

In the opinion of Best Best & Krieger LLP, Riverside, California, Special Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Series A Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Special Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Series B Certificates is not excluded from gross income for federal income tax purposes. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes. See "CONCLUDING INFORMATION - Tax Matters" in this Official Statement with respect to tax consequences of the Certificates.

\$10,895,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES A
(Tax Exempt)

\$19,940,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES B
(Federally Taxable – Build America Bonds –
Direct Payment)

Date of Delivery**Due: September 1, as shown on inside cover**

The above-captioned certificates (the "Certificates") evidence and represent direct, undivided fractional interests in certain installment payments (the "Installment Payments") to be made by the Jurupa Community Services District (the "District") pursuant to an Installment Sale Agreement, dated as of February 1, 2010 (the "Installment Sale Agreement"), between the District and the Jurupa Public Facilities Corporation (the "Corporation"). The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to U.S. Bank National Association, as trustee (the "Trustee").

The captioned Series A Certificates (the "Series A Certificates") are being issued to (i) refinance certain outstanding installment payment obligations of the District (the "Refunded Obligations"), (ii) finance certain capital facilities of the District's system for production, transmission, disposition and sale of water (the "Water System"), (iii) fund a debt service reserve fund for the Series A Certificates, and (iv) pay costs of executing and delivering the Series A Certificates.

The captioned Series B Certificates (the "Series B Certificates") are being issued to (i) finance certain capital facilities of the Water System, (ii) fund a debt service reserve fund for the Series B Certificates, and (iii) pay costs of executing and delivering the Series B Certificates. See "THE FINANCING PLAN."

The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive certificates representing their interest in the Certificates.

The Certificates are being executed and delivered in integral multiples of \$5,000. Interest will accrue from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2010 (each, an "Interest Payment Date"). The principal, premium if any, and semiannual interest with respect to the Certificates will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

The Certificates are subject to redemption prior to their scheduled payment dates as described in this Official Statement. See "THE CERTIFICATES – Redemption of the Certificates".

The payment of Installment Payments is secured by a pledge of the Net Revenues (as defined in this Official Statement) of the Water System and certain property tax revenues (the "Tax Revenues"), as described in this Official Statement.

Following the defeasance of the Refunded Obligations with proceeds of the Certificates, the District will have no outstanding obligations payable on a senior basis or a parity basis with the Installment Payments. The Installment Sale Agreement authorizes the District to incur additional obligations secured by a pledge of Net Revenues and Tax Revenues on a parity with the Installment Payments. See "SECURITY FOR THE CERTIFICATES – Security for the Installment Payments" for additional information about the pledge of Net Revenues and Tax Revenues.

This cover page contains information for general reference only, and is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth in this Official Statement.

MATURITY SCHEDULE

See inside front cover

THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, TAX REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INSTALLMENT SALE AGREEMENT. ALTHOUGH THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS SECURED BY A PLEDGE OF TAX REVENUES, THE DISTRICT HAS NOT AGREED TO LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

The Certificates are offered when, as and if sold, executed and delivered, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Special Counsel. Certain legal matters will be passed upon for the Corporation and the District by Best Best & Krieger LLP, as general counsel to the District. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's counsel. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC in New York, New York, on or about February 25, 2010.

STONE & YOUNGBERG

MATURITY SCHEDULE

Series A Certificates (Tax-Exempt)

\$10,040,000 Serial Certificates

Principal Payment Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (482092)
2010	\$495,000	2.000%	0.300%	100.876	DT7
2011	530,000	2.000	0.600	102.110	DU4
2012	540,000	2.000	1.000	102.479	DV2
2013	550,000	2.000	1.290	102.433	DW0
2014	600,000	4.000	1.630	110.279	DX8
2015	590,000	4.000	2.010	110.342	DY6
2016	615,000	4.000	2.490	109.031	DZ3
2017	640,000	4.000	2.850	107.731	EA7
2018	670,000	4.000	3.170	106.152	EB5
2019	445,000	4.000	3.420	104.677	EC3
2020	460,000	4.000	3.620	103.298	ED1
2021	485,000	4.000	3.780	101.893 C	EE9
2022	500,000	4.250	3.900	102.995 C	EF6
2023	520,000	4.500	4.000	104.257 C	EG4
2024	300,000	4.000	4.150	98.375	EH2
2025	310,000	4.500	4.250	102.101 C	EJ8
2026	325,000	5.000	4.400	105.007 C	EK5
2027	340,000	5.000	4.550	103.727 C	EL3
2028	355,000	5.000	4.650	102.884 C	EM1
2029	375,000	5.000	4.750	102.049 C	EN9
2030	395,000	5.000	4.850	101.223 C	EP4

C = priced to first par call date of September 1, 2020.

\$855,000 5.000% Term Bond due September 1, 2032, Yield 5.000%; Price 100.000; CUSIP† 482092 ER0

Series B Certificates (Federally Taxable – Build America Bonds – Direct Payment)

\$3,695,000 Serial Certificates

Principal Payment Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (482092)
2019	250,000	5.197%	5.197%	100.000	ET6
2020	260,000	5.397	5.397	100.000	EU3
2021	265,000	5.597	5.597	100.000	EV1
2022	280,000	5.797	5.797	100.000	EW9
2023	295,000	5.997	5.997	100.000	EX7
2024	545,000	6.197	6.197	100.000	EY5
2025	575,000	6.347	6.347	100.000	EZ2
2026	600,000	6.497	6.497	100.000	FA6
2027	<u>625,000</u>	6.597	6.597	100.000	FB4

\$6,600,000 7.142% Term Certificate due September 1, 2034, Yield 7.142%; Price 100.00; CUSIP† 482092 FC2
 \$9,645,000 7.192% Term Certificate due September 1, 2040, Yield 7.192%; Price 100.00; CUSIP† 482092 FDO

† Copyright 2010, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of this CUSIP data.

JURUPA COMMUNITY SERVICES DISTRICT

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Eldon E. Horst, *General Manager*
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Robert Tock, *Director of Engineering and Operations*

District Counsel

Best Best & Krieger LLP
Riverside, California

Special Counsel

Best Best & Krieger LLP
Riverside, California

Financial Advisor

Glenn M. Reiter & Associates,
San Diego, California

Trustee

U.S. Bank National Association
Los Angeles, California

Escrow Bank

The Bank of New York Mellon Trust Company
San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Certificates.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date of this Official Statement.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Certificates other than those contained in this Official Statement and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Water System since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

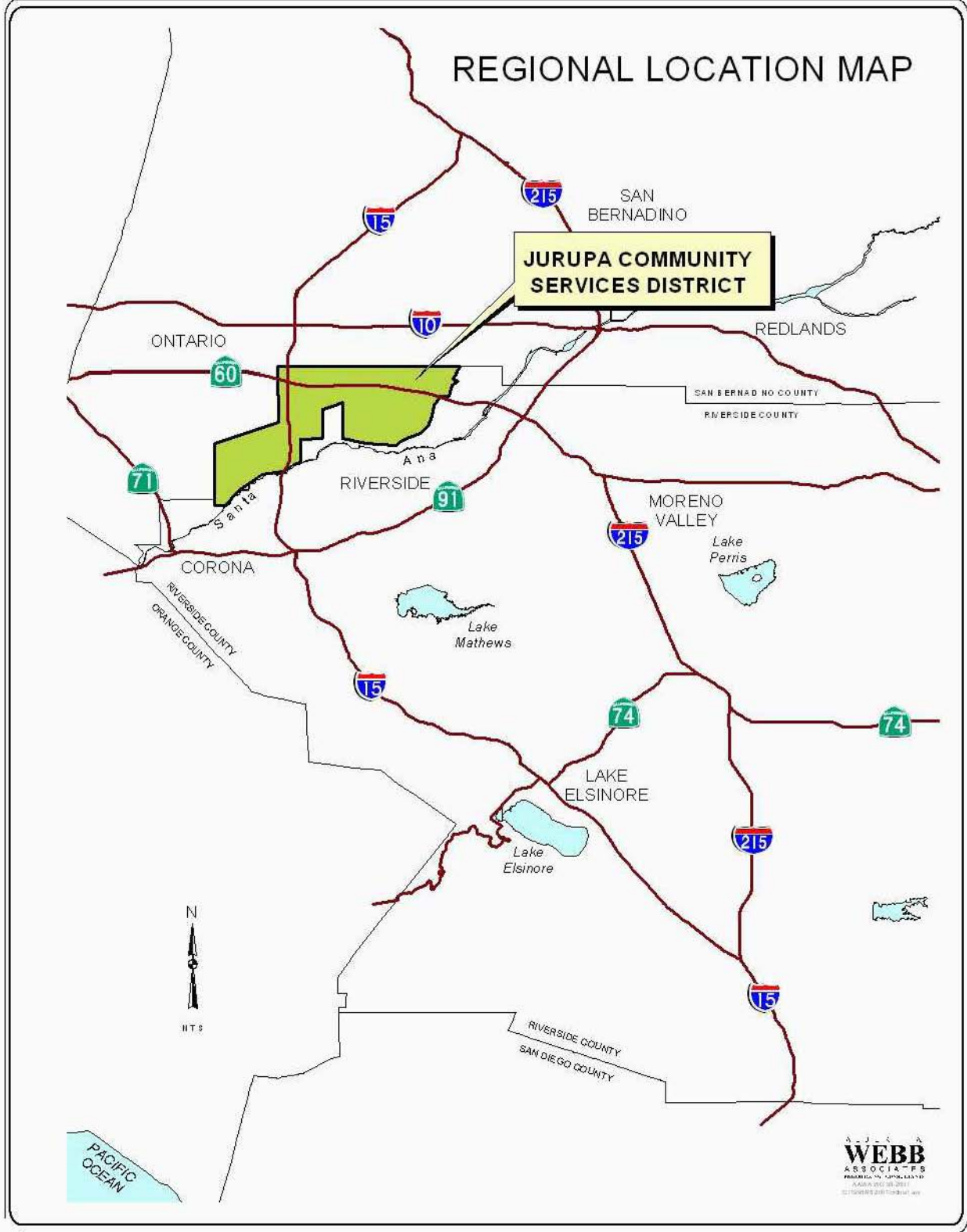
In connection with the offering of the Certificates, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

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REGIONAL LOCATION MAP



OFFICIAL STATEMENT

\$10,895,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES A
(Tax Exempt)

\$19,940,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES B
(Federally Taxable – Build America Bonds –
Direct Payment)

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the execution and delivery of the above-captioned Series A certificates of participation (the “**Series A Certificates**”) and Series B certificates of participation (the “**Series B Certificates**”; together with the Series A Certificates, the “**Certificates**”).

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used in this Official Statement and not defined have the meanings set forth in the Trust Agreement described below.

INTRODUCTION

The Certificates. The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of February 1, 2010 (the “**Trust Agreement**”), among the Jurupa Community Services District (the “**District**”), the Jurupa Public Facilities Corporation (the “**Corporation**”) and U.S. Bank National Association, as trustee (the “**Trustee**”).

Redemption. The Certificates are subject to redemption prior to their scheduled payment dates as described in this Official Statement. See “THE CERTIFICATES – Redemption of the Certificates.”

Purpose.

Series A Certificates. The proceeds of the sale of the Series A Certificates will be used to (i) refinance certain outstanding installment payment obligations of the District (the “**Refunded Obligations**”), (ii) finance the acquisition, construction, installation and equipping of certain capital improvements (the “**Project**”) to the District’s system for production, transmission, disposition and sale of water (the “**Water System**”), (iii) fund a debt service reserve fund for the Series A Certificates, and (iv) pay costs of executing and delivering the Certificates. See “THE FINANCING PLAN”.

Series B Certificates. The proceeds of the sale of the Series B Certificates will be used to (i) finance the Project, (ii) fund a debt service reserve fund for the Series B Certificates, and (iii) pay costs of executing and delivering the Certificates. See “THE FINANCING PLAN”.

Security for the Certificates.

Series A Certificates. The Series A Certificates evidence and represent direct, undivided fractional interests in certain installment payments (the “**Series A Certificates Installment Payments**”), to be made by the District pursuant to an Installment Sale Agreement, dated as of February 1, 2010 (the “**Installment Sale Agreement**”), between the District and the Corporation.

Series B Certificates. The Series B Certificates evidence and represent direct, undivided fractional interests in certain installment payments (the “**Series B Certificates Installment Payments**”; together with the Series A Certificates Installment Payments, the “**Installment Payments**”), to be made by the District pursuant to the Installment Sale Agreement.

The Corporation, for the benefit of the Owners of the Certificates, has assigned, among other things, its right to receive Installment Payments to the Trustee.

The payment of Installment Payments is secured by a pledge of and lien on the Net Revenues and Tax Revenues (as each term is defined in this Official Statement). See “SECURITY FOR THE CERTIFICATES – Security for the Installment Payments.”

Rate Covenant. Pursuant to the Installment Sale Agreement, the District has covenanted to fix, prescribe and collect certain rates and charges in order to ensure the availability of Net Revenues to pay the Installment Payments. See “SECURITY FOR THE CERTIFICATES - Rate Covenant.”

Parity Debt. The Installment Sale Agreement provides that the District may incur additional obligations, referred to as “**Parity Debt**,” secured by a pledge of Net Revenues and Tax Revenues on a parity basis with the Installment Payments only upon the satisfaction of certain conditions. See “SECURITY FOR THE CERTIFICATES - Limitations on Parity Debt and Superior Obligations.”

Build America Bonds. Section 1531 (relating to “**Build America Bonds**”) of the American Recovery and Reinvestment Act, which was signed into law by President Obama on February 17, 2009, added Section 54AA and Section 6431 to the Internal Revenue Code of 1986, as amended (the “**Tax Code**”). The District intends to elect to treat the Series B Certificates as “Build America Bonds” under Section 54AA of the Tax Code, and intends that the Series B Certificates will be “qualified bonds” under Section 54AA(g)(2) of the Tax Code which will make the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B Certificates. Such cash subsidy payments received by the District are referred to in the Installment Sale Agreement as “**Treasury Credits**,” and are included in “Gross Revenues” of the Water System. Treasury Credits is defined in the Installment Sale Agreement to mean, with respect to the Series B Certificates, any amounts which are payable by the Federal government to or on behalf of the District under Section 6431 of the Tax Code, which the District has elected to receive under Section 54AA(g)(1) of the Tax Code. 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.

Assignment. Pursuant to the Trust Agreement, the Corporation has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise remedies in the event of a default by the District.

Risk Factors. See "RISK FACTORS" below for a discussion of special factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Certificates.

The District and the Corporation. The District is located in northwestern Riverside County, approximately 47 miles east of the Los Angeles civic center and four miles west of the downtown area of the City of Riverside and comprises approximately 48 square miles. See "APPENDIX B – General Information About the County of Riverside."

The Corporation is a nonprofit public benefit corporation organized and existing under the laws of the State for the purpose of assisting in the financing of capital improvements for the District.

Limited Obligations. THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, TAX REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INSTALLMENT SALE AGREEMENT. ALTHOUGH THE DISTRICT'S OBLIGATION TO MAKE INSTALLMENT PAYMENTS IS SECURED BY A PLEDGE OF TAX REVENUES, THE DISTRICT HAS NOT AGREED TO LEVY ANY FORM OF TAXATION TO PAY THE INSTALLMENT PAYMENTS. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

Summaries Not Definitive. The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See Appendix A for the definitions of certain terms used in this Official Statement and for a summary of certain provisions of the Trust Agreement and the Installment Sale Agreement.

Copies of the documents described in this Official Statement are available from the District for a reasonable copying and mailing fee.

THE FINANCING PLAN

General

Series A Certificates. The proceeds of the sale of the Series A Certificates will be used to (i) refinance the Refunded Obligations, (ii) finance the acquisition, construction, installation and equipping of the Project described below; (iii) fund a debt service reserve fund for the Series A Certificates; and (iv) pay certain costs of executing and delivering the Certificates.

Series B Certificates. The proceeds of the sale of the Series B Certificates will be used to (i) finance the acquisition, construction, installation and equipping of the Project described below; (ii) fund a debt service reserve fund for the Series B Certificates; and (iii) pay certain costs of executing and delivering the Certificates.

The Project

The District plans to use the proceeds of the Certificates to partially finance the following improvements to its Water System to increase water supply and construct transmission facilities to convey water to appropriate pressure zones. The improvements may include all or a portion of the following as well as other improvements not listed below (collectively the “**Project**”):

Chino Desalter Authority (CDA) Expansion (Phase 3). The overall CDA Expansion project (Phase 3) will develop an additional 10 MGD of water supply and address the existing operational and maintenance deficiencies at Chino I and Chino II Desalters. The District’s portion of the CDA Expansion Project involves participation in its share of the new improvements required to secure an additional 3.33 MGD of water supply from the Chino 2 Desalter to the District per agreement with the Western Municipal Water District and the City of Ontario. In addition, the District is involved in its share of the upgrades to the existing facilities required by all members of CDA to maintain the system and current delivery rates. The expansion project consists of Chino Creek Well Field, monitoring wells and piping to Chino I, raw water intertie pipeline and raw water pump station to Chino 2, Chino II Expansion, Chino II product water pump station, and additional SARI pipeline and treatment capacity at Chino II. The upgrades to existing facilities include Chino I modifications to name plate capacity, Chino II transfer pumps, Chino II chemical modifications, Chino II spare parts and additional SARI pipeline and treatment capacity at Chino I and additional treatment capacity at Chino II. Overall project costs are estimated to be \$102.9 million. The District’s share in new facilities is \$25.3 million, less approved grant funding of \$7.9 million, for a total of \$17.4 million. The District’s share of upgrading facilities costs is estimated to be \$8.6 million.

Project costs not funded from Certificates proceeds are expected to be paid from funds reimbursed by CDA to the District, capital reserves, facility capacity fees and state and federal grants.

If the District has remaining Certificate proceeds after completing the projects described above, it will finance capital improvements in addition to those listed above. See “THE DISTRICT – Capital Improvement Plan.”

Refinancing Plan

The District will use a portion of the proceeds of the Series A Certificates to refinance the Refunded Obligations as described below.

1993 Installment Sale Agreement. The District previously executed an Installment Sale Agreement dated as of September 1, 1993 (the “**1993 Installment Sale Agreement**”) pursuant to which the District is obligated to make certain installment payments (the “**1993 Installment Payments**”). The 1993 Installment Payments are the source of repayment for the Jurupa Community Services District Wastewater Capacity Refinancing Certificates of Participation (the “**1993 Certificates**”). The 1993 Installment Payments were used to refinance prior certificates of participation which had been issued to finance the acquisition of capacity rights in the Riverside Regional Wastewater Treatment Plant and certain other facilities. The 1993 Installment Payments are payable from Net Revenues and net revenues of the District’s Water System on a parity with the 2001 Installment Payments (defined below).

As of February 1, 2010, the outstanding principal amount of the 1993 Certificates was \$8,345,000, and the outstanding principal amount payable from the Water System was \$2,500,000.

Prepayment of the 1993 Installment Sale Agreement. The District has elected to use a portion of the proceeds of the Certificates to refinance the 1993 Installment Sale Agreement and the 1993 Certificates. The 1993 Certificates are subject to redemption on March 1, 2010 at a redemption price equal to the outstanding principal amount of the 1993 Certificates plus interest accrued to the date fixed for redemption, without premium.

In order to refinance the 1993 Installment Sale Agreement and the 1993 Certificates, the District and The Bank of New York Mellon Trust Company, N.A., as the trustee for the 1993 Certificates (the “**1993 Certificates Escrow Bank**”) will enter into an agreement (the “**1993 Certificates Escrow Agreement**”) under which the 1993 Certificates Escrow Bank will establish an irrevocable escrow fund (the “**1993 Certificates Escrow Fund**”) and deposit therein a portion of the proceeds of the Series A Certificates and amounts currently held in the funds and accounts established for the 1993 Certificates. Amounts on deposit in the Escrow Fund on the closing date will be sufficient (without regard to investment earnings) to pay (i) the 1993 Installment Payments due on March 1, 2010 and, as a result, pay principal and interest due with respect to the 1993 Certificates on March 1, 2010, and (ii) prepay the remaining outstanding 1993 Installment Payments on March 1, 2010, and, as a result, pay the prepayment price of the remaining 1993 Certificates in full on March 1, 2010.

2001 Installment Purchase Contract. The District previously executed an Installment Purchase Contract dated as of December 1, 2001 (the “**2001 Installment Purchase Contract**”) pursuant to which the District is obligated to make certain installment payments (the “**2001 Installment Payments**”). The 2001 Installment Payments are the source of repayment for the CSDA Finance Corporation’s Certificates of Participation (California Special District’s Finance Program) 2001 Series NN (the “**2001 Certificates**”). The 2001 Installment Payments were used to finance the acquisition by the District of an office building for use as the administrative headquarters of the District and to finance the acquisition and construction of certain water treatment and other facilities. The 2001 Installment Payments are payable from Net Revenues and net revenues of the of the District’s Water System on a parity with the 1993 Installment Payments.

As of February 1, 2010, the outstanding principal amount of the 2001 Certificates was \$8,065,000, and the outstanding principal amount payable from the Water System was \$6,380,000.

