u>-</u>	<u>1,127,667</u>	<u>994,393</u>	<u>133,274</u>
Total Expenditures	<u>1,127,667</u>	<u>-</u>	<u>1,127,667</u>	<u>994,393</u>	<u>133,274</u>
Net Change in Fund Balance	(250,789)	<u>\$ -</u>	(250,789)	155,227	<u>\$ 406,016</u>
Fund Balance - Beginning of Year	<u>1,785,620</u>		<u>1,785,620</u>	<u>1,785,620</u>	
Fund Balance - End of Year	<u>\$ 1,534,831</u>		<u>\$ 1,534,831</u>	<u>\$ 1,940,847</u>	

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF RESERVE FOR ENTERPRISE FUNDS CAPITAL FACILITY FEES  
JUNE 30, 2011**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Reserve for Capital Facility Fees:			
Balance - beginning of year	<u>\$ 16,290,626</u>	<u>\$ 32,433,417</u>	<u>\$ 48,724,043</u>
Capital contributions:			
Facility fees	<u>3,221,756</u>	<u>1,115,449</u>	<u>4,337,205</u>
Total Contributions	<u>3,221,756</u>	<u>1,115,449</u>	<u>4,337,205</u>
Construction costs	<u>5,093,741</u>	<u>4,297,074</u>	<u>9,390,815</u>
Total Expenses	<u>5,093,741</u>	<u>4,297,074</u>	<u>9,390,815</u>
Balance - end of year	<u>\$ 14,418,641</u>	<u>\$ 29,251,792</u>	<u>\$ 43,670,433</u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF RESERVE FOR PARKS FUND CAPITAL IMPROVEMENTS  
JUNE 30, 2011**

	<u>Park Fund</u>
Reserve for Capital Improvements:	
Balance - beginning of year	<u>\$ 2,020,169</u>
Revenues:	
Capital financings	<u>320,092</u>
Total Contributions	<u>320,092</u>
Capital outlay	-
Total Expenses	<u>-</u>
Balance - end of year	<u><u>\$ 2,340,261</u></u>

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF COMMUNITY FACILITIES DISTRICTS**

**OUTSTANDING DEBT**

**JUNE 30, 2011**

<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	24,710,000	AAA/Aaa	24,710,000	4.95960	Dec-98	Sep-24
CFD # 2	18,315,000	AAA/AAA	17,185,000	5.10550	Aug-02	Sep-32
CFD # 3	9,240,000	Not Rated	9,240,000	5.86720	Jan-03	Sep-33
CFD # 4	15,065,000	Not Rated	13,685,000	5.61010	Aug-10	Sep-34
CFD # 5	3,135,000	Not Rated	3,135,000	6.01540	Jun-02	Sep-32
CFD # 6	3,560,000	Not Rated	3,560,000	5.84370	Dec-02	Sep-32
CFD # 7	10,475,000	Not Rated	9,665,000	5.01310	Nov-05	Sep-35
CFD # 10	6,690,000	Not Rated	6,690,000	5.73660	Aug-10	Sep-33
CFD # 11	12,020,000	Not Rated	11,100,000	4.95200	Aug-10	Sep-33
CFD # 12	14,380,000	Not Rated	13,270,000	4.97830	Jun-05	Sep-35
CFD # 14	13,115,000	Not Rated	13,115,000	6.05362	Aug-10	Sep-37
CFD # 15	8,235,000	Not Rated	8,235,000	6.28240	May-11	Sep-42
CFD # 16	9,100,000	Not Rated	8,200,000	5.08410	Mar-05	Sep-34
CFD # 17	17,475,000	Not Rated	16,570,000	5.14167	Aug-06	Sep-36
CFD # 18	16,575,000	Not Rated	15,685,000	4.84380	Nov-06	Sep-36
CFD # 19	24,225,000	Not Rated	23,145,000	4.91500	Aug-10	Sep-36
CFD # 21	9,885,000	Not Rated	9,220,000	5.12450	Apr-06	Sep-36
CFD # 24	11,990,000	Not Rated	11,990,000	6.50534	Aug-10	Sep-40
CFD # 25	8,750,000	Not Rated	8,395,000	8.77619	Dec-08	Sep-38
CFD # 29	13,945,000	Not Rated	13,945,000	8.47500	Aug-10	Sep-40
CFD # 30	7,395,000	Not Rated	6,990,000	5.46040	Oct-07	Sep-37
CFD # 32	3,700,000	Not Rated	3,500,000	5.11695	Aug-07	Sep-36
CFD # 34	7,330,000	Not Rated	7,330,000	6.21300	Dec-10	Sep-40
CFD # 38	5,295,000	Not Rated	5,055,000	6.21280	May-10	Sep-40
Total	<u>\$ 274,605,000</u>		<u>\$ 263,615,000</u>			

