

JURUPA COMMUNITY SERVICES DISTRICT
Jurupa Valley, California

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

JURUPA COMMUNITY SERVICES DISTRICT
Annual Financial Report
For the Year Ended June 30, 2012

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FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

Board of Directors
Jurupa Community Services District
Jurupa Valley, 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, 2012, 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 previously 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2013 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the schedule of funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 62 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Rancho Cucamonga, California
February 28, 2013

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2012. 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 \$31.3 million, or by 9.5%.
- During the year the District's revenues increased \$20.1 million or 31.39% to \$84.2 million, while expenses decreased \$2.2 million, or by 3.9% to \$52.8 million.
- Capital contributions to the District amounted to \$27.7 million.

Overview of the Financial Statements

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

Government-wide Financial Statements

Statement of Net 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 10) 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 11). This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its taxes, user fees, and other charges, and credit worthiness.

These two statements report the District's net assets and changes in them. Think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the District's property tax base and the types of grants the District applies for to assess the overall financial health of the District.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Fund Financial Statements

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

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

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

Statement of Cash Flows

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 52.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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)

	Business-			Business-		
	Governmental	Type	Total	Governmental	Type	Total
	Activities	Activities		Activities	Activities	
	June 30, 2012			June 30, 2011		
Assets:						
Current and other assets	\$ 15,038	\$ 165,211	\$ 180,249	\$ 14,283	\$ 164,949	\$ 179,232
Capital assets	64,264	225,367	289,631	52,842	217,326	270,168
Total Assets	79,302	390,578	469,880	67,125	382,275	449,400
Liabilities:						
Long-term debt outstanding	\$ 2,299	\$ 75,370	\$ 77,669	\$ 2,627	\$ 76,986	\$ 79,613
Other liabilities	3,009	29,111	32,120	727	40,320	41,047
Total Liabilities	5,308	104,481	109,789	3,354	117,306	120,660
Net Assets:						
Invested in capital assets, net of related debt	\$ 61,964	\$ 191,775	\$ 253,739	\$ 50,215	\$ 181,949	\$ 232,164
Restricted	12,029	56,434	68,463	13,556	50,041	63,597
Unrestricted	-	37,888	37,888	-	32,979	32,979
Total Net Assets	\$ 73,993	\$ 286,097	\$ 360,090	\$ 63,771	\$ 264,969	\$ 328,740

Assets

Total assets increased by \$20.5 million, or 4.6% for the fiscal year ended June 30, 2012. This increase was due to several factors including a \$19.5 million, or 7.2% net increase in capital assets. The increase in capital assets resulted primarily from construction expenditures related the Eastvale Community Center (\$9.0 million), Harada Neighborhood Center (\$2.8 million), Chino Basin Desalter Expansion second phase (\$3.6 million), Well 27 and 28 Drilling and Construction (\$1.5 million), WRCRWA capital expenditures (\$1.0 million), WRCRWA Treatment Plant Capacity (\$.6 million) Pyrite Creek Trunk Sewer (\$.5 million). Additional information regarding capital assets can be found in Note 7 of the Notes to the Basic Financial Statements. In addition to the above increase, non-capital assets increased overall approximately \$1 million dollars.

Liabilities

Total liabilities decreased by \$10.8 million, or 9.0% for the fiscal year ended June 30, 2012. This change was primarily due to an increase of \$2.3 million in the governmental activities accounts payable and accrued expenses due to construction commitments, and an offsetting \$11.2 million decrease in current liabilities in the business-type funds. The \$11.2 million decrease is due to a \$5.1 million dollar decrease in accounts payable and accrued expenses in Water and Wastewater, a \$5.8 million dollar decrease in advances payable in the Water fund and various other decreases of \$.3 million in other liabilities. There is an additional decrease in long-term debt of \$1.9 million. Information on the Districts long-term debt activities can be found in Note 10 of the Notes to the Basic Financial Statements.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Net Assets

Net Assets is the difference between the District's assets and liabilities. Net assets increased during fiscal year 2012 by \$31.3 million, or 9.5%. 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 \$21.6 million, or 9.3%, for the fiscal year ended June 30, 2012. This is primarily due an increase of construction projects. The governmental activities increased \$11.7 million due to construction projects and the business-type activities increased \$9.8 million due to construction projects.
2. Restricted Net Assets increased \$4.9 million, or 7.4%, for the fiscal year ended June 30, 2012. This is primarily due to an increase of \$6.4 million in facility fees received offset by a decrease of \$1.5 million to fund construction projects.
3. Unrestricted Net Assets increased \$4.9 million, or 14.9% for the fiscal year ended June 30, 2012. This is primarily due to an increase of \$4.9 million as a result of operations.

Statement of Activities

The following Table A-2 is a summary of the statement of activities for the year ended June 30, 2012.

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

	Business-			Business-			
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total	
	June 30, 2012			June 30, 2011			
Revenues							
Program revenues:							
Charges for services	\$ 8,441	\$ 44,916	\$53,357	\$ 8,218	\$ 37,868	\$46,086	
Capital contributions and grants	12,283	15,368	27,651	9,897	4,337	14,234	
General revenues:							
Property taxes	254	2,201	2,455	249	2,301	2,550	
Interest earnings	45	651	696	78	1,108	1,186	
Total Revenues	<u>\$ 21,023</u>	<u>\$ 63,136</u>	<u>\$84,159</u>	<u>\$ 18,442</u>	<u>\$ 45,614</u>	<u>\$64,056</u>	
Program expenses:							
Eastvale parks	\$ 9,323	\$ -	\$ 9,323	\$ 7,919	\$ -	\$ 7,919	
Graffiti abatement	253	-	253	274	-	274	
Illumination District No 2	267	-	267	316	-	316	
Landscape & lighting	958	-	958	994	-	994	
Water	-	26,559	26,559	-	27,021	27,021	
Wastewater	-	15,449	15,449	-	18,453	18,453	
Total Program Expenses	<u>\$ 10,801</u>	<u>\$ 42,008</u>	<u>\$52,809</u>	<u>\$ 9,503</u>	<u>\$ 45,474</u>	<u>\$54,977</u>	

Total revenues for the fiscal year ended June 30, 2012 increased by \$20.1 million, or 31.4% from fiscal year 2011. This is primarily due to an increase in contributed capital, and charges for services over the 2011 fiscal year.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Program Revenues

Charges for services increased as of June 30, 2012 by \$7.3 million, or 15.8%. Water and wastewater sales increased by \$4.5 million over the prior year due to , an increase in consumption, growth, and a rate increase in wastewater. There was an increase of \$2.4 million in Business-type activities due to a one-time reimbursement of \$2.1 million for construction projects in the Water fund, and an increase in other revenue of \$.3 million. The District's governmental funds had an increase of \$.2 million due to an increase in recreation programs offered by the District.

Capital contributions and grants increased \$13.4 million, or 94.3% during the fiscal year ended June 30, 2012. This is primarily due to an increase in contributed capital (facility fees) of \$11.0 million in the business-type activities as a result of an increase in development in the District; the governmental activities increased \$2.4 million due to an increase in construction projects.

General Revenues

Property taxes slightly decreased by \$.1 million in Business-type Activities as of June 30, 2012. This is primarily due to lower valued properties and higher delinquencies related to the collection of property tax for the District. Interest earnings decreased by \$.5 million in Business-type Activities as of June 30, 2012. This is a result of interest rates being very low due to a slow growing economy.

Program Expenses

Total expenses decreased \$2.2 million, or 3.9%, for the year ended June 30, 2012. The decrease in expenses is primarily a result of the District recording a prior year contingency included in the prior year Business-type activities that is not recurring in the current year.

Eastvale Park's expenses increased \$1.4 million due to an increase in operating costs and the parks recreation programs. The parks department continues to experience growth as they add facilities and recreation programs to meet the demand of the community.

Water expenses decreased \$.5 million, or 1.7%, as a result of savings related to operations. Wastewater expenses decreased \$3.0 million or by 16.3%, primarily due to a one-time litigation contingency (\$3.2 million) that was recorded in the prior year and is not included in the current year. Wastewater operational expenses remained relatively flat from FY 2011 to FY 2012.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Capital Asset Administration

At the end of 2012, the District has invested \$371.4 million in a broad range of infrastructure as shown in Table A-3.