Prepayment of the 2001 Installment Purchase Contract. The District has elected to use a portion of the proceeds of the Series A Certificates to refinance the 2001 Installment Purchase Contract and the 2001 Certificates. The 2001 Certificates are subject to prepayment on any date on or after September 1, 2010 at a prepayment price equal to the outstanding principal amount of the 2001 Certificates plus interest accrued to the date fixed for prepayment, without premium.

In order to refinance the 2001 Installment Purchase Contract and the 2001 Certificates, the District and The Bank of New York Mellon Trust Company, N.A., as the trustee for the 2001 Certificates (the “**2001 Certificates Escrow Bank**”) will enter into an agreement (the “**2001 Certificates Escrow Agreement**”) under which the 2001 Certificates Escrow Bank will establish an irrevocable escrow fund (the “**2001 Certificates Escrow Fund**”) and deposit therein a portion of the proceeds of the Certificates and amounts currently held in the funds and accounts established for the 2001 Certificates. Amounts on deposit in the 2001 Certificates Escrow Fund on the date of delivery of the Certificates, together with earnings on investments of the amounts in Federal Securities will be sufficient to (i) pay the 2001 Installment Payments due on March 1 and September 1, 2010 and, as a result, pay principal and interest due with respect to the 2001 Certificates on March 1 and September 1, 2010 and (ii) prepay the remaining 2001 Installment Payments on September 1, 2010, and, as a result, pay the prepayment price of the remaining outstanding 2001 Certificates in full on September 1, 2010.

Sufficiency of the deposits in the 1993 Certificates Escrow Fund and the 2001 Certificates Escrow Fund for those purposes will be verified by Grant Thornton LLP (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY” below.

The amounts held and invested by the 1993 Certificates Escrow Bank in the 1993 Certificates Escrow Fund are pledged solely to the payment of the 1993 Installment Payments and the 1993 Certificates. The amounts held and invested by the 2001 Certificates Escrow Bank in the 2001 Certificates Escrow Fund are pledged solely to the payment of the 2001 Installment Payments and the 2001 Certificates. The amounts in the 1993 Certificates Escrow Fund and the 2001 Certificates Escrow Fund are not available for the payment of principal and interest with respect to the Certificates.

Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the Certificates are expected to be applied as follows:

<u>Sources:</u>	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
Principal Amount of Certificates	\$10,895,000.00	\$19,940,000.00	\$30,835,000.00
Net Original Issue Premium	446,827.90	-	446,827.90
1993 Certificates Installment Payment Account ⁽¹⁾	64,864.88	-	64,864.88
1993 Certificates Reserve Fund ⁽¹⁾	284,858.74	-	284,858.74
2001 Certificates Installment Payment Account ⁽¹⁾	164,237.05	-	164,237.05
2001 Certificates Reserve Fund ⁽¹⁾	<u>484,318.47</u>	<u>-</u>	<u>484,318.47</u>
Total Sources	\$12,340,107.04	\$19,940,000.00	\$32,280,107.04
<u>Uses:</u>			
Acquisition and Construction Fund	2,072,950.56	17,711,124.13	19,784,074.69
Series A Certificates Reserve Account	886,494.12	-	886,494.12
Series B Certificates Reserve Account	-	1,994,000.00	1,994,000.00
Series A Certificates Costs of Issuance Account ⁽²⁾	49,856.51	-	49,856.51
Series B Certificates Costs of Issuance Account ⁽²⁾	-	93,679.94	93,679.94
1993/2001 Certificates Escrow Fund ⁽¹⁾	9,267,959.58	-	9,267,959.58
Underwriter's Discount	<u>62,846.27</u>	<u>141,195.93</u>	<u>204,042.20</u>
Total Uses	\$12,340,107.04	\$19,940,000.00	\$32,280,107.04

(1) See "- Refinancing Plan" above.

(2) Includes fees of Special Counsel, Verification Agent, Escrow Bank and Trustee, and other costs of executing and delivering the Certificates.

Debt Service Schedule

The table below shows the annual payments of principal and interest with respect to the Certificates, assuming no optional or mandatory redemptions.

Fiscal Year	Series A Certificates Principal	Series A Certificates Interest	Series B Certificates Principal	Series B Certificates Interest	Less Treasury Credits	Total Certificates Debt Service
2011	\$495,000	\$427,489.17	\$ -	\$1,414,490.42	-\$495,071.65	\$1,841,907.94
2012	530,000	410,150.00	-	1,391,302.06	-486,955.72	1,844,496.34
2013	540,000	399,450.00	-	1,391,302.06	-486,955.72	1,843,796.34
2014	550,000	388,550.00	-	1,391,302.06	-486,955.72	1,842,896.34
2015	600,000	371,050.00	-	1,391,302.06	-486,955.72	1,875,396.34
2016	590,000	347,250.00	-	1,391,302.06	-486,955.72	1,841,596.34
2017	615,000	323,150.00	-	1,391,302.06	-486,955.72	1,842,496.34
2018	640,000	298,050.00	-	1,391,302.06	-486,955.72	1,842,396.34
2019	670,000	271,850.00	-	1,391,302.06	-486,955.72	1,846,196.34
2020	445,000	249,550.00	250,000	1,384,805.81	-484,682.03	1,844,673.78
2021	460,000	231,450.00	260,000	1,371,293.46	-479,952.71	1,842,790.75
2022	485,000	212,550.00	265,000	1,356,861.33	-474,901.47	1,844,509.86
2023	500,000	192,225.00	280,000	1,341,329.50	-469,465.33	1,844,089.17
2024	520,000	169,900.00	295,000	1,324,368.13	-463,528.85	1,845,739.28
2025	300,000	152,200.00	545,000	1,298,635.73	-454,522.51	1,841,313.22
2026	310,000	139,225.00	575,000	1,263,501.28	-442,225.45	1,845,500.83
2027	325,000	124,125.00	600,000	1,225,762.66	-429,016.93	1,845,870.73
2028	340,000	107,500.00	625,000	1,185,656.03	-414,979.61	1,843,176.42
2029	355,000	90,125.00	715,000	1,139,507.75	-398,827.71	1,900,805.04
2030	375,000	71,875.00	745,000	1,087,371.15	-380,579.90	1,898,666.25
2031	395,000	52,625.00	775,000	1,033,091.95	-361,582.18	1,894,134.77
2032	415,000	32,375.00	805,000	976,670.15	-341,834.55	1,887,210.60
2033	440,000	11,000.00	840,000	917,927.20	-321,274.52	1,887,652.68
2034	-	-	1,330,000	840,436.50	-294,152.78	1,876,283.72
2035	-	-	1,390,000	743,305.30	-260,156.86	1,873,148.44
2036	-	-	1,425,000	642,425.40	-224,848.89	1,842,576.51
2037	-	-	1,495,000	537,422.20	-188,097.77	1,844,324.43
2038	-	-	1,565,000	427,384.60	-149,584.61	1,842,799.99
2039	-	-	1,640,000	312,132.80	-109,246.48	1,842,886.32
2040	-	-	1,720,000	191,307.20	-66,957.52	1,844,349.68
2041	-	-	1,800,000	64,728.00	-22,654.80	1,842,073.20
TOTAL	\$10,895,000	\$5,073,714.17	\$19,940,000	\$33,210,831.03	-\$11,623,790.87	\$57,495,754.33

THE CERTIFICATES

General

The Certificates will be dated as of the date of original delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside front cover. The Certificates will be executed and delivered in fully registered form without coupons. The Certificates are being executed and delivered in integral multiples of \$5,000. The Certificates, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments with respect to the Certificates will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described in this Official Statement. See “Book-Entry System” below.

Principal of and premium, if any, with respect to the Certificates is payable upon surrender at the corporate trust office of the Trustee in Los Angeles, California. Interest with respect to the Certificates will be paid by check of the Trustee mailed by first class mail, to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the “Record Date”).

Notwithstanding the foregoing, while the Certificates are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Certificates, for subsequent disbursement to DTC Participants and beneficial owners. See “APPENDIX F - BOOK ENTRY PROVISIONS.”

While the Certificates are held in the book-entry only system of DTC, all notice and payments will be made to Cede & Co., as the registered owner of the Certificates.

Build America Bonds

The District intends to elect to treat the Series B Certificates as “Build America Bonds” under Section 54AA of the Tax Code, and intends that the Series B Certificates will be “qualified bonds” under Section 54AA(g)(2) of the Tax Code which makes the District eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B Certificates. Such cash subsidy payments received by the District are referred to in the Installment Sale Agreement as “Treasury Credits,” and are included in “Gross Revenues” of the Water System. Treasury Credits is defined in the Installment Sale Agreement to mean, with respect to the Series B Certificates, the amounts which are payable by the Federal government under Section 6431 of the Tax Code, which the District has elected to receive under Section 54AA(g)(1) of the Tax Code. 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.

Optional Redemption of Series A Certificates

The Series A Certificates maturing on or after September 1, 2021 are subject to redemption at the option of the District in whole or in part in integral multiples of \$5,000 (but not in a total principal amount less than \$20,000 at any one time) on any date on or after September 1, 2020, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from any source of funds, including, but not limited to, the Prepayment of the principal components of the Series A Certificates Installment Payments.

Optional Redemption of Series B Certificates

Optional Redemption. The Series B Certificates will be subject to redemption on any date prior to maturity at the option of the District, as a whole or in part, at a redemption price (as calculated by the Designated Investment Banker (defined below)) equal to the greater of (1) 100% of the principal amount of the Series B Certificates to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series B Certificates to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B Certificates are to be redeemed, discounted to the date on which the Series B Certificates are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 100 basis points, plus, in each case, accrued and unpaid interest on the Series B Certificates to be redeemed on the redemption date.

Extraordinary Optional Redemption. The Series B Certificates will be subject to redemption on any date prior to maturity at the option of the District, as a whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (as calculated by the Designated Investment Banker) equal to the greater of (1) 100% of the principal amount of the Series B Certificates to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series B Certificates to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B Certificates are to be redeemed, discounted to the date on which the Series B Certificates are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued interest on the Series B Certificates to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the District determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to Build America Bonds) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the District to satisfy the requirements to qualify or receive Treasury Credits from the United States Treasury, pursuant to which the District’s Treasury Credits from the United States Treasury are reduced or eliminated.

Determination of Redemption Price for Optional Redemption or Extraordinary Optional Redemption. For the purpose of determining the redemption price of Series B Certificates to be redeemed pursuant to the Optional Redemption or Extraordinary Optional Redemption provisions, above, the following definitions shall apply:

“Treasury Rate” means, with respect to any redemption for a particular Series B Certificate, the rate per annum truncated to the fifth decimal, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series B Certificate, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series B Certificate to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series B Certificates to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series B Certificate:

(I) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(II) if the yield described in (I) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the District.

“Reference Treasury Dealer” means each of the four firms, specified by the District from time to time, that are primary United States Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series B Certificate, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

“Valuation Date” means the fifth Business Day preceding the redemption date.

Mandatory Sinking Fund Redemption

Series A Certificates. The Series A Certificates maturing on September 1, 2032 are also subject to mandatory sinking fund redemption on September 1 in each year on or after September 1, 2031, by lot, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date of

redemption, from the principal component of the Series A Certificates Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date as follows:

Series A Certificates Maturing September 1, 2032

Redemption Date <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u>
2031	\$415,000
2032 (maturity)	440,000

In the event that the Trustee redeems Series A Certificates maturing on September 1, 2032 in part but not in whole pursuant to a redemption described in “Optional Redemption of Series A Certificates,” the amount of the Series A Certificates to be redeemed on each redemption date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Series A Certificates Installment Payment due on such redemption date.

Series B Certificates. The Series B Certificates maturing on September 1, 2034 and September 1, 2040 are also subject to mandatory sinking fund redemption on September 1 in each year on or after September 1, 2028 and September 1, 2035, respectively, by lot, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date of redemption, from the principal component of the Series B Certificates Installment Payments to be paid by the District pursuant to the Installment Sale Agreement with respect to each such redemption date as follows:

Series B Certificates Maturing September 1, 2034

Redemption Date <u>(September 1)</u>	Principal Amount of Certificates to be <u>Prepaid</u>
2028	\$715,000
2029	745,000
2030	775,000
2031	805,000
2032	840,000
2033	1,330,000
2034 (maturity)	1,390,000

Series B Certificates Maturing September 1, 2040

Redemption Date (September 1)	Principal Amount of Certificates to be Prepaid
2035	\$1,425,000
2036	1,495,000
2037	1,565,000
2038	1,640,000
2039	1,720,000
2040 (maturity)	1,800,000

In the event that the Trustee redeems Series B Certificates maturing on September 1, 2034 or September 1, 2040 in part but not in whole pursuant to a redemption described in "Optional Redemption of Series B Certificates," the amount of the Series B Certificates to be redeemed on each redemption date identified above will be modified at the written direction of the District to correspond to the modified principal component of the Series B Certificates Installment Payment due on such redemption date.

Selection of Certificates for Redemption. Whenever provision is made for the redemption of Series A Certificates and less than all outstanding Series A Certificates are called for redemption, the Trustee will select Series A Certificates for redemption from the outstanding Series A Certificates not previously called for redemption, such that, as nearly as practicable, as directed by the District in writing, approximately equal principal and interest payments prevail with respect to the Series A Certificates in each fiscal year following such redemption. The Trustee will select Series A Certificates for redemption by lot within a maturity in any manner which the Trustee will in its sole discretion deem appropriate. The Trustee will promptly notify the District and the Corporation in writing of the Series A Certificates so selected for redemption.

Whenever provision is made for the redemption of Series B Certificates and less than all the Series B Certificates are to be redeemed, the Series B Certificates will be redeemed on a pro rata basis based on the relative principal amounts among maturities and the Series B Certificates of each maturity will be selected for redemption pro rata as nearly as practicable in proportion to the principal amount of the Series B Certificates owned by each registered owner within each maturity of the Series B Certificates, subject to authorized denominations of \$5,000 applicable to the Series B Certificates. In such event, the particular Series B Certificates to be redeemed will be determined by the Trustee, using such method it deems appropriate. So long as the Series B Certificates are in book-entry form at the time of such redemption, the Trustee will instruct DTC to instruct the DTC Participants to select the Series B Certificates within each maturity pro rata as nearly as practicable in proportion to the principal amounts of the Series B Certificates owned by each registered owner within that maturity.

Notice of Redemption. When redemption is authorized or required as described above, the Trustee will give, at the expense of the District, notice of the redemption of the Certificates to be redeemed. Except as to mandatory sinking fund redemption, and Certificates that are the subject of an advance refunding and as provided in the following paragraph, notice of redemption will be given only if sufficient moneys to pay the redemption price of the Certificates to be redeemed are on deposit with the Trustee and available for such purpose on the date notice of redemption is given or if such notice expressly states that redemption is conditioned upon receipt by the Trustee on the date of redemption of sufficient moneys to pay the redemption price of the Certificates to be redeemed. Such notice will specify: (a) that the

Series A Certificates or the Series B Certificates or a designated portion thereof (in the case of redemption of a Certificate in part but not in whole) are to be redeemed, (b) the date of redemption, and (c) the place or places where the redemption will be made. Such notice will further state that on the specified redemption date there will become due and payable upon each Certificate to be redeemed, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto will cease to accrue and be payable.

Redemption notices will be mailed by first class mail, postage prepaid, to the Owners of any Certificates designated for redemption at their addresses appearing on the Certificate registration books, at least 30 days but not more than 60 days prior to the redemption date, which notice will, in addition to setting forth the above information, set forth, in the case of each Certificate to be redeemed only in part, the portion of the principal thereof which is to be redeemed; provided, however, that neither failure to mail such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of such Certificates.

Effect of Notice of Redemption. If notice is given as described above, and the moneys for the redemption (including accrued interest to the date of redemption) have been set aside in the Series A Certificates Installment Payment Account or the Series B Certificates Installment Payment Account, as appropriate, the Certificates to be redeemed will become due and payable on the date of redemption, and, upon presentation and surrender thereof at the office of the Trustee specified in said notice, such Certificates will be paid in the unpaid principal amount with respect thereto or portion thereof, if only partially redeemed, plus interest accrued and unpaid to the redemption date and premium, if any.

If, on the date of redemption, moneys for the redemption of all the Certificates to be redeemed, together with accrued interest to such date of redemption, are held by the Trustee so as to be available on such date of redemption, and, if notice of redemption has been given as described above, then, from and after the date of redemption, interest with respect to the Certificates to be redeemed will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Certificates will be held in trust for the account of the Owners of the Certificates to be redeemed.

Partial Redemption. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the principal of the Certificate surrendered, and of the same interest rate and the same maturity date. A partial redemption will be valid upon payment of the amount required to be paid to such Owner, and the District and the Trustee will be released and discharged from all liability to the extent of such payment, irrespective of whether an endorsement as to such partial redemption has or has not have been made upon the reverse of such Certificate by such Owner and irrespective of any error or omission in such endorsement.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co., (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F- Book Entry Provisions."

The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents a direct, undivided fractional interest of the Owner thereof in the Installment Payments to be made by the District under the Installment Sale Agreement. The Corporation, pursuant to the Trust Agreement, has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise remedies in the event of a default by the District.

Installment Payment Fund

The Trustee will establish a special fund designated as the "Installment Payment Fund," and within the Installment Payment Fund, the Series A Certificates installment Payment Account and the Series B Certificates Installment Payment Account.

The Series A Certificates Installment Payments or Prepayments will be deposited by the Trustee in the Series A Certificates Installment Payment Account, which will be held by the Trustee in trust for the benefit of the District and the Owners of the Series A Certificates, and will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Series A Certificates as the same becomes due and payable. All payments on the Series A Certificates will be made from the Series A Installment Payment Account.

The Series B Certificates Installment Payments or Prepayments will be deposited by the Trustee in the Series B Certificates Installment Payment Account, which will be held by the Trustee in trust for the benefit of the District and the Owners of the Series B Certificates, and will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Series B Certificates as the same becomes due and payable. All payments on the Series B Certificates will be made from the Series B Installment Payment Account.

Installment Payments

The Installment Sale Agreement requires the District to make semi-annual payments of Series A Certificates Installment Payments and Series B Certificates Installment Payments on the 15th business day preceding each Interest Payment, and continuing thereafter during the term of the Series A Certificates and Series B Certificates, respectively, in amounts as specified in the Installment Sale Agreement with respect to the Series A Certificates and the Series B

Certificates. As a result of the assignment by the Corporation to the Trustee, the District will pay the Installment Payments directly to the Trustee.

Security for the Installment Payments

Pledge of Net Revenues and Tax Revenues

Net Revenues. The District agrees in the Installment Sale Agreement that the payment of the Installment Payments is secured by a pledge of and charge and lien upon the Net Revenues. The payments of the Installment Payments are secured by a pledge of and charge and lien upon the Net Revenues and, except as otherwise provided in the Installment Sale Agreement, all of the Net Revenues are pledged, charged, assigned, transferred and set over by the District to the Corporation and its assignee for the purpose of securing payment of the Installment Payments and any Parity Debt, and the Net Revenues and any interest earned on the Net Revenues constitute a trust fund for the security and payment of the Installment Payments.

Tax Revenues. The District agrees in the Installment Sale Agreement that the payment of the Installment Payments is secured by a pledge of and charge and lien upon the Tax Revenues. The Tax Revenues are pledged, charged, assigned, transferred and set over by the District to the Corporation and its assignee for the purpose of providing additional security for the payment of the Installment Payments, and the Tax Revenues, and any interest earned on the Tax Revenues, constitute a trust fund for the security and payment of the Installment Payments.

Notwithstanding the pledge of the Tax Revenues contained in the Installment Sale Agreement, to the extent the Tax Revenues for any Fiscal Year will not be needed to pay Installment Payments, the District may use such Tax Revenues for any other legally authorized purpose.

The District covenants in the Installment Sale Agreement that it will not encumber or create a lien on Net Revenues or Tax Revenues superior to the pledge of the Net Revenues created by the Installment Sale Agreement.

Definition of Net Revenues and Tax Revenues. The Installment Sale Agreement defines Net Revenues, Tax Revenues and related terms as follows:

“Net Revenues” means Gross Revenues less Operation and Maintenance Expenses.

“Water System” means all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the production, transmission, disposition and sale of water and all additions, extensions, expansions, improvements and betterments thereto, and equipment thereof; provided, however, that to the extent the District is not the sole owner of an asset or property, only the District’s ownership interest in such asset or property shall be considered to be part of its Water System.

“Gross Revenues” means, in any Fiscal Year all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees (including Connection Fees, to the extent legally available), charges, and other moneys derived from the sale, furnishing and supplying of water and other services, facilities and commodities

sold, furnished or supplied through the facilities of the Water System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees (including Connection Fees, to the extent legally available), charges and other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to the Water System, (iii) amounts transferred from the Revenue Stabilization Fund and deposited to the Installment Payment Fund, (iv) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted by the Installment Sale Agreement; provided that the term "Gross Revenues" does not include (a) customer deposits or any other deposits subject to refund until such deposits have become the property of the District, and (b) any amounts transferred to the Revenue Stabilization Fund from the sources referenced in (i), (ii), (iii) and (iv) above. "Gross Revenues" will, however, include the Treasury Credits, if any, received by or on behalf of the District.