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF COMMUNITY FACILITIES DISTRICTS**

**CASH AND INVESTMENTS BALANCES**

**JUNE 30, 2011**

Cash and investments held by bond trustees for the benefit of the CFDs as of June 30, 2011 were as follows:

<b>CFD No.</b>	<b>Location</b>	<b>Balance</b>
CFD # 1	Mira Loma	\$ 1,680,332
CFD # 2	Eastvale Area	3,315,123
CFD # 3	Eastvale Area	726,992
CFD # 4	Eastvale Area	2,246,560
CFD # 5	Eastvale Area	50,318
CFD # 6	Eastvale Area	308,427
CFD # 7	Eastvale Area	1,574,936
CFD # 10	Eastvale Area	654,215
CFD # 11	Eastvale Area	1,697,957
CFD # 12	Eastvale Area	5,031,328
CFD # 14	Eastvale Area	1,120,793
CFD # 15	Eastvale Area	1,119,588
CFD # 16	Eastvale Area	3,151,954
CFD # 17	Eastvale Area	2,258,635
CFD # 18	Eastvale Area	2,203,698
CFD # 19	Eastvale Area	7,578,353
CFD # 21	Eastvale Area	1,870,686
CFD # 24	Eastvale Area	647,643
CFD # 25	Eastvale Area	1,523,737
CFD # 29	Eastvale Area	3,905,747
CFD # 30	Eastvale Area	1,084,464
CFD # 32	Eastvale Area	1,143,743
CFD # 34	Eastvale Area	4,444,940
CFD # 38	Eastvale Area	2,644,324
		<u>\$ 51,984,491</u>

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

**REPORT ON COMPLIANCE AND INTERNAL CONTROLS**



**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 financial statements of the governmental activities, the business-type activities, and each major fund of the Jurupa Community Services District (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2012. Our report included explanatory paragraphs regarding the District's implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010 and restatements to beginning net assets for unbilled receivable and capitalized interest balances. 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

Management of the District is responsible for establishing and maintaining effective internal controls. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-01 and 2011-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2011-03 through 2011-06 to be significant deficiencies.

### 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*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



Rancho Cucamonga, California  
March 19, 2012

# JURUPA COMMUNITY SERVICES DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2011

### Finding 2011-01

#### YEAR-END CLOSING PROCEDURES

##### Criteria:

The District should have policies and procedures in place to ensure the year-end closing is performed completely, accurately, and in a timely manner to allow for the preparation of the financial statements and other management reports.

##### Condition:

The District maintains an audit binder to centrally file documents necessary for the year-end close and subsequent audit. However, a formal policy or set of procedures is not maintained. The following misstatements relating to the year-end close were identified:

- The pay period ending June 26 and paid July 1 was not accrued. Further, the adjustment calculated by the District was net of payroll taxes and benefits expenses,
- Three invoices for services rendered during the year but paid after year end were not accrued,
- Incorrect data was used for the calculation of the unbilled receivable in 2010 resulting in a restatement to beginning equity in the Water Fund,
- Capitalized interest was not calculated,
- Advances payable to Community Facilities Districts were not reconciled,
- The Investment in Western Riverside County Regional Wastewater Authority was not initially supported,
- Certain capital assets were recorded without appropriate support,
- Investments with trustee were not reported at fair value as required by generally accepted accounting principles.

##### Context:

The condition noted above was identified during testing of various accounts related to the District's year-end balances.