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

	Business-			Business-		
	Governmental	Type	Total	Governmental	Type	Total
	Activities	Activities		Activities	Activities	
	June 30, 2012			June 30, 2011		
Land and land rights	\$ 22,778	\$ 5,055	\$ 27,833	\$ 21,680	\$ 5,034	\$ 26,714
Construction in progress	14,290	30,920	45,210	2,527	27,553	30,080
Land improvements	17,798	1,291	19,089	17,878	1,353	19,231
Structures and equipment	9,398	45,049	54,447	10,757	45,036	55,793
Water transmission & distribution		80,945	80,945	-	79,433	79,433
Wastewater collection system		57,349	57,349	-	53,962	53,962
Vehicles and equipment		4,758	4,758	-	4,955	4,955
Total Capital Assets	<u>\$ 64,264</u>	<u>\$ 225,367</u>	<u>\$ 289,631</u>	<u>\$ 52,842</u>	<u>\$ 217,326</u>	<u>\$ 270,168</u>

At the end of fiscal year 2012, the District's investment in capital assets amounted to \$289.6 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 2012, and an increase in capital contributions as a result of Community Facility District's bonding and the District taking ownership of one additional parks from developers. More information about the District's Capital assets is presented in Note 7 of the Notes to Basic Financial Statements and on page 5 of Management's Discussion and Analysis.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Long-Term Debt Administration

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

	Business-			Business-		
	Governmental	Type	Total	Governmental	Type	Total
Activities	Activities	Activities		Activities	Activities	
	June 30, 2012			June 30, 2011		
Compensated absences	\$ 96	\$ 590	\$ 686	\$ 77	\$ 545	\$ 622
Other post employment benefits	333	1,815	2,148	205	1,382	1,587
Long-term debt	1,958	73,774	75,732	2,286	75,460	77,746
Total Long-term Liabilities	<u>\$ 2,387</u>	<u>\$ 76,179</u>	<u>\$78,566</u>	<u>\$ 2,568</u>	<u>\$ 77,387</u>	<u>\$79,955</u>

During the year, the District's long-term debt decreased \$1.4 million, or 1.7%, 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 steady growth which is expected to continue over the next 5-7 years and will possibly grow at a more rapid pace as the economy recovers. This growth will further create demand for water supply and additional capital facilities. These demands have been anticipated in the District's capital improvement plan with new supply demands being addressed in the District's 2010 Urban Water Management Plan. The 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 fourth year of five year rate increase that was 9% for the FY 2011-2012 year; the District is currently considering revising the wastewater rate structure to take effect for FY 2012-2013.

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, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 2,235,229	\$ 31,176,168	\$ 33,411,397
Restricted - cash and cash equivalents (Note 2)	2,020,169	51,232,670	53,252,839
Restricted - investments (Note 2)	-	38,219,447	38,219,447
Accrued interest receivable	2,647	17,503	20,150
Accounts receivable - utilities, net (Note 3)	-	4,751,400	4,751,400
Accounts receivable - governmental agencies	-	14,390	14,390
Accounts receivable - developers and others	10,208,584	186,865	10,395,449
Property taxes and assessments receivables	565,577	118,264	683,841
Prepaid expenses and other assets (Note 4)	5,977	2,121,176	2,127,153
Total Current Assets	<u>15,038,183</u>	<u>127,837,883</u>	<u>142,876,066</u>
Non-current assets:			
Investments (Note 2)		24,581,548	24,581,548
Restricted - investments (Note 2)		8,759,073	8,759,073
Investment in WRCRWA, net (Note 5)	-	2,999,963	2,999,963
Deferred charges, net (Note 6)	-	1,032,334	1,032,334
Capital assets - not being depreciated (Note 7)	37,068,187	35,974,942	73,043,129
Capital assets - being depreciated, net (Note 7)	27,195,400	189,392,233	216,587,633
Total Non-Current Assets	<u>64,263,587</u>	<u>262,740,093</u>	<u>327,003,680</u>
Total Assets	<u>79,301,770</u>	<u>390,577,976</u>	<u>469,879,746</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	2,493,091	4,152,943	6,646,034
Accrued wages and related payables	32,509	185,004	217,513
Customer deposits, deferred revenue and advances (Note 8)	21,927	21,399,210	21,421,137
Accrued interest on long-term debt	-	771,874	771,874
Long-term liabilities - due within on year:			
Compensated absences (Note 9)	32,072	196,812	228,884
Long-term debt (Note 10)	341,000	1,595,774	1,936,774
Total Current Liabilities	<u>2,920,599</u>	<u>28,301,617</u>	<u>31,222,216</u>
Non-current liabilities:			
Compensated absences (Note 9)	96,217	590,435	686,652
Net OPEB obligation (Note 11)	333,321	1,815,075	2,148,396
Long-term debt (Note 10)	1,958,320	73,773,676	75,731,996
Total Non-Current Liabilities	<u>2,387,858</u>	<u>76,179,186</u>	<u>78,567,044</u>
Total Liabilities	<u>5,308,457</u>	<u>104,480,803</u>	<u>109,789,260</u>
Net assets:			
Net investments in capital assets (Note 12)	61,964,267	191,775,304	253,739,571
Restricted (Note 13)	12,029,046	56,433,611	68,462,657
Unrestricted (Note 14)	-	37,888,258	37,888,258
Total Net Assets	<u>\$ 73,993,313</u>	<u>\$ 286,097,173</u>	<u>\$ 360,090,486</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

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
Governmental activities:						
Eastvale parks	\$ 9,323,283	\$ 6,947,662	\$ 12,282,818	\$ 9,907,197	\$ -	\$ 9,907,197
Graffiti abatement	252,765	172,313	-	(80,452)	-	(80,452)
Illumination District No. 2	267,408	206,032	-	(61,376)	-	(61,376)
Landscape and lighting	957,402	1,114,896	-	157,494	-	157,494
Total Governmental	10,800,858	8,440,903	12,282,818	9,922,863	-	9,922,863
Business-type activities:						
Water	26,558,791	31,810,434	8,809,196	-	14,060,839	14,060,839
Wastewater	15,448,773	13,105,660	6,558,501	-	4,215,388	4,215,388
Total Business-Type	42,007,564	44,916,094	15,367,697	-	18,276,227	18,276,227
Total	\$ 52,808,422	\$ 53,356,997	\$ 27,650,515	9,922,863	18,276,227	28,199,090
General Revenues:						
Property taxes				254,236	2,200,721	2,454,957
Interest earnings				45,056	651,828	696,884
Total General Revenues				299,292	2,852,549	3,151,841
Change in Net Assets				10,222,155	21,128,776	31,350,931
Net Assets, Beginning of Year, as restated				63,771,158	264,968,397	328,739,555
Net Assets at End of Year				\$ 73,993,313	\$ 286,097,173	\$ 360,090,486

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
ASSETS					
Cash and cash equivalents	\$ -	\$ 395,999	\$ 335,234	\$ 1,503,996	\$ 2,235,229
Restricted - cash and cash equivalents	2,020,169	-	-	-	2,020,169
Accrued interest receivable	2,647	-	-	-	2,647
Accounts receivable - developers and others	10,208,584	-	-	-	10,208,584
Property taxes and assessments receivable	394,665	-	25,858	145,054	565,577
Due from other funds	-	-	-	449,291	449,291
Prepaid expenses and other assets	5,977	-	-	-	5,977
Total Assets	<u>\$ 12,632,042</u>	<u>\$ 395,999</u>	<u>\$ 361,092</u>	<u>\$ 2,098,341</u>	<u>\$ 15,487,474</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,491,202	\$ -	\$ 1,889	\$ -	\$ 2,493,091
Accrued wages and related payables	32,509	-	-	-	32,509
Due to other funds	449,291	-	-	-	449,291
Deferred revenue	10,206,075	-	-	-	10,206,075
Customer deposits and deferred revenue	21,927	-	-	-	21,927
Total Liabilities	<u>13,201,004</u>	<u>-</u>	<u>1,889</u>	<u>-</u>	<u>13,202,893</u>
Fund balances:					
Nonspendable	5,977	-	-	-	5,977
Restricted for:					
Park maintenance	-	395,999	-	-	395,999
Illumination District No. 2	-	-	359,203	-	359,203
Landscape and lighting	-	-	-	2,098,341	2,098,341
Unassigned	(574,939)	-	-	-	(574,939)
Total Fund Balances	<u>(568,962)</u>	<u>395,999</u>	<u>359,203</u>	<u>2,098,341</u>	<u>2,284,581</u>
Total Liabilities and and Fund Balances	<u>\$ 12,632,042</u>	<u>\$ 395,999</u>	<u>\$ 361,092</u>	<u>\$ 2,098,341</u>	<u>\$ 15,487,474</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, 2012**