"Operation and Maintenance Expenses" means all expenses and costs of management, operation, maintenance and repair of the Water System, and all incidental costs, fees and expenses properly chargeable to the Water System (but excluding debt service or other similar payments on Parity Debt or other obligations and depreciation and obsolescence charges or reserves and amortization of intangibles or other bookkeeping entries of a similar nature).

"Connection Fees" means any fee or fees collected by the District from property owners as a condition to the District providing water service from the Water System to residential, commercial or industrial property.

"Tax Revenues" means 50% of the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Auditor of the County of Riverside to the District with respect to each Fiscal Year, commencing with the 2010-11 Fiscal Year, pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 5 of Division 1 of the Revenue and Taxation Code of the State of California, as they may be amended from time to time.

Prohibition Against Priority Debt

Under the Installment Sale Agreement, the District may not issue or incur indebtedness or other obligations (including leases and installment sale agreements) secured by a pledge of and charge and lien upon the Net Revenues which is senior to the pledge of and charge and lien upon Net Revenues that secures payment of the Installment Payments.

Limitations on Parity Debt

Under the Installment Sale Agreement, the District may issue **"Parity Debt"** of the District in any Fiscal Year payable from and secured by a pledge of and lien upon any of the Net Revenues and Tax Revenues only in compliance with the following conditions:

(i) an Independent Financial Consultant shall render to and file with the District and the Trustee a written opinion that the Net Revenues (adjusted as provided below) and Tax Revenues for any 12 consecutive calendar months of the 18 calendar months immediately preceding the issuance of the Parity Debt have been equal to at least 110% (in any given year) of the maximum total annual amount of (1) the Series A Certificates Installment Payments and the Series B Certificates Installment Payments, and (2) the debt service with respect to the Parity Debt to be issued; and/or

(ii) an Independent Financial Consultant having a favorable reputation for special skill, knowledge and experience in analyzing the operations of water systems shall render to and file with the District and the Trustee written opinion that Net Revenues (adjusted as provided below) and Tax Revenues in each of the five Fiscal Years succeeding the issuance of the Parity Debt will equal at least 110% of the total annual amount (in any given year) of the (1) Series A Certificates Installment Payments and the Series B Certificates Installment Payments, and (2) the debt service with respect to the Parity Debt that is proposed to be issued; and

(iii) the Parity Debt obligations will require that a debt service reserve fund be maintained as required in the instrument pursuant to which such Parity Debt is issued; provided, however, that no debt service reserve fund need be maintained in connection with (1) any Parity Debt issued with respect to a Federal or State loan program not requiring a debt service reserve fund or requiring a debt service reserve fund to be maintained at an amount less than the maximum amount permitted by Federal tax law, or (2) any tax credit bond.

For purposes of the calculations required to be made in paragraphs (i) and (ii) above, Treasury Credits will be excluded from the definition of Gross Revenues, but shall be included as a credit against the applicable amount of Installment Payments.

For purposes of paragraphs (i) and (ii) above, Net Revenues may be adjusted in consideration of the following:

(1) To give effect to any change in service charges adopted by the District at or prior to the date any Parity Debt is issued and becoming effective during the time period described above in paragraph (i) or (ii) above;

(2) To give effect to customers added to the Water System subsequent to the commencement of said 12-month period;

(3) To give effect to the estimated change in Net Revenues which will result from the connection of existing residences or businesses to the Water System within 12 months following completion of any project to be funded or facilities to be acquired from the proceeds of the Parity Debt; and

(4) To give effect to the estimated change in the Net Revenues which will result from services provided under any long-term, guaranteed contract that extends for the life of the Parity Debt if entered into subsequent to the commencement of said 12-month period but prior to the date of issuance of the Parity Debt.

The District may issue or incur Parity Debt for the purpose of refunding the Series A Certificates or the Series B Certificates, or both, without complying with the provisions described above if maximum annual debt service on such Parity Obligations does not exceed the maximum annual amount of the Series A Certificates Installment Payments or the Series B Certificates Installment Payments by more than 10%, and if the final maturity of such Parity Debt is not later than the final maturity of the Certificates.

Variable Rate Interest Rate. The Installment Sale Agreement establishes certain provisions governing Parity Debt in the event the interest component is variable. See "APPENDIX A - Summary Of Principal Legal Documents."

Subordinate Debt

There is no prohibition in the Installment Sale Agreement on issuance by the District of obligations payable from Net Revenues and Tax Revenues on a subordinate basis to the Installment Payments and Parity Debt. The District has the following outstanding subordinate debt obligations payable from Net Revenues (the “**Subordinate Debt**”):

- (i) 2004 WMWD Loan Payments. The District’s payment obligations (the “**2004 WMWD Loan Payments**”) under an Installment Sale Agreement entered into in May 2004 (the “**2004 Installment Sale Agreement**”) in the original loan amount of \$9,486,754 with the Western Municipal Water District of Riverside County (the “**2004 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 treatment facility. The 2004 WMWD Loan Payments are payable from the the District’s net revenues of the sewer system (“**Sewer System**”), Tax Revenues and available revenues of the Water System, although the District has paid the 2004 WMWD Loan Payments from facilities fees of the Sewer System and Water System. As of June 30, 2009, the outstanding principal amount of the WMWD Loan was \$8,452,558.
- (ii) Economic Development Administration Loan. In October 1977 the District entered into a loan with the U.S. Department of Commerce, Economic Development Administration (the “**EDA Loan**”) to finance the improvement and expansion of the District’s Water System. Annual installments of \$115,649 on the EDA Loan are due each July 1 through 2018. The EDA Loan is payable from Net Revenues.

The District’s pledge of Net Revenues and Tax Revenues to the Installment Payments is superior to the payment of debt service on the Subordinate Debt.

Rate Covenant

The District covenants in the Installment Sale Agreement, subject to the provisions of the following paragraph, to establish, maintain and collect Gross Revenues sufficient in each Fiscal Year to provide Net Revenues and Tax Revenues equal to at least 110% of the sum of (i) the amount of the Series A Certificates Installment Payments due in the Fiscal Year, (ii) the amount of the Series B Certificates Installment Payments due in the Fiscal Year, (iii) any required deposits to the Series A Certificates Reserve Account or the Series B Certificates Reserve Account in the Fiscal Year, and (iv) the aggregate amount of annual debt service or other payments due in such Fiscal Year with respect to outstanding Parity Debt and all other obligations constituting a lien on Net Revenues (the “**Rate Covenant**”).

Notwithstanding the provisions of the previous paragraph, the District will be deemed to have satisfied the Rate Covenant, subject to the paragraph below, if the total of the Net Revenues and Tax Revenues for a Fiscal Year and the amount on deposit in the Revenue Stabilization Fund (defined below) at the beginning of the Fiscal Year for payment of the Series A Certificates Installment Payments and the Series B Certificates Installment Payments, excluding interest earnings during the Fiscal Year, is equal to or exceeds 110% of the amounts specified in clauses (i) through (iv) in the previous paragraph for the Fiscal Year; provided, however, that Connection Fees will not be taken into consideration for the purpose of determining whether or not the District will be deemed to have satisfied the Rate Covenant

unless the total of the Net Revenues and Tax Revenues for the Fiscal Year is equal to at least 100% of the amounts specified in clauses (i) through (iv) in the previous paragraph for the Fiscal Year.

For purposes of making the calculations described above, Gross Revenues will not include Treasury Credits. Treasury Credits in the amount expected to be reissued by or on behalf of the District, however, will be included as a credit against the applicable amount of Installment Payments.

In the event the District fails in any Fiscal Year to comply with the Rate Covenant, the District will retain an Independent Financial Consultant to undertake a rate study of the Water System for the purpose of establishing a rate structure that will enable the District to comply with the Rate Covenant during the succeeding Fiscal Year. The District will within 60 days of receipt of such study revise its rates and charges with respect to the Water System in conformity with the recommendations of the rate study.

Variable Rate Interest Rate. The Installment Sale Agreement establishes certain provisions governing the Rate Covenant in the event the interest component is variable. See "APPENDIX A - Summary Of Principal Legal Documents."

Reserve Fund

General. The Trustee will establish a special fund designated the "Reserve Fund" and within the Reserve Fund, the Trustee will establish the "Series A Certificates Reserve Account" and the "Series B Certificates Reserve Account" from the proceeds of the Series A Certificates and the Series B Certificates, respectively, each in the amount of the Reserve Requirement (defined below). All moneys at any time on deposit in the Series A Certificates Reserve Account or the Series B Certificates Reserve Account will be held by the Trustee in trust for the benefit of the owners of the Series A Certificates or the Series B Certificates, respectively.

The amounts in the Series A Certificates Reserve Account and the Series B Certificates Reserve Account will not, as of any date of determination, exceed an amount equal to the "**Reserve Requirement**," which is defined in the Trust Agreement to mean, as of any date of determination with respect to the Series A Certificates or the Series B Certificates, respectively, an amount equal to the lesser of (i) 10% of the Issue Price, (ii) 125% of the average annual amount of Series A Certificates Installment Payments or Series B Certificates Installment Payments, respectively, due throughout the Term of the Installment Sale Agreement, or (iii) the maximum amount of Series A Certificates Installment Payments or Series B Certificates Installment Payments, respectively, due in the year of determination or any subsequent year.

Use of Reserve Fund. If on any March 1 or September 1 the moneys on hand in the Series A Certificates Installment Payments or the Series B Certificates Installment Payments do not equal the amount of the Installment Payment then due and payable, the Trustee will apply the moneys on hand in the Series A Certificates Reserve Account or the Series B Certificates Reserve Account, as applicable, to make the payment on behalf of the District by transferring the amount necessary to the Series A Certificates Reserve Account or the Series B Certificates Reserve Account, as applicable. Upon receipt by the Trustee of any delinquent Installment Payment with respect to which moneys have been advanced from the Series A Certificates Reserve Account or the Series B Certificates Reserve Account, the delinquent Installment

Payment will be deposited in the Series A Certificates Reserve Account or the Series B Certificates Reserve Account, as applicable, to the extent of the advance.

The District will maintain or cause to be maintained in the Series A Certificates Reserve Account and the Series B Certificates Reserve Account an amount equal to the Reserve Requirement with respect to the Series A Certificates and the Series B Certificates, respectively. In the event of a deficiency in the Series A Certificates Reserve Account or the Series B Certificates Reserve Account, the Trustee will immediately notify the District of the deficiency and the District will increase its payments required to be made to the Trustee in an amount sufficient to cure the deficiency with 12 substantially equal payments within one year from the date the deficiency occurs.

Additional Information. See Appendix A for a summary of the provisions of the Trust Agreement relating to the Reserve Fund, including the definition of Qualified Reserve Fund Credit Instrument.

Revenue Stabilization Fund

The District will establish and maintain during the term of the Installment Sale Agreement, a special fund to be designated the "Revenue Stabilization Fund." The District may deposit in the Revenue Stabilization Fund surplus Net Revenues for any Fiscal Year or any other funds of the District that are legally available for deposit therein. The District may at any time withdraw moneys from the Revenue Stabilization Fund for the purpose of making Installment Payments. The District may at any time withdraw moneys from the Revenue Stabilization Fund and deposit such amounts into the Installment Payment Fund.

Amounts on deposit in the Revenue Stabilization Fund are not pledged to and do not otherwise secure the Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Revenue Stabilization Fund will be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Revenue Stabilization Fund and apply such amounts for any other lawful purposes of the District.

Installment Payments are Unconditional

The obligations of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counter-claim, or recoupment arising out of any breach of the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Water System. Until such time as all of the Installment Payments have been fully paid or prepaid or secured, the District:

- (i) will not suspend or discontinue any Installment Payments;
- (ii) will perform and observe all other agreements contained in the Installment Sale Agreement; and
- (iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the taking by eminent domain of title to or temporary use of any or all of the Water System, commercial frustration of purpose, any change in the tax or other laws of the

United States of America or of the State of California or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or the Installment Sale Agreement.

The obligation of the District to make the Installment Payments from the Net Revenues will be absolute and unconditional and until such time as the purchase price has been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Sale Agreement), the District will not discontinue or suspend any Installment Payments required to be made by it under the Installment Sale Agreement when due, whether or not the Water System or any part of such system, is operating or operable, or the use of any such system, is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Additional Covenants

The District makes certain additional covenants in the Installment Sale Agreement including covenants relating to maintenance and modification of the Water System and maintenance of insurance and operation of the Water System (see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Installment Sale Agreement").

Limited Obligation

The District's obligation to pay the Installment Payments is a special obligation, limited solely to the Net Revenues (including Treasury Credits) and the Tax Revenues. Under no circumstances will the District be required to advance any moneys derived from any source of income other than the Net Revenues (including Treasury Credits) or the Tax Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments. No other funds or property of the District will be liable for the payment of the Installment Payments. The obligation of the District to make Installment Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

THE DISTRICT

General

The District encompasses a 48-square mile region located in the extreme northwestern portion of Riverside County, approximately 47 miles east of the Los Angeles civic center and four miles west of the downtown area of the City of Riverside. The District serves the unincorporated area of Riverside County which is comprised of the communities of Jurupa, Mira Loma, Eastvale, Glen Avon, Pedley, Sunnyslope, Sky Country and Indian Hills. See Appendix C for certain demographic information on the Riverside County area.

The District is situated within an area identified as the "**Jurupa Region**" by the Riverside County Department of Economic and Community Development. The Jurupa Region is bordered on the north and west by San Bernardino County, on the east by the unincorporated community of Rubidoux, while its southern boundaries vary, but are generally north of the Santa Ana River and the unincorporated community of Mira Loma. It has a predominantly rural to semi-rural setting. The topography of the area ranges from broad stretches of flat land to hills which separate the District from San Bernardino County. The area is surrounded by mountains which protect it from the heat of the desert areas to the east during the summer and from cooler winter winds and fog experienced by the coastal area to the west.

In 1960 the District's first general manager and secretary were hired. General obligation bonds were sold to finance the sewer collection system and a treatment plant, which were completed in 1961. As the District became established, the local citizens began to request the Board of Directors to solve other problems, the most important one being the development of a good water supply. A study was completed which recommended the sale of water revenue bonds to finance the consolidation and improvement of three existing water companies in the Jurupa area. These three companies were the Jurupa Heights Water Company, the La Bonita Mutual Water Company and the Monte Rue Acres Mutual Water Company. This transaction and improvement of the water system was not completed until 1966.

In 1972 State and federal agencies mandated the consolidation of various facilities, including those operated by Rubidoux Community Services District, the District and the City of Riverside, into a regional wastewater treatment plant, now known as the City of Riverside Regional Wastewater Treatment Plant (the "**Riverside Plant**"), which is owned by the City of Riverside.

In 1979 the District completed a large project consisting of three reservoirs, six miles of transmission pipeline, four new wells and one new booster station. Also included was a large pump station and sewer interceptor line from the District's wastewater treatment plant to the Riverside Plant. In 1979 the District entered into an agreement with a local property owner to build a sewage treatment plant, which would provide reclaimed water to irrigate a golf course located at the Indian Hills residential development.

Since 1979 the District has grown, through annexation, from 26 square miles to 48 square miles and from 1,500 water connections to 25,000 water connections and 24,000 sewer connections, serving a population of approximately 91,000. The District also provides water, through inter-ties, to its neighboring water agencies of the City of Norco and the Santa Ana River Water Company.

The District administers an illumination district, lighting maintenance districts, landscape maintenance districts and provides graffiti control, placing charges on the property tax bills to cover the energy charges of the street lights and the operation and maintenance of landscaping within public rights-of-way throughout the District's service area.

In 1996 the District formulated a community park plan and has formed 41 community facilities districts to provide the financing mechanism for the acquisition, improvement and maintenance of approximately 250 acres of community and neighborhood parks.

Organization and Administration

The District was formed on July 30, 1956 under the provisions of the Community Services District Law of the State of California (Government Code, Title 6, Division 2), for the purpose of installing a sewer system within the Jurupa community. The District has authority to provide a wide range of governmental services including water, sewer, refuse disposal, fire protection, park and recreation, street lighting, mosquito abatement, police protection, library and street construction services.

The District is governed by a five-member Board of Directors (the "**Board**"). The following table sets forth the current members of the Board.

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Betty A. Anderson	President	2012
Jane F. Anderson	Vice-President	2010
R.M. "Cook" Barela	Director	2010
Kathryn Bogart	Director	2012
Ken J. McLaughlin	Director	2010

The District's operations are carried out under the direction of the General Manager.

Eldon E. Horst, General Manager. Mr. Horst has over 40 years experience in water, wastewater and energy projects and services serving large and small public agencies. Prior to joining the District as General Manager, Mr. Horst was Executive Manager at the Santa Ana Watershed Project Authority, responsible for engineering, operations and project management. Prior to this, Mr. Horst served 32 years with the nation's largest water and electric utility, the Los Angeles Department of Water and Power, in a variety of management and engineering capacities in both the water and electric businesses.

Craig Koehler, Director of Finance. Mr. Koehler has more than 30 years of finance-related experience. Prior to joining the District as Director of Finance, he was the Finance and Accounting Manager/CFO at Southern California Public Power Authority (SCPPA), responsible for accounting and finance, implementing debt and escrow restructuring activities for projects and overseeing a debt portfolio exceeding \$1.8 billion. Prior to his position at SCPPA, he held executive management positions as a Chief Financial Officer, Chief Operations Officer and Corporate Controller for various public and privately held companies. He also served 16 years as an officer and in a variety of management positions with one of the nation's largest natural gas distribution public utilities.

Robert Tock, Director of Engineering and Operations. Mr. Tock has over 20 years experience in water, wastewater, environmental services, and military service. Prior to joining

the District as Director of Engineering and Operations, Mr. Tock was the District Engineer and Manager of Operations and Maintenance at Monte Vista Water District (MVWD), responsible for engineering, operations and project management. Prior to his position at MVWD, Mr. Tock was employed at Willows Water District and a private environmental firm in Colorado. Mr. Tock served 6 years on active duty as a U.S. Army Engineering Officer, attaining the rank of Captain, and is a veteran of Desert Shield/Storm.

The District employs 115 employees.

Pension Plan

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

In fiscal year 2006-07, the District changed its PERS defined benefit contribution plan from a 2% at 55 years-old Risk Pool Retirement Plan (the "**2% PERS Plan**") to a 2.7% at 55 years-old Risk Pool Retirement Plan (the "**2.7% PERS Plan**"). The contribution rate for plan members in the 2.7% PERS Plan is 8% of their annual covered salary. The contribution rate for plan members in the 2% PERS Plan is 7% of their annual covered salary. The District makes contributions required of District employees on their behalf. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The District's contribution to PERS in fiscal year 2008-09 was \$862,279.

Other Post-Retirement Benefits. The District provides post-retirement health care benefits. The District contributes a fixed amount for health care benefits up to 100% of the premium for the retiree and their dependents.

The District administers its post-employment benefits plan, a single employer defined benefit plan. The following requirements must be satisfied in order to be eligible for lifetime post-employment medical benefits (1) attainment of age 55, and ten years of full-time service, and (2) retirement from PERS and from the District (the District must be the last employer prior to retirement). Currently, there are 108 active plan members and 13 retirees and beneficiaries receiving benefits.

In order to comply with GASB 45, the District commissioned an actuarial study to determine the liability associated with providing retiree health care benefits. According to the actuarial study, the District's actuarial accrued OPEB liability as of July 1, 2007 was \$4,742,495. There are no plan assets because the District funds on a pay-as-you-go basis and is to maintain net assets equal to the remaining net post-employment benefits payable obligation.

The District is required to contribute the Annual Required Contribution ("**ARC**"), an amount actuarially determined in accordance with GASB 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 over a period not to exceed 30 years. The current ARC is 18.2% of the annual covered payroll. The District pays 100% of the cost of the OPEB

plan. The District funds the plan on a pay-as-you-go basis and maintains reserves for the difference between pay-as-you-go and the actuarially determined ARC cost.

For the year ended June 30, 2009, the District's ARC cost was \$1,211,585 and the District's net OPEB payable obligation was \$1,133,821. The District contributed \$77,764 in age adjusted contributions for current retiree OPEB premiums.

Insurance

The insurance currently carried by the District is presented below:

<u>Coverage</u>	<u>Amount</u>
Public entity general liability: Products, \$300,000; personal injury, \$1,000,000 and medical expenses, \$10,000	\$1,000,000 each occurrence \$3,000,000 aggregate
Property insurance covering building, contents, equipment at replacement cost, \$500 deductible	\$15,000,000
Contractors' equipment, \$500 deductible	\$500,000
Electronic data processing equipment, \$500 deductible	\$500,000
Communications equipment, \$500 deductible	\$500,000
Crime/employee dishonesty bond, forgery or alteration, \$500 deductible	\$500,000
Commercial auto liability, comprehensive/collision, \$250/\$250 deductible	\$1,000,000
Excess liability	\$9,000,000

Financial Summary

The District's fiscal year 2008-09 financial statements, which are attached to this Official Statement as Appendix A, were audited by Charles Z. Fedak & Company, Cypress, California (the "Auditor"). The Auditor has not been asked to consent to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

THE WATER SYSTEM

General

The District provides potable water in its service area (see "Service Area" below) and also provides water to its neighboring water agencies of the City of Norco and the Santa Ana River Water Company.

