

JURUPA COMMUNITY SERVICES DISTRICT
Jurupa Valley, California

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

JURUPA COMMUNITY SERVICES DISTRICT
Annual Financial Report
For the Year Ended June 30, 2013

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FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

Board of Directors
Jurupa Community Services District
Jurupa Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to these matters.

As described in Note 21 to the financial statements, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, the District has reported proceeds from special assessments to be used for capital projects in the Eastvale Parks Fund, the Water Fund and the Wastewater Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying major fund 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Rancho Cucamonga, California
April 24, 2014

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. We encourage readers to consider the information presented here with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased \$40.0 million, or by 11.1%.
- During the year the District's revenues decreased \$10.1 million or by 12.0% to \$74.0 million, while expenses increased \$2.8 million, or 5.3% to \$55.6 million.
- Capital contributions to the District amounted to \$15.3 million.

Overview of the Financial Statements

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Fund Financial Statements

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

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

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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.

Government-wide Financial Analysis

Statement of Net Position

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

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

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2013			June 30, 2012		
Assets:						
Current and other assets	\$ 20,299	\$ 190,576	\$ 210,875	\$ 15,038	\$ 165,211	\$ 180,249
Capital assets	72,755	233,296	306,051	64,264	225,367	289,631
Total Assets	93,054	423,872	516,926	79,302	390,578	469,880
Deferred outflows of resources:						
Amount deferred on refunding	-	727	727	-	-	-
Liabilities:						
Long-term debt outstanding		74,036	74,036	2,299	75,370	77,669
Other liabilities	2,493	40,639	43,132	3,009	29,111	32,120
Total Liabilities	2,493	114,675	117,168	5,308	104,481	109,789
Deferred inflows of resources:						
Amount deferred on refunding	-	369	369	-	-	-
Net Position:						
Net investment in capital assets	72,755	196,258	269,013	61,964	191,775	253,739
Restricted	22,547	68,895	91,442	12,029	56,434	68,463
Unrestricted	(4,741)	44,401	39,660	-	37,888	37,888
Total Net Position	\$ 90,561	\$ 309,554	\$ 400,115	\$ 73,993	\$ 286,097	\$ 360,090

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Assets

Total assets increased by \$47.0 million, or 9.1% for the fiscal year ended June 30, 2013. This increase was due to several factors including a \$30.6 million, or 14.5% net increase in current and other assets. The increase in current and other assets resulted primarily from an increase in restricted cash of \$30.0 million, from a change in accounting principle in accordance with GASB 6 (see note 1 and note 21), including a change in financial statement presentation. There was also a \$16.4 million, or 5.4% increase in capital assets from construction expenditures related to the following: the Eastvale Community Center (\$4.8 million), Eastvale Community Park (3.6 million), Chino Basin Desalter Expansion second phase (\$1.7 million), Well 27 and 28 Drilling and Construction (\$.5 million), Pyrite Creek Trunk Sewer (\$4.7 million), and WRCRWA Treatment Plant Capacity (\$1.1 million). Additional information regarding capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Liabilities

Total liabilities increased by \$7.4 million, or 6.7% for the fiscal year ended June 30, 2013. This change was primarily due to an increase of \$11.5 million in the business-type activities customer deposits, deferred revenue, and advances, and accounts payable due to a change in accounting principles and financial statement presentation, and an offsetting \$3.6 million decrease in Long-term debt outstanding in both the governmental and business-type activities. The \$11.5 million increase is due to a \$1.2 million dollar increase in accounts payable and accrued expenses in Water and Wastewater, and a \$10 million dollar increase in advances payable in the Water and Wastewater funds due to a change in accounting principles and financial statement presentation (see note 21), and various other increases of \$.3 million in other liabilities. There is an additional decrease in long-term debt of \$3.6 million. The Parks fund paid off a long-term liability of \$2.3 million during FY 2013, and the additional decrease of \$1.3 million was due to normal debt payments in the business-type activities. Information on the Districts long-term debt activities can be found in Note 9 of the Notes to the Basic Financial Statements.

Net Position

Net Position is the difference between the District's assets and liabilities. Net position increased during fiscal year 2013 by \$40.0 million, or 11.1%. The District's net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position and (3) unrestricted net position.

1. Net investment in Capital Assets increased \$15.3 million, or 6.0%, for the fiscal year ended June 30, 2013. This is primarily due an increase of construction projects. The governmental activities increased \$10.8 million due to construction projects and the business-type activities increased \$4.8 million due to construction projects.
2. Restricted Net Position increased \$23.0 million, or 25.1%, for the fiscal year ended June 30, 2013. This is due to an increase of \$10.7 million in facility fees received offset by a decrease of \$3.0 million to fund construction projects. There is also an increase of \$15.3 million in restricted cash in all activities for the change in accounting principles and financial statement presentation (see note 21) which resulted in an increase in restricted net position.
3. Unrestricted Net Position increased \$1.7 million, or 4.7% for the fiscal year ended June 30, 2013. This is primarily due to an increase of \$6.5 million in the business-type activities and a decrease of \$4.7 million in the governmental activities as a result of operations.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Statement of Activities

The following Table A-2 is a summary of the statement of activities for the year ended June 30, 2013.

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, 2013			June 30, 2012		
Revenues						
Program revenues:						
Charges for services	\$ 8,801	\$ 47,064	\$55,865	\$ 8,441	\$ 44,916	\$53,357
Capital contributions and grants	2,072	13,275	15,347	12,283	15,368	27,651
General revenues:						
Property taxes	418	2,106	2,524	254	2,201	2,455
Interest earnings	24	271	295	45	651	696
Total Revenues	<u>\$ 11,315</u>	<u>\$ 62,716</u>	<u>\$74,031</u>	<u>\$ 21,023</u>	<u>\$ 63,136</u>	<u>\$84,159</u>
Program expenses:						
Eastvale parks	\$ 10,900	\$ -	\$10,900	\$ 9,323	\$ -	\$ 9,323
Graffiti abatement	306	-	306	253	-	253
Illumination District No 2	302	-	302	267	-	267
Landscape & lighting	923	-	923	958	-	958
Water	-	28,080	28,080	-	26,559	26,559
Wastewater	-	15,074	15,074	-	15,449	15,449
Total Program Expenses	<u>\$ 12,431</u>	<u>\$ 43,154</u>	<u>\$55,585</u>	<u>\$ 10,801</u>	<u>\$ 42,008</u>	<u>\$52,809</u>

Total revenues for the fiscal year ended June 30, 2013 decreased by \$10.1 million, or by 12% from fiscal year 2012. This is primarily due to a decrease in contributed capital, and an offsetting increase in charges for services.

Program Revenues

Charges for services increased as of June 30, 2013 by \$2.5 million, or 4.7%. Water and wastewater sales increased by \$2.7 million over the prior year due to an increase in consumption, growth, and a rate increase in wastewater. There was a decrease in other revenue of \$.5 million. The District's governmental funds had an increase of \$.4 million due to an increase in recreation programs offered by the District.

Capital contributions and grants decreased by \$12.3 million, or by 44.5% during the fiscal year ended June 30, 2013. This is primarily due to a decrease in contributed capital of \$10.2 million in capital contributions and grants in the governmental activities, this is a result of a decrease in construction projects and a change in accounting principle and financial statement presentation (see note 21). Business-type activities decreased by \$2.1 million due to a decrease in new connections in the water and wastewater funds.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

General Revenues

Property taxes slightly decreased by \$.1 million in Business-type Activities as of June 30, 2013. This is primarily due to lower valued properties and higher delinquencies related to the collection of property tax for the District. Property taxes in the Governmental Funds increased \$.2 million due to a reclassification of taxes from “charges for services” to “property taxes”. Interest earnings decreased by \$.4 million in all funds as of June 30, 2013. This is a result of interest rates continuing to be low due to a slow growing economy.

Program Expenses

Total expenses increased \$2.8 million, or 5.3%, for the year ended June 30, 2013. The increase in expenses is primarily a result of the District's increased costs in operations.

Eastvale Park's expenses increased \$1.6 million due to an increase in operating costs and an increase in participation in the Park's recreation programs. The parks department incurred nearly a full year of operating the Eastvale Community Center during the 2012-2013 fiscal year.

Water expenses increased \$1.5 million, or 5.7%, as a result of increased source water costs, and an increase in operating costs. Wastewater expenses decreased \$.4 million or by 2.4%, primarily due to a decrease in capital operations and maintenance expenses of \$.5 million offset by a slight increase of \$.1 million in the remaining operating expenses.