Fund Balances of Governmental Funds	\$ 2,284,581
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.	64,263,587
Certain revenues will be collected after year end, but are not available to pay for current period expenditures and are therefore reported as deferred revenue in governmental funds.	10,206,075
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	(128,289)
Other post-employment benefits payable	(333,321)
Loan payable	(2,370,000)
Discount on loan payable	70,680
	<hr/>
Net Assets of Governmental Activities	<u><u>\$ 73,993,313</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, 2012**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
REVENUES					
Property taxes	\$ -	\$ 174,201	\$ 79,000	\$ 1,035	\$ 254,236
Special assessments	5,898,781	172,313	206,032	1,106,243	7,383,369
Charges for services	1,049,916	-	-	7,618	1,057,534
Capital grants and contributions	2,076,743	-	-	-	2,076,743
Interest earnings	45,056	-	-	-	45,056
Total Revenues	<u>9,070,496</u>	<u>346,514</u>	<u>285,032</u>	<u>1,114,896</u>	<u>10,816,938</u>
EXPENDITURES					
Current:					
Eastvale parks	6,275,562	-	-	-	6,275,562
Graffiti abatement	-	252,765	-	-	252,765
Illumination District No. 2	-	-	267,408	-	267,408
Landscape and lighting	-	-	-	957,402	957,402
Debt service	372,000	-	-	-	372,000
Capital outlay	14,271,106	-	-	-	14,271,106
Total Expenditures	<u>20,918,668</u>	<u>252,765</u>	<u>267,408</u>	<u>957,402</u>	<u>22,396,243</u>
Net change in fund balance	<u>(11,848,172)</u>	<u>93,749</u>	<u>17,624</u>	<u>157,494</u>	<u>(11,579,305)</u>
Fund Balances, Beginning 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>
Fund Balances, End of Year	<u>\$ (568,962)</u>	<u>\$ 395,999</u>	<u>\$ 359,203</u>	<u>\$ 2,098,341</u>	<u>2,284,581</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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (11,579,305)

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

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

Capital outlay, net of deletions	14,271,106
Depreciation expense	(2,849,173)

Certain revenues will be collected after year end, but are not available to pay for
current period expenditures and are therefore reported as deferred revenue
in governmental funds. This amount represents the change in deferred revenue.

	10,206,075
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore, are not reported as expenditures in governmental
funds as follows:

Net change in compensated absences for the current period	(26,016)
Net change in other post-employment benefits payable for the current period	(127,892)
Amortization of loan payable discount to interest expense	(44,640)

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

	<u>372,000</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 10,222,155</u></u>
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See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS – ENTERPRISE FUNDS JUNE 30, 2012

	Water	Wastewater	Total
ASSETS			
Current assets:			
Cash and cash equivalents	24,114,362	7,061,806	\$ 31,176,168
Restricted - cash and cash equivalents	13,794,720	37,437,950	51,232,670
Restricted - investments	21,121,292	17,098,155	38,219,447
Accrued interest receivable	10,758	6,745	17,503
Accounts receivable - utilities, net	3,315,614	1,435,786	4,751,400
Accounts receivable - governmental agencies	14,390	-	14,390
Accounts receivable - developers and others	4,183	182,682	186,865
Property taxes and assessments receivable	-	118,264	118,264
Prepaid expenses and other assets	2,107,428	13,748	2,121,176
Total Current Assets	64,482,747	63,355,136	127,837,883
Non-current assets:			
Investments	12,290,774	12,290,774	24,581,548
Restricted - investments	4,164,606	4,594,467	8,759,073
Investment in WRCRWA, net	-	2,999,963	2,999,963
Deferred charges, net	557,207	475,127	1,032,334
Capital assets - not being depreciated	30,104,076	5,870,866	35,974,942
Capital assets - being depreciated, net	109,921,857	79,470,376	189,392,233
Total Non-Current Assets	157,038,520	105,701,573	262,740,093
Total Assets	221,521,267	169,056,709	390,577,976
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	2,186,204	1,966,739	4,152,943
Accrued wages and related payables	104,995	80,009	185,004
Customer deposits, deferred revenue and advances	17,920,441	3,478,769	21,399,210
Accrued interest on long-term debt	356,410	415,464	771,874
Long-term liabilities - due within on year:			
Compensated absences	157,589	39,223	196,812
Long-term debt	540,000	1,055,774	1,595,774
Total Current Liabilities	21,265,639	7,035,978	28,301,617
Non-current liabilities:			
Long-term liabilities - due in more than one year:			
Compensated absences	472,765	117,670	590,435
Net OPEB obligation	1,303,236	511,839	1,815,075
Long-term debt	29,394,703	44,378,973	73,773,676
Total Non-Current Liabilities	31,170,704	45,008,482	76,179,186
Total Liabilities	52,436,343	52,044,460	104,480,803
Net assets:			
Net investments in capital assets	126,541,801	65,233,503	191,775,304
Restricted	22,630,047	33,803,564	56,433,611
Unrestricted	19,913,076	17,975,182	37,888,258
Total Net Assets	\$ 169,084,924	\$ 117,012,249	\$ 286,097,173

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, 2012**

	Water	Wastewater	Total
Operating revenues:			
Water consumption sales	\$ 16,221,404	\$ -	\$ 16,221,404
Monthly meter service charge	12,382,554	-	12,382,554
Sewer service charges	-	12,713,057	12,713,057
Other charges and services	947,369	55,862	1,003,231
Total Operating Revenue	<u>29,551,327</u>	<u>12,768,919</u>	<u>42,320,246</u>
Operating expenses:			
Source of supply	10,018,377	-	10,018,377
Pumping	391,133	-	391,133
Water treatment	1,758,720	-	1,758,720
Transmission and distribution	1,884,289	-	1,884,289
Sewage collection	-	2,219,859	2,219,859
Sewage treatment	-	5,360,494	5,360,494
Customer service	2,051,018	351,773	2,402,791
General administrative	5,586,832	2,855,839	8,442,671
Operations and maintenance	663,455	633,657	1,297,112
Total Operating Expenses	<u>22,353,824</u>	<u>11,421,622</u>	<u>33,775,446</u>
Operating income before depreciation	7,197,503	1,347,297	8,544,800
Depreciation	<u>(3,857,933)</u>	<u>(2,425,158)</u>	<u>(6,283,091)</u>
Operating Income (Loss)	<u>3,339,570</u>	<u>(1,077,861)</u>	<u>2,261,709</u>
Non-operating revenues (expenses)			
Property tax revenue	-	2,200,721	2,200,721
Investment earnings	397,983	253,845	651,828
Interest expense - long-term debt	(330,158)	(1,465,416)	(1,795,574)
Other non-operating revenues (expenses), net	<u>2,242,231</u>	<u>200,164</u>	<u>2,442,395</u>
Total Non-Operating Revenues (Expenses), net	<u>2,310,056</u>	<u>1,189,314</u>	<u>3,499,370</u>
Net Income Before Capital Contributions	5,649,626	111,453	5,761,079
Capital contributions:			
Facility fees	<u>8,809,196</u>	<u>6,558,501</u>	<u>15,367,697</u>
Changes in Net Assets	<u>14,458,822</u>	<u>6,669,954</u>	<u>21,128,776</u>
Net Assets, Beginning of Year, as restated	<u>154,626,102</u>	<u>110,342,295</u>	<u>264,968,397</u>
Net Assets, End of Year	<u>\$ 169,084,924</u>	<u>\$ 117,012,249</u>	<u>\$ 286,097,173</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, 2012