The following table lists the Water System major facilities:

<u>Facility</u>	<u>Number</u>
Wells	23
Reservoirs	16
Booster Stations	7
Miles of Pipeline	367

Service Area

The District has two general regions, an older area that has been in service for 35 or more years and newer areas that have been in service for five years or less. From 2001 to 2006, the District experienced a dramatic increase in growth. The facilities needed to accommodate this growth were financed by developers and funded either through the use of community facilities district special taxes and bonds or facility capacity fees.

The District estimates that the current population within the District is approximately 91,000, or 4.3% of the population of Riverside County. See "APPENDIX C - GENERAL INFORMATION REGARDING THE COUNTY OF RIVERSIDE" for further information on the population of Riverside County.

Table 1
THE JURUPA REGION
Estimated Population*

<u>Year</u>	<u>Population</u>
2005	71,137
2006	79,396
2007	85,590
2008	88,471
2009	91,289

* Population determined based on a factor of 3.72 persons per residential water meter pursuant to National Demographic Corporation study prepared for the District in 2007

Source: Jurupa Community Services District

Water Supply

The District's primary water supply is local groundwater from the Chino Basin aquifer. In addition to groundwater, the District also purchases (i) desalted water from the Chino Desalter Authority (the "CDA") and (ii) treated domestic water from the Rubidoux Community Services District.

The following table sets forth acre-feet by water production by source:

Table 2
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Water Production by Source
Figures in Acre-Feet
(For Fiscal Years Ended June 30)

<u>Category</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Wells	17,157	15,059	20,638	16,005	17,159
CDA Water	3,200	5,700	8,200	8,200	8,200
Purchased water	<u>966</u>	<u>3,299</u>	<u>1,112</u>	<u>1,735</u>	<u>257</u>
Total Production	21,323	24,058	29,950	25,940	25,616

Source: Jurupa Community Services District.

The following table sets forth the cost to the District of its water by source:

Table 3
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Historical Water Purchases by Source
(For Fiscal Years Ended June 30)

<u>Category</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Wells ⁽¹⁾	\$1,110,012	\$1,570,242	\$1,695,753	\$1,664,901	\$2,090,905
CDA Water ⁽²⁾	640,926	3,662,803	5,472,165	6,246,872	6,491,827
Purchased water	<u>434,659</u>	<u>1,431,717</u>	<u>543,351</u>	<u>1,422,158</u>	<u>84,151</u>
Total Purchases	\$2,185,597	\$6,664,762	\$7,711,269	\$9,333,931	\$8,666,883

(1) Represents Watermaster charges.

(2) Reflects CDA costs for treating water and servicing CDA debt obligations.

Source: Jurupa Community Services District.

Water Rights

Chino Basin Groundwater Aquifer. The District receives a substantial portion of its water supply from the underlying Chino Basin groundwater aquifer, which is an adjudicated groundwater supply. A judgment entered in the Superior Court of the County of San Bernardino in 1978 in the case *Chino Basin Municipal Water District v. City of Chino, et al.* appointed the Chino Basin Municipal Water District as “Watermaster” of the groundwater and adjudicated rights to the groundwater and storage capacity within the Chino Basin.

The District currently has rights to produce 14,509 acre-feet of water annually before being required to purchase replenishment water. The right to produce 14,509 acre-feet consists of:

- “Appropriative rights” to the basin in the amount of 2,061 acre-feet annually, and
- “Land conversion water rights” to the basin in the amount of 12,448 acre-feet annually pursuant to a Peace Agreement with respect to the Chino Basin dated June 29, 2000 (the

“Peace Agreement”). The Peace Agreement terminates December 31, 2031, although is subject to extension for an additional 30 years.

Land conversion rights are acquired as agricultural land is converted to urban uses. The District is entitled to receive an additional two acre-feet of water for each acre of land converted within the District's boundaries.

The Watermaster is responsible for monitoring the amount of water that is extracted by basin pumpers so they do not take more than their adjudicated amount. Should the District take more than its allocation, it is required to pay for the replacement of that water.

The Chino Basin aquifer relies on recharge from imported water purchased from the Metropolitan Water District of Southern California (the “MWD”). The MWD obtains its water from the State Water Project and the Colorado River. As a result of long-term drought conditions in the Colorado River Basin and the federal court decision that restricts pumping from the Sacramento-San Joaquin River Delta, MWD imposed water supply allocations on its member agencies effective July 1, 2009 and has cut off recharge water, which indirectly affects the District.

On August 11, 2009, MWD issued revenue bonds (the “2009 MWD Bonds”). In connection with the issuance of the 2009 MWD Bonds, MWD prepared an official statement dated July 30, 2009 (the “MWD Official Statement”). The MWD Official Statement includes a discussion of MWD's water sources and the impact of drought conditions and environmental restrictions in Appendix A to the MWD Official Statement, which is entitled “The Metropolitan Water District of Southern California”. ***Although the District believes MWD is the best source of information about MWD's water sources and operational plans, and, therefore, encourages potential investors to review the MWD Official Statement, the District can provide no assurances as to the accuracy, completeness or timeliness of the MWD Official Statement.*** The MWD Official Statement is available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

In the future it may be necessary for the District to purchase more desalted water or imported water in order to maintain adequate supplies to its service area, but the District can provide no assurances that such water will be available for purchase. See “RISK FACTORS – Threat to Water Supply.”

Chino Desalter Authority. The District also purchases 8,200 acre-feet of desalted water from the CDA on a take-or-pay basis. Desalted water provides a secure source of water when there is a reduction in other supplies. The replenishment cost is included within the cost of the desalted water.

Additional Rights. The District currently holds additional rights of approximately 5,521 acre-feet of stored (supplemental) water within the Chino Basin aquifer. This water is available to be delivered on an as-needed basis.

Alternative Future Water Sources. The restrictions on the State Water Project as a result of the federal court decision that restricts pumping from the Sacramento-San Joaquin River Delta, is forcing southern California water agencies, including the District, to develop local resources. The development of brackish water and seawater has become a more viable alternative. In the past 10 years the cost of desalting seawater has been reduced by half from \$2,200 per acre foot to approximately \$1,000 per acre foot.

Depending on population growth, the District expects that within five to seven years it will require more water than its current sources provide. The District may need to improve connections with neighboring water agencies (Rubidoux Community Services District and City of Norco), fund its own conservation incentive programs and construct recycled water systems.

Risk Factors. See “RISK FACTORS – Threat to Water Supply” for information about conditions that could adversely impact the availability of water to the District.

Water Storage

The District has 16 water storage reservoirs in locations throughout the District, with a total capacity of 46.2 million gallons. District reservoirs are welded steel tanks.

Distribution System

The water distribution system consists of 7 pressure zones with static water levels ranging from 870 to 1,350 feet in elevation. Water is distributed via a total of 367 miles of pipelines ranging in diameter from 8 inches to 30 inches.

There are seven booster stations within the Water System, which are operated by electric motors. Pressure reducing valves are located in two station locations, transferring flow from upper to lower zones.

Historical Accounts and Deliveries

The following chart details a five-year history of metered accounts and gross water deliveries in the District's service area.

Table 4
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Metered Accounts and Water Deliveries
Fiscal Years 2004-05 through 2008-09

<u>Fiscal Year ended June 30</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Metered Accounts					
Residential	19,112	21,331	22,995	23,769	24,230
Commercial	672	703	711	718	724
Irrigation	173	192	221	255	268
Other ⁽¹⁾	<u>60</u>	<u>82</u>	<u>107</u>	<u>125</u>	<u>126</u>
Total Metered Accounts:	20,017	22,308	24,034	24,867	25,348
Metered Water Deliveries (ccf)					
Residential	5,620,559	6,264,821	7,467,496	7,426,373	7,240,441
Commercial	2,773,287	2,854,683	3,121,186	3,071,599	2,878,512
Irrigation	463,796	506,275	677,913	629,769	608,776
Other ⁽¹⁾	<u>646,932</u>	<u>519,294</u>	<u>552,096</u>	<u>441,436</u>	<u>394,510</u>
Total metered water deliveries (ccf/year):	9,504,574	10,145,073	11,818,691	11,569,177	11,122,239
Total metered water deliveries (AF/year):	21,819	23,290	27,132	26,559	25,533

(1) Represents hydrant, construction or other miscellaneous connections.

Source: Jurupa Community Services District.

Total metered accounts as of January 2010 are 25,688.

Major Water Users. The following table sets forth, as of June 30, 2009, the District's largest water accounts estimated according to fiscal year billings, along with corresponding consumption amounts. The ten largest water users in fiscal year 2008-09 accounted for approximately 4.4% of the District's annual water consumption and approximately 3.4% of the District's water revenues.

Table 5
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Ten Largest Water Accounts by Revenues
Fiscal Year 2008-09

<u>Customer</u>	<u>Land Use</u>	<u>HCF⁽¹⁾</u> <u>of Water</u>	<u>Percent of</u> <u>Total⁽²⁾</u>	<u>2008-09</u> <u>Revenue</u>	<u>Percent</u> <u>of Total⁽³⁾</u>
Metal Container	Aluminum Can Mfg.	98,655	0.904%	\$178,603	0.887%
Lewis Homecoming	Residential	64,353	0.923	182,186	0.579
Swan Lake – M.C. Management	Residential	15,607	0.685	135,182	0.140
Harada Park	Public Agency	47,318	0.444	87,647	0.425
Bravo Estates	Residential	39,685	0.338	66,840	0.357
Del Real Foods	Mexican Food Prod.	31,068	0.264	52,204	0.279
Sarafina Homeowners Assoc.	Residential	25,026	0.215	42,555	0.225
So. California Housing Authority	Residential	22,140	0.208	41,128	0.199
Shaw Investments	Industrial	13,886	0.186	36,659	0.125
Quicksilver	Industrial	<u>13,814</u>	<u>0.126</u>	<u>24,981</u>	<u>0.124</u>
Total		371,552	4.293%	\$847,985	3.340%

(1) One hundred cubic feet (hcf) equals 748 gallons.

(2) Based on total gross water deliveries of 11,122,239 HCF in fiscal year 2008-09.

(3) Based on total gross revenues of \$19,748,725.

(4) Meter revenues for mobile homes are based on number of units.

Source: Jurupa Community Services District.

Projected Water Demand

Although growth in the District has slowed considerably since the 2001-2007 development boom, the District projects 2% annual growth in demand, or approximately 500 acre-feet per year, to its service area in the coming years.

Water Service, Connection and Facility Fees

Rate Setting Procedure. In accordance with California law, the District may, from time to time and at its discretion, fix, alter, change, amend or revise any user fees, connection charges and all other fees related to the Water System. No other governmental authority, board, body or commission has jurisdiction over or is required to approve the Water System rates established by the District.

Water Rates. The District adopted Ordinance No. 280 on October 9, 2007, which established new water rates and charges from January 1, 2008 through December 31, 2011.

The monthly rate for each permanent meter installation, whether or not water is used, is based on the meter size and is summarized in the following table.

Table 6
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Water Rates through 2011

Meter Size	January 1 – December 31, 2009 Minimum <u>Monthly Rate</u>	January 1 – December 31, 2010 Minimum <u>Monthly Rate</u>	January 1 – December 31, 2011 Minimum <u>Monthly Rate</u>
5/8"	\$20.49	\$25.36	\$30.23
3/4"	25.45	30.28	35.10
1"	42.58	50.24	58.50
1-1/2"	89.00	102.99	116.99
2"	136.20	161.69	187.19
3"	383.39	484.18	584.97
4"	731.18	950.56	1,169.95
6"	1,225.66	1,548.78	1,871.91
8"	1,366.27	1,736.05	2,105.83
10"	1,726.54	2,208.71	2,690.88

Source: Jurupa Community Services District.

Comparative Monthly Water Service Charges. The following table compares the District's current residential charges to other Riverside and San Bernardino County cities and agencies based on a single family residence using 20 HCF of water.

**Table 7
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Monthly Water Service Charge Comparison
Residential Service
As of January 1, 2010**

<u>City/District (County)</u>	Monthly Base Charge	Commodity Charge (20 HCF)	Total Monthly Single- Family User Charge
City of Rialto (San Bernardino)	\$12.00	\$15.87	\$27.87
City of Loma Linda (San Bernardino)	11.55	18.24	29.79
City of Upland (San Bernardino)	8.00	24.30	32.30
City of Colton (San Bernardino)	11.48	22.20	33.68
City of Riverside (Riverside)	11.99	24.15	36.14
Monte Vista Water District (San Bernardino)	9.45	27.16	36.61
Rubidoux Community Services District (Riverside)	17.25	19.89	37.14
Cucamonga Valley Water District (San Bernardino)	10.61	28.20	38.81
City of Chino (San Bernardino)	17.86	21.60	39.46
City of Norco (Riverside)	14.23	25.80	40.03
Jurupa Community Services District (Riverside)	25.45	19.60	45.05
City of Chino Hills (San Bernardino)	18.85	27.60	46.45
Fontana Water Company (San Bernardino)	16.55	32.07	48.62
Elsinore Valley Municipal Water District (Riverside)	13.35	43.55	56.90
City of Ontario (San Bernardino)	15.80	42.15	57.95
City of Corona (Riverside)	23.66	41.20	64.86

Source: Jurupa Community Services District survey.

Capacity Charge. In addition to the monthly minimum water rates, the water capacity charge includes a four-tiered rate based on a charge per one-hundred cubic feet (“hcf”) of water for each unit, as follows:

**Table 8
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Capacity Charge (per HCF) through 2011**

<u>HCF</u>	<u>January 1 – December 31, 2009 Rates/HCF</u>	<u>January 1 – December 31, 2010 Rates/HCF</u>	<u>January 1 – December 31, 2011 Rates/HCF</u>
Tier 1 – 0-15 HCF	\$0.98	\$1.14	\$1.30
Tier 2 – 16-50 HCF	1.28	1.47	1.65
Tier 3 – 50-75 HCF	1.54	1.72	1.90
Tier 4 – >76 HCF	1.76	1.94	2.12

Non potable water used for irrigation is currently \$0.72 per hcf.

Connection Fees. Connection fees for meter installation and capacity in the water system are collected as new connections are made to the system. Connection fees are used for capital improvements (or repayment of debt related to capital improvements) and are not accounted for as operating revenues. The amount of the meter installation fees and capacity fees are summarized in the following table.

**Table 9
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Connection and Capacity Fees**

<u>Size of Service and Meter</u>	<u>Fee for Meter Installation</u>	<u>Capacity Fee</u>	<u>Total</u>
5/8"	\$1,290.76	\$7,260	\$8,550.76
3/4"	1,379.23	7,260	8,639.23
1"	1,424.26	12,100	13,524.26
1-1/2"	1,814.71	24,200	26,014.71
2"	1,897.18	38,720	40,617.18
3"	Actual cost	75,625	Actual cost
4"	Actual cost	121,000	Actual cost
6"	Actual cost	242,000	Actual cost
8"	Actual cost	387,200	Actual cost
10"	Determined at time of application based on flow capacity of proposed meter in relation to the flow capacity of a 3/4" meter		

Source: Jurupa Community Services District.

The Installment Payments are payable from connection fees, to the extent legally permissible under California law.

Comparative Connection Fees. A comparison of the District's current Connection Fees and those of other Riverside County cities is set forth in the following table.

Table 10
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Connection Fees Comparison
As of January 1, 2010

<u>City/District (County)</u>	<u>Connection Fee/ Residential Unit</u>
Rancho California WD (Riverside)	\$1,397
City of Norco (Riverside)	2,400
San Antonio WC (San Bernardino)	3,250
Eastern Municipal Water District (Riverside)	3,700
Hi-Desert WD (Yucca Valley) (San Bernardino)	4,404
City of Montclair (Riverside)	4,766
City of Riverside (Riverside)	5,060
City of Rialto (San Bernardino)	5,100
City of Chino Hills (San Bernardino)	5,358
Cucamonga Valley Water District (San Bernardino)	9,937
Jurupa Community Services District (Riverside)	7,260
West Valley Water District (San Bernardino)	8,635
Big Bear Lake DWP (San Bernardino)	9,417
City of Corona (Riverside)	10,048

Source: Jurupa Community Services District survey.

Billing and Collection Procedures

Water charges are billed to customers monthly as part of a general municipal utility bill, along with sewer service charges. Customers who do not pay their bill in a timely fashion are issued a reminder notice, and if that is not effective, a phone call is made, their door tagged, and finally the water is shut off 45 days after initial billing, with water turn-on conditioned upon payment of their water and sewer service bill and a deposit equal to the average annual monthly bill for water and sewer service of the customer which is refunded after one year with a satisfactory payment record.

The following table sets forth the District's delinquency rates for fiscal years 2004-05 through 2008-09 and figures for 2009-10 through December 31, 2009.

<u>Year</u>	<u>Delinquency Amount</u>	<u>Total Water/ Sewer Charges</u>	<u>Delinquency Rate</u>
2009-10*	\$96,141	\$15,496,044	0.62%
2008-09	314,488	27,749,118	1.13
2007-08	159,204	22,502,141	0.71
2006-07	103,968	23,362,777	0.45
2005-06	52,372	20,494,618	0.26
2004-05	48,802	17,837,121	0.25

* Through December 31, 2009.

Source: Jurupa Community Services District

Capital Improvement Program

The District has developed a 20-year capital improvement program for the Water System (the “**Capital Improvement Program**”). The Capital Improvement Program for the Water System includes additional water source development in the form of wells, recycled water and imported water. The projects which are expected to be undertaken in the next three years are summarized below. The District expects to finance a portion of the capital improvements summarized below with proceeds of the Certificates. Additional sources of financing for the facilities summarized below include Facility Capacity Fees and capital reserves of the District.

<u>Facility</u>	<u>Total Estimated Project Cost</u>
CDA Expansion Project	\$26,900,000

Source: Jurupa Community Services District

The District is undertaking a review of its future capital needs at this time and expects to revise the Capital Improvement Program from time to time. The District anticipates that any near-term capital needs within the next three to five years will be financed with capacity fees for growth related improvements or residual operating cash flow for replacement projects. In order to meet the District’s longer-term capital needs beyond the next five years, the issuance of Parity Debt will likely be required.

Regulatory Issues

General. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water.

Drinking Water. The applicable drinking water standards for the District’s potable water system are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

The District operates under a Water Supply Permit No. 05-20-04P-002 issued by the State of California, Department of Health Services on February 5, 2004, as amended.

HISTORICAL NET REVENUES, TAX REVENUES AND DEBT SERVICE COVERAGE

Statement of Revenues and Expenses

The following table sets forth the District's statement of revenues and expenses for the Water System based on the District's audited financial statements. The District's fiscal year 2008-09 audited financial statements are included as Appendix C.

Table 11
JURUPA COMMUNITY SERVICES DISTRICT
WATER SYSTEM
Statement of Revenues and Expenses
Fiscal Years Ended June 30, 2005 through June 30, 2009

	Fiscal Year 2004-05 (Audited)	Fiscal Year 2005-06 (Audited)	Fiscal Year 2006-07 (Audited)	Fiscal Year 2007-08 (Audited)	Fiscal Year 2008-09 (Audited)
Gross Revenues					
Retail Water Sales (1)	\$12,801,509	\$14,262,496	\$15,885,528	\$8,738,562	\$11,293,050
Fixed Service Charge (1)	-	-	-	6,652,549	8,455,675
Property Tax Revenues (2)	71,255	88,190	143,244	82,363	2,407
Capital Facility Fees	6,617,045	8,215,489	13,068,225	5,061,770	7,472,267
Interest Income	84,755	432,621	1,797,382	1,197,449	481,839
Other Income	-	-	-	-	-
Total Gross Revenues	19,574,564	22,998,796	30,894,379	21,732,693	27,705,238
Operating Expenses					
Source of Supply (3)	5,624,319	7,214,251	9,342,308	7,797,553	8,133,015
Pumping	336,082	376,894	444,924	413,490	476,160
Water Treatment	600,440	970,219	1,073,225	1,218,704	1,534,997
Transmission & Distribution	1,548,703	1,345,643	1,674,804	1,473,568	1,686,121
Customer Accounts	1,083,774	1,704,602	1,616,294	1,508,963	1,705,004
Administration (4)	<u>2,143,475</u>	<u>2,663,522</u>	<u>3,802,965</u>	<u>4,413,145</u>	<u>5,064,059</u>
Total Operating Expenses	11,336,793	14,275,131	17,954,520	16,825,423	18,599,356
Net Revenues	8,237,771	8,723,665	12,939,859	4,907,270	9,105,882
Installment Payments					
1993 Certificates (Water Portion)	196,994	196,578	196,957	186,198	186,049
2001 Certificates (Water Portion)	<u>478,005</u>	<u>478,187</u>	<u>477,795</u>	<u>480,918</u>	<u>479,459</u>
Total Installment Payments	674,999	674,765	674,752	667,116	665,508
Coverage	12.20	12.93	19.18	7.36	13.68
Net After Installment Payments	7,562,772	8,048,900	12,265,107	4,240,154	8,440,374
Subordinate Obligations					
EDA Loan	-	115,649	115,649	115,649	115,649
Surplus/Shortfall	\$7,562,772	\$7,933,251	\$12,149,458	\$4,124,505	\$8,324,725

(1) The fixed service charge component of the District's water rates was implemented on January 1, 2008. See "THE WATER SYSTEM - Water Service, Connection and Facility Fees."