Capital Asset Administration

At the end of 2013, the District has invested \$395.4 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, 2013			June 30, 2012		
Land and land rights	\$ 24,134	\$ 5,055	\$ 29,189	\$ 22,778	\$ 5,055	\$ 27,833
Construction in progress	4,237	34,116	38,353	14,290	30,920	45,210
Land improvements	18,242	1,229	19,471	17,798	1,291	19,089
Structures and equipment	26,142	52,631	78,773	9,398	45,049	54,447
Water transmission & distribution	-	78,612	78,612	-	80,945	80,945
Wastewater collection system	-	57,049	57,049	-	57,349	57,349
Vehicles and equipment	-	4,604	4,604	-	4,758	4,758
Total Capital Assets	<u>\$ 72,755</u>	<u>\$ 233,296</u>	<u>\$ 306,051</u>	<u>\$ 64,264</u>	<u>\$ 225,367</u>	<u>\$ 289,631</u>

At the end of fiscal year 2013, the District's investment in capital assets amounted to \$306.1 million (net of accumulated depreciation). This investment in capital assets includes, land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems and construction-in process. The increase in the District's capital assets is primarily due to an increase in structures and equipment, which consist of completing the Eastvale Community Center and the Harada Neighborhood Center related to governmental activities, and completing well site improvements and pipeline replacements in the business-type activities. More information about the District's Capital assets is presented in Note 6 of the Notes to Basic Financial Statements and on page 5 of Management's Discussion and Analysis.

JURUPA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Long-Term Debt Administration

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

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2013			June 30, 2012		
Compensated absences	\$ 128	\$ 634	\$ 762	\$ 128	\$ 787	\$ 915
Other post employment benefits	476	2,253	2,729	333	1,815	2,148
Long-term debt	-	73,678	73,678	2,299	75,370	77,669
Total Long-term Liabilities	\$ 604	\$ 76,565	\$77,169	\$ 2,760	\$ 77,972	\$80,732

During the year, the District's long-term debt decreased \$4.0 million, or by 5.1%. A decrease of \$1.7 million is due to normal debt payments for the business-type activities. And the additional decrease of \$2.3 million is due to the Parks fund paying off a loan during FY 2012-2013. Additional information on long term debt is presented in Note 9 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The District has experienced moderate 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 District is currently in the process of a rate study for both the water and wastewater enterprises to evaluate the District's financial needs and rate structures. The results of the rate study should be known during the 2014-2015 FY.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 2,887,715	\$ 32,957,526	\$ 35,845,241
Restricted - cash and cash equivalents (Note 2)	19,462,804	76,741,390	96,204,194
Restricted - investments (Note 2)	-	42,165,740	42,165,740
Accrued interest receivable	1,424	15,498	16,922
Accounts receivable - utilities, net (Note 3)	-	5,287,262	5,287,262
Accounts receivable - governmental agencies	-	89,572	89,572
Accounts receivable - developers and others	-	124,117	124,117
Property taxes and assessments receivables	497,883	99,783	597,666
Internal balances	(2,561,106)	2,561,106	-
Prepaid expenses and other assets (Note 4)	9,910	3,057,905	3,067,815
Total Current Assets	<u>20,298,630</u>	<u>163,099,899</u>	<u>183,398,529</u>
Non-current assets:			
Investments (Note 2)	-	24,581,602	24,581,602
Investment in WRRCWA, net (Note 5)	-	2,894,855	2,894,855
Capital assets - not being depreciated (Note 6)	28,370,227	39,171,429	67,541,656
Capital assets - being depreciated, net (Note 6)	44,384,711	194,124,420	238,509,131
Total Non-Current Assets	<u>72,754,938</u>	<u>260,772,306</u>	<u>333,527,244</u>
Total Assets	<u>93,053,568</u>	<u>423,872,205</u>	<u>516,925,773</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	727,017	727,017
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,786,189	5,362,119	7,148,308
Accrued wages and related payables	46,560	146,479	193,039
Customer deposits, retentions and advances (Note 7)	13,897	31,273,496	31,287,393
Accrued interest on long-term debt	-	759,074	759,074
Compensated absences - current	42,656	211,181	253,837
Bonds payable - current	-	1,245,000	1,245,000
Loans payable - current	-	365,774	365,774
Total Current Liabilities	<u>1,889,302</u>	<u>39,363,123</u>	<u>41,252,425</u>
Noncurrent liabilities:			
Compensated absences	127,967	633,543	761,510
Net OPEB obligation	475,785	2,253,453	2,729,238
Bonds payable	-	64,295,248	64,295,248
Loans payable	-	8,130,205	8,130,205
Total Noncurrent Liabilities	<u>603,752</u>	<u>75,312,449</u>	<u>75,916,201</u>
Total Liabilities	<u>2,493,054</u>	<u>114,675,572</u>	<u>117,168,626</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding	-	369,256	369,256
NET POSITION			
Net investment in capital assets (Note 11)	72,754,938	196,258,228	269,013,166
Restricted (Note 12)	22,546,481	68,895,228	91,441,709
Unrestricted (Note 13)	(4,740,905)	44,400,938	39,660,033
Total Net Position	<u>\$ 90,560,514</u>	<u>\$ 309,554,394</u>	<u>\$ 400,114,908</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Eastvale parks	\$ 10,899,770	\$ 7,457,591	\$ 2,072,377	\$ (1,369,802)	\$ -	\$ (1,369,802)
Graffiti abatement	305,632	11,737	-	(293,895)	-	(293,895)
Illumination District No. 2	302,459	209,262	-	(93,197)	-	(93,197)
Landscape and lighting	923,417	1,122,249	-	198,832	-	198,832
Total Governmental	12,431,278	8,800,839	2,072,377	(1,558,062)	-	(1,558,062)
Business-type activities:						
Water	28,079,485	31,731,718	8,334,756	-	11,986,989	11,986,989
Wastewater	15,074,439	15,332,709	4,940,340	-	5,198,610	5,198,610
Total Business-Type	43,153,924	47,064,427	13,275,096	-	17,185,599	17,185,599
Total	\$ 55,585,202	\$ 55,865,266	\$ 15,347,473	(1,558,062)	17,185,599	15,627,537
General Revenues:						
Property taxes				418,394	2,106,187	2,524,581
Interest earnings				24,203	271,238	295,441
Total General Revenues				442,597	2,377,425	2,820,022
Change in Net Position				(1,115,465)	19,563,024	18,447,559
Net Position, Beginning of Year, as restated				91,675,979	289,991,370	381,667,349
Net Position at End of Year				\$ 90,560,514	\$ 309,554,394	\$ 400,114,908

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
ASSETS					
Cash and cash equivalents	\$ -	\$ 441,498	\$ 314,849	\$ 2,131,368	\$ 2,887,715
Restricted - cash and cash equivalents	19,462,804	-	-	-	19,462,804
Accrued interest receivable	1,424	-	-	-	1,424
Property taxes and assessments receivable	301,396	-	30,682	165,805	497,883
Prepaid expenses and other assets	9,910	-	-	-	9,910
Total Assets	\$ 19,775,534	\$ 441,498	\$ 345,531	\$ 2,297,173	\$ 22,859,736
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,785,664	\$ -	\$ 525	\$ -	\$ 1,786,189
Accrued wages and related payables	46,560	-	-	-	46,560
Due to other funds	2,561,106	-	-	-	2,561,106
Customer deposits	13,897	-	-	-	13,897
Total Liabilities	4,407,227	-	525	-	4,407,752
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	10,513,085	-	-	-	10,513,085
Total Deferred Inflows of Resources	10,513,085	-	-	-	10,513,085
FUND BALANCE					
Nonspendable	9,910	-	-	-	9,910
Restricted for:					
Park capital improvements	4,845,312	-	-	-	4,845,312
Park maintenance	-	441,498	-	-	441,498
Illumination District No. 2	-	-	345,006	-	345,006
Landscape and lighting	-	-	-	2,297,173	2,297,173
Total Fund Balances	4,855,222	441,498	345,006	2,297,173	7,938,899
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,775,534	\$ 441,498	\$ 345,531	\$ 2,297,173	\$ 22,859,736

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund Balances of Governmental Funds	\$ 7,938,899
Amounts reported for governmental activities in the Statement of Net Position 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 position includes those capital assets among the assets of the District as a whole.	72,754,938
Certain revenues are not available to pay for current period expenditures and are therefore reported as unavailable revenue in governmental funds.	10,513,085
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(170,623)
Other post-employment benefits payable	<u>(475,785)</u>
Net Position of Governmental Activities	<u><u>\$ 90,560,514</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, 2013**