	Water	Wastewater	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 23,862,259	\$ 11,578,362	\$ 35,440,621
Cash paid to vendors and suppliers	<u>(24,921,322)</u>	<u>(13,739,302)</u>	<u>(38,660,624)</u>
Net cash used in operating activities	<u>(1,059,063)</u>	<u>(2,160,940)</u>	<u>(3,220,003)</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes	-	2,224,292	2,224,292
Other non-operating revenues(expenses), net	<u>2,242,231</u>	<u>305,272</u>	<u>2,547,503</u>
Net cash provided by non-capital financing activities	<u>2,242,231</u>	<u>2,529,564</u>	<u>4,771,795</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(10,316,320)	(4,008,685)	(14,325,005)
Proceeds from capital contributions	8,809,196	6,558,501	15,367,697
Principal payments on long-term debt	(605,539)	(1,011,159)	(1,616,698)
Interest payments on long-term debt	<u>(394,712)</u>	<u>(1,561,694)</u>	<u>(1,956,406)</u>
Net cash used for capital and financing activities	<u>(2,507,375)</u>	<u>(23,037)</u>	<u>(2,530,412)</u>
Cash flows from investing activities:			
Purchases and sales of investments, net	(19,170,071)	(841,008)	(20,011,079)
Interest earnings	<u>407,343</u>	<u>264,776</u>	<u>672,119</u>
Net cash provided by (used in) investing activities	<u>(18,762,728)</u>	<u>(576,232)</u>	<u>(19,338,960)</u>
Net increase (decrease) in cash and cash equivalents	(20,086,935)	(230,645)	(20,317,580)
Cash and cash equivalents, beginning of year	<u>57,996,017</u>	<u>44,730,401</u>	<u>102,726,418</u>
Cash and cash equivalents, end of year	<u>\$ 37,909,082</u>	<u>\$ 44,499,756</u>	<u>\$ 82,408,838</u>
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	\$ 24,114,362	\$ 7,061,806	\$ 31,176,168
Restricted assets - cash and cash equivalents	<u>13,794,720</u>	<u>37,437,950</u>	<u>51,232,670</u>
Total Cash and Cash Equivalents	<u>\$ 37,909,082</u>	<u>\$ 44,499,756</u>	<u>\$ 82,408,838</u>
Reconciliation of operating loss to net cash provided(used) by operating activities:			
Operating income (loss)	<u>\$ 3,339,570</u>	<u>\$ (1,077,861)</u>	<u>\$ 2,261,709</u>
Adjustments to reconcile operating income (loss) to net cash provided(used) by operating activities:			
Depreciation expense	3,857,933	2,425,158	6,283,091
Changes in assets and liabilities:			
(Increase)decrease in assets:			
Accounts receivable - utilities, net	(42,324)	(581,597)	(623,921)
Accounts receivable - governmental agencies	5,756		5,756
Accounts receivable - developers and others, net	145,811	(182,682)	(36,871)
Prepaid expenses and other deposits	(93,692)	(5,748)	(99,440)
Increase(decrease) in liabilities:			
Accounts payable and accrued expenses	(2,672,324)	(2,428,571)	(5,100,895)
Accrued wages and related payable	(148,191)	(30,417)	(178,608)
Customer deposits, deferred revenue and advances	(5,798,311)	(426,278)	(6,224,589)
Compensated absences	30,409	29,963	60,372
Other post-employment benefits payable	<u>316,300</u>	<u>117,093</u>	<u>433,393</u>
Total Adjustments	<u>(4,398,633)</u>	<u>(1,083,079)</u>	<u>(5,481,712)</u>
Net cash provided(used) by operating activities	<u>\$ (1,059,063)</u>	<u>\$ (2,160,940)</u>	<u>\$ (3,220,003)</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012**

**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-type 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, 2012

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% 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% 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, 2012**

**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

The District reports the following capital projects funds:

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

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

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

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

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, 2012**

**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, 2012**

**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, 2012**

**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 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, 2012

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. Utility Sales

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

14. Capital Contributions

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

15. Use of Estimates

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS

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

Cash and cash equivalents	\$ 33,411,397
Restricted - cash and cash equivalents	53,252,839
Restricted - investments (current)	38,219,447
Investments (non-current)	24,581,548
Restricted - investments (non-current)	8,759,073
Total	<u><u>\$ 158,224,304</u></u>

Cash and investments, consist of the following:

Cash on hand	\$ 2,950
Deposits held with financial institutions	4,151,092
Investments	154,070,262
Total	<u><u>\$ 158,224,304</u></u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

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

Investment in Riverside County Pooled Investment Fund

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

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

Investment in California Asset Management Program

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

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

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	\$ 15,321,743	\$ 15,321,743	\$ -	\$ -
California Asset Management Program (CAMP)	149,855	149,855	-	-
Local Agency Investment Fund (LAIF)	20,818,352	20,818,352	-	-
Riverside County Investment Pool	20,321,421	20,321,421	-	-
U.S. Treasury Notes	12,552,334		3,438,355	9,113,979
U.S. Agency Securities				
FHLMC	20,286,711	-	10,303,977	9,982,734
FHLB	3,894,274	-	3,894,274	-
FNMA	12,428,803	-	8,993,311	3,435,492
Held by bond trustee:				
Money market mutual funds	25,899,797	25,899,797		-
U.S. Treasury Notes	8,834,000	8,834,000		-
U.S. Agency Securities				
FHLB	5,800,261	5,125,477	674,784	-
FNMA	3,773,378	2,397,978	1,375,400	-
FHLMC	3,989,335	2,293,861	1,695,474	
Total	\$ 154,070,264	\$ 101,162,484	\$ 30,375,575	\$ 22,532,205

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Investment Type	Totals	Exempt from Disclosure	Rating as of Year End	
			AAA	Not Rated
Money market mutual funds	\$ 15,321,743	\$ -	\$ -	\$ 15,321,743
California Asset Management Program (CAMP)	149,855	-	-	149,855
Local Agency Investment Fund (LAIF)	20,818,352	-	-	20,818,352
Riverside County Investment Pool	20,321,421	-	20,321,421	-
U.S. Treasury Notes	12,552,334	12,552,334	-	-
U.S. Agency Securities				
FHLMC	20,286,711	-	20,286,711	-
FHLB	3,894,274	-	3,894,274	-
FNMA	12,428,803	-	12,428,803	-
Held by bond trustee:				
Money market mutual funds	25,899,797	-	-	25,899,797
U.S. Treasury Notes	8,834,000	8,834,000	-	-
U.S. Agency Securities				
FHLB	5,800,261	-	5,800,261	-
FNMA	3,773,378	-	3,773,378	-
FHLMC	3,989,335	-	3,989,335	-
Total	<u>\$ 154,070,264</u>	<u>\$ 21,386,334</u>	<u>\$ 70,494,183</u>	<u>\$ 62,189,747</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% of the District's investments are in FHLMC, FHLB, and FNMA. These investments comprise 15.8%, 6.3%, and 10.5% respectively, of the District’s total investments.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 – ACCOUNTS RECEIVABLE – UTILITIES, NET

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2012:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Accounts receivable - utilities	\$ 3,333,826	\$ 1,443,854	\$ 4,777,680
Allowances for uncollectible receivables	<u>(18,212)</u>	<u>(8,068)</u>	<u>(26,280)</u>
Accounts receivable - utilities, net	<u>\$ 3,315,614</u>	<u>\$ 1,435,786</u>	<u>\$ 4,751,400</u>

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

The prepaid expenses and other assets balance consists of the following balances as of June 30, 2012:

<u>Account Description</u>	<u>Parks</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Materials and supplies inventory	\$ -	\$ 261,195	\$ -	\$ 261,195
Water-in-storage inventory	-	40,049	-	40,049
Prepaid expenses and other deposits	<u>5,977</u>	<u>1,806,184</u>	<u>13,748</u>	<u>1,825,909</u>
Total Prepaid Expenses and Other Deposits	<u>\$ 5,977</u>	<u>\$ 2,107,428</u>	<u>\$ 13,748</u>	<u>\$ 2,127,153</u>

NOTE 5 – INVESTMENT IN WRCRWA, NET

The District’s investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2012 as follows:

<u>Account Description</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Investment in WRCRWA	\$ 4,204,305	\$ -	\$ -	\$ 4,204,305
Accumulated amortization	<u>(1,099,235)</u>	<u>(105,107)</u>	-	<u>(1,204,342)</u>
Investment in WRCRWA, net	<u>\$ 3,105,070</u>	<u>\$ (105,107)</u>	<u>\$ -</u>	<u>\$ 2,999,963</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – DEFERRED CHARGES, NET

The changes in the deferred charges balances for fiscal year 2012 were as follows:

Business-Type Activities

Account Description	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
2010 A COPs - Water deferred charges	\$ 359,553	\$ -	\$ (12,541)	\$ 347,012
2010 B COPs - Water deferred charges	217,793	-	(7,598)	210,195
2010 A COPs - Wastewater deferred charges	196,170	-	(6,843)	189,327
2010 B COPs - Wastewater deferred charges	296,130	-	(10,330)	285,800
Deferred Charges, Net	<u>\$ 1,069,646</u>	<u>\$ -</u>	<u>\$ (37,312)</u>	<u>\$ 1,032,334</u>