##### Effect:

Several adjustments were proposed to properly report the District's financial statements.

##### Cause:

The District does not maintain a comprehensive closing checklist or formalized policies and procedures to ensure that year-end accounting entries have been reported.

##### Recommendation:

We recommend that the District enhance procedures to ensure that the year-end close is complete and timely. This can be achieved through a comprehensive closing checklist and formalized policies and procedures.

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

**View of Responsible Official and Planned Corrective Actions:**

Management agrees with this recommendation. The District is in the process of drafting a more formal year-end closing procedure. This process/procedure will enhance the binder that the District already prepares during the year end closing process. As a result of a revised year end closing procedure adjusting entries will be monitored closely to ensure District staff is preparing all year end closing entries.

**Finding 2011-02**

**CASH MANAGEMENT**

**Criteria:**

The District should have controls in place to ensure all bank reconciliations are completed and reviewed on a timely basis. Reconciling items should be investigated in a timely manner.

**Condition:**

As of July, monthly cash reconciliations had not been performed for March, April, May, or June.

It was also noted that an account titled "Cash with County" did not have support and the nature of the account was unclear to District staff. The balance had remained unchanged during the year and was subsequently written off.

**Context:**

The condition noted above was identified during testing of cash balances.

**Effect:**

Timely reconciliations of cash accounts are a key internal control for the safeguarding of District assets. As a result, the internal control environment is weakened.

Further, an adjustment was proposed to properly report the District's cash balances.

**Cause:**

The District did not maintain procedures to ensure that cash accounts were reconciled on a timely basis.

**Recommendation:**

We recommend strengthening procedures to ensure that cash reconciliations are complete and timely.

**View of Responsible Official and Planned Corrective Actions:**

During the auditor's initial engagement work, the cash reconciliations were not yet up to date due to an internal staff transition. Upon the auditor's return to complete their portion of the field work, cash reconciliations were up to date and provided.

# JURUPA COMMUNITY SERVICES DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2011

### Finding 2011-03

#### INFORMATION TECHNOLOGY

##### Criteria:

The District should have controls in place to ensure that access to the financial system is limited to authorized individuals. The District should maintain a disaster recovery policy and this policy should be tested periodically to ensure continuity of operations. The District should also have the ability to query data in a timely manner to assist in its monitoring of financial activities.

##### Condition:

During our fieldwork we noted the following:

##### *User Access*

- No formal documentation is required to create, edit, or terminate user access
- The same user can be logged on to multiple terminals simultaneously
- Periodic reviews of access granted to users has not been performed
- Individuals in payroll have edit access to employee master files including pay rates
- Several individuals have edit access to master vendor listing

##### *System Information*

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

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

##### *Disaster Recovery*

We noted that the District does not maintain a formal disaster recovery policy.

##### Context:

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

##### Effect:

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

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2011**

#### **Cause:**

##### *User Access*

The District does not maintain formal procedures over user access.

##### *System Information*

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

##### *Disaster Recovery*

A disaster recovery policy is not maintained by the District.

#### **Recommendation:**

##### *User Access*

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

##### *System Information*

We recommend reviewing the chart of accounts for consistency between funds and inquiring with the system vendor to create reports with fields useful in the review process.

##### *Disaster Recovery*

We recommend adopting a formal disaster recovery policy and periodically testing the policy.

#### **View of Responsible Official and Planned Corrective Actions:**

Management concurs with the auditor's system deficiencies noted above. The District attempts to maintain a separation of duties where required, and because of system limitations and current staffing levels it is not always feasible to do so. As part of the District's Strategic Plan 2011-12, specifically Element 7.5- Development of Financial Management System, replacement of the current antiquated financial system will be addressed as time and staff permits.

At this current time, Information Technology (IT) does not have any written policies pertaining to Disaster Recovery. Efforts in this area have been documented as part of Phase 2 (Planning for a Disaster Recovery Plan) and Phase 3 (Completion of Disaster Recovery Plan) of the "JCSD Infrastructure Re-Design" initiative. Deliverables from this activity will be formalized policies for addressing IT Disaster Recovery for the District. Work in this area is scheduled to commence in the 2nd quarter of 2012.