	Eastvale Parks	Graffiti Abatement	Illumination District No. 2	Landscape and Lighting	Total Governmental Activities
REVENUES					
Property taxes	\$ -	\$ 339,394	\$ 79,000	\$ -	\$ 418,394
Special assessments	6,142,955	3,404	209,262	1,112,345	7,467,966
Charges for services	1,314,636	8,333	-	9,904	1,332,873
Capital grants and contributions	9,241,958	-	-	-	9,241,958
Interest earnings	24,203	-	-	-	24,203
Total Revenues	16,723,752	351,131	288,262	1,122,249	18,485,394
EXPENDITURES					
Current:					
Eastvale parks	7,723,300	-	-	-	7,723,300
Graffiti abatement	-	305,632	-	-	305,632
Illumination District No. 2	-	-	302,459	-	302,459
Landscape and lighting	-	-	-	923,417	923,417
Debt service					
Principal	2,370,000	-	-	-	2,370,000
Capital outlay	11,412,343	-	-	-	11,412,343
Total Expenditures	21,505,643	305,632	302,459	923,417	23,037,151
Change in Fund Balances	(4,781,891)	45,499	(14,197)	198,832	(4,551,757)
Fund Balance, Beginning of Year, as restated	9,637,113	395,999	359,203	2,098,341	12,490,656
Fund Balance, End of Year	\$ 4,855,222	\$ 441,498	\$ 345,006	\$ 2,297,173	\$ 7,938,899

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, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (4,551,757)
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	11,412,319
Depreciation expense	(2,920,968)
Certain revenues will be available after year end, but are not available to pay for current period expenditures and are therefore reported as unavailable revenue in governmental funds. This amount represents the change in unavailable revenue.	
	(7,169,581)
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	(42,334)
Net change in other post-employment benefits payable for the current period	(142,464)
Amortization of loan payable discount to interest expense	(70,680)
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 position and do not result in an expense in the statement of activities.	<u>2,370,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,115,465)</u></u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION— ENTERPRISE FUNDS
JUNE 30, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 27,409,103	\$ 5,548,423	\$ 32,957,526
Restricted - cash and cash equivalents	25,985,998	50,755,392	76,741,390
Restricted - investments	27,275,165	14,890,575	42,165,740
Accrued interest receivable	9,500	5,998	15,498
Accounts receivable - utilities, net	3,565,384	1,721,878	5,287,262
Accounts receivable - governmental agencies	89,572	-	89,572
Accounts receivable - developers and others	106,287	17,830	124,117
Property taxes and assessments receivable	-	99,783	99,783
Due from other funds	2,561,106	-	2,561,106
Prepaid expenses and other assets	3,044,692	13,213	3,057,905
Total Current Assets	<u>90,046,807</u>	<u>73,053,092</u>	<u>163,099,899</u>
Noncurrent assets:			
Investments	12,290,801	12,290,801	24,581,602
Investment in WRCRWA, net	-	2,894,855	2,894,855
Capital assets - not being depreciated	26,289,784	12,881,645	39,171,429
Capital assets - being depreciated, net	115,600,801	78,523,619	194,124,420
Total Noncurrent Assets	<u>154,181,386</u>	<u>106,590,920</u>	<u>260,772,306</u>
Total Assets	<u>244,228,193</u>	<u>179,644,012</u>	<u>423,872,205</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	727,017	-	727,017
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	3,664,472	1,697,647	5,362,119
Accrued wages and related payables	114,835	31,644	146,479
Customer deposits, retentions and advances	24,887,888	6,385,608	31,273,496
Accrued interest payable	352,810	406,264	759,074
Compensated absences - current	152,129	59,052	211,181
Bonds payable - current	550,000	695,000	1,245,000
Loans payable - current	-	365,774	365,774
Total Current Liabilities	<u>29,722,134</u>	<u>9,640,989</u>	<u>39,363,123</u>
Noncurrent liabilities:			
Compensated absences	456,386	177,157	633,543
Net OPEB obligation	1,629,724	623,729	2,253,453
Bonds payable	29,117,179	35,178,069	64,295,248
Loans payable	374,605	7,755,600	8,130,205
Total Noncurrent Liabilities	<u>31,577,894</u>	<u>43,734,555</u>	<u>75,312,449</u>
Total Liabilities	<u>61,300,028</u>	<u>53,375,544</u>	<u>114,675,572</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding	-	369,256	369,256
NET POSITION			
Net investment in capital assets	125,489,147	70,769,081	196,258,228
Restricted	30,337,730	38,557,498	68,895,228
Unrestricted	27,828,305	16,572,633	44,400,938
Total Net Position	<u>\$ 183,655,182</u>	<u>\$ 125,899,212</u>	<u>\$ 309,554,394</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Water	Wastewater	Total
Operating revenues:			
Water consumption sales	\$ 16,616,273	\$ -	\$ 16,616,273
Monthly meter service charge	12,731,363	-	12,731,363
Sewer service charges	-	14,634,604	14,634,604
Other charges and services	1,038,226	3,707	1,041,933
Total Operating Revenue	30,385,862	14,638,311	45,024,173
Operating expenses:			
Source of supply	11,615,333	-	11,615,333
Pumping	394,068	-	394,068
Water treatment	2,036,331	-	2,036,331
Transmission and distribution	2,042,544	-	2,042,544
Sewage collection	-	2,331,154	2,331,154
Sewage treatment	-	5,677,637	5,677,637
Customer service	1,931,553	313,459	2,245,012
General administrative	5,019,735	2,557,837	7,577,572
Operations and maintenance	843,623	108,311	951,934
Total Operating Expenses	23,883,187	10,988,398	34,871,585
Operating income before depreciation	6,502,675	3,649,913	10,152,588
Depreciation	(3,901,213)	(2,647,378)	(6,548,591)
Operating Income	2,601,462	1,002,535	3,603,997
Non-operating revenues (expenses)			
Property tax revenue	-	2,106,187	2,106,187
Investment earnings	242,216	29,022	271,238
Interest expense	(295,085)	(1,438,663)	(1,733,748)
Other non-operating revenues (expenses), net	1,345,856	694,398	2,040,254
Total Non-Operating Revenues (Expenses), net	1,292,987	1,390,944	2,683,931
Income Before Capital Contributions	3,894,449	2,393,479	6,287,928
Capital contributions:			
Facility fees	5,743,385	4,940,340	10,683,725
Contributions in aid of construction	2,591,371	-	2,591,371
Capital Contributions	8,334,756	4,940,340	13,275,096
Change in Net Position	12,229,205	7,333,819	19,563,024
Net Position, Beginning of Year, as restated	171,425,977	118,565,393	289,991,370
Net Position, End of Year	\$ 183,655,182	\$ 125,899,212	\$ 309,554,394

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Water	Wastewater	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 29,958,806	\$ 17,423,910	\$ 47,382,716
Cash paid to vendors and suppliers	(23,027,694)	(11,114,114)	(34,141,808)
Net cash used in operating activities	<u>6,931,112</u>	<u>6,309,796</u>	<u>13,240,908</u>
Cash flows from non-capital financing activities:			
Proceeds from property taxes	-	2,124,668	2,124,668
Other non-operating revenues	1,345,856	799,506	2,145,362
Net cash provided by non-capital financing activities	<u>1,345,856</u>	<u>2,924,174</u>	<u>4,270,030</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(5,765,865)	(8,711,400)	(14,477,265)
Proceeds from capital contributions	5,743,385	4,940,340	10,683,725
Advance payments from Community Facility Districts	6,967,447	-	6,967,447
Principal payments on long-term debt	(619,936)	(1,076,048)	(1,695,984)
Interest payments on long-term debt	(298,685)	(1,442,863)	(1,741,548)
Net cash used for capital and financing activities	<u>6,026,346</u>	<u>(6,289,971)</u>	<u>(263,625)</u>
Cash flows from investing activities:			
Purchases/(sales) of investments	(1,959,029)	6,802,020	4,842,991
Interest earnings	243,474	29,769	273,243
Net cash provided by (used in) investing activities	<u>(1,715,555)</u>	<u>6,831,789</u>	<u>5,116,234</u>
Net increase in cash and cash equivalents	12,587,759	9,775,788	22,363,547
Cash and cash equivalents, beginning of year, as restated	40,807,342	46,528,027	87,335,369
Cash and cash equivalents, end of year	<u>\$ 53,395,101</u>	<u>\$ 56,303,815</u>	<u>\$ 109,698,916</u>
Reconciliation of cash and cash equivalents to statement of financial position:			
Cash and cash equivalents	\$ 27,409,103	\$ 5,548,423	\$ 32,957,526
Restricted assets - cash and cash equivalents	25,985,998	50,755,392	76,741,390
Total Cash and Cash Equivalents	<u>\$ 53,395,101</u>	<u>\$ 56,303,815</u>	<u>\$ 109,698,916</u>
Reconciliation of operating loss to net cash provided(used) by operating activities:			
Operating income (loss)	\$ 2,601,462	\$ 1,002,535	\$ 3,603,997
Adjustments to reconcile operating income (loss) to net cash provided(used) by operating activities:			
Depreciation expense	3,901,213	2,647,378	6,548,591
Changes in assets and liabilities:			
(Increase)decrease in assets:			
Accounts receivable - utilities, net	(249,770)	(286,092)	(535,862)
Accounts receivable - governmental agencies	(75,182)	-	(75,182)
Accounts receivable - developers and others, net	(102,104)	164,852	62,748
Prepaid expenses and other deposits	(937,264)	535	(936,729)
Increase(decrease) in liabilities:			
Accounts payable and accrued expenses	1,478,268	(269,092)	1,209,176
Accrued wages and related payable	9,840	(48,365)	(38,525)
Customer deposits, deferred revenue and advances	-	2,906,839	2,906,839
Compensated absences	(21,839)	79,316	57,477
Other post-employment benefits payable	326,488	111,890	438,378
Total Adjustments	<u>4,329,650</u>	<u>5,307,261</u>	<u>9,636,911</u>
Net cash provided(used) by operating activities	<u>\$ 6,931,112</u>	<u>\$ 6,309,796</u>	<u>\$ 13,240,908</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2013