NOTE 7 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for the year were as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Non-depreciable assets:				
Land	\$ 21,679,971	\$ 1,097,800	\$ -	\$ 22,777,771
Construction in progress	2,527,132	11,898,645	(135,361)	14,290,416
Total Non-depreciable Assets	<u>24,207,103</u>	<u>12,996,445</u>	<u>(135,361)</u>	<u>37,068,187</u>
Depreciable assets:				
Land improvements	22,173,011	1,375,098	-	23,548,109
Structures and equipment	15,684,312	34,924	(18,552)	15,700,684
Total Depreciable Assets	<u>37,857,323</u>	<u>1,410,022</u>	<u>(18,552)</u>	<u>39,248,793</u>
Accumulated depreciation:				
Land improvements	(4,295,178)	(1,455,248)	-	(5,750,426)
Structures and equipment	(4,927,594)	(1,393,925)	18,552	(6,302,967)
Total Accumulated Depreciation	<u>(9,222,772)</u>	<u>(2,849,173)</u>	<u>18,552</u>	<u>(12,053,393)</u>
Total Depreciable Assets, Net	<u>28,634,551</u>	<u>(1,439,151)</u>	<u>-</u>	<u>27,195,400</u>
Total Capital Assets, Net	<u>\$ 52,841,654</u>	<u>\$ 11,557,294</u>	<u>\$ (135,361)</u>	<u>\$ 64,263,587</u>

Depreciation expense of \$2,849,198 was charged to Eastvale Parks.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance at 7/1/2011 restated	Additions	Deletions	Reclassification	Balance at June 30, 2012
Non-depreciable assets:					
Land	\$ 5,033,977	\$ 21,160	\$ -	\$ -	\$ 5,055,137
Construction in progress	27,551,944	14,839,503	(11,471,642)	-	30,919,805
Total Non-depreciable Assets	<u>32,585,921</u>	<u>14,860,663</u>	<u>(11,471,642)</u>	<u>-</u>	<u>35,974,942</u>
Depreciable assets:					
Land improvements	2,380,420	-	-	-	2,380,420
Structures and improvements	65,135,464	1,901,756	-	(18,520)	67,018,700
Water transmission and distribution	101,476,723	3,963,428	(88,307)	-	105,351,844
Wastewater collection system	68,643,186	5,111,908	(168,007)	(164,126)	73,422,961
Vehicles and equipment	8,865,181	110,128	(108,290)	182,646	9,049,665
Total Depreciable Assets	<u>246,500,974</u>	<u>11,087,220</u>	<u>(364,604)</u>	<u>-</u>	<u>257,223,590</u>
Accumulated depreciation:					
Land improvement and rights	(1,027,026)	(62,428)	-	-	(1,089,454)
Structures and improvements	(20,099,127)	(1,865,529)	-	(5,018)	(21,969,674)
Water transmission and distribution	(22,043,503)	(2,393,424)	87,906	(57,789)	(24,406,810)
Wastewater collection system	(14,681,914)	(1,384,319)	17,171	(25,017)	(16,074,079)
Vehicles and equipment	(3,910,063)	(577,391)	108,290	87,824	(4,291,340)
Total Accumulated Depreciation	<u>(61,761,633)</u>	<u>(6,283,091)</u>	<u>213,367</u>	<u>-</u>	<u>(67,831,357)</u>
Total Depreciable Assets, Net	<u>184,739,341</u>	<u>4,804,129</u>	<u>(151,237)</u>	<u>-</u>	<u>189,392,233</u>
Total Capital Assets, Net	<u>\$ 217,325,262</u>	<u>\$ 19,664,792</u>	<u>\$ (11,622,879)</u>	<u>\$ -</u>	<u>\$ 225,367,175</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Water Enterprise	Balance at July 1, 2011	Additions	Deletions	Reclassification	Balance at June 30, 2012
Non-depreciable assets:					
Land	\$ 4,783,297	\$ -	\$ -	\$ -	\$ 4,783,297
Construction in progress	20,951,610	10,341,104	(5,971,935)	-	25,320,779
Total Non-depreciable Assets	25,734,907	10,341,104	(5,971,935)	-	30,104,076
Depreciable assets:					
Land improvements	2,253,630	-	-	-	2,253,630
Structures and improvements	27,724,158	1,901,756	-	(18,520)	29,607,394
Water transmission and distribution	101,476,723	3,963,428	(88,307)	-	105,351,844
Vehicles and equipment	7,938,999	82,368	(22,257)	18,520	8,017,630
Total Depreciable Assets	139,393,510	5,947,552	(110,564)	-	145,230,498
Accumulated depreciation:					
Land improvement and rights	(980,523)	(58,024)	-	-	(1,038,547)
Structures and improvements	(5,095,847)	(930,162)	-	(5,018)	(6,031,027)
Water transmission and distribution	(22,043,503)	(2,393,424)	87,906	(57,789)	(24,406,810)
Vehicles and equipment	(3,440,998)	(476,323)	22,257	62,807	(3,832,257)
Total Accumulated Depreciation	(31,560,871)	(3,857,933)	110,163	-	(35,308,641)
Total Depreciable Assets, Net	107,832,639	2,089,619	(401)	-	109,921,857
Total Capital Assets, Net	\$ 133,567,546	\$ 12,430,723	\$ (5,972,336)	\$ -	\$ 140,025,933

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Wastewater Enterprise	Balance at 7/1/2011 restated	Additions	Deletions	Reclassification	Balance at June 30, 2012
Non-depreciable assets:					
Land	\$ 250,680	\$ 21,160	\$ -	\$ -	\$ 271,840
Construction in progress	6,600,334	4,498,399	(5,499,707)	-	5,599,026
Total Non-depreciable Assets	6,851,014	4,519,559	(5,499,707)	-	5,870,866
Depreciable assets:					
Land improvements	126,790	-	-	-	126,790
Structures and improvements	37,411,306	-	-	-	37,411,306
Water transmission and distribution	-	-	-	-	-
Wastewater collection system	68,643,186	5,111,908	(168,007)	(164,126)	73,422,961
Vehicles and equipment	926,182	27,760	(86,033)	164,126	1,032,035
Total Depreciable Assets	107,107,464	5,139,668	(254,040)	-	111,993,092
Accumulated depreciation:					
Land improvement and rights	(46,503)	(4,404)	-	-	(50,907)
Structures and improvements	(15,003,280)	(935,367)	-	-	(15,938,647)
Wastewater collection system	(14,681,914)	(1,384,319)	17,171	(25,017)	(16,074,079)
Vehicles and equipment	(469,065)	(101,068)	86,033	25,017	(459,083)
Total Accumulated Depreciation	(30,200,762)	(2,425,158)	103,204	-	(32,522,716)
Total Depreciable Assets, Net	76,906,702	2,714,510	(150,836)	-	79,470,376
Total Capital Assets, Net	\$ 83,757,716	\$ 7,234,069	\$ (5,650,543)	\$ -	\$ 85,341,242

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, 2012:

Account Description	Parks	Water	Wastewater	Total
Customer deposits and deferred revenue	\$ 11,027	\$ 238,225	\$ -	\$ 249,252
Retentions payable	-	121,803	20,720	142,523
Construction advances and deposits	10,900	1,077,830	-	1,088,730
Agreement payable Benefit Area "A"	-	-	3,458,049	3,458,049
Advances payable to Community Facilities Districts	-	16,482,583	-	16,482,583
Total Customer Deposits, Deferred Revenue and Advances	\$ 21,927	\$ 17,920,441	\$ 3,478,769	\$ 21,421,137

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 – COMPENSATED ABSENCES

Changes in compensated absences were as follows for the year ended June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Compensated absences, beginning	\$ 102,273	\$ 726,875	\$ 829,148
Current year employee earnings	58,942	685,965	744,907
Employee vacation time taken	<u>(32,926)</u>	<u>(625,593)</u>	<u>(658,519)</u>
Compensated absences, ending	128,289	787,247	915,536
Less: current portion payable	<u>32,072</u>	<u>196,812</u>	<u>228,884</u>
Long-term portion payable	<u><u>\$ 96,217</u></u>	<u><u>\$ 590,435</u></u>	<u><u>\$ 686,652</u></u>

NOTE 10 – LONG-TERM DEBT

Changes in long-term debt were as follows:

Business-type Activities	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Amount due within one year</u>
Certificates of participation (COPs):					
2010 COPs - Series A - Water Fund	\$ 10,400,000	\$ -	\$ (530,000)	\$ 9,870,000	\$ 540,000
2010 COPs - Series B - Water Fund	19,940,000	-	-	19,940,000	-
2010 COPs - Series A - Wastewater Fund	9,680,000	-	(650,000)	9,030,000	690,000
2010 COPs - Series B - Wastewater Fund	27,495,000	-	-	27,495,000	-
Plus: premiums on debt issuance	924,908	-	(32,264)	892,644	-
Less: deferred issuance discounts	(457,015)	-	15,942	(441,073)	-
Less: deferred amounts on refunding	(384,593)	-	13,416	(371,177)	-
Total COPs	<u>67,598,300</u>	<u>-</u>	<u>(1,182,906)</u>	<u>66,415,394</u>	<u>1,230,000</u>
Loans payable:					
State Water Resources Control Board Loan	857,794	-	(107,225)	750,569	107,225
Economic Development Administration Loan	554,816	-	(87,827)	466,989	-
Western Municipal Water District Loan	7,975,238	-	(238,660)	7,736,578	258,549
Total Loans payable	<u>9,387,848</u>	<u>-</u>	<u>(433,712)</u>	<u>8,954,136</u>	<u>365,774</u>
Total Business-type Activities	<u><u>\$ 76,986,148</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,616,618)</u></u>	<u><u>\$ 75,369,530</u></u>	<u><u>\$ 1,595,774</u></u>
Governmental Activities					
Regional Park Property Loan	\$ 2,742,000	\$ -	\$ (372,000)	\$ 2,370,000	\$ 341,000
Less: discount on property loan	(115,320)	-	44,640	(70,680)	-
Total Loans Payable	<u>2,626,680</u>	<u>-</u>	<u>(327,360)</u>	<u>2,299,320</u>	<u>341,000</u>
Total Governmental Activities	<u><u>\$ 2,626,680</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (327,360)</u></u>	<u><u>\$ 2,299,320</u></u>	<u><u>\$ 341,000</u></u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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
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	615,000	323,150	938,150
2018-2022	2,700,000	1,263,450	3,963,450
2023-2027	1,955,000	777,675	2,732,675
2028-2032	1,880,000	354,500	2,234,500
2033	440,000	11,000	451,000
Total	<u>\$ 9,870,000</u>	<u>\$ 4,236,075</u>	<u>\$ 14,106,075</u>

2010 Series B – Certificates of Participation – Water Fund

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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
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	-	1,391,302	1,391,302
2018-2022	775,000	6,895,566	7,670,566
2023-2027	2,295,000	6,453,597	8,748,597
2028-2032	3,665,000	5,422,298	9,087,298
2033-2037	6,480,000	3,681,515	10,161,515
2038-2041	6,725,000	995,553	7,720,553
Total	\$ 19,940,000	\$ 30,405,039	\$ 50,345,039

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.

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

The District has pledged future water fund revenues, net of specified operating expenses, to repay the water system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110% of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$64,451,114. Principal and interest paid for the current year and net revenues were \$2,331,452 and \$16,388,072, respectively.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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
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	780,000	240,531	1,020,531
2018-2022	3,310,000	762,459	4,072,459
2023-2027	1,470,000	255,883	1,725,883
2028-2032	500,000	90,072	590,072
2033	115,000	2,875	117,875
Total	<u>\$ 9,030,000</u>	<u>\$ 2,592,795</u>	<u>\$ 11,622,795</u>

2010 Series B – Certificates of Participation – Wastewater Fund

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

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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
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	-	1,870,597	1,870,597
2018-2022	1,075,000	9,269,176	10,344,176
2023-2027	3,885,000	8,589,611	12,474,611
2028-2032	6,140,000	6,842,965	12,982,965
2033-2037	8,220,000	4,368,350	12,588,350
2038-2041	8,175,000	1,177,225	9,352,225
Total	<u>\$ 27,495,000</u>	<u>\$ 39,600,312</u>	<u>\$ 67,095,312</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.

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

The District has pledged future sewer fund revenues, net of specified operating expenses, to repay the sewer system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110% of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$78,718,107. Principal and interest paid for the current year and net revenues were \$2,888,229 and \$8,159,643, respectively.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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 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
2013	\$ 107,225	\$ 21,445	\$ 128,670
2014	107,224	21,445	128,669
2015	107,224	21,445	128,669
2016	107,224	21,445	128,669
2017	107,224	21,445	128,669
2018-2019	214,448	42,890	257,338
Total	<u>\$ 750,569</u>	<u>\$ 150,115</u>	<u>\$ 900,684</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
2014	\$ 92,324	\$ 23,325	\$ 115,649
2015	96,940	18,709	115,649
2016	101,787	13,862	115,649
2017	106,876	8,773	115,649
2018	69,062	3,429	72,491
Total	<u>\$ 466,989</u>	<u>\$ 68,098</u>	<u>\$ 535,087</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012. The variable interest rate is determined by comparing the three month average daily interest rates as provided by Paine Webber and J.P. Morgan. Principal payments are due annually on January 1, commencing January 1, 2005 in amounts ranging from \$198,884 to \$517,099. The final principal payment is due January 1, 2033. The District has pledged net water and sewer revenues as well as tax revenues towards the payment of the debt service on the WMWD loan. The District has the option to prepay the WMWD loan in whole or in part at any time upon 60 days written notice. Estimated annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 258,549	\$ 346,908	\$ 605,457
2014	258,549	335,315	593,864
2015	278,737	323,721	602,458
2016	278,737	311,223	589,960
2017	298,925	298,724	597,649
2018-2022	1,272,257	1,058,520	2,330,777
2023-2027	1,849,630	981,798	2,831,428
2028-2032	2,227,498	533,224	2,760,722
2033	1,013,696	68,640	1,082,336
Total	<u>\$ 7,736,578</u>	<u>\$ 4,258,073</u>	<u>\$ 11,994,651</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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
2013	\$ 341,000	\$ -	\$ 341,000
2014	346,184	22,006	368,190
2015	316,703	46,153	362,856
2016	326,337	36,519	362,856
2017	336,262	26,594	362,856
2018-2019	703,514	22,198	725,712
Total	<u>\$ 2,370,000</u>	<u>\$ 153,470</u>	<u>\$ 2,523,470</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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).

Plan Description – Benefits

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

	<u>2012</u>
Active plan members	120
Retirees and beneficiaries receiving benefits	<u>15</u>
Total Plan Membership	<u><u>135</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 11.3% of the annual covered payroll. The District will pay 100% of the cost of the post-employment benefit plan.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2012, the District’s OPEB cost is \$691,027. The District’s net OPEB obligation amounted to \$2,148,396 for the year ended June 30, 2012. The District contributed \$129,742 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2012 as follows:

The balance at June 30 consists of the following:

	2012
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 710,368
Interest on net OPEB obligation	120,779
Adjustment to annual required contribution	<u>(140,120)</u>
Total annual OPEB cost	691,027
Change in net OPEB obligation:	
Contributions	<u>(129,742)</u>
Total change in Net OPEB obligation	561,285
Net OPEB obligation - beginning of year	<u>1,587,111</u>
Net OPEB obligation - end of year	<u><u>\$ 2,148,396</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 2012 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
2012	\$ 691,027	\$ 129,742	18.78%	\$ 2,148,396
2011	1,244,511	1,907,525	153.28%	1,587,111
2010	1,192,960	76,656	6.43%	2,250,125

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2011	\$ 1,763,031	\$ 4,829,344	\$ 3,066,313	36.5%	\$ 7,282,000	42.11%

The most recent valuation (dated June 30, 2011) includes an Actuarial Accrued Liability of \$4,829,344 and an Unfunded Actuarial Accrued Liability of \$3,066,313. The Actuarial Value of Plan Assets was \$1,763,031.