#### **Finding 2011-04**

### **UTILITY BILLING**

#### **Criteria:**

The Utility Billing process should include internal controls over billing, collecting, adjusting accounts, and recording activity to the general ledger.

## **JURUPA COMMUNITY SERVICES DISTRICT**

### **SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2011**

#### **Condition:**

During the billing process adjustments are made to customer accounts. These adjustments are not reviewed. During the collection process, adjustments to customer accounts are documented by a form and signed by a preparer and approver. We noted that certain individuals can sign as both the preparer and approver. We also noted that the form could not be provided for 28 out of 60 adjustments selected for testing. As part of the collection process, individuals collecting cash complete cash overage or shortage forms on a daily basis. These forms do not include evidence of review of a supervisor. Monthly journal entries related to utility revenue are compiled and posted by the same individual without evidence of review. Additionally, a formal policy or set of procedures over the utility billing process does not exist.

#### **Context:**

The condition noted above was identified during testing of the utility billing cycle.

#### **Effect:**

There is an increased risk related to the completeness and accuracy of utility billing revenue accounts. In one instance, the current year review of a transaction posted in the prior year resulted in an adjustment being recorded to beginning equity (see 2011-1 above).

#### **Cause:**

The District does not have a formal policy for utility billing and recording the related transactions.

#### **Recommendation:**

We recommend adopting a utility billing policy that includes proper review of adjustments to customer accounts, cash overage and shortage forms, and journal entries recording utility billing activity.

#### **View of Responsible Official and Planned Corrective Actions:**

The procedures noted for Utility Billing were outdated and have been revised and documented to reflect approval by the Customer Service Manager and Finance Director for all cash overage/shortages, and adjustments to customer accounts. All entries and adjustments require two authorized department personnel, one initiating and one approving, and the approval forms and procedures reflect this accordingly.

Regarding the support for adjustments to customer accounts that could not be provided in 28 out of 60 items selected, the auditor's selection of adjustments corresponded with a particular batch of records that had been sent to Records Retention for scanning. During the transmittal process, these records were somehow misplaced. Customer Service did not have a duplicate set at the time and had relied on the scanning process to properly archive the records for storage and retention. Finance has subsequently developed procedures to assure that copies of any records sent to Records Retention are retained until there is confirmation that the archival process has successfully taken place.

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

**Finding 2011-05**

**EQUITY**

**Criteria:**

A reconciliation of beginning fund balance should be performed between internal financial records and the financial statements.

**Condition:**

The District did not reconcile beginning fund balance. Further, facility fee transactions were being incorrectly recorded directly to equity accounts and were subsequently adjusted.

**Context:**

The condition noted above was identified during testing of the beginning fund balance.

**Effect:**

The District's financial statements required adjustment to conform to generally accepted accounting principles (GAAP).

**Cause:**

The District did not reconcile the equity accounts maintained internally to the previously issued financial statements.

**Recommendation:**

We recommend strengthening procedures to include beginning fund balance reconciliation.

**View of Responsible Official and Planned Corrective Actions:**

Management concurs with the auditor's recommendation, and an equity reconciliation of the fund balance will now be provided and facility fees will be recorded to the proper accounts.

**Finding 2011-06**

**FRAUD/ETHICS POLICY**

**Criteria:**

The District should establish an anti fraud policy to enforce controls and to aid in the prevention and detection of fraud, theft, waste, or abuse against the District.

**JURUPA COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

**Condition:**

No formal anti fraud or ethics policy has been implemented by the District.

**Context:**

The condition noted above was identified during our inquiries with management.

**Effect:**

This element that contributes to the standard of conduct of an organization is not being utilized.

**Cause:**

The District does not have a formal policy for anti fraud or ethics.

**Recommendation:**

We recommend adopting such a policy.

**View of Responsible Official and Planned Corrective Actions:**

No incidents of any fraud or theft have been noted. Controls to aid in the prevention of general waste or abuse against the District are maintained by other areas of the organization. Management concurs with the auditor's recommendation to establish an anti-fraud policy and will work to implement such a policy.