	Community Facilities Districts Agency Fund
ASSETS	
Cash and investments	<u>\$ 33,568,495</u>
LIABILITIES	
Due to bondholders	<u>\$ 33,568,495</u>

See accompanying notes to the basic financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

B. Basis of Accounting and Measurement Focus (Continued)

Financial Statements

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

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

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

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

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

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

B. Basis of Accounting and Measurement Focus (Continued)

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

The District reports the following capital projects funds:

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

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

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

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

Enterprise Funds

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

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

Fiduciary Fund

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

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

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

C. New Accounting Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 63 – In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position*. This statement provides financial reporting guidance on deferred outflows of resources and deferred inflows of resources. The District implemented this statement effective July 1, 2012.

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement provides guidance on proper classification of certain items previously reported as assets and liabilities as deferred outflows or inflows of resources. This Statement also provides guidance on recognition of certain items that were previously reported as assets and liabilities as outflows or inflows of resources. The District implemented this statement effective July 1, 2012. As a result of the implementation, beginning net position was restated as discussed in Note 21.

Effective in Future Fiscal Years

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012— an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective as of July 1, 2013. The District has not determined the effect on the financial statements.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability). This Statement is effective as of July 1, 2013. The District has not determined the effect on the financial statements.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 67, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective as of July 1, 2014. The District has not determined the effect on the financial statements.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

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

C. New Accounting Pronouncements (Continued)

Effective in Future Fiscal Years (Continued)

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

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

D. 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 and to purchase investments.

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

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 as \$8,538 in the Water Fund and \$4,224 in the Wastewater Fund.

4. Deferred Inflow/Outflow of Resources

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

D. Financial Statement Elements (Continued)

5. 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 percent) of countywide assessed valuations.

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

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

6. 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.

7. 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.

8. 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.

9. Restricted Assets

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

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

D. Financial Statement Elements (Continued)

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, 2013

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

D. Financial Statement Elements (Continued)

12. Net Position/Fund Balances

Net Position

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

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

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

Fund Balance

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

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the Board of Directors such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Board of Directors. Board action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- **Assigned:** Resources that are constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** The unassigned classification is to be used when there are negative residual resources in excess of what can be properly classified as nonspendable, restricted, committed or assigned.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

D. Financial Statement Elements (Continued)

12. Net Position/Fund Balances (Continued)

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 position during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

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

	Governmental Activities	Business-type Activities	Agency Fund	Total
Cash and cash equivalents	\$ 2,887,715	\$ 32,957,526		\$ 35,845,241
Restricted - cash and cash equivalents	19,462,804	76,741,390		96,204,194
Restricted - investments (current)		42,165,740		42,165,740
Restricted - investments (non-current)		24,581,602		24,581,602
Cash and investments			\$ 33,568,495	33,568,495
Total	<u>\$22,350,519</u>	<u>\$ 176,446,258</u>	<u>\$ 33,568,495</u>	<u>\$ 232,365,272</u>

Cash and investments, consist of the following:

Cash on hand	3,950
Deposits held with financial institutions	4,715,294
Investments	227,646,028
Total	<u>\$ 232,365,272</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

Investments Authorized by Debt Agreements

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

Investment in State Investment Pool

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

Investment in Riverside County Pooled Investment Fund

The Riverside County Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors, and administered by the County of Riverside Treasurer and Tax Collector. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by RCPIF for the entire RCPIF portfolio. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit. RCPIF is not registered with the Securities and Exchange Commission.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investment in Riverside County Pooled Investment Fund (Continued)

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.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Of the District's deposits with financial institutions, \$5,623,547 was in excess of federal depository insurance limits and subject to custodial credit risk as described above.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). Pursuant to the Master Repurchase Agreement the amounts in the Overnight Repurchase Agreement Sweep Account are collateralized at 102 percent with the collateral held by the financial institutions custodian but not in the District's name.

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
Overnight Repurchase Agreements Sweep Account	\$ 24,804,590	\$ 24,804,590	\$ -	\$ -
California Asset Management Program (CAMP)	175,842	175,842	-	-
Local Agency Investment Fund (LAIF)	20,888,462	20,888,462	-	-
Riverside County Investment Pool	20,391,028	20,391,028	-	-
U.S. Treasury Notes	24,433,659	-	13,961,103	10,472,556
U.S. Agency Securities				
FHLMC	15,913,439	5,973,700	5,873,405	4,066,334
FNMA	8,816,105	-	3,782,448	5,033,657
Held by bond trustee:				
Money market mutual funds	80,589,583	80,589,583	-	-
U.S. Treasury Notes	8,719,051	8,719,051	-	-
U.S. Agency Securities				
FHLB	14,907,715	950,670	3,565,538	10,391,507
FNMA	7,058,945	2,037,421	-	5,021,524
FHLMC	947,609	947,609	-	-
Total	\$ 227,646,028	\$ 165,477,956	\$ 27,182,494	\$ 34,985,578

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Investment Type	Minimum Rating	Totals	Exempt from Disclosure	Rating as of Year End	
				Aaa	Not Rated
Overnight Repurchase Agreements Sweep Account	N/A	\$ 24,804,590	\$ -	\$ -	\$ 24,804,590
California Asset Management Program (CAMP)	N/A	175,842	-	-	175,842
Local Agency Investment Fund (LAIF)	N/A	20,888,462	-	-	20,888,462
Riverside County Investment Pool	N/A	20,391,028	-	20,391,028	-
U.S. Treasury Notes	N/A	24,433,659	24,433,659	-	-
U.S. Agency Securities					
FHLMC	A	15,913,439	-	15,913,439	-
FNMA	A	8,816,105	-	8,816,105	-
Held by bond trustee:					
Money market mutual funds		80,589,583	-	-	80,589,583
U.S. Treasury Notes	N/A	8,719,051	8,719,051	-	-
U.S. Agency Securities					
FHLB	A	14,907,715	-	14,907,715	-
FNMA	A	7,058,945	-	7,058,945	-
FHLMC	A	947,609	-	947,609	-
Total		<u>\$ 227,646,028</u>	<u>\$ 33,152,710</u>	<u>\$ 68,034,841</u>	<u>\$ 126,458,477</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. More than 5 percent of the District's investments are in FHLMC, FHLB and FNMA. These investments comprise 7 percent, 7 percent and 7 percent respectively, of the District’s investment portfolio.