Actuarial Methods and Assumptions

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

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

Valuation date	June 30, 2011
Actuarial cost method	Projected Unit Credit cost method
Amortization method	Level-dollar amortization method on a closed basis
Remaining amortization period	27 Years as of the valuation date
Actuarial assumptions:	
Interest discount	7.61%
Projected salary increase	3.25%

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS

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

Net Investment in Capital Assets

	Governmental Activities	Business-type Activities	Total
The balance consists of the following:			
Capital assets - not being depreciated	\$ 37,068,187	\$ 35,974,942	\$ 73,043,129
Capital assets - being depreciated, net	27,195,400	189,392,233	216,587,633
Water fund - debt funded construction	-	16,450,571	16,450,571
Wastewater fund - debt funded construction	-	25,327,008	25,327,008
Long-term debt - current portion	(341,000)	(1,595,774)	(1,936,774)
Long-term debt - long-term portion	(1,958,320)	(73,773,676)	(75,731,996)
	<u>\$ 61,964,267</u>	<u>\$ 191,775,304</u>	<u>\$ 253,739,571</u>

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	\$ 2,020,169	\$ -	\$ 2,020,169
Eastvale parks	7,149,757	-	7,149,757
Graffiti abatement	395,599	-	395,599
Illumination District No. 2	359,203	-	359,203
Landscape and Lighting	2,098,341	-	2,098,341
Prepaid expenses and other prepaid assets	5,977	-	5,977
Water fund - debt service reserves	-	2,951,427	2,951,427
Water fund - capital facility fees	-	19,678,620	19,678,620
Wastewater fund - debt service reserves	-	3,567,758	3,567,758
Wastewater fund - capital facility fees	-	30,235,806	30,235,806
	<u>\$ 12,029,046</u>	<u>\$ 56,433,611</u>	<u>\$ 68,462,657</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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	\$ -	\$ 2,121,176	\$ 2,121,176
Water operations and capital replacement	-	17,805,648	17,805,648
Wastewater operations and capital replacement	-	17,961,434	17,961,434
	<u>\$ -</u>	<u>\$ 37,888,258</u>	<u>\$ 37,888,258</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, 2012 was \$855,012 and \$258,258, respectively.

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

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.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 16 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 2011-2012 was 17.015% 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, 2012 the District’s annual pension cost of \$1,255,641 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>APC Percentage of Payroll</u>
2012	\$ 1,255,641	\$ 1,255,641	100.00%	17.015%
2011	1,014,185	1,014,185	100.00%	14.426%
2010	980,404	980,404	100.00%	14.514%

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. The District has experienced no losses exceeding coverage during the past three years,

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012 is reported in the accompanying financial statements at \$2,999,963.

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, 2012

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 2151 S. Haven Avenue, Suite 202, Ontario, California 91761.

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, 2012, twenty-four of the Community Facilities Districts have issued debt with an aggregate principal amount payable of \$284,035,000.

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 \$12,631,347 of open construction contracts as of June 30, 2012.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 20 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 – DUE FROM AND DUE TO OTHER FUNDS

Interfund borrowing at June 30, 2012 consists of the Eastvale Parks fund’s payable of \$449,291 to the Landscape and Lighting fund to cover cash flow.

NOTE 22 – COMMUNITY FACILITY DISTRICT RECEIVABLE

During the fiscal year, costs were incurred in the Eastvale Parks fund to construct facilities within the District’s service area. These costs will be funded by bond proceeds of various community facilities districts. As of June 30, 2012, the District had not drawn down funds in the amount of \$10,206,075 related to these costs.

NOTE 23 – RESTATEMENT OF BEGINNING NET ASSETS

During the fiscal year, the District performed an analysis on the balances held as construction in progress. The results of the analysis resulted in the following restatements to beginning net assets.

	Water Fund	Wastewater Fund	Business-type Activities
Beginning Net Assets as previously reported	\$ 154,626,102	\$ 112,296,603	\$ 266,922,705
Restatement due to correction to CIP	-	(1,954,308)	(1,954,308)
Beginning Net Assets as restated	<u>\$ 154,626,102</u>	<u>\$ 110,342,295</u>	<u>\$ 264,968,397</u>

NOTE 24 – DEFICIT UNASSIGNED FUND BALANCE

As of June 30, 2012 the Eastvale Parks fund reported deficit unassigned fund balance of \$574,939. The deficit is primarily due to the unavailability of the \$10,206,075 receivable described at Note 22.

REQUIRED SUPPLEMENTARY INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

<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>
6/30/2011	\$ 1,763,031	\$ 4,829,344	\$ 3,066,313	36.5%	\$ 7,282,000	42.11%
6/30/2010	-	6,164,428	6,164,428	0.0%	7,507,125	82.11%
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, 2012**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Special assessments	\$ 5,837,940	\$ 5,837,940	\$ 5,898,781	\$ 60,841
Charges for services	1,018,400	1,018,400	1,049,916	31,516
Capital grants and contributions	-	-	2,076,743	2,076,743
Interest earnings	55,000	55,000	45,056	(9,944)
Total Revenues	<u>6,911,340</u>	<u>6,911,340</u>	<u>9,070,496</u>	<u>2,159,156</u>
Expenditures:				
Current:				
Eastvale parks	6,173,649	6,173,649	6,275,562	(101,913)
Debt service	-	-	372,000	(372,000)
Capital outlay	-	-	14,271,106	(14,271,106)
Total Expenditures	<u>6,173,649</u>	<u>6,173,649</u>	<u>20,918,668</u>	<u>(14,745,019)</u>
Net Change in Fund Balance	737,691	737,691	(11,848,172)	<u><u>\$ (12,585,863)</u></u>
Fund Balance - Beginning of Year	<u>11,279,210</u>	<u>11,279,210</u>	<u>11,279,210</u>	
Fund Balance - End of Year	<u><u>\$ 12,016,901</u></u>	<u><u>\$ 12,016,901</u></u>	<u><u>\$ (568,962)</u></u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – GRAFFITI ABATEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 343,890	\$ 343,890	\$ 174,201	\$ (169,689)
Special assessments	-	-	172,313	172,313
Total Revenues	<u>343,890</u>	<u>343,890</u>	<u>346,514</u>	<u>2,624</u>
Expenditures:				
Current:				
Graffiti abatement	343,890	343,890	252,765	91,125
Total Expenditures	<u>343,890</u>	<u>343,890</u>	<u>252,765</u>	<u>91,125</u>
Net Change in Fund Balance	-	-	93,749	<u>\$ 93,749</u>
Fund Balance - Beginning of Year	<u>302,250</u>	<u>302,250</u>	<u>302,250</u>	
Fund Balance - End of Year	<u>\$ 302,250</u>	<u>\$ 302,250</u>	<u>\$ 395,999</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – ILLUMINATION DISTRICT NO. 2 FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 79,000	\$ 79,000	\$ 79,000	\$ -
Special assessments	203,319	203,319	206,032	2,713
Total Revenues	<u>282,319</u>	<u>282,319</u>	<u>285,032</u>	<u>2,713</u>
Expenditures:				
Current:				
Illumination District No. 2	287,061	287,061	267,408	19,653
Total Expenditures	<u>287,061</u>	<u>287,061</u>	<u>267,408</u>	<u>19,653</u>
Net Change in Fund Balance	(4,742)	(4,742)	17,624	<u>\$ 22,366</u>
Fund Balance - Beginning of Year	<u>341,579</u>	<u>341,579</u>	<u>341,579</u>	
Fund Balance - End of Year	<u>\$ 336,837</u>	<u>\$ 336,837</u>	<u>\$ 359,203</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – LANDSCAPE AND LIGHTING FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Property taxes	\$ -	\$ -	\$ 1,035	\$ 1,035
Special assessments	1,137,562	1,137,562	1,106,243	(31,319)
Charges for services	-	-	7,618	7,618
Total Revenues	<u>1,137,562</u>	<u>1,137,562</u>	<u>1,114,896</u>	<u>(22,666)</u>
Expenditures:				
Current:				
Landscape and lighting	<u>981,353</u>	<u>981,353</u>	<u>957,402</u>	<u>23,951</u>
Total Expenditures	<u>981,353</u>	<u>981,353</u>	<u>957,402</u>	<u>23,951</u>
Net Change in Fund Balance	156,209	156,209	157,494	<u>\$ 1,285</u>
Fund Balance - Beginning of Year	<u>1,940,847</u>	<u>1,940,847</u>	<u>1,940,847</u>	
Fund Balance - End of Year	<u>\$ 2,097,056</u>	<u>\$ 2,097,056</u>	<u>\$ 2,098,341</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF RESERVE FOR ENTERPRISE FUNDS CAPITAL FACILITY FEES
JUNE 30, 2012**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Reserve for Capital Facility Fees:			
Balance - beginning of year	<u>\$ 14,418,641</u>	<u>\$ 29,251,792</u>	<u>\$ 43,670,433</u>
Capital contributions:			
Facility fees	<u>8,809,196</u>	<u>6,558,501</u>	<u>15,367,697</u>
Total Contributions	<u>8,809,196</u>	<u>6,558,501</u>	<u>15,367,697</u>
Construction costs	<u>3,549,217</u>	<u>5,574,487</u>	<u>9,123,704</u>
Total Expenses	<u>3,549,217</u>	<u>5,574,487</u>	<u>9,123,704</u>
Balance - end of year	<u><u>\$ 19,678,620</u></u>	<u><u>\$ 30,235,806</u></u>	<u><u>\$ 49,914,426</u></u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF RESERVE FOR PARKS FUND CAPITAL IMPROVEMENTS
JUNE 30, 2012**