(2) Prior to the issuance of the Certificates, the District allocated the Tax Revenues primarily to the Sewer Fund; thereafter the Tax Revenues will be allocated evenly between the Water and Sewer Funds. Tax Revenues in 2004-05 and 2005-06 were eliminated or substantially reduced as a part of the State of California's Education Revenue Augmentation Fund shift.

(3) The variability in the District's water costs is due to annual changes in water demand and the respective sources of water purchased by the District.

(4) Increases in administration expenses are attributable to District growth, additional personnel, creation of human resources and information technology departments and hiring of executive management in fiscal year 2007-08.

Source: Jurupa Community Services District audited financial statements for fiscal years 2004-05 through 2008-09.

Tax Revenues

The Installment Sale Agreement defines “Tax Revenues” as 50% of all property tax revenues as defined in Revenue and Taxation Code Section 95 required to be allocated to the District commencing in fiscal year 2010-11. Section 95 is the section of the Revenue and Taxation Code that governs the *ad valorem* property tax levied by Riverside County on taxable property in the District’s boundaries.

See “RISK FACTORS – Property Taxes” for a discussion of certain factors that could impact the availability of Tax Revenues.

Property Tax Limitations; Article XIII A of the California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms “purchased” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for fiscal year 1978-79, the tax levied by each county was to be appropriated

among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

The apportionment of property taxes in fiscal years after fiscal year 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Effective as of fiscal year 1981-82, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property is shown at full market value (subject to a 2% annual limit in growth so long as property is not sold). In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for bond service and pension liability are also applied to 100% of market value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, annual inflationary value growth of up to 2%) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization ("**Unitary Property**") which is allocated by a different method as described under "--Unitary Property" below.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured properties are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an

additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and February 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date.

Property Tax Administration Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis.

Unitary Property

Commencing in fiscal year 1988-89, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with fiscal year 1988-89, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property ("**Unitary Revenues**").

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with fiscal year 2007-08 required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

Assessment Appeals

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization (“**SBE**”), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2% inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Under Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value under Section 51(b), commonly referred to as Proposition 8 reductions, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years following a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel’s compounded base assessment value. Additionally, successful appeals regarding property on the unsecured rolls does not necessarily affect the valuation of such property in any succeeding fiscal year.

Utility companies and railroads may contest the taxable value of utility property to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE.

The actual valuation impact to the District from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction.

Historical Assessed Values and Tax Revenues

Set forth in the following table is a summary of historical assessed values of tax generating parcels in the District and Tax Revenues for fiscal years 2004-05 through 2008-09. See "RISK FACTORS – Property Taxes." Generally, the District's tax generating parcels are located in Zone 1. For fiscal year 2008-09, 14,534 of the 29,120 parcels in the District generated Tax Revenues.

Table 12
JURUPA COMMUNITY SERVICES DISTRICT
Historic Assessed Values of Tax Generating Parcels and Tax Revenues

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Secured	\$5,676,394,392	\$10,248,841,768	\$13,366,734,770	\$16,398,715,079	\$16,792,720,074
H/O Exemption Secured	77,356,078	124,159,549	129,650,622	133,878,180	142,478,754
Unsecured	277,883,728	511,761,572	578,503,615	654,401,399	786,121,231
Total AV	\$6,031,634,198	\$10,884,762,889	\$14,074,889,007	\$17,186,994,658	\$17,721,320,059
Growth in Assessed Value	--	80.5%	29.3%	22.1%	3.1%
Tax Revenues⁽¹⁾	0	\$300,316	\$2,242,637	\$2,782,645	\$2,360,657

(1) In order to balance the State budget, the State retained property tax revenues attributable to enterprise districts in fiscal year 2004-05 and a portion in fiscal year 2005-06.

Source: Jurupa Community Services District.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable District revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the District.

In July 2009, in order to close a budget gap of \$26 billion, the State Legislature approved amendments to the State's fiscal year 2009-10 budget, including a budget amendment calling for the State to borrow \$2 billion from counties' property tax collections under provisions of Proposition 1A. The District believes its property tax revenues will decline by approximately \$158,008, although it is participating in a Proposition 1A securitization program in order to alleviate the effects of the shortfall.

See the section entitled "RISK FACTORS – Property Taxes" for information about the State's fiscal year 2009-10 budget and a shift of local property revenues under Proposition 1A (which must be repaid within three years).

Teeter Plan

The Board of Supervisors of Riverside County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax-levying and tax apportioning process and an increased flexibility in the use of available cash resources." This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its General Fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's General Fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

If a county adopts the Teeter Plan its special districts are mandatory participants in the plan. The District will receive 100% of the *ad valorem* property tax levied irrespective of the actual delinquencies in the collection of the tax by the County.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. Although property tax delinquencies in the County have increased in the past two fiscal years, the County has not indicated that it is likely to discontinue the Teeter Plan.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

If the Teeter Plan were terminated, the amount of the levy of taxes in the District would depend upon the collections of the taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of property taxes will not be dependent upon actual collections of the property taxes by the County.

Projected Debt Service Coverage

The following table sets forth the District's projected District Net Revenues and debt service coverage for the fiscal years ending June 30, 2010 through June 30, 2012. The projections are based on the following assumptions.

Revenues through Fiscal Year 2009-10. Revenue figures are based on District's adopted budget and adopted water rates and charges approved October 9, 2007 for the subsequent four years, effective on January 1 of each year. Generally, customers consuming higher amounts of water experience higher increases than customers with lower demand. For a typical customer consuming 20 hcf of water a month, their charge would increase by the following percentages: fiscal year 2007-08 (31%), fiscal year 2008-09 (22%), fiscal year 2009-10 (18%). Water revenue estimates do not include an allowance for growth in customer rates.

Revenues Fiscal Years 2010-11 through 2013-14. The projected revenue for fiscal years 2010-11 are based on the District's adopted increases to water rates and charges through June 30, 2011 (15%). Projected revenues for fiscal year 2011-12 and thereafter are based on estimated 3.5% annual increase in retail sales and 3.5% annual increase in fixed service charges.

Tax Revenues. The projections assume no Tax Revenues attributable to the Water System in fiscal year 2009-10, with half of the District's Tax Revenue allocated to the Water System thereafter. The projections assume no growth in assessed valuation in 2009-10 and thereafter.

Interest on Reserves. The projections assume an interest rate of 3% on reserves.

Connection Fees. The projections assume 225 new connections annually.

Expenses. The projections for fiscal years 2009-10 through 2013-14 assume annual operation and maintenance expenses of the Water System will increase as follows: 2% annual increases in administration expenses; 3.5% annual increase in customer accounts; 2.5% annual increase in pumping charges, 4% annual increase in source supply costs, 3.25% annual increase in treatment, transmission and distribution costs.

Revenue Stabilization Fund. It is assumed that moneys in the Revenue Stabilization Fund, if any, will not be used to pay principal of and interest with respect to the Certificates or any Parity Debt.

Parity Debt. The projections assume that no Parity Debt will be issued in the next five years although the Capital Improvement Program may require issuance of Parity Debt.

The financial forecast represents the District's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the District to make Installment Payments under the Installment Sale Agreement is limited to Net Revenues and Tax Revenues and the District is not obligated to apply any other revenues to make such Installment Payments.

Shown below is the projected debt service coverage on the Certificates.

Table 13
JURUPA COMMUNITY SERVICES DISTRICT – WATER SYSTEM
Projected Debt Service Coverage
Fiscal Years 2009-10 through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Gross Revenues					
Retail Water Sales	\$12,977,822	\$14,392,895	\$14,824,682	\$15,269,422	\$15,727,505
Fixed Service Charge	10,545,983	11,699,567	12,050,554	12,412,071	12,784,433
Property Tax Revenue	-	1,100,000	1,100,000	1,100,000	1,100,000
Capital Facility Fees	2,791,245	1,633,500	1,633,500	1,633,500	1,633,500
Interest Income	136,251	252,802	237,187	245,505	254,119
Other Charges and Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	26,451,301	29,078,764	29,845,923	30,660,498	31,499,557
Operating Expenses					
Source of Supply	10,835,628	11,269,053	11,719,815	12,188,608	12,676,152
Pumping	631,702	650,653	670,173	690,278	710,986
Water Treatment	1,663,285	1,717,342	1,773,155	1,830,783	1,890,283
Transmission & Distribution	2,143,571	2,213,237	2,285,167	2,359,435	2,436,117
Customer Accounts	1,682,841	1,733,326	1,785,326	1,838,886	1,894,052
Administration	<u>6,353,117</u>	<u>6,543,711</u>	<u>6,740,022</u>	<u>6,942,222</u>	<u>7,150,489</u>
Total	23,310,144	24,127,322	24,973,658	25,850,212	26,758,080
Net Revenues	3,141,157	4,951,442	4,872,265	4,810,286	4,741,477
Installment Payments					
1993 Certificates (Water Portion)	186,655	-	-	-	-
2001 Certificates (Water Portion)	477,620	-	-	-	-
2010 Series A Certificates	-	922,489	940,150	939,450	938,550
2010 Series B Certificates	<u>-</u>	<u>919,419</u>	<u>904,346</u>	<u>904,346</u>	<u>904,346</u>
Total	664,275	1,841,908	1,844,496	1,843,796	1,842,896
Coverage	4.73	2.69	2.64	2.61	2.57
Net after installment payments	2,476,882	3,109,534	3,027,769	2,966,490	2,898,581
Subordinate Obligations					
EDA Loan	115,649	115,649	115,649	115,649	115,649
Surplus/(Shortfall)	\$2,361,233	\$2,993,885	\$2,912,120	\$2,850,841	\$2,782,932

Source: Jurupa Community Services District.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Certificates.

Demand and Usage

There can be no assurance that the local demand for services provided by the Water System will continue according to historical levels. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the District's rate covenants in the Installment Sale Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand, although studies have shown that water demand is price inelastic.

In addition, drought conditions, significant declines in the water table/groundwater basin, voluntary or mandatory conservation measures and recycled water supply development could decrease usage of the services of the Water System. Reduction in usage could require an increase in rates or charges in order to produce Water System Net Revenues sufficient to comply with the District's rate covenants, particularly the rate covenant described in "SECURITY FOR THE CERTIFICATES – Rate Covenant."

Expenses

There can be no assurance that Operation and Maintenance Expenses of the Water System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Property Taxes

The amount of Tax Revenues is dependent upon assessed values and property tax collections in the District. Decreases in assessed values (whether as a result of assessment appeals or otherwise) and increased property tax delinquencies will result in reduced Tax Revenues.

In addition, the amount of Tax Revenues is dependent upon State action. In previous years the State has reallocated *ad valorem* property tax revenues from local agencies such as the District. On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot, without providing replacement funding, (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to borrow up to 8% of total local property tax revenues during a fiscal emergency declared by the Governor. Pursuant to Proposition 1A, the funds must be repaid within three years.

On July 24, 2009, the State Legislature approved amendments to the State's fiscal year 2009-10 budget that involved 30 separate pieces of legislation to close a \$26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. The budget amendments call for the State to borrow \$2 billion from counties' property tax collections under provisions of Proposition 1A.

The District believes its property tax revenues will decline by approximately \$158,008 in fiscal year 2009-10 as a result of the State budget action. The District is participating in the Proposition 1A securitization program, pursuant to which the District will receive in January and May 2010 the amount of property tax revenues it would otherwise have received had the State not exercised a Proposition 1A borrowing, and it has assigned its right to receive moneys from the State (including interest payments) in repayment of the Proposition 1A borrowing.

Parity Debt

Although the District has covenanted not to issue additional obligations payable from Net Revenues senior to the Installment Payments, the Installment Sale Agreement permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Installment Payments (see "THE CERTIFICATES – Limitations on Parity Debt and Superior Obligations" in this Official Statement).

These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Installment Payments and such additional indebtedness.

Threat to Water Supply

The District's primary source of water is groundwater from the Chino Basin Aquifer, which relies on recharge from rainfall and imported water provided by the MWD.

MWD's principal sources of water are the State Water Project and the Colorado River, both of which are subject to drought conditions that have recently contributed to lower overall water deliveries to MWD. The current drought conditions and court-ordered restrictions, including but not limited to restrictions under the Federal and California Endangered Species Acts, have placed additional limitations on MWD's ability to acquire and transport water supplies to its member agencies. Effective July 1, 2009, MWD will allocate available supplies among its member agencies pursuant to a Water Supply Allocation Plan, and may be unable to provide all water deliveries requested by its member agencies, including recharge water for the Chino Basin Aquifer. The MWD Official Statement described in the section of this Official Statement entitled "THE WATER SYSTEMS – Water Rights" includes a discussion of MWD's water sources and the impact of drought conditions and environmental restrictions.

Natural Disasters

The District, like all southern California communities, is likely to be subject to unpredictable seismic activity, fires or floods. If there were a severe seismic, flood or fire event in the District, there could be substantial damage to and interference with the Water System, which could affect the District's ability to pay principal and interest with respect to the Certificates.

Seismic Activity. The District is located within Seismic Zone 4. Compared to many other areas of southern California, localized seismic hazard potential in the District is relatively slight. There are no known seismic faults within the Jurupa region; however, more remote faults such as the San Andreas and San Jacinto Faults pose significant seismic threat to property and could damage or interfere with the Water System. Threats from seismic events include ground shaking, fault rupture, liquefaction and landslides.

Flooding Hazards. Portions of the District lie in 100-year floodplains, including areas adjacent to the Santa Ana River, the Riverside Basin (northeast of Interstate 15/State Route 60 interchanges) and those areas bordering the Etiwanda Flood Control Channel, Pyrite Channel and the Riverside Canal. Substantial development exists or is planned for most of these areas. A portion of the District's assets within a 100-year flood plain are constructed underground and would experience negligible damage in the event of a large-scale flood. The District's reservoirs are not considered to be potentially susceptible to flooding because all of the reservoirs are located in elevated locations.

Fire Hazards. The District, like all California communities, may be subject to wildfires. Due to the rural and somewhat mountainous nature of the area and some of the flora, such as the oak woodlands and chaparral habitat, the foothill and mountainside areas are subject to the risk of wildfires. The lush riparian vegetation of the Santa Ana River also poses conditions conducive to wildfires. The highest danger of wildfires is found in the most rugged terrain, where development intensity is relatively low. Additionally, the region is subject to the Santa Ana winds, which enhance the fire danger throughout southern California. Although the District's assets are constructed underground and would experience negligible damage in the event of wildfire, damage to the buildings of Water System customers could affect Net Revenues and Tax Revenues and the ability of the District pay the Installment Payments.

Proposition 218

General. On November 5, 2001, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 2001, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon

the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question. Article XIID is the basis for the limitations on the use of Net Revenues described in “SECURITY FOR THE CERTIFICATES – Security for the Installment Payments.”

In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 2001, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIIC’s mandate that the initiative power of the electorate cannot be prohibited or

limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIII C authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Compliance by the District with Proposition 218. The District's current water rates were adopted on October 9, 2007 by Ordinance No. 280 in compliance with the *Bighorn* decision. See "THE WATER SYSTEM – Current Water Rates" above.

The District will continue to comply with the provisions of Proposition 218 in connection with future rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Limited Recourse on Default

If the District defaults on its obligation to make Installment Payments, the Trustee, as assignee of the Corporation, has the right to accelerate the total unpaid principal amounts of the Installment Payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated Installment Payments.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the

enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Limited Obligation

The District's obligation to make Installment Payments is a special obligation of the District payable solely from Net Revenues (including Treasury Credits), Tax Revenues and other funds provided for in the Installment Sale Agreement. Although Tax Revenues are a portion of the *ad valorem* property taxes allocated to the District, the District has not agreed to levy any form of taxation to pay the Installment Payments. The obligation of the District to pay Installment Payments does not constitute a debt or indebtedness of any City, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described in this Official Statement, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues and adversely affecting the security of the Certificates.

Loss of Tax Exemption

As discussed in this Official Statement under the caption "CONCLUDING INFORMATION - Tax Matters," interest with respect to the Series A Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Series A Certificates were issued, as a result of future acts or omissions of the District in violation of its covenants in the Installment Sale Agreement or Trust Agreement. Should such an event of taxability occur, the Series A Certificates are not subject to a special redemption and will remain outstanding until maturity or until prepaid under one of the other redemption provisions contained in the Trust Agreement.

Risks Relating to Build America Bonds

As discussed in "TAX MATTERS" below, the District must comply with certain requirements of the Tax Code in order for the Series B Certificates to be treated as Qualified Bonds and to continue to be eligible for the Treasury Credits. The District has covenanted to comply with each of these requirements. However, failure by the District to comply with these requirements may result in a delay or forfeiture of all or a portion of the Treasury Credits and may cause the Series B Certificates to cease to be treated as Qualified Bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Series B Certificates. Should such an event occur,

the Series B Certificates are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Installment Sale Agreement.

In addition, it is important to note that Build America Bonds are a new product introduced by the American Recovery and Reinvestment Act, which was signed into law on February 17, 2009. As such, the District can provide no assurance that future legislation or clarifications or amendments to the Tax Code, if enacted into law, or future court decisions will not reduce or eliminate the Treasury Credits with respect to the Series B Certificates. The Treasury Credits do not constitute a full faith and credit guarantee of the United States government, but are required to be paid by the Treasury under the American Recovery and Reinvestment Act. In such event, the District may redeem the Series B Certificates as described in "THE CERTIFICATES – Redemption."

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year (which is currently June 30) in each year commencing with the report for the 2008-09 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events, if material.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is set forth in "APPENDIX E - Form of Continuing Disclosure Certificate."

The District has never failed to comply in all material respects with its continuing disclosure undertakings relating to its prior undertakings.

CONCLUDING INFORMATION

Underwriting

Stone & Youngberg LLC (the "**Underwriter**") has entered into a Certificate Purchase Agreement with the District under which they will purchase the Certificates at the following prices:

Series A Certificates: \$11,278,981.63 (equal to the par amount of the Series A Certificates, plus original issue premium of \$446,827.90, and less an Underwriter's discount of \$62,846.27).

Series B Certificates: \$19,798,804.07 (equal to the par amount of the Series B Certificates, less an Underwriter's discount of \$141,195.93).

The Underwriter has agreed to purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Certificate Purchase Agreement between the District and the Underwriter, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Legal Opinions

All legal matters in connection with the issuance of the Certificates are subject to the approval of Best Best & Krieger LLP, Riverside, California, Special Counsel. A copy of the approving opinion of Special Counsel relating to a series of Certificates will be provided to the registered owners of that series of Certificates, and the forms of such opinions are attached hereto as Appendix D. Certain legal matters will be passed upon for the District by Best, Best & Krieger LLP, in its capacity as the general counsel to the District. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Underwriter's Counsel.

Payment of the fees and expenses of Special Counsel and Underwriter's Counsel is contingent upon execution and delivery of the Certificates.

Tax Matters

Series A Certificates Federal Tax Law Status. In the opinion of Best Best & Krieger LLP, Riverside, California, Special Counsel, subject, however, to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Series A Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Series A Certificates in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of the portion of Installment Payments designated as and comprising interest and received by the owners of the Series A Certificates in gross income for federal income tax purposes to be retroactive to the date of execution and delivery of the Series A Certificates. Special Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series A Certificates.

Series B Certificates Federal Tax Law Status. In the opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Series B Certificates is not excluded from gross income for federal income tax purposes.

In the opinion of Special Counsel, the Series B Certificates constitute Qualified Bonds within the meaning of Section 54AA(g)(2) of the Code and are eligible for the credit payable by the federal government under Section 6431 of the Code (the "**Treasury Credits**"). The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Series B Certificates in order for the Series B Certificates to be treated as Qualified Bonds and continue to be eligible for the Treasury Credits. The District has covenanted to comply with each

such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Treasury Credits and may cause the Series B Certificates to cease to be treated as Qualified Bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of execution and delivery of the Series B Certificates. Special Counsel expresses no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Treasury Credits by the federal government, nor does Special Counsel express any opinion regarding other federal tax consequences arising with respect to the Series B Certificates.

State Tax Law Status. In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Series A Certificates and the Series B Certificates is exempt from California personal income taxes.

Tax Treatment of Original Issue Discount and Premium. To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Series A Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Certificates. Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Certificates**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of tax-exempt obligations, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Certificate, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

Form of Special Counsel Opinion. The form of the opinion of Special Counsel relating to the Series A Certificates and the form of the opinion of Special Counsel relating to the Series B Certificates are attached hereto as Appendix D.

Litigation

The District is not aware of any litigation pending or threatened questioning the existence or powers of the District or the ability of the District to pay principal or interest with respect to the Certificates.

Ratings

Standard & Poor's Credit Market Services, a division of the McGraw Hill Companies, Inc., has assigned a municipal bond rating of "AA-" to the Certificates.

Fitch Ratings has assigned a municipal bond rating of "AA-" to the Certificates.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

Verification of Mathematical Accuracy

Grant Thornton LLP, as Verification Agent, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to the Verification Agent on behalf of the District, relating to the sufficiency of the amounts deposited in the Escrow Funds:

(i) to pay the 1993 Installment Payments due on March 1, 2010 and, as a result, pay principal and interest due with respect to the 1993 Certificates on March 1, 2010, and to prepay the remaining 1993 Installment Payments on March 1, 2010, and, as a result, pay the prepayment price of the 1993 Certificates in full on March 1, 2010, and

(ii) to pay the 2001 Installment Payments due on March 1, 2010 and September 1, 2010 and, as a result, pay principal and interest due with respect to the 2001 Certificates on March 1 and September 1, 2010, and prepay the remaining 2001 Installment Payments on September 1, 2010, and, as a result, pay the prepayment price of the 2001 Certificates in full on September 1, 2010.

See “THE REFINANCING PLAN – Refinancing of the 1993 Installment Sale Agreement” and “- Refinancing of the 2001 Installment Purchase Contract.”

Miscellaneous

All of the descriptions of California laws, other applicable legislation, the Installment Sale Agreement, the Trust Agreement, the District, the Corporation, agreements and other documents are made subject to the provisions of such legislation and documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the District.

**JURUPA COMMUNITY SERVICES
DISTRICT**

By: /s/ Craig Koehler
 Craig Koehler
 Director of Finance

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement, the Installment Purchase Agreement and the Assignment Agreement which are not described elsewhere in the Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Trust Agreement, the Installment Purchase Agreement and the Assignment Agreement for a full and complete statement of their respective provisions. All capitalized terms used and not defined in the Official Statement have the meanings set forth in the Trust Agreement.

Definitions

“Acquisition and Construction Costs” means the purchase prices for the acquisition of the property and easements, if any, which are necessary for the construction and installation of the Projects and the contract prices paid or to be paid for the design, acquisition, construction, installation or delivery of any portion of the Projects and related facilities, in accordance with a purchase or construction contract therefor. Acquisition and Construction Costs include any other administrative, engineering, costs of issuing the Certificates, legal, financial and other costs incurred by the District and the Seller in connection with the construction, installation and financing of the Projects, including costs incurred prior to the date of the Trust Agreement.

“Acquisition and Construction Fund” means the fund by that name established pursuant to the Trust Agreement.

“Administrative Center Project” means the Administrative Center Project as defined in the Installment Sale Agreement.

“Assignment Agreement” means the Assignment Agreement dated as of February 1, 2010 by and between the District and the Seller, and any duly authorized and executed amendment thereto.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York or the city where the Corporate Trust Office is located are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Closing Date” means the day when the Certificates, duly executed by the Trustee, are delivered to the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Connection Fees” means any fee or fees collected by the District from property owners as a condition to the District providing water service from the Water System to residential, commercial or industrial property.

“Corporate Trust Office” means the corporate trust office of the Trustee in Los Angeles, California, which at any particular time its corporate trust business shall be administered except that with respect to presentation of Certificates for payment or for registration of transfer and exchange, such term shall mean the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office as may be designated by the Trustee, from time to time, and the corporate trust office of any successor trustee.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Seller relating to the sale, execution and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Certificates, and charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Defeasance Securities” means:

(a) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGs”);

(b) Direct obligations of the Treasury, which have been stripped by the U.S. Treasury itself, CATS, TIGRS and similar securities;

(c) Resolution Funding Corp. (REFCORP): Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

(d) Pre-refunded municipal bonds rated “AAA” by Fitch Ratings or “AAA” by S&P or “Aaa” by Moody’s; and

(e) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

1. U.S. Export Import Bank (Eximbank) – Direct obligations or fully guaranteed certificates of beneficial ownership;

2. Federal Financing Bank;

3. General Services Administration – Participation Bonds;

4. U.S. Maritime Administration – Guaranteed Title XI financing; and

5. U.S. Department of Housing and Urban Development (HUD) – Project Notes; Local Authority Bonds; New Communities Debentures; U.S. government guaranteed debentures; U.S. Public Housing Notes and Bonds and U.S. government guaranteed public housing notes and bonds.

“District” means Jurupa Community Services District, a public agency duly organized and existing under the laws of the State of California.

“District Representative” means the General Manager or the Director of Finance of the District or any other person designated in writing to the Trustee by the Board of Directors of the District to act on behalf of the District.

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., acting as escrow bank pursuant to the 1993 Certificates Escrow Agreement (the “1993 Certificates Escrow Bank”) and the 2001 Certificates Escrow Agreement (the “2001 Certificates Escrow Bank”).

“Event of Default” means an event of default under the Installment Sale Agreement.

“Federal Securities” means any of the following which are noncallable and which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) cash; and

(b) direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by the United States of America.

“Financial Newspaper” means any of the following: (1) the western and eastern editions of The Wall Street Journal or The Bond Buyer; or (2) any other newspaper of general circulation in Los Angeles, California, and the same or similar newspaper of general circulation in New York, New York, each of which carries financial news and is customarily published on each business day.

“Fiscal Year” means any period of twelve (12) consecutive months established by the District as its fiscal year and shall initially mean the period commencing on July 1 of one year and ending on June 30 of the following year.

“Gross Revenues” means, in any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees (including Connection Fees, to the extent legally available), charges and other moneys derived from the sale, furnishing and supplying of water and other services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees (including Connection Fees to the extent legally available), charges and other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to the Water System, (iii) amounts transferred from the Revenue Stabilization Fund and deposited to the Installment Payment Fund, and (iv) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted by the Installment Sale Agreement; provided that the term “Gross Revenues” does not include (a) customer deposits or any other deposits subject to refund until such deposits have become the property of the District, and (b) any amounts transferred to the Revenue Stabilization Fund from the sources referenced in (i), (ii)

and (iv) above. The term “Gross Revenues” will, however, include the Treasury Credits, if any, received by or on behalf of the District.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Seller, the Trustee or the District.

“Independent Engineer” means a consulting engineering firm or an engineer which is not an employee of, or otherwise controlled by, the Seller, the Trustee or the District.

“Independent Financial Consultant” means a firm of certified public accountants or an accountant, or a consulting engineering firm or an engineer or a financial advisory firm or a financial advisor which is not an employee of, or otherwise controlled by, the Seller, the Trustee or the District.

“Installment Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Interest Payment Date” means March 1 or September 1 of each year, commencing September 1, 2010.

“Issue Price” means the initial offering price to the public (excluding bond houses and brokers) of the Series A Certificates or the Series B Certificates, plus original issue premium, if any, less original issue discount, if any, plus accrued interest from the original issue date of the Series A Certificates or the Series B Certificates to the Closing Date.

“Net Proceeds” means any insurance proceeds or condemnation award in excess of \$10,000, paid with respect to the Water System, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means Gross Revenues less Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means all expenses and costs of management, operation, maintenance and repair of the Water System, and all incidental costs, fees and expenses properly chargeable to the Water System (but excluding debt service or other similar payments on Parity Debt or other obligations and depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature).

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates for the payment or redemption of which funds or eligible securities in the necessary amount shall have theretofore been deposited with the Trustee pursuant to the Trust Agreement (whether upon or prior to the maturity or redemption date of such Certificates); provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate” or any similar term, when used with respect to a Certificate, means the person in whose name the Certificate shall be registered on the registration books required to be maintained by the Trustee under the Trust Agreement.

“Parity Debt” means indebtedness or other obligations issued or incurred by the District and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“Payment Date” means the date upon which any Installment Payment is due and payable.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Installment Sale Agreement, permit to remain unpaid; (ii) the Installment Sale Agreement and the assignment of the Seller’s interests in the Installment Sale Agreement pursuant to the Trust Agreement; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (iv) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of the Trust Agreement and which the District certifies in writing will not materially impair the use of the Water System.

“Permitted Investments” means any of the following investments which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. Farmers Home Administration (FmHA) - Certificates of beneficial ownership;

2. Federal Housing Administration Debentures (FHA);
3. General Services Administration - Participation certificates;
4. Government National Mortgage Association (GNMA or "Ginnie Mae") - GNMA guaranteed mortgage backed bonds; GNMA guaranteed pass through obligations (participation certificates);
5. U.S. Maritime Administration - Guaranteed Title XI financing;
6. U.S. Department of Housing and Urban Development (HUD) - Project Notes; Local Authority Bonds;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System - Senior debt obligations (Consolidated debt obligations);
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation Certificates (Mortgage backed securities); Senior debt obligations;
3. Federal National Mortgage Association (FNMA or "Fannie Mae") - Mortgage backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal);
4. Student Loan Marketing Association (SLA or "Sallie Mae") - Senior debt obligations;
5. Resolution Funding Corp. (REFCORP) – Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
6. Farm Credit System - Consolidated systemwide bonds and notes.

(d) Money market funds (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services and may receive compensation) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m, and if rated by Moody's, rated Aaa, Aa1 or Aa2;

(e) Certificates of deposit ("CDs") secured at all times by collateral described in (a) and/or (b) above or secured by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law. Such CDs must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligations are rated A-1+ or better by S&P and/or Prime-1 by Moody's;

(f) CDs, savings accounts, deposit accounts or money market deposits, including those with the Trustee, which are fully insured by FDIC, including BIF and SAIF;

(g) Investment Agreements, including guaranteed investment contracts, acceptable to the City, the Authority and the Trustee;

(h) Commercial paper rated “Prime-1” by Moody’s and/or “A-1+” or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated “AA3” or better by Moody’s and/or “AA-” or better by S&P;

(j) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “Prime -1” or “A3” or better by Moody's and/or “A-1+” or better by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(k) Repurchase agreements (“Repos”) that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date. Repurchase Agreements must satisfy the following criteria:

1. Repos must be between the Trustee and a dealer bank or securities firm which are:

a. Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of SIPC and which are rated “A” or better by S&P and Moody’s, or

b. Banks rated “A” or above by S&P and Moody’s.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)

b. The term of the repo may be up to thirty (30) days.

c. The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. The Trustee has a perfected first priority security interest in the collateral.

e. Collateral is free and clear of third party liens and in the case of an SIPC broker was not acquired pursuant to a repo or reverse repo.

f. Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral.

g. Valuation of Collateral. The securities must be valued by such dealer bank or securities firm weekly, marked to market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the Trustee which states that the Repo meets guidelines under state law for legal investment of public funds; and

(l) Pre-refunded municipal bonds rated “Aaa” by Moody’s or “AAA” by S&P or “AAA” by Fitch. If, however, the issue is only rated by S&P (i.e., there is no Moody’s or Fitch rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipals to satisfy this condition; and

(m) the Local Agency Investment Fund maintained by the State of California.

“Prepayment” means any payment applied towards the prepayment of the Series A Certificates Installment Payments (a “Series A Certificates Prepayment”) or the Series B Certificates Installment Payments (a “Series B Certificates Prepayment”), or both thereof, pursuant to the Installment Sale Agreement.

“Priority Debt” means indebtedness or other obligations (including other leases and installment sale agreements) issued and incurred by the District and secured by a pledge of and charge and lien upon the Net Revenues which is senior to and has priority over the pledge of and charge and lien upon the Net Revenues that secures payment of the Installment Payments.

“Projects” means the capital improvements described in the Installment Sale Agreement.

“Rebate Account” means the account by that name established and held by the Trustee pursuant to the Trust Agreement.

“Rebate Certificate” means the certificate delivered by the District on the Closing Date with regard to, among other matters, payments, if any, to be made from the Rebate Fund to the United States, as it may be amended and supplemented from time to time.

“Regulations” means the proposed, temporary and permanent regulations of the Department of the Treasury of the United States promulgated under Section 103 and Sections 141 through 150 of the Code.

“Representation Letter” means the letter of representation which the District has delivered to The Depository Trust Company (“DTC”) with respect to the utilization of the book-entry system maintained by DTC for the registration and depositing of bonds and certificates of participation.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Reserve Requirement” means as of any date of determination with respect to the Series A Certificates and the Series B Certificates, respectively, an amount equal to the lesser of (i) ten percent (10%) of the Issue Price, (ii) one hundred twenty-five percent (125%) of the average annual amount of Series A Certificates Installment Payments or the Series B Certificates Installment Payments, respectively, due throughout the Term of the Installment Sale Agreement, or (iii) the maximum amount of the Series A Certificates Installment Payments or the Series B Certificates Installment Payments, respectively, due in the year of determination or any subsequent year.

“Revenue Stabilization Fund” means the fund by that name to be established and held by the District pursuant to the Installment Sale Agreement.

“Seller” means Jurupa Public Facilities Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

“Seller’s Representative” means the President or the Secretary of the Seller, or any person authorized to act on behalf of the Seller under or with respect to the Trust Agreement, as evidenced by a certificate conferring such authorization executed by the President or the Secretary of the Seller, given to the District or the District Representative and the Trustee.

“Series A Certificates Acquisition and Construction Account” means the account by such name established in the Acquisition and Construction Fund pursuant to the Trust Agreement.

“Series A Certificates Costs of Issuance Account” means the account by such name established in the Costs of Issuance Fund pursuant to the Trust Agreement.

“Series A Certificates Installment Payment Account” means the account by such name established in the Installment Payment Fund pursuant to the Trust Agreement.

“Series A Certificates Installment Payments” means the Installment Payments designated under the heading “Schedule of Installment Payments Series A Certificates” in the Installment Purchase Agreement.

“Series A Certificates Reserve Account” means the account by such name established in the Installment Payment Fund pursuant to the Trust Agreement.

“Series B Certificates Acquisition and Construction Account” means the account by such name established in the Acquisition and Construction Fund pursuant to the Trust Agreement.

“Series B Certificates Costs of Issuance Account” means the account by such name established in the Costs of Issuance Fund pursuant to the Trust Agreement.

“Series B Certificates Installment Payment Account” means the account by such name established in the Installment Payment Fund pursuant to the Trust Agreement.

“Series B Certificates Installment Payments” means the Installment Payments designated under the heading “Schedule of Installment Payments Series B Certificates” in the Installment Purchase Agreement.

“Series B Certificates Reserve Account” means the account by such name established in the Installment Payment Fund.

“SIFMA Index” means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data which meets specific criteria established by the Securities Industry and Financial Markets Association, and effective from such date; provided, however, that the Seller and the District shall have the power to change the SIFMA Index to another index if the SIFMA Index shall no longer be an appropriate index.

“State” means the State of California.

“State Loan Contract” means the State Revolving Fund Loan Program Contract Between the State Water Resources Control Board of State of California (“SWRCB”) and Jurupa Community Services District, dated October 1, 1997, whereby the District obtained a loan from the SWRCB for construction of the wastewater treatment facilities described therein.

“Tax Certificate” means the certificate delivered by the District on the Closing Date with respect to the District’s determination that the Series A Certificates are not “arbitrage bonds” within the meaning of Section 103(b) and Section 148 of the Code or “private activity bonds” within the meaning of Section 141 of the Code, its determination that the Series B Certificates are “Qualified Bonds” within the meaning of Section 54AA(g)(2) of the Code, and its reasonable expectations regarding the exclusion of interest on the Series A Certificates from gross income for purposes of federal income taxation.

“Tax Revenues” means fifty percent (50%) of the amount of property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) apportioned, allocated and paid by the County Auditor of the County of Riverside to the District with respect to each Fiscal Year, commencing with the 2010-11 Fiscal Year, pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 5 of Division 1 of the Revenue and Taxation Code of the State of California, as they may be amended from time to time.

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect, as provided in the Installment Sale Agreement.

“Treasury Credits” means the amounts which are payable by the federal government to the District under Section 6431 of the Internal Revenue Code of 1986, which the District has elected to receive under Section 54AA(g)(1) of the Internal Revenue Code of 1986 (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009).

“Value” means as of any particular time of determination, the value of any investments determined as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not therein, in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(d) as to any investment not specified above: the value thereof established by prior agreement among the District and the Trustee.

If more than one provision of this definition of “Value” shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

“Water System” means all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the production, transmission, distribution and sale of water and all additions, extensions, expansions, improvements and betterments thereto, and equipment thereof; provided, however, that to the extent the District is not the sole owner of an asset or property, only the District’s ownership interest in such asset or property shall be considered to be part of the Water System.

“Water System Reserves” means reserve funds of the District accumulated from Net Revenues remaining at the end of each Fiscal Year after payment of the Series A Certificates Installment Payments, the Series B Certificates Installment Payments and debt service on any Parity Debt (including revenues from Connection Fees) and which are lawfully available for payment of Installment Payments.

“1993 Certificates” means the District’s \$14,360,000 initial aggregated principal amount Certificates of Participation (Wastewater Capacity Refinancing) issued on September 28, 1993.

“1993 Certificates Escrow Agreement” means the Escrow Agreement dated as of February 1, 2010 by and between the District and the 1993 Certificates Escrow Bank, and any duly authorized and executed amendment thereto.

“1993 Certificates Escrow Bank” means The Bank of New York Mellon Trust Company, the trustee with respect to the 1993 Certificates and the escrow bank under the 1993 Certificates Escrow Agreement.

“1993 Certificates Escrow Fund” means the Escrow Fund established under the 1993 Certificates Escrow Agreement for the purpose of defeasing and redeeming the 1993 Certificates.

“1993 Installment Payment Obligation” means the District’s obligation to make installment payments pursuant to the 1993 Installment Payment Agreement.

“1993 Installment Sale Agreement” means the Installment Sale Agreement dated as of September 1, 1993, by and between the District and the Seller.

“1993 Project” means the 1993 Project as defined in the Installment Sale Agreement.

“2001 Certificates” means the District’s \$9,390,000 initial aggregated principal amount CSDA Finance Corporation Certificates of Participation (California Special Districts Finance Program) 2001 Series NN issued on December 11, 2001.

“2001 Certificates Escrow Agreement” means the Escrow Agreement dated as of February 1, 2010 by and between the District and the 2001 Certificates Escrow Bank, and any duly authorized and executed amendment thereto.

“2001 Certificates Escrow Bank” means The Bank of New York Mellon Trust Company, the trustee with respect to the 2001 Certificates and the escrow bank under the 2001 Certificates Escrow Agreement.

“2001 Certificates Escrow Fund” means the Escrow Fund established under the 2001 Certificates Escrow Agreement for the purpose of defeasing and redeeming the 2001 Certificates.

“2001 Installment Sale Agreement” means the Installment Purchase Contract dated as of December 1, 2001, by and between the District and the CSDA Finance Corporation.

TRUST AGREEMENT

Costs of Issuance Fund.

Creation. The Trustee shall establish a special fund designated the “Costs of Issuance Fund,” and shall also establish separate accounts therein designated the “Series A Certificates Costs of Issuance Account” and the Series B Certificates Costs of Issuance Account.” The Trustee shall keep such fund and accounts separate and apart from all other funds and moneys held by it, and shall administer such fund as provided in the Trust Agreement.

Series A Certificates Costs of Issuance Account. Moneys on deposit in the Series A Certificates Costs of Issuance Account shall be applied to pay Costs of Issuance with respect to the Series A Certificates to the extent they are approved by the District. Such costs shall be payable upon receipt of a written request signed by a District Representative setting forth the

amounts to be disbursed for payment or reimbursement of Costs of Issuance with respect to the Series A Certificates and the person or persons to whom said amounts are to be disbursed, and stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Series A Costs of Issuance Account.

Any moneys remaining in the Series A Certificates Costs of Issuance Account six (6) months after the Closing Date and determined, as evidenced by a certificate of the District Representative delivered to the Trustee, not to be necessary for the payment of any Costs of Issuance shall be transferred to the Series A Certificates Installment Payment Account and the Series A Certificates Costs of Issuance Account shall be closed. The amounts so transferred from the Series A Certificates Costs of Issuance Account to the Series A Certificates Installment Payment Account shall be credited to the payment of the Installment Payments with respect to the Series A Certificates as the same shall become due and payable.

Series B Certificates Costs of Issuance Account. Moneys on deposit in the Series B Certificates Costs of Issuance Account shall be applied to pay Costs of Issuance with respect to the Series B Certificates to the extent they are approved by the District. Such costs shall be payable upon receipt of a written request signed by a District Representative setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance with respect to the Series B Certificates and the person or persons to whom said amounts are to be disbursed, and stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Series B Certificates Costs of Issuance Account.

Any moneys remaining in the Series B Certificates Costs of Issuance Account six (6) months after the Closing Date and determined, as evidenced by a certificate of the District Representative delivered to the Trustee, not to be necessary for the payment of any Costs of Issuance shall be transferred to the Series B Certificates Installment Payment Account and the Series B Certificates Costs of Issuance Account shall be closed. The amounts so transferred from the Series B Certificates Costs of Issuance Fund to the Series B Certificates Installment Payment Account shall be credited to the payment of the Installment Payments with respect to the Series B Certificates as the same shall become due and payable.

Acquisition and Construction Fund.

The Trustee shall establish a special fund designated as the “Acquisition and Construction Fund,” and shall also establish separate accounts therein designated the “Series A Certificates Acquisition and Construction Account” and the “Series B Certificates Acquisition and Construction Account.” The Trustee shall keep such fund and accounts separate and apart from all other funds and moneys held by it, and shall administer such fund and accounts as provided in the Trust Agreement and in the Installment Sale Agreement. The Acquisition and Construction Fund, the Series A Certificates Acquisition and Construction Account and the Series B Certificates Acquisition and Construction Account shall be held and applied by the Trustee in accordance herewith.

Purpose.

Moneys in the Acquisition and Construction Fund, and the Series A Certificates Acquisition and Construction Account and the Series B Certificates Acquisition and

Construction Account therein, shall be expended for payment or reimbursement of Acquisition and Construction Costs.

Deposit of Funds; Payment of Acquisition and Construction Costs.

There shall be deposited into the Series A Certificates Acquisition and Construction Account and the Series B Certificates Acquisition and Construction Account from the proceeds from the sale of the Certificates the amounts set forth in the Trust Agreement. There shall also be deposited into the Acquisition and Construction Fund any other funds from time to time deposited with the Trustee for credit to the Acquisition and Construction Fund.

The Trustee shall disburse moneys in the Acquisition and Construction Fund from time to time for the payment of Acquisition and Construction Costs upon receipt by the Trustee of a requisition signed by the District Representative which: (a) states with respect to each disbursement to be made: (i) the requisition number, (ii) the name of the account (*i.e.*, the Series A Certificates Acquisition and Construction Account or the Series B Certificates Acquisition and Construction Account) from which the disbursement is to be made, (iii) the name and address of the person, firm or corporation to whom payment is to be made, (iv) the amount to be disbursed, and (v) that each obligation mentioned therein has been properly incurred, is a proper charge against such account, and has not been the basis of any previous disbursement; (b) specifies in reasonable detail the nature of the obligation; (c) is accompanied by an invoice or statement of account for each obligation; (d) states that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of any of the moneys payable to any of the persons named in the requisition which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law; (e) is accompanied by a certificate of the District Representative certifying that amounts remaining in the Series A Certificates Acquisition and Construction Account or the Series B Certificates Acquisition and Construction Account, as applicable, will be sufficient to pay the remaining Acquisition and Construction Costs as estimated, and that no Event of Default has occurred and is continuing; and (f) in the event of final payment of construction costs, is accompanied by a notice of completion.

If on any Interest Payment Date (i) there are not sufficient funds on deposit in the Series A Certificates Installment Payment Account and the Series A Certificates Reserve Account to pay the principal of or principal of and interest on the Series A Certificates on such Interest Payment Date, or (ii) there are not sufficient funds on deposit in the Series B Certificates Installment Payment Account and the Series B Certificates Reserve Account to pay the principal of or principal of and interest on the Series B Certificates on such Interest Payment Date, the Trustee shall utilize available moneys in the Series A Certificates Acquisition and Construction Account or the Series B Certificates Acquisition and Construction Account, as appropriate, to the extent thereof, to pay such principal or principal and interest.

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Acquisition and Construction Fund, and each account therein, and the payments therefrom in accordance with the Trust Agreement.

Transfers of Unexpended Proceeds.

Upon the earlier of (a) the filing with the Trustee of a certificate of the District Representative that all Acquisition and Construction Costs to be paid from proceeds of the Series A Certificates have been paid or are provided for, or (b) February 25, 2013, the Trustee shall retain in the Series A Certificates Acquisition and Construction Account the amount, if any, specified in a written notice signed by the Seller's Representative and filed with the Trustee to be required to pay future Acquisition and Construction Costs, and the Trustee shall withdraw and transfer to the Series A Certificates Installment Payment Account the balance of moneys in the Series A Certificates Acquisition and Construction Account. Thereafter, all amounts so retained in the Series A Certificates Acquisition and Construction but not subsequently used, and timely notice of such failure of use of which shall be given by the Seller's Representative to the Trustee, shall also be transferred by the Trustee, in equal amount, into the Series A Certificates Installment Payment Account. The amounts so transferred from the Series A Certificates Acquisition and Construction Account to the Series A Certificates Installment Payment Account shall be credited to the payment of the Series A Certificates Installment Payments as the same shall become due and payable and shall be invested so that the aggregate yield on such moneys as invested shall not exceed the yield on the Series A Certificates. Amounts deposited or transferred to the Series B Certificates Acquisition and Construction Account shall be retained therein until expended for payment of Acquisition and Construction Costs unless otherwise directed by the District.

Selection of Certificates for Redemption.

Whenever provision is made for the redemption of Series A Certificates and less than all outstanding Series A Certificates are called for redemption, the Trustee shall select Series A Certificates for redemption, from the outstanding Series A Certificates not previously called for redemption, such that, as nearly as practicable, as directed by the District in writing, approximately equal principal and interest payments prevail with respect to the Series A Certificates in each fiscal year following such redemption, as determined by the District. The Trustee shall select Series A Certificates for redemption by lot within a maturity in any manner which the Trustee shall in its sole discretion deem appropriate and fair. The Trustee shall promptly notify the District and the Seller in writing of the Series A Certificates so selected for redemption.

If less than all the Series B Certificates are to be redeemed, the Series B Certificates shall be redeemed on a pro rata basis based on the relative principal amounts among maturities and the Series B Certificates of each maturity shall be selected for redemption pro rata as nearly as practicable in proportion to the principal amount of the Series B Certificates owned by each registered owner within each maturity of the Series B Certificates, subject to authorized denomination of \$5,000 applicable to the Series B Certificates. In such event, the particular Series B Certificates to be redeemed will be determined by the Trustee, using such method it deems appropriate. So long as the Series B Certificates are in book-entry form at the time of such redemption, the Trustee shall instruct DTC to instruct the DTC Participants to select the Series B Certificates within each maturity pro rata as nearly as practicable in proportion to the principal amounts of the Series B Certificates owned by each registered owner within that maturity. Neither the District nor the Trustee shall have any responsibility to ensure that DTC or the DTC Participants properly select such Series B Certificates for redemption.

Notice of Redemption.

When redemption is authorized or required pursuant to the Trust Agreement, the Trustee shall give, at the expense of the District, notice of the redemption of the Certificates to be redeemed. Except as to mandatory sinking fund redemption and Certificates that are the subject of an advance refunding, notice of redemption shall be given only if sufficient moneys to pay the redemption price of the Certificates to be redeemed are on deposit with the Trustee and available for such purpose on the date notice of redemption is given or if such notice expressly states that redemption is conditioned upon receipt by the Trustee on the date of redemption of sufficient moneys to pay the redemption price of the Certificates to be redeemed. Such notice shall specify: (a) that the Series A Certificates or the Series B Certificates or a designated portion thereof (in the case of redemption of a Certificate in part but not in whole) are to be redeemed, (b) the date of redemption, and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date there shall become due and payable upon each Certificate to be redeemed, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Said notice shall be mailed by first class mail, postage prepaid, to the Owners of any Certificates designated for redemption at their addresses appearing on the Registration Books, at least thirty (30) days but not more than sixty (60) days prior to the redemption date, which notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate to be redeemed only in part, the portion of the principal thereof which is to be redeemed; provided, however, that neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Certificates.

Partial Redemption of Certificates.

Upon surrender of any Certificate to be redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the principal of the Certificate surrendered, and of the same interest rate and the same maturity. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District, the Seller and the Trustee shall be released and discharged from all liability to the extent of such payment, irrespective of whether an endorsement as to such partial redemption shall or shall not have been made upon such Certificate by such Owner and irrespective of any error or omission in such endorsement.

Effect of Notice of Redemption.

Notice having been given as aforesaid, and the moneys for the redemption (including accrued interest to the date of redemption and premium, if any) having been set aside in the Series A Certificates Installment Payment Account or the Series B Certificates Installment Payment Account, as appropriate, the Certificates to be redeemed shall become due and payable on the date of redemption, and, upon presentation and surrender thereof at the office of the Trustee specified in said notice, such Certificates shall be paid in the unpaid principal amount with respect thereto or the appropriate portion thereof, if only partially redeemed, plus interest accrued and unpaid to the date of redemption and premium, if any.

If, on the date of redemption, moneys for the redemption of all the Certificates to be redeemed, together with accrued interest to such date of redemption and premium, if any, shall be held by the Trustee so as to be available therefor on the date of redemption, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after the date of redemption, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Certificates shall be held in trust for the account of the Owners of the Certificates to be redeemed.

Assignment of Rights in Installment Sale Agreement.

The Seller transfers, assigns and sets over to the Trustee all of its right, title and interest in the Installment Sale Agreement (excepting only certain rights as specified in the Trust Agreement), including but not limited to all of the Seller's rights to receive and collect all of the Series A Certificates Installment Payments and the Series B Certificates Installment Payments, the Prepayments, if any, and all other amounts required to be deposited in the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account pursuant to the Installment Sale Agreement and its rights to enforce remedies upon an Event of Default. The Trustee hereby accepts such assignment, provided, however, that such assignment shall impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement. All Series A Certificates Installment Payments and Series B Certificates Installment Payments, the Prepayments, if any, and such other amounts (excluding reimbursed amounts), which the Seller may at any time be entitled to receive, shall be paid directly to the Trustee, and all of the Installment Payments and Prepayments collected or received by the Seller shall be deemed to be held and to have been collected or received by the Seller as the agent of the Trustee, and if received by the Seller at any time shall be deposited by the Seller with the Trustee within five (5) business day after receipt thereof. All Series A Certificates Installment Payments shall be forthwith deposited by the Trustee, upon receipt thereof, in the Series A Certificates Installment Payment Account. All Series B Certificates Installment Payments shall be forthwith deposited by the Trustee, upon receipt thereof, in the Series B Certificates Installment Payment Account.

Establishment of Installment Payment Fund.

The Trustee shall establish a special fund designated as the "Installment Payment Fund" and shall also establish therein the "Series A Certificates Installment Payment Account" and the Series B Certificates Installment Payment Account. All moneys at any time paid to the Trustee (or the Seller) by the District as payments of Series A Certificates Installment Payments or Prepayments shall be deposited by the Trustee in the Series A Certificates Installment Payment Account, which shall be held by the Trustee in trust for the benefit of the District and the Owners of the Series A Certificates, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement. All moneys at any time paid to the Trustee (or the Seller) by the District as payments of Series B Certificates Installment Payments or Prepayments shall be deposited by the Trustee in the Series B Certificates Installment Payment Account, which shall be held by the Trustee in trust for the benefit of the District and the Owners of the Series B Certificates, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

Application of Moneys.

Series A Certificates Installment Payment Account. All amounts in the Series A Certificates Installment Payment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Series A Certificates as the same shall become due and payable, in accordance with the provisions of the Trust Agreement. The Trustee shall be responsible for the safekeeping of the moneys held in the Series A Certificates Installment Payment Account.

Series B Certificates Installment Payment Account. All amounts in the Series B Certificates Installment Payment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Series B Certificates as the same shall become due and payable, in accordance with the provisions of the Trust Agreement. The Trustee shall be responsible for the safekeeping of the moneys held in the Series B Certificates Installment Payment Account.

Surplus.

Any surplus remaining in the Series A Certificates Installment Payment Account or the Series B Certificates Installment Payment Account after redemption and payment of all Series A Certificates or Series B Certificates, including premiums, if any, and accrued interest and payment of any applicable fees to the Trustee, or after provision for such redemption or payment has been made in accordance with the Trust Agreement to the satisfaction of the Trustee, shall upon the written direction of the District be withdrawn by the Trustee and remitted to the District to be used for any lawful purpose.

Establishment of Installment Payment Fund.

The Trustee shall establish a special fund designated the "Installment Payment Fund" and shall also establish therein the "Series A Certificates Reserve Account" and the "Series B Certificates Reserve Account." All moneys at any time on deposit in the Series A Certificates Reserve Account or the Series B Certificates Reserve Account shall be held by the Trustee in trust for the benefit of the Owners of the Series A Certificates or the Series B Certificates, respectively, and applied solely as provided in the Trust Agreement.

Application in Event of Deficiency in Installment Payment Accounts.

Series A Certificates Reserve Account. If on any March 1 or September 1 the moneys on hand in the Series A Certificates Installment Payment Account do not equal the amount of the Installment Payment then due and payable with respect to the Series A Certificates, the Trustee shall apply the moneys on hand in the Series A Certificates Reserve Account to make such payment on behalf of the District by transferring the amount necessary to the Series A Certificates Installment Payment Account. Upon receipt by the Trustee of any delinquent Series A Certificates Installment Payment with respect to which moneys have been advanced from the Series A Certificates Reserve Account, such Series A Certificates Installment Payment shall be deposited in the Series A Certificates Reserve Account to the extent of such advance.

The District shall maintain or cause to be maintained in the Series A Certificates Reserve Account an amount equal to the Reserve Requirement for the Series A Certificates.

Series B Certificates Reserve Account. If on any March 1 or September 1 the moneys on hand in the Series B Certificates Installment Payment Account do not equal the amount of the Installment Payment then due and payable with respect to the Series B Certificates, the Trustee shall apply the moneys on hand in the Series A Certificates Reserve Account to make such payment on behalf of the District by transferring the amount necessary to the Series B Certificates Installment Payment Account. Upon receipt by the Trustee of any delinquent Series B Certificates Installment Payment with respect to which moneys have been advanced from the Series B Certificates Reserve Account, such Series B Certificates Installment Payment shall be deposited in the Series B Certificates Reserve Account to the extent of such advance.

The District shall maintain or cause to be maintained in the Series B Certificates Reserve Account an amount equal to the Reserve Requirement for the Series B Certificates.

Transfer of Amounts in Excess of Reserve Requirement.

Series A Certificates Reserve Account. The Trustee shall, on or before each March 1 and September 1, transfer any moneys in the Series A Certificates Reserve Account in excess of the Reserve Requirement for the Series A Certificates, except moneys therein which the District has notified the Trustee in writing are required to be paid to the United States of America pursuant to the Trust Agreement, to the Series A Certificates Installment Payment Account.

Series B Certificates Reserve Account. The Trustee shall, on or before each March 1 and September 1, transfer any moneys in the Series B Certificates Reserve Account in excess of the Reserve Requirement for the Series B Certificates, except moneys therein which the District has notified the Trustee in writing are required to be paid to the United States of America pursuant to the Trust Agreement, to the Series B Certificates Acquisition and Construction Account unless otherwise directed by the District.

Transfer to Make All Installment Payments.

Series A Certificates Reserve Account. If on any March 1 or September 1 the moneys on deposit in the Series A Certificates Reserve Account and the Series A Certificates Installment Payment Account are sufficient to pay all Outstanding Series A Certificates, including all principal, interest and redemption premiums (if any), the Trustee shall, upon the written direction of the District Representative, transfer all amounts then on deposit in the Series A Certificates Reserve Account to the Series A Certificates Installment Payment Account to be applied to the payment of Installment Payments or Prepayments on behalf of the District, and such moneys shall be paid to the Owners of the Outstanding Series A Certificates in accordance with the Trust Agreement. Any amounts remaining in the Series A Certificates Reserve Account upon payment in full of all Outstanding Series A Certificates, or upon provision having been made for such payment in accordance with the Trust Agreement, and payment of fees of the Trustee, except moneys therein which are required to be paid to the United States of America from the Rebate Fund, shall upon written direction of the District Representative be withdrawn by the Trustee and paid to the District.

The Trustee shall be responsible for the safekeeping of the moneys held in the Series A Certificates Reserve Account, and the payments therefrom in accordance with the Trust Agreement.

Series B Certificates Reserve Account. If on any March 1 or September 1 the moneys on deposit in the Series B Certificates Reserve Account and the Series B Certificates Installment Payment Account are sufficient to pay all Outstanding Series B Certificates, including all principal, interest and redemption premiums (if any), the Trustee shall, upon the written direction of the District Representative, transfer all amounts then on deposit in the Series B Certificates Reserve Account to the Series B Certificates Installment Payment Account to be applied to the payment of Installment Payments or Prepayments on behalf of the District, and such moneys shall be paid to the Owners of the Outstanding Series B Certificates in accordance with the Trust Agreement. Any amounts remaining in the Series B Certificates Reserve Account upon payment in full of all Outstanding Series B Certificates, or upon provision having been made for such payment in accordance with the Trust Agreement, and payment of fees of the Trustee, except moneys therein which are required to be paid to the United States of America from the Rebate Fund, shall upon written direction of the District Representative be withdrawn by the Trustee and paid to the District.

The Trustee shall be responsible for the safekeeping of the moneys held in the Series B Certificates Reserve Account, and the payments therefrom in accordance with the Trust Agreement.

Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award.

Any Net Proceeds of insurance against injury to or destruction of any structure constituting any part of the Water System collected by the District in the event of any such injury or destruction shall be transferred to the Trustee pursuant to the Installment Sale Agreement and deposited by the Trustee in a special fund designated as the “Insurance and Condemnation Fund” to be applied and disbursed by the Trustee as provided in the Installment Sale Agreement.

Application of Net Proceeds of Eminent Domain Award.

If all or any part of the Water System shall be taken by eminent domain proceedings (or sold to a government agency threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Installment Sale Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District determines that such eminent domain proceedings have not materially affected the operation of the Water System or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are not needed for repair or rehabilitation of the Water System, upon the filing with the Trustee of a certificate of an Independent Engineer or Independent Financial Consultant to the effect that such taking will not have a material effect on the Water System and that the rate covenant of the District set forth in the Installment Sale Agreement, based on projections of said engineer or financial consultant, will continue to be satisfied following such taking, the Trustee, upon written direction of the District, shall transfer such proceeds to the District.

(b) If the District determines that such eminent domain proceedings have not materially affected the operation of the Water System or the ability of the District to meet any of

its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are needed for repair or rehabilitation of the Water System, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representative and a certificate of an Independent Engineer or Independent Financial Consultant to the effect that such taking will not have a material effect on the Water System and that the rate covenant of the District set forth in the Installment Sale Agreement, based on projections of said engineer or financial consultant, will continue to be satisfied following such taking.

(c) If less than all of the Water System shall have been taken in such eminent domain proceedings, and if the District determines that such eminent domain proceedings have materially affected the operation of the Water System or the ability of the District to meet any of its obligations under the Installment Sale Agreement, or if all of the Water System shall have been taken in such eminent domain proceedings, then the Trustee, upon written direction of the District, shall apply such proceeds to the payment or defeasance of the Series A Certificates and the Series B Certificates as determined in the discretion of the District in the manner provided in the Trust Agreement.

Excess Net Proceeds.

After all of the Certificates have been redeemed or defeased and the entire amount of principal of and the entire amount of interest and any redemption premiums with respect to the Certificates have been paid in full or provided for in the manner provided in the Trust Agreement, and all fees and expenses of the Trustee have been paid, the Trustee shall transfer any remaining Net Proceeds to the District to be used for any lawful purpose.

Cooperation.

The Seller and the Trustee shall cooperate fully with the District, at the expense of the District, in filing any proof of loss with respect to any insurance policy maintained pursuant to the Installment Sale Agreement and in the prosecution or defense of any prospective or pending eminent domain proceedings with respect to the Water System or any part thereof.

Held in Trust.

The moneys and investments held by the Trustee under the Trust Agreement, other than moneys held in the Rebate Fund, or moneys which are required to be transferred to the Rebate Fund pursuant to the provisions of the Trust Agreement, are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement, and such moneys shall be expended only as provided in the Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Seller, the Trustee, the District or any Owner of Certificates, or any of them.

Investments Authorized.

Moneys held by the Trustee hereunder shall, at the written direction of the District Representative, be invested and reinvested by the Trustee in Permitted Investments. If no direction is received by the Trustee from the District Representative, the Trustee will invest in Permitted Investments described in paragraph (d) of the definition of Permitted Investments.

Such investments shall be registered in the name of the Trustee for the benefit of the Certificate Owners and held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. In giving written direction to the Trustee regarding such investments and reinvestments the District Representative shall give full consideration for the time at which moneys are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment.

Accounting.

The Trustee shall furnish to the District monthly accounting of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Trust Agreement.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the District monthly cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Allocation of Earnings or Loss.

Any income, profit or loss on such investments, other than that which is required to be transferred to the Rebate Fund pursuant to the Trust Agreement, shall be deposited in or credited to the respective funds and accounts from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund or account from which such deposit was made.

Valuation and Disposition of Investments.

Except as hereinafter provided with respect to valuations for purposes of the Trust Agreement, the Trustee shall value each fund semiannually on each Interest Payment Date and the Series A Certificates Reserve Account and the Series B Certificates Reserve Account immediately upon any disbursement from each such Reserve Account. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at market value, exclusive of accrued interest. The Trustee, at the direction of the District, shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting therefrom. For purposes of determining the amounts, if any, to be deposited in the Rebate Fund pursuant to the Trust Agreement, the Permitted Investments credited to the funds established pursuant to the Trust Agreement shall be valued by the District as provided in the applicable Regulations.

Deposit and Investment of Moneys in Funds.

The Trustee may, and upon the written request of the District Representative shall, commingle any of the funds other than the Rebate Fund, held by it pursuant to the Trust

Agreement into a separate fund or funds for investment purposes; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Tax Covenants – Series A Certificates.

The Seller and the District hereby covenant with the Owners of the Series A Certificates that:

(a) They will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Certificates, would have caused any of the Series A Certificates to be “arbitrage bonds” within the meaning of Section 103(b) and Section 148 of the Code;

(b) They will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Series A Certificates, would result in loss of exclusion from gross income, for purposes of federal income taxation under Section 103(a) of the Code, of interest paid with respect to the Series A Certificates;

(c) They will not take any action or omit to take any action, which action or omission if reasonably expected on the date of initial issuance and delivery of the Series A Certificates, would have caused any of the Series A Certificates to be “private activity bonds” within the meaning of Section 141 of the Code;

(d) The District will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(e) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Series A Certificates, the District shall comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the Seller and the District contained in the Trust Agreement shall survive the payment or defeasance of the Trust Agreement.

Tax Covenants – Series B Certificates.

(a) Definitions. The following terms shall have the following meanings for purposes of the following tax covenants:

“Available Project Proceeds” means (i) the proceeds from the sale of the Series B Certificates, (ii) less Costs of Issuance of the Series B Certificates paid from proceeds of the sale of the Series B Certificates (not exceeding 2% of the proceeds of the sale of the Series B Certificates), plus (iii) investment earnings on the difference between (i) and (ii).

“Build America Bonds” means any Series B Certificate which, for federal tax purposes, is a “qualified bond” within the meaning of Section 54AA(g)(2) of the Code, as added by the 2009 Tax Act, and for which the District has elected to receive Treasury Credits.

“Code” means the Internal Revenue Code of 1986.

“Regulations” means the United States Treasury Regulations promulgated pursuant to the Code.

“Treasury Credit” means, with respect to Build America Bonds, the amounts which are payable by the federal government under Section 6431 of the Code, which the District has elected to receive under Section 54AA(g)(1) of the Code.

“2009 Tax Act” means the American Recovery and Reinvestment Act of 2009.

(b) Designation of Series B Certificates as Build America Bonds. The District hereby irrevocably elects to apply the provisions of Section 54AA(d) of the Code to the Series B Certificates and intends that the Series B Certificates be treated as Build America Bonds. In addition, the District hereby irrevocably elects to treat the Series B Certificates as “Qualified Bonds” within the meaning of Section 54AA(g)(2) of the Code such that the Series B Certificates will be eligible for direct payment by the federal government of the Treasury Credits.

(c) Filing of Forms to Receive Treasury Credits. The District will, within the 45-day period beginning on the date that is 90 days before the next interest payment date for the Series B Certificates, file Form 8038-CP or any successor form designated by the federal government, requesting payment of the Treasury Credits with respect to the next interest payment on the Series B Certificates. In this connection, the District hereby directs and authorizes the General Manager or the Director of Finance of the District (or any duly authorized designee thereof) to make any elections and file any tax form, certificate or document permitted or required pursuant to the provisions of the Code or the Tax Regulations and the 2009 Tax Act, as the General Manager or the Director of Finance or such designee (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Series B Certificates, all as set forth in the Tax Certificate relating to the Series B Certificates.

(d) Financing Capital Expenditures, No Working Capital. All amounts in excess of Available Project Proceeds deposited in the Series B Certificates Reserve Account shall be spent on capital expenditures with a reasonably expected economic life of one year or more.

(e) Limitation on Issuance Costs. No proceeds of the Series B Certificates and investment earnings thereon, in an amount in excess of 2% of the proceeds of the sale of the Series B Certificates, shall be used to pay Costs of Issuance of the Series B Certificates. If the fees of the original purchaser of the Series B Certificates are retained as a discount on the purchase of the Series B Certificates, such retention shall be deemed to be an expenditure of proceeds of the Series B Certificates for said fees. No proceeds of the Series B Certificates shall be used to pay Costs of Issuance of the Series A Certificates and no proceeds of the Series A Certificates shall be used to pay Costs of Issuance of the Series B Certificates.

(f) Expenditure of Proceeds to Assure Series B Certificates are Eligible for Treasury Credits. The District shall take all actions necessary to assure that the proceeds of the Series B Certificates are expended and all federal tax requirements are met so as to cause the Series B Certificates to be treated as Build America Bonds and therefore be eligible for the Treasury Credits. To that end and in order that interest paid with respect to the Series B Certificates would

(but for the election in clause (b) above) be excludable from gross income under Section 103 of the Code, the District shall comply with the covenants contained in the Trust Agreement as if they applied to the Series B Certificates.

(g) Tax Certificate. The District covenants that in connection with the initial delivery of the Series B Certificates, it will execute and deliver the Tax Certificate, and that in connection with the subsequent initial delivery of any other Series B Certificates it will execute and deliver a supplement or amendment to the Tax Certificate, in each case in such form and substance as is provided and accepted by Bond Counsel. All representations, warranties and covenants made by the District in the Tax Certificate, as the same may be amended or supplemented in accordance with its terms, are incorporated into and made a part of the Trust Agreement as though the same had been fully set forth in the Trust Agreement.

Notwithstanding any other provisions of the Trust Agreement to the contrary, upon the District's failure to observe, or refusal to comply with, any of the foregoing covenants in the Trust Agreement, no Person other than the Owners of the Series B Certificates shall be entitled to exercise any right or remedy provided to the Owners under the Trust Agreement on the basis of the District's failure to observe, or refusal to comply with, such covenant.

Deposit of Treasury Credits to the Installment Payment Accounts; Pledge Thereof.

The District hereby covenants to deposit or cause to be deposited, in equal amounts, in the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account the Treasury Credits as received by the District from the Secretary of the Department of the Treasury of the United States pursuant to Section 6431(b) of the Code, as added by the 2009 Tax Act, and relating to interest payments on the Series B Certificates. The Treasury Credits are pledged to payment of the Certificates.

Rebate Fund; Rebate of Excess Investment Earnings to the United States.

There is hereby created, to be held by the Trustee as a separate fund distinct from all other funds and accounts held by the Trustee under the Trust Agreement, the "Rebate Fund." The Trustee shall, in accordance with written directions of the District Representative received by the Trustee, deposit moneys into the Rebate Fund. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States of America, to the extent such payments are required by the Rebate Certificate.

The District shall be responsible for any fees and expenses incurred by the Trustee or the District pursuant to the Trust Agreement. The Trustee's sole responsibility pursuant to the Trust Agreement is to follow the written instructions of the District pertaining hereto. The Trustee shall be deemed conclusively to have complied with the provisions of the Trust Agreement if it follows the instructions of the District, and shall have no liability or responsibility to enforce compliance by the District with the requirements of the applicable Regulations regarding rebate to the United States of America.

The Trustee shall, upon written request and direction from the District, transfer to or upon the order of the District any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate.

Accounting Records and Financial Statements.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with customary standards of the corporate trust industry, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Certificates, the Installment Payments and all funds and accounts established pursuant to the Trust Agreement; provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has no moneys on deposit therein and (b) has not had any activity since the last report of the Trustee was delivered. Such books of record and account shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Permitted Investment (a) its purchase price, (b) identifying information, including par amount, coupon rate and payment dates, (c) the amount received at maturity or sale price thereof, as applicable, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the Trustee as evidence to establish the market value of such Permitted Investment.

The Trustee shall file and furnish to the District and to each Certificate Owner who shall have filed his or her name and address with the Trustee for such purpose within thirty (30) days after the end of each month, a statement (which need not be audited) covering receipts, disbursements, allocation and application of Installment Payments and any other moneys (including proceeds of Certificates) in any of the funds and accounts established pursuant to the Trust Agreement for such month.

Compensation of the Trustee.

The District shall from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys at law, or other experts employed by it in the exercise and performance of its powers and duties hereunder. Such compensation and reimbursement shall be paid by the District, and amounts owing therefor shall constitute a first and prior lien on moneys in the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account. If the District fails to reimburse the Trustee for any such advances by the Trustee within thirty (30) days of the date when the District receives notice thereof, the District shall pay interest thereon at the maximum rate allowed by law.

Removal of Trustee.

The District and the Seller (so long as no Event of Default has occurred and is continuing hereunder) may by written agreement between themselves, or the Owners of a majority in aggregate principal amount of all Certificates then Outstanding may by written request, at any time and for any reason remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and be subject to supervision or examination by federal or state authority.

If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority previously referred to, then for the purposes of the Trust Agreement, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

Resignation of Trustee.

The Trustee or any successor may at any time resign by giving written notice to the District and the Seller and by giving mailed notice to the Owners of the Certificates then Outstanding of its intention to resign and of the proposed date of resignation, which shall be a date not less than thirty (30) days after mailing of such notice, unless an earlier resignation date and the appointment of a successor Trustee shall have been or are approved by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

Upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Appointment of Agent.

The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under the Trust Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

Merger or Consolidation.

Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such entity shall be eligible pursuant to the Trust Agreement, shall be the successor to the Trustee without the execution or filing of any document or further act, anything in the Trust Agreement to the contrary notwithstanding.

Protection and Rights of the Trustee.

The Trustee shall be protected and shall incur no liability in acting, refraining from acting, or proceeding in good faith upon any resolution, opinion, notice, telegram, telecopy, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been authorized or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such instrument. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his or her request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

Whenever in the administration of its duties under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) shall be deemed to be conclusively proved and established by the certificate of the District Representative or the Seller's Representative, and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of any such matter or may require such additional evidence as it may deem reasonable.

The Trustee may become the Owner of Certificates with the same rights it would have if it were not the Trustee; may acquire and dispose of bonds or other evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

The recitals, statements and representations by the District and the Seller contained in the Trust Agreement, the Installment Sale Agreement or the Certificates shall be taken and construed as made by and on the part of the District or the Seller, as appropriate, and not by the Trustee, and the Trustee does not assume and shall not have any responsibility or obligation for the correctness of any thereof. The Trustee is not responsible for the Official Statement or any other offering or disclosure material prepared with respect to the Certificates

The Trustee may execute any of the trusts or powers and perform the duties required of it hereunder by or through attorneys, agents or receivers, and shall be entitled to rely conclusively on the advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the negligence or misconduct of any such attorney, agent or receiver selected by it with due care. The Trustee shall not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own negligence or willful misconduct.

In addition to the foregoing protection and rights afforded the Trustee, the following provisions further limit the Trustee's undertakings hereunder:

(a) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee;

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs;

(c) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(d) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement;

(e) No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Owners pursuant to the Trust Agreement, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(g) The Trustee shall not be accountable for the use or application by the District or the Seller of Certificates or the proceeds thereof; and

(h) The permissive right of the Trustee to do things provided for in the Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable except for its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee provided for in the Trust Agreement shall extend to its officers, directors, employees and agents.

Amendments Permitted.

The Trust Agreement and the Installment Sale Agreement and the rights and obligations of the parties hereto or thereto may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity date of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, or (ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Installment Sale Agreement, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the Installment Sale Agreement and the rights and obligations of the parties hereto or thereto may be modified or amended at any time by a supplemental

agreement, without the consent of any such Owners, but only to the extent permitted by law and only (i) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement or therein, or (ii) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable, and which shall not adversely affect the interests of the Owners of the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as appropriate.

The Trustee may obtain an opinion of Independent Counsel that any amendment to be accomplished by a supplemental agreement entered into pursuant to the Trust Agreement complies with the provisions of the Trust Agreement and the Trustee may conclusively rely on such opinion.

Procedure for Amendment with Written Consent of Certificate Owners.

If the consent of the Owners of the Certificates is required pursuant to the Trust Agreement, the Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement only upon compliance with the provisions of the Trust Agreement. A copy of the supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate registration books maintained pursuant to the Trust Agreement, but failure to mail copies of any such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in the Trust Agreement.

Such a supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and a notice shall have been mailed as hereinafter provided in the Trust Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by the Trust Agreement. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner of the same Certificate or a replacement thereof (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided for in the Trust Agreement has been given.

After the Owners of the required percentage of Certificates shall have filed their consents to such a supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner previously provided in the Trust Agreement for the mailing of the supplemental agreement, stating in substance that the supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice shall not affect the validity of the supplemental agreement or consents thereto). Such a supplemental agreement shall become effective upon the mailing by the Trustee of the previously mentioned notice, and the supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such mailing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period. A

record, consisting of the documents required by the Trust Agreement to be mailed by the Trustee and a certificate of the Trustee as to its compliance with the requirements of the Trust Agreement shall be proof of the matters therein stated until the contrary is proved.

Disqualified Certificates.

Certificates owned or held by or for the account of the District or by any person directly or indirectly controlled by, or under direct or indirect common control with the District (except any Certificates held in any pension or retirement fund), shall not be deemed outstanding for the purpose of any vote, consent, waiver or other action or any determination of Outstanding Certificates provided for in the Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement.

The District may adopt appropriate regulations to require each Certificate Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement.

From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder or thereunder subject in all respects according to such modification and amendment, and all the terms and conditions of any such supplemental agreement shall be deemed to be part of the terms and conditions of the Trust Agreement or the Installment Sale Agreement, as appropriate, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments.

The District may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement shall bear a notation by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his Certificate at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Certificate. The District may determine that replacement Certificates, so modified as in the opinion of the District is necessary to conform with action taken pursuant to the Trust Agreement, shall be prepared, executed and delivered. In that case, upon demand of the Trustee on the Owner of any Outstanding Certificate, such Owner shall surrender such Outstanding Certificate at said office of the Trustee and it shall be exchanged for a new Certificate of the same character upon surrender of such Certificate, without cost to the Owner.

Compliance with and Enforcement of Installment Sale Agreement.

The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement. The Seller covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Seller. The Seller and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Water System, which may or can in any manner affect the estate of the District therein, will deliver the same, or a copy thereof, to the Trustee.

Payment of Taxes.

The District will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Water System, or any part thereof, promptly as and when the same shall become due and payable; and the District will, upon request of the Trustee, keep the Trustee advised of such payments, and deliver such evidence thereof as the Trustee may reasonably require. The District will not suffer the Water System, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Observance of Laws and Regulations.

The District will well and truly keep and observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State of California, or by any officer, board or commission having jurisdiction or control as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits.

The District shall promptly, upon request of the Trustee, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System, whether now existing or hereafter developing, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose, and shall indemnify and save the Trustee, the Seller and the Certificate Owners harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

Further Assurances.

The Seller and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement and for better assuring and confirming unto the Owners of the Certificates the rights and benefits provided in the Trust Agreement.

Limited Liability of District.

Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said agreement and the Trust Agreement, the District shall have no obligation or liability to any of the Seller, the Trustee or the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the payment of Installment Payments to the Owners by the Trustee.

No Liability of District or the Seller for Trustee Performance.

Neither the District nor the Seller shall have any obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Anything in the Trust Agreement, the Installment Sale Agreement or the Certificates to the contrary notwithstanding, it is understood that no recourse shall be had against the Seller for the payment of the principal of or interest or premium on the Certificates or for any claim based on or in respect of the Trust Agreement or the Certificates.

Limited Liability of Trustee.

The Trustee shall have no obligation or responsibility for providing information to the Owners of the Certificates concerning the investment character of the Certificates, or for the actions or representations of the District or the Seller. The Trustee shall have no obligation or liability to any of the other parties or the Owners of the Certificates with respect to the Trust Agreement or the failure or refusal of the District or the Seller to perform any covenant or agreement made by it under the Trust Agreement or the Installment Sale Agreement. The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement or of the Certificates and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Certificates assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Indemnification.

The District agrees to indemnify and save harmless the Trustee from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages suffered by it as a result thereof, arising out of (i) the exercise and performance of its duties hereunder, (ii) the transactions contemplated hereby and by the Installment Sale Agreement, (iii) the offer and sale of the Certificates, (iv) the actions of the Seller or the District, or (v) ownership, operation or use of the Water System by the District. Such indemnification shall extend to claims, suits and actions brought against the Trustee for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to the Trust Agreement, except for its own negligence or willful misconduct. In the event the District is required to indemnify the Trustee as provided in the Trust Agreement, the District shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Opinion of Counsel.

Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the Seller and the District upon request, which counsel may be counsel to the District, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying on any such opinion or certificate.

Limitation of Rights to Parties and Certificate Owners.

Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Seller, the Trustee and the Owners of the Certificates any legal or equitable right, remedy or claim under or in respect to the Trust Agreement or any covenant, condition or provision of the Trust Agreement, and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Seller, the Trustee and the Owners of the Certificates.

Assignment of Rights.

Pursuant to the Trust Agreement, the Seller transfers, assigns and sets over to the Trustee all of the Seller's rights, title and interest under the Installment Sale Agreement (excepting only certain of the Seller's rights under the Installment Sale Agreement), including without limitation the Seller's right to exercise such rights and remedies conferred on the Seller pursuant to the Installment Sale Agreement upon the occurrence of an Event of Default or as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account or the Insurance and Condemnation Fund, and (ii) to otherwise protect the interests of the Seller or the Trustee in an Event of Default.

Remedies.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, upon receipt of written notice of such Event of Default at its Corporate Trust Office, exercise or shall exercise, as appropriate, any and all remedies available pursuant to law or granted pursuant to the Installment Sale Agreement.

Application of Funds.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or the Installment Sale Agreement shall be applied by the Trustee in the following order upon presentation of the several Certificates and the noting thereon of the payment, if only partially paid, or upon the surrender thereof, if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and, thereafter, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel.

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of

interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings.

If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or an action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power in the Trust Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Non-waiver.

Nothing in the Trust Agreement or in any other provision of the Trust Agreement, or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional subject to the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Owners of the Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Remedies Not Exclusive.

No remedy conferred upon or reserved to the Trustee or to the Certificate Owners in the Trust Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, the Trustee shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided,

however, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue.

No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Trust Agreement, unless (i) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (ii) the Owners of a majority in aggregate principal amount of the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (iii) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (iv) the Trustee shall have refused or failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or failure are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or her or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

Agreement to Pay Attorneys' Fees and Expenses.

In the event any party to the Trust Agreement should default under any of the provisions of the Trust Agreement and a non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the non-defaulting party or parties the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party or parties.

Filing.

The District shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security

interests created by the Trust Agreement, and shall hold all financing documents and transfer the same, as required by the provisions of the Trust Agreement.

Defeasance.

If all Outstanding Series A Certificates or Series B Certificates shall be paid and discharged in any one or more of the following ways:

(1) by well and truly paying or causing to be paid the principal of, redemption premiums, if any, and interest with respect to all Outstanding Series A Certificates or Series B Certificates, as and when the same become due and payable; or

(2) by depositing with the Trustee, in trust, an amount which together with amounts then on deposit in the Series A Certificates Installment Payment Account and the Series A Certificates Reserve Account or the amounts then on deposit in the Series B Certificates Installment Payment Account and the Series B Reserve Account and the amount of earnings calculated to accrue on any investment of such amounts in Defeasance Securities to maturity or applicable redemption dates will be sufficient to pay and discharge all Outstanding Series A Certificates or all Outstanding Series B Certificates (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates as verified by the report of a nationally recognized independent certified public accountant;

and if such Certificates are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Seller, the Trustee and the District under the Trust Agreement with respect to all Outstanding Series A Certificates or all Outstanding Series B Certificates, as applicable, shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of such Certificates not so surrendered and paid all sums due thereon. Notice of such election shall be filed with the Trustee.

Any funds held hereunder by the Trustee with respect to the Series A Certificates or the Series B Certificates, at the time of receipt of such notice from the District, which are not required for the purpose above mentioned, shall upon written request of the District be paid over to the District.

If a forward supply contract is employed in connection with an advance refunding of the Series A Certificates or the Series B Certificates, (i) the verified report of the nationally recognized independent certified public accountant required by subparagraph (2) above shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the Trust

Agreement, if no separate escrow agreement is utilized), the terms of the escrow agreement or the Trust Agreement, if applicable, shall be controlling.

Records.

The Trustee shall keep complete and accurate records of all moneys received and disbursed under the Trust Agreement, which shall be available for inspection by the District, the Seller and any Owner of Certificates, or the agent of any of them, at any time during regular business hours upon written request.

Governing Law.

The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

INSTALLMENT SALE AGREEMENT

The Projects.

The Seller agrees to construct, install and equip the Projects and to provide funds for and assist the District in acquiring property and easements which are necessary for the construction and installation of the Projects. Pursuant to the Installment Sale Agreement, the Seller has appointed the District as its agent to carry out the construction, installation and equipping of the Projects. The District, as such agent, shall cause such construction, installation and equipping to be completed and to enter into such contracts or purchase orders as are necessary therefor. The Seller further agrees to provide funds for and assist the District in acquiring property and easements necessary for the construction and installation of the Projects. The costs of the design, construction, installation and equipping of the Projects and the purchase prices for the acquisition of such property and easements shall be paid from the Acquisition and Construction Fund as Acquisition and Construction Costs in accordance with the Installment Sale Agreement.

Payment of Acquisition and Construction Costs.

Payment of the