NOTE 3 – ACCOUNTS RECEIVABLE – UTILITIES, NET

The accounts receivable – utilities, net balance consists of the following balances as of June 30, 2013:

	Water	Wastewater	Total
Accounts receivable - utilities	\$ 3,573,922	\$ 1,726,102	\$ 5,300,024
Allowances for uncollectible receivables	(8,538)	(4,224)	(12,762)
Accounts receivable - utilities, net	<u>\$ 3,565,384</u>	<u>\$ 1,721,878</u>	<u>\$ 5,287,262</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

The prepaid expenses and other assets balance consists of the following balances as of June 30, 2013:

Account Description	Parks	Water	Wastewater	Total
Materials and supplies inventory	\$ -	\$ 103,485	\$ -	\$ 103,485
Water-in-storage inventory	-	2,898,264	-	2,898,264
Prepaid expenses and other deposits	9,910	42,943	13,213	66,066
Total Prepaid Expenses and Other Deposits	\$ 9,910	\$ 3,044,692	\$ 13,213	\$ 3,067,815

NOTE 5 – INVESTMENT IN WRCRWA, NET

The District’s investment in the Western Riverside County Regional Wastewater Authority (WRCRWA) changed in fiscal year 2013 as follows:

Account Description	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Investment in WRCRWA	\$ 4,204,305	\$ -	\$ -	\$ 4,204,305
Accumulated amortization	(1,204,342)	(105,108)	-	(1,309,450)
Investment in WRCRWA, net	\$ 2,999,963	\$ (105,108)	\$ -	\$ 2,894,855

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for the year were as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Non-depreciable assets:				
Land	\$ 22,777,771	\$ 1,355,750	\$ -	\$ 24,133,521
Construction in progress	14,290,416	8,467,690	(18,521,400)	4,236,706
Total Non-depreciable Assets	<u>37,068,187</u>	<u>9,823,440</u>	<u>(18,521,400)</u>	<u>28,370,227</u>
Depreciable assets:				
Land improvements	23,548,109	1,971,812	-	25,519,921
Structures and equipment	15,700,684	18,138,467	-	33,839,151
Total Depreciable Assets	<u>39,248,793</u>	<u>20,110,279</u>	<u>-</u>	<u>59,359,072</u>
Accumulated depreciation:				
Land improvements	(5,750,426)	(1,527,018)	-	(7,277,444)
Structures and equipment	(6,302,967)	(1,393,950)	-	(7,696,917)
Total Accumulated Depreciation	<u>(12,053,393)</u>	<u>(2,920,968)</u>	<u>-</u>	<u>(14,974,361)</u>
Total Depreciable Assets, Net	<u>27,195,400</u>	<u>17,189,311</u>	<u>-</u>	<u>44,384,711</u>
Total Capital Assets, Net	<u>\$ 64,263,587</u>	<u>\$ 27,012,751</u>	<u>\$ (18,521,400)</u>	<u>\$ 72,754,938</u>

Depreciation expense of \$2,920,968 was charged to Eastvale Parks.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business-Type Activities

Changes in capital assets for the year were as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Non-depreciable assets:				
Land	\$ 5,055,137	\$ -	\$ -	\$ 5,055,137
Construction in progress	30,919,805	14,332,712	(11,136,225)	34,116,292
Total Non-depreciable Assets	35,974,942	14,332,712	(11,136,225)	39,171,429
Depreciable assets:				
Land improvements	2,380,420	-	-	2,380,420
Structures and improvements	67,018,700	9,474,891	-	76,493,591
Water transmission and distribution	105,351,844	-	(3,521)	105,348,323
Wastewater collection system	73,422,961	1,307,962	-	74,730,923
Vehicles and equipment	9,049,665	501,446	(14,630)	9,536,481
Total Depreciable Assets	257,223,590	11,284,299	(18,151)	268,489,738
Accumulated depreciation:				
Land improvement and rights	(1,089,454)	(62,428)	-	(1,151,882)
Structures and improvements	(21,969,674)	(1,893,546)	-	(23,863,220)
Water transmission and distribution	(24,406,810)	(2,329,236)	-	(26,736,046)
Wastewater collection system	(16,074,079)	(1,608,083)	-	(17,682,162)
Vehicles and equipment	(4,291,340)	(655,298)	14,630	(4,932,008)
Total Accumulated Depreciation	(67,831,357)	(6,548,591)	14,630	(74,365,318)
Total Depreciable Assets, Net	189,392,233	4,735,708	(3,521)	194,124,420
Total Capital Assets, Net	\$ 225,367,175	\$ 19,068,420	\$ (11,139,746)	\$ 233,295,849

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Water	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Non-depreciable assets:				
Land	\$ 4,783,297	\$ -	\$ -	\$ 4,783,297
Construction in progress	25,320,779	5,529,191	(9,343,483)	21,506,487
Total Non-depreciable Assets	30,104,076	5,529,191	(9,343,483)	26,289,784
Depreciable assets:				
Land improvements	2,253,630	-	-	2,253,630
Structures and improvements	29,607,394	9,474,891	-	39,082,285
Water transmission and distribution	105,351,844	-	(3,521)	105,348,323
Vehicles and equipment	8,017,630	108,787	(14,630)	8,111,787
Total Depreciable Assets	145,230,498	9,583,678	(18,151)	154,796,025
Accumulated depreciation:				
Land improvement and rights	(1,038,547)	(58,024)	-	(1,096,571)
Structures and improvements	(6,031,027)	(958,178)	-	(6,989,205)
Water transmission and distribution	(24,406,810)	(2,329,236)	-	(26,736,046)
Vehicles and equipment	(3,832,257)	(555,775)	14,630	(4,373,402)
Total Accumulated Depreciation	(35,308,641)	(3,901,213)	14,630	(39,195,224)
Total Depreciable Assets, Net	109,921,857	5,682,465	(3,521)	115,600,801
Total Capital Assets, Net	\$ 140,025,933	\$ 11,211,656	\$ (9,347,004)	\$ 141,890,585

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Wastewater	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Non-depreciable assets:				
Land	\$ 271,840	\$ -	\$ -	\$ 271,840
Construction in progress	5,599,026	8,803,521	(1,792,742)	12,609,805
Total Non-depreciable Assets	5,870,866	8,803,521	(1,792,742)	12,881,645
Depreciable assets:				
Land improvements	126,790	-	-	126,790
Structures and improvements	37,411,306	-	-	37,411,306
Wastewater collection system	73,422,961	1,307,962	-	74,730,923
Vehicles and equipment	1,032,035	392,659	-	1,424,694
Total Depreciable Assets	111,993,092	1,700,621	-	113,693,713
Accumulated depreciation:				
Land improvement and rights	(50,907)	(4,404)	-	(55,311)
Structures and improvements	(15,938,647)	(935,368)	-	(16,874,015)
Wastewater collection system	(16,074,079)	(1,608,083)	-	(17,682,162)
Vehicles and equipment	(459,083)	(99,523)	-	(558,606)
Total Accumulated Depreciation	(32,522,716)	(2,647,378)	-	(35,170,094)
Total Depreciable Assets, Net	79,470,376	(946,757)	-	78,523,619
Total Capital Assets, Net	\$ 85,341,242	\$ 7,856,764	\$ (1,792,742)	\$ 91,405,264

NOTE 7 – CUSTOMER DEPOSITS, RETENTIONS AND ADVANCES

The customer deposits, retentions and advances balance consists of the following balances as of June 30, 2013:

Account Description	Parks	Water	Wastewater	Total
Customer deposits	\$ 10,597	\$ 133,954	\$ -	\$ 144,551
Retentions payable	-	121,803	20,720	142,523
Construction advances and deposits	3,300	618,890	-	622,190
Agreement payable Benefit Area "A"	-	-	3,003,934	3,003,934
Advances payable to Community Facilities Districts	-	24,013,241	3,360,954	27,374,195
Total Customer Deposits, Retentions and Advances	\$ 13,897	\$ 24,887,888	\$ 6,385,608	\$ 31,287,393

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – COMPENSATED ABSENCES

Changes in compensated absences were as follows for the year ended June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Compensated absences, beginning	\$ 128,289	\$ 787,247	\$ 915,536
Current year employee earnings	58,942	685,965	744,907
Employee vacation time taken	<u>(16,608)</u>	<u>(628,488)</u>	<u>(645,096)</u>
Compensated absences, ending	170,623	844,724	1,015,347
Less: current portion payable	<u>42,656</u>	<u>211,181</u>	<u>253,837</u>
Long-term portion payable	<u>\$ 127,967</u>	<u>\$ 633,543</u>	<u>\$ 761,510</u>

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Amount due <u>within one year</u>
Business-type Activities					
Bonds payable:					
2010 COPs - Series A - Water Fund	\$ 9,870,000	\$ -	\$ (540,000)	\$ 9,330,000	\$ 550,000
2010 COPs - Series B - Water Fund	19,940,000	-	-	19,940,000	-
2010 COPs - Series A - Wastewater Fund	9,030,000	-	(690,000)	8,340,000	695,000
2010 COPs - Series B - Wastewater Fund	27,495,000	-	-	27,495,000	-
Plus: premiums on debt issuance	892,644	-	(32,264)	860,380	-
Less: discounts on debt issuance	<u>(441,073)</u>	<u>-</u>	<u>15,942</u>	<u>(425,131)</u>	<u>-</u>
Total bonds payable	<u>66,786,571</u>	<u>-</u>	<u>(1,246,322)</u>	<u>65,540,249</u>	<u>1,245,000</u>
Loans payable:					
State Water Resources Control Board Loan	750,569	-	(107,225)	643,344	107,224
Economic Development Administration Loan	466,989	-	(92,384)	374,605	-
Western Municipal Water District Loan	<u>7,736,578</u>	<u>-</u>	<u>(258,549)</u>	<u>7,478,029</u>	<u>258,550</u>
Total loans payable	<u>8,954,136</u>	<u>-</u>	<u>(458,158)</u>	<u>8,495,978</u>	<u>365,774</u>
Total Business-type Activities	<u>\$ 75,740,707</u>	<u>\$ -</u>	<u>\$ (1,704,480)</u>	<u>\$ 74,036,227</u>	<u>\$ 1,610,774</u>
Governmental Activities					
Regional Park Property Loan	\$ 2,370,000	\$ -	\$ (2,370,000)	\$ -	\$ -
Less: discount on property loan	<u>(70,680)</u>	<u>-</u>	<u>70,680</u>	<u>-</u>	<u>-</u>
Total Loans Payable	<u>2,299,320</u>	<u>-</u>	<u>(2,299,320)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 2,299,320</u>	<u>\$ -</u>	<u>\$ (2,299,320)</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred amounts on refunding:					
Business-type Activities					
Water refunding	<u>\$ (754,280)</u>	<u>\$ -</u>	<u>\$ 27,263</u>	<u>\$ (727,017)</u>	
Wastewater refunding	<u>\$ 383,103</u>	<u>\$ -</u>	<u>\$ (13,847)</u>	<u>\$ 369,256</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

2010 Series A – Certificates of Participation – Water Fund

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

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

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

Year Ending June 30,	Principal	Interest	Total
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	640,000	297,590	937,590
2019-2023	2,560,000	1,157,625	3,717,625
2024-2028	1,795,000	643,450	2,438,450
2029-2033	1,980,000	258,000	2,238,000
Total	<u>\$ 9,330,000</u>	<u>\$ 3,786,665</u>	<u>\$ 13,116,665</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, 2013**

NOTE 9 – 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 percent to 6.597 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
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	-	1,391,302	1,391,302
2019-2023	1,055,000	6,845,592	7,900,592
2024-2028	2,640,000	6,297,924	8,937,924
2029-2033	3,880,000	5,154,568	9,034,568
2034-2038	7,205,000	2,949,143	10,154,143
2039-2041	5,160,000	568,168	5,728,168
Total	<u>\$ 19,940,000</u>	<u>\$ 28,771,905</u>	<u>\$ 48,711,905</u>

Build America Bonds

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

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

The District has pledged future water fund revenues, net of specified operating expenses, to repay the water system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$61,828,570. Principal and interest paid for the current year and net revenues were \$2,329,852 and \$12,462,420, respectively.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – 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 percent to 5.00 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
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	810,000	208,731	1,018,731
2019-2023	3,095,000	576,147	3,671,147
2024-2028	965,000	182,788	1,147,788
2029-2033	525,000	66,153	591,153
Total	<u>\$ 8,340,000</u>	<u>\$ 2,167,994</u>	<u>\$ 10,507,994</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, 2013**

NOTE 9 – 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 percent to 6.697 percent. Future annual debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
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	-	1,870,597	1,870,597
2019-2023	1,465,000	9,199,782	10,664,782
2024-2028	4,620,000	8,320,665	12,940,665
2029-2033	6,420,000	5,743,652	12,163,652
2034-2038	8,720,000	3,775,450	12,495,450
2039-2041	6,270,000	671,650	6,941,650
Total	<u>\$ 27,495,000</u>	<u>\$ 37,064,184</u>	<u>\$ 64,559,184</u>

Build America Bonds

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

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

The District has pledged future sewer fund revenues, net of specified operating expenses, to repay the sewer system certificates of participation. Net revenues are defined in the bond documents as operating income, less specified operating expenses, plus specified non operating income. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments. The total principal and interest remaining to be paid on the bonds is \$75,067,178. Principal and interest paid for the current year and net revenues were \$2,888,704 and \$10,767,517 respectively.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

State Water Resources Control Board Loan

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

Year Ending June 30,	Principal	Interest	Total
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	107,224	21,445	128,669
2019	107,224	21,445	128,669
Total	<u>\$ 643,344</u>	<u>\$ 128,670</u>	<u>\$ 772,014</u>

Economic Development Administration Loan

In October 1977, the District entered into a loan contract with the U.S. Department of Commerce, Economic Development Administration (EDA Loan) to finance the improvement and expansion of the District’s water system. Upon completion of the project in 1979, the final loan amount was determined to be \$1,968,000. The interest rate on the loan is 5.0 percent per annum. Principal and interest are payable in annual installments of \$115,649 on July 1 through the year 2018. The annual installment due July 1, 2014 was paid in June 2013. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 374,665</u>	<u>\$ 44,773</u>	<u>\$ 419,438</u>

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Western Municipal Water District of Riverside County Loan

On May 6, 2004, the District entered into an installment sale agreement with the Western Municipal Water District of Riverside County (WMWD loan) for the acquisition of 3.0 million gallons per day of capacity rights for wastewater treatment and disposal in the Western Riverside County Regional Wastewater Authority (see Note 17) treatment facility for \$9,486,754. The term of the WMWD loan is 28.5 years. Interest on the WMWD loan amount is payable monthly at a variable rate plus fees for liquidity facility and remarketing that equaled a rate of 4.484 percent as of June 30, 2013. 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
2014	\$ 258,550	\$ 335,315	\$ 593,865
2015	278,437	323,721	602,158
2016	278,437	311,236	589,673
2017	298,326	298,751	597,077
2018	298,326	285,374	583,700
2019-2023	1,670,623	1,139,713	2,810,336
2024-2028	2,008,725	722,354	2,731,079
2029-2033	2,386,605	222,949	2,609,554
Total	<u>\$ 7,478,029</u>	<u>\$ 3,639,413</u>	<u>\$ 11,117,442</u>

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 percent with the remaining 65 payments to be \$30,238 with an interest rate of 3.000 percent. The first 48 payments have been discounted \$178,560 to enact a simple interest rate of 3.000 percent on the loan which will be amortized \$3,720 per month. The loan was paid in full during the period.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS

Other Post Employment Benefits Obligations

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

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) For employees hired prior to 2008, attainment of age 55, and 5 years for full-time service and for employees hired after 2008, attainment of age 55, and 20 years for full-time service, and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement).

Plan Description – Benefits

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

	<u>2013</u>
Active plan members	120
Retirees and beneficiaries receiving benefits	15
Total Plan Membership	<u>135</u>

Funding Policy

The Annual Required Contribution (ARC) of the Employer is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 11.3 percent of the annual covered payroll. The District will pay 100 percent of the cost of the post-employment benefit plan.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2013, the District’s OPEB cost is \$717,644. The District’s net OPEB obligation amounted to \$2,729,238 for the year ended June 30, 2013. The District contributed \$136,802 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2013 as follows:

The balance at June 30 consists of the following:

	<u>2013</u>
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 743,825
Interest on net OPEB obligation	163,493
Adjustment to annual required contribution	<u>(189,674)</u>
Total annual OPEB cost	717,644
Change in net OPEB obligation:	
Contributions	<u>(136,802)</u>
Total change in Net OPEB obligation	580,842
Net OPEB obligation - beginning of year	<u>2,148,396</u>
Net OPEB obligation - end of year	<u><u>\$ 2,729,238</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 2013 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
2013	\$ 717,644	\$ 136,802	19.06%	\$ 2,729,238
2012	691,027	129,742	18.78%	2,148,396
2011	1,244,511	1,907,525	153.28%	1,587,111

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2011	\$ 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 healthcare trend increase	3.25%

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 – NET INVESTMENT IN CAPITAL ASSETS

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

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Capital assets - not being depreciated	\$ 28,370,227	\$ 39,171,429	\$ 67,541,656
Capital assets - being depreciated, net	44,384,711	194,124,420	238,509,131
Water fund - unspent debt proceeds	-	12,913,329	12,913,329
Wastewater fund - unspent debt proceeds	-	23,727,516	23,727,516
Long-term debt - current portion	-	(1,610,774)	(1,610,774)
Long-term debt - long-term portion	-	(72,067,692)	(72,067,692)
	<u>\$ 72,754,938</u>	<u>\$ 196,258,228</u>	<u>\$ 269,013,166</u>

NOTE 12 – RESTRICTED NET POSITION

The District’s net position is restricted as follows:

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Eastvale parks capital improvements	\$ 19,462,804	\$ -	\$ 19,462,804
Graffiti abatement	441,498	-	441,498
Illumination District No. 2	345,006	-	345,006
Landscape and Lighting	2,297,173	-	2,297,173
Water fund - debt service reserves	-	2,831,412	2,831,412
Water fund - capital facility fees	-	27,506,318	27,506,318
Wastewater fund - debt service reserves	-	3,441,857	3,441,857
Wastewater fund - capital facility fees	-	35,115,641	35,115,641
	<u>\$ 22,546,481</u>	<u>\$ 68,895,228</u>	<u>\$ 91,441,709</u>

NOTE 13 – UNRESTRICTED NET POSITION

The unrestricted net position is for specific uses as follows:

The balance consists of the following:	Governmental Activities	Business-type Activities
Deficit unrestricted net position	\$ (4,740,905)	\$ -
Prepaid expenses and other prepaid assets	-	3,057,905
Water operations and capital replacement	-	24,783,613
Wastewater operations and capital replacement	-	16,559,420
	<u>\$ (4,740,905)</u>	<u>\$ 44,400,938</u>

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS and Nationwide at June 30, 2013 was \$1,441,412 and \$284,987, respectively.

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

NOTE 15 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

The contribution rate for plan members in the CalPERS 2.7 percent at 55 years-old Risk Pool Retirement Plan is 8 percent of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. 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 2012-2013 was 17.150 percent 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, 2013, the District's annual pension cost of \$1,256,496 for CalPERS was equal to both the District's required and actual contributions.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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>
2013	\$ 1,256,496	\$ 1,256,496	100%
2012	1,255,641	1,255,641	100%
2011	1,014,185	1,014,185	100%

NOTE 16 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District purchases commercial package insurance policies. The District has experienced no losses exceeding coverage during the past three years,

NOTE 17 – JOINT-VENTURE

Western Riverside County Regional Wastewater Authority

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

The construction of the wastewater treatment plant was substantially completed at June 30, 1999. Each member's share in the construction costs, as well as administrative costs, of WRCRWA is based on their capacity rights in different components of the plant. The District is billed for flows through the plant attributable to its jurisdiction as well as general and administrative costs. Payment of these bills is included in the costs of the District's sewer services activity. Members are deemed to have an ownership interest in the Authority and new members may only be admitted upon unanimous consent of the existing members. Upon withdrawal from the Authority, any member is entitled to receive its proportionate share of the Authority's assets or the equivalent value thereof and is responsible for discharge of its proportionate share of the Authority's liabilities. The investment in the Authority for the year June 30, 2013 is reported in the accompanying financial statements at \$2,894,855.

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.

JURUPA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 17 – JOINT-VENTURE (CONTINUED)

Western Municipal Water District Facilities Authority

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

Chino Basin Desalter Authority

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

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

NOTE 18 – COMMUNITY FACILITIES DISTRICTS

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

The bonds issued by the community facilities districts are payable solely from the revenues of annual special taxes levied against land within the districts and do not constitute an indebtedness of the Jurupa Community Services District. Jurupa Community Services District is not liable for the bonds, but acts as an agent for the bondholders in collecting the assessments from property owners, forwarding the collection to bond trustees, and initiating foreclosure proceedings, if necessary. Since the District is acting in an agency capacity, the assets and liabilities of the community facilities districts have been excluded from the District's government-wide statement of net position.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 19 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, twenty-eight of the Community Facilities Districts have issued debt with an original aggregate principal amount payable of \$319,465,000. The amount outstanding as of June 30, 2013 is \$295,660,000.

Acting in a fiduciary capacity, the District collects assessments which are then forwarded to the trustee for future debt service payments. Until the funds are forwarded to the trustee, the District records a liability. The advance payable to community services districts held as of June 30, 2013 was \$24,013,241 in the Water Fund and \$3,360,954 in the Wastewater Fund.

Construction Commitments

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's bond financing. The District has committed to approximately \$16,108,961 of open construction contracts as of June 30, 2013.

Litigation

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

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

Grant Awards

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

NOTE 20 – DUE FROM AND DUE TO OTHER FUNDS

Interfund borrowing at June 30, 2013, consists of the Eastvale Parks fund's liability of \$2,561,106 due to the Water fund to cover a deficit cash position.

JURUPA COMMUNITY SERVICES DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION

During the period, the District modified its accounting policies for reporting community facility district assets held with a trustee and related activity. In accordance with GASB 6 and as noted at Note 1, the District reports an agency fund. The cash and investment balance in the agency as of July 1, 2012 was \$31,414,265. The District also reports cash balances to be used for capital projects in the Eastvale Parks Fund. A restatement of beginning fund equity is presented for balances that were previously unrecorded in the District's basic financial statements.

	<u>Eastvale Parks</u>	<u>Governmental Activities</u>
Beginning Fund Balance/Net Position as previously reported	\$ (568,962)	\$ 73,993,313
Restatement due to correction of trustee related cash previously recorded as accounts receivable and deferred revenue at the governmental fund	10,206,075	-
Restatement due to correction of trustee related cash previously not recorded and now reported as unavailable in the governmental fund	-	17,682,666
Beginning Fund Balance/Net Position, as restated	<u>\$ 9,637,113</u>	<u>\$ 91,675,979</u>

As discussed in Note 1, the District implemented GASB 65 in the current period. In accordance with GASB 65, costs of issuance are recognized in the period incurred. A restatement of beginning net position is presented for previously deferred costs of issuance.

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Business-type Activities</u>
Beginning Net Position as previously reported	\$ 169,084,924	\$ 117,012,249	\$ 286,097,173
Restatement due to previously deferred costs of issuance	(557,207)	(475,127)	(1,032,334)
Restatement due to correction of trustee related cash	2,898,260	2,028,271	4,926,531
Beginning Net Position as restated	<u>\$ 171,425,977</u>	<u>\$ 118,565,393</u>	<u>\$ 289,991,370</u>

REQUIRED SUPPLEMENTARY INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

<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%

OTHER INFORMATION

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – EASTVALE PARKS FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Special assessments	\$ 6,074,970	\$ 6,074,970	\$ 6,142,955	\$ 67,985
Charges for services	1,302,153	1,302,153	1,314,636	12,483
Capital grants and contributions	-	-	9,241,958	9,241,958
Interest earnings	92,500	92,500	24,203	(68,297)
Total Revenues	<u>7,469,623</u>	<u>7,469,623</u>	<u>16,723,752</u>	<u>9,254,129</u>
Expenditures:				
Current:				
Eastvale parks	6,917,123	6,917,123	7,723,300	(806,177)
Debt service	-	-	2,370,000	(2,370,000)
Capital outlay	-	-	11,412,343	(11,412,343)
Total Expenditures	<u>6,917,123</u>	<u>6,917,123</u>	<u>21,505,643</u>	<u>(14,588,520)</u>
Net Change in Fund Balance	552,500	552,500	(4,781,891)	<u>\$ (5,334,391)</u>
Fund Balance - Beginning of Year	<u>9,637,113</u>	<u>9,637,113</u>	<u>9,637,113</u>	
Fund Balance - End of Year	<u>\$ 10,189,613</u>	<u>\$ 10,189,613</u>	<u>\$ 4,855,222</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – GRAFFITI ABATEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 339,389	\$ 339,389	\$ 339,394	\$ 5
Special assessments	-	-	3,404	3,404
Charges for services	-	-	8,333	8,333
Total Revenues	<u>339,389</u>	<u>339,389</u>	<u>351,131</u>	<u>11,742</u>
Expenditures:				
Current:				
Graffiti abatement	<u>339,389</u>	<u>339,389</u>	<u>305,632</u>	<u>33,757</u>
Total Expenditures	<u>339,389</u>	<u>339,389</u>	<u>305,632</u>	<u>33,757</u>
Net Change in Fund Balance	-	-	45,499	<u>\$ 45,499</u>
Fund Balance - Beginning of Year	<u>395,999</u>	<u>395,999</u>	<u>395,999</u>	
Fund Balance - End of Year	<u>\$ 395,999</u>	<u>\$ 395,999</u>	<u>\$ 441,498</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – ILLUMINATION DISTRICT NO. 2 FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	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	209,262	5,943
Total Revenues	<u>282,319</u>	<u>282,319</u>	<u>288,262</u>	<u>5,943</u>
Expenditures:				
Current:				
Illumination District No. 2	287,061	287,061	302,459	(15,398)
Total Expenditures	<u>287,061</u>	<u>287,061</u>	<u>302,459</u>	<u>(15,398)</u>
Net Change in Fund Balance	(4,742)	(4,742)	(14,197)	<u>\$ (9,455)</u>
Fund Balance - Beginning of Year	<u>359,203</u>	<u>359,203</u>	<u>359,203</u>	
Fund Balance - End of Year	<u>\$ 354,461</u>	<u>\$ 354,461</u>	<u>\$ 345,006</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**BUDGETARY COMPARISON SCHEDULE – LANDSCAPE AND LIGHTING FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Adopted Original Budget	Revised Budget	Actual GAAP Basis	Variance Positive (Negative)
Revenues:				
Special assessments	\$ 1,137,562	\$ 1,137,562	\$ 1,112,345	\$ (25,217)
Charges for services	-	-	9,904	9,904
Total Revenues	<u>1,137,562</u>	<u>1,137,562</u>	<u>1,122,249</u>	<u>(15,313)</u>
Expenditures:				
Current:				
Landscape and lighting	1,000,473	1,000,473	923,417	77,056
Total Expenditures	<u>1,000,473</u>	<u>1,000,473</u>	<u>923,417</u>	<u>77,056</u>
Net Change in Fund Balance	137,089	137,089	198,832	<u>\$ 61,743</u>
Fund Balance - Beginning of Year	<u>2,098,341</u>	<u>2,098,341</u>	<u>2,098,341</u>	
Fund Balance - End of Year	<u>\$ 2,235,430</u>	<u>\$ 2,235,430</u>	<u>\$ 2,297,173</u>	

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
ASSETS				
Cash and investments	<u>\$ 34,414,265</u>	<u>\$ 1,955,893</u>	<u>\$ (2,801,663)</u>	<u>\$ 33,568,495</u>
LIABILITIES				
Due to bondholders	<u>\$ 34,414,265</u>	<u>\$ 1,955,893</u>	<u>\$ (2,801,663)</u>	<u>\$ 33,568,495</u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF RESERVE FOR ENTERPRISE FUNDS CAPITAL FACILITY FEES
JUNE 30, 2013**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Reserve for Capital Facility Fees:			
Balance - beginning of year	<u>\$ 19,678,620</u>	<u>\$ 30,235,806</u>	<u>\$ 49,914,426</u>
Capital contributions:			
Facility fees	<u>8,334,756</u>	<u>4,940,340</u>	<u>13,275,096</u>
Total Contributions	<u>8,334,756</u>	<u>4,940,340</u>	<u>13,275,096</u>
Construction costs	<u>507,058</u>	<u>60,505</u>	<u>567,563</u>
Total Expenses	<u>507,058</u>	<u>60,505</u>	<u>567,563</u>
Balance - end of year	<u><u>\$ 27,506,318</u></u>	<u><u>\$ 35,115,641</u></u>	<u><u>\$ 62,621,959</u></u>

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF RESERVE FOR PARKS FUND CAPITAL IMPROVEMENTS
JUNE 30, 2013**

	<u>Parks Fund</u>
Reserve for Capital Improvements:	
Balance - beginning of year	<u>\$ 12,226,244</u>
Revenues:	
Capital financings	<u>9,241,443</u>
Total Contributions	<u>9,241,443</u>
Capital outlay	<u>2,004,883</u>
Total Expenses	<u>2,004,883</u>
Balance - end of year	<u><u>\$ 19,462,804</u></u>

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF COMMUNITY FACILITIES DISTRICTS

OUTSTANDING DEBT

JUNE 30, 2013

<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	\$ 21,885,000	4.76738	Dec-1998	Sep-2024
CFD # 2	18,315,000	AAA/AAA	16,645,000	5.10550	Aug-2002	Sep-2032
CFD # 3	9,240,000	Not Rated	8,740,000	5.86720	Jan-2003	Sep-2033
CFD # 4	15,065,000	Not Rated	13,060,000	5.61010	Aug-2010	Sep-2034
CFD # 5	3,135,000	Not Rated	2,955,000	6.01540	Jun-2002	Sep-2032
CFD # 6	3,560,000	Not Rated	3,350,000	5.84370	Dec-2002	Sep-2032
CFD # 7	10,745,000	Not Rated	9,225,000	5.01310	Nov-2005	Sep-2035
CFD # 10	6,690,000	Not Rated	6,320,000	5.73660	Aug-2010	Sep-2033
CFD # 11	12,020,000	Not Rated	10,590,000	4.95200	Aug-2010	Sep-2033
CFD # 12	14,380,000	Not Rated	12,660,000	4.97830	Jun-2005	Sep-2035
CFD # 14	13,115,000	Not Rated	12,570,000	6.05362	Aug-2010	Sep-2037
CFD # 14.2	2,035,000	Not Rated	2,035,000	5.30000	Jun-2013	Sep-2041
CFD # 15	8,235,000	Not Rated	8,110,000	6.28240	May-2011	Sep-2042
CFD # 16	9,100,000	Not Rated	7,800,000	5.08410	Mar-2005	Sep-2034
CFD # 17	17,475,000	Not Rated	15,905,000	5.14167	Aug-2006	Sep-2036
CFD # 18	16,575,000	Not Rated	15,025,000	4.84380	Nov-2006	Sep-2036
CFD # 19	24,225,000	Not Rated	22,175,000	4.91500	Aug-2010	Sep-2036
CFD # 21	9,885,000	Not Rated	8,845,000	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	11,590,000	6.50534	Aug-2010	Sep-2040
CFD # 25	8,750,000	Not Rated	8,210,000	8.77600	Dec-2008	Sep-2038
CFD # 25	3,010,000	Not Rated	2,975,000	5.76829	Dec-2011	Sep-2042
CFD # 29	13,945,000	Not Rated	13,565,000	8.47500	Aug-2010	Sep-2040
CFD # 30	7,395,000	Not Rated	6,735,000	5.46040	Oct-2007	Sep-2037
CFD # 31	12,095,000	Not Rated	12,095,000	4.22977	Mar-2013	Sep-2042
CFD # 32	3,700,000	Not Rated	3,355,000	5.11695	Aug-2007	Sep-2036
CFD # 34	7,330,000	Not Rated	6,990,000	6.21300	Dec-2010	Sep-2040
CFD # 35	4,005,000	Not Rated	4,005,000	4.70000	Nov-2012	Sep-2042
CFD # 38	6,675,000	Not Rated	6,580,000	5.65264	Aug-2011	Sep-2042
CFD # 38	5,295,000	Not Rated	4,895,000	6.21280	May-2010	Sep-2040
CFD # 39	11,850,000	Not Rated	11,850,000	4.87063	May-2012	Sep-2042
Total	<u>\$ 319,465,000</u>		<u>\$ 295,660,000</u>			

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF COMMUNITY FACILITIES DISTRICTS

CASH AND INVESTMENTS BALANCES

JUNE 30, 2013

Cash and investments held by bond trustees for the benefit of the CFDs as of June 30, 2013 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 # 31	Eastvale Area	-
CFD # 32	Eastvale Area	1,152,097
CFD # 34	Eastvale Area	4,371,878
CFD # 35	Eastvale Area	-
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jurupa Community Services District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 24, 2014. Our report included an emphasis of matter describing the District's implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our report also included an emphasis of matter describing a restatement to beginning equity in which the District, in accordance with GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, has reported proceeds from special assessments to be used for capital projects in the Eastvale Parks Fund, the Water Fund and the Wastewater Fund.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency in internal control 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 deficiency described in the accompanying schedule of findings and responses as item 2013-02, to be a material weakness.

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 accompany schedule of findings and responses as item 2013-01, 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*.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Rancho Cucamonga, California
April 24, 2014

JURUPA COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Finding 2013-01

OPENING EQUITY RECONCILIATION

Criteria:

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

Condition:

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

Context:

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

Effect:

There is an increased risk of material misstatement.

Cause:

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

Recommendation:

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

View of Responsible Official and Planned Corrective Actions

Management concurs with the auditor's deficiency noted above. The District reconciled opening equity for all funds to the Government-wide financial statements. The District did not provide a reconciliation of opening equity of the Parks fund to the Fund financial statements. In the future the District will put procedures in place to reconcile the opening equity of the governmental funds.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2013

Finding 2013-02

INFORMATION TECHNOLOGY

Criteria:

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

Condition:

During our fieldwork we noted the following:

User Access

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

System Information

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

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

Context:

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

Effect:

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

Cause:

User Access

The District does not maintain formal procedures over user access.

System Information

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

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2013

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.

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 (New World Systems) has been implemented in Utility Billing, Human Resources/Payroll, and Finance as of March 2014. A new chart of accounts has been developed with the implementation of the new financial software. The new chart of accounts is consistent with all funds. Users of the new financial software are granted security to provide appropriate access and internal controls for all modules, including the vendor master list. New World does not allow one-sided journal entries between funds and does not allow the same user to be logged on to multiple terminals simultaneously.

A form has been developed and implemented to create, edit, or terminate user access and is currently in use. The District is also implementing a policy to perform periodic review of user access to the District's computer systems.

JURUPA COMMUNITY SERVICES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2013

Finding No.	Topic	Status of Corrective Action
2012-01	Year-End Closing Procedures	Partially implemented. See current year finding 2013-01.
2012-02	Information Technology	Partially implemented. See current year finding 2013-02.
2012-03	Fraud/Ethics Policy	Implemented