	<u>Park Fund</u>
Reserve for Capital Improvements:	
Balance - beginning of year	<u>\$ 2,340,261</u>
Revenues:	
Capital financings	<u>320,092</u>
Total Contributions	<u>320,092</u>
Capital outlay	<u>640,184</u>
Total Expenses	<u>640,184</u>
Balance - end of year	<u><u>\$ 2,020,169</u></u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF COMMUNITY FACILITIES DISTRICTS
OUTSTANDING DEBT
JUNE 30, 2012**

<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	\$ 23,325,000	4.76738	Dec-1998	Sep-2024
CFD # 2	18,315,000	AAA/AAA	16,930,000	5.10550	Aug-2002	Sep-2032
CFD # 3	9,240,000	Not Rated	9,000,000	5.86720	Jan-2003	Sep-2033
CFD # 4	15,065,000	Not Rated	13,380,000	5.61010	Aug-2010	Sep-2034
CFD # 5	3,135,000	Not Rated	3,050,000	6.01540	Jun-2002	Sep-2032
CFD # 6	3,560,000	Not Rated	3,460,000	5.84370	Dec-2002	Sep-2032
CFD # 7	10,745,000	Not Rated	9,450,000	5.01310	Nov-2005	Sep-2035
CFD # 10	6,690,000	Not Rated	6,510,000	5.73660	Aug-2010	Sep-2033
CFD # 11	12,020,000	Not Rated	10,850,000	4.95200	Aug-2010	Sep-2033
CFD # 12	14,380,000	Not Rated	12,970,000	4.97830	Jun-2005	Sep-2035
CFD # 14	13,115,000	Not Rated	12,855,000	6.05362	Aug-2010	Sep-2037
CFD # 15	8,235,000	Not Rated	8,235,000	6.28240	May-2011	Sep-2042
CFD # 16	9,100,000	Not Rated	8,005,000	5.08410	Mar-2005	Sep-2034
CFD # 17	17,475,000	Not Rated	16,245,000	5.14167	Aug-2006	Sep-2036
CFD # 18	16,575,000	Not Rated	15,365,000	4.84380	Nov-2006	Sep-2036
CFD # 19	24,225,000	Not Rated	22,670,000	4.91500	Aug-2010	Sep-2036
CFD # 21	9,885,000	Not Rated	9,035,000	5.12450	Apr-2006	Sep-2036
CFD # 23	4,920,000	Not Rated	4,920,000	4.75572	Jun-2012	Sep-2042
CFD # 24	11,990,000	Not Rated	11,800,000	6.50534	Aug-2010	Sep-2040
CFD # 25	8,750,000	Not Rated	8,305,000	8.77600	Dec-2008	Sep-2038
CFD # 25	3,010,000	Not Rated	3,010,000	5.76829	Dec-2011	Sep-2042
CFD # 29	13,945,000	Not Rated	13,765,000	8.47500	Aug-2010	Sep-2040
CFD # 30	7,395,000	Not Rated	6,865,000	5.46040	Oct-2007	Sep-2037
CFD # 32	3,700,000	Not Rated	3,430,000	5.11695	Aug-2007	Sep-2036
CFD # 34	7,330,000	Not Rated	7,105,000	6.21300	Dec-2010	Sep-2040
CFD # 38	6,675,000	Not Rated	6,675,000	5.65264	Aug-2011	Sep-2042
CFD # 38	5,295,000	Not Rated	4,975,000	6.21280	May-2010	Sep-2040
CFD # 39	11,850,000	Not Rated	11,850,000	4.87063	May-2012	Sep-2042
Total	<u>\$ 301,330,000</u>		<u>\$ 284,035,000</u>			

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF COMMUNITY FACILITIES DISTRICTS

CASH AND INVESTMENTS BALANCES

JUNE 30, 2012

Cash and investments held by bond trustees for the benefit of the CFDs as of June 30, 2012 were as follows:

CFD No.	Location	Balance
CFD # 1	Mira Loma	\$ 963,698
CFD # 2	Eastvale Area	3,315,489
CFD # 3	Eastvale Area	732,211
CFD # 4	Eastvale Area	2,220,559
CFD # 5	Eastvale Area	64,444
CFD # 6	Eastvale Area	324,354
CFD # 7	Eastvale Area	1,585,202
CFD # 10	Eastvale Area	649,710
CFD # 11	Eastvale Area	1,706,357
CFD # 12	Eastvale Area	5,032,999
CFD # 14	Eastvale Area	1,127,313
CFD # 15	Eastvale Area	1,512,865
CFD # 16	Eastvale Area	3,158,273
CFD # 17	Eastvale Area	2,252,579
CFD # 18	Eastvale Area	2,175,043
CFD # 19	Eastvale Area	7,550,862
CFD # 21	Eastvale Area	1,853,997
CFD # 23	Eastvale Area	4,712,018
CFD # 24	Eastvale Area	663,010
CFD # 25	Eastvale Area	3,478,390
CFD # 29	Eastvale Area	4,708,905
CFD # 30	Eastvale Area	1,081,976
CFD # 32	Eastvale Area	1,152,097
CFD # 34	Eastvale Area	4,371,878
CFD # 38	Eastvale Area	8,570,081
CFD # 39	Eastvale Area	3,271,558
		<u>\$ 68,235,868</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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Jurupa Community Services District
Jurupa Valley, California

We have audited 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2013. 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 control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 a significant deficiency.

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 2012-01 and 2012-02 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 deficiency described in the accompanying schedule of findings and responses as item 2012-03 to be a significant deficiency.

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
February 28, 2013

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2012

Finding 2012-01

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 conditions relating to the year-end close were identified:

- Amounts earned in the Parks fund were not recorded as receivable at June 30, 2012,
- Interest earned on certain investments was not recorded,
- Internal cash and investment balance allocations did not agree to the amounts recorded on the trial balance,
- Beginning equity was not reconciled to previously issued financial statements,
- Capital asset activity was not reconciled.

Context:

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

Effect:

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 its procedures to ensure that the year-end close is complete and timely. This can be achieved through a comprehensive closing checklist, formalized policies and procedures, and a formal review of the closing tasks performed.

View of Responsible Official and Planned Corrective Actions:

Management acknowledges that a more formalized policy and procedure need to exist for the year-end closing process. The District currently prepares a binder and utilizes a checklist to assist with the year-end closing process. In addition to this procedure the District will establish written processes that will ensure a more timely and accurate year-end closing procedure. These policies will also outline a more structured review process for journal entries and work papers as they are related to the audit and year-end closing procedures.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2012

Finding 2012-02

INFORMATION TECHNOLOGY

Criteria:

The District should have controls in place to ensure that access to the financial system is limited to authorized individuals. The District should 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.
- One-sided journal entries were posted between funds creating out of balance funds.

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, 2012

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. Additionally, we recommend enhancing procedures to prevent the posting of one-sided journal entries between funds.

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. The Board has approved implementing a new Financial Management system as outlined in the District's 2011-12 Strategic Plan. The new financial system will be implemented in Utility Billing, Human Resources/Payroll, and Finance. The implementation is scheduled to begin in July of 2013.

At this time, Information Technology (IT) does not have any written policies pertaining to Disaster Recovery. Efforts in this area are ongoing as this has been identified as a priority area for the District. The process of development of formalized policies for addressing IT Disaster Recovery is currently being commenced.

Finding 2012-03

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.

Condition:

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

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

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 area of the organization. Management concurs with the auditor's recommendation to establish an anti-fraud policy. A Fraud/Ethics Policy has been drafted by District staff. It is anticipated that this policy will be adopted by the Board by June 30, 2013.

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2012**

Finding No.	Topic	Status of Corrective Action
2011-01	Year-End Closing Procedures	Partially implemented. See current year finding 2012-01.
2011-02	Cash Management	Implemented
2011-03	Information Technology	Partially implemented. See current year finding 2012-02.
2011-04	Utility Billing	Implemented
2011-05	Equity	Not implemented. See current year finding 2012-01.
2011-06	Fraud / Ethics Policy	Partially implemented. See current year finding 2012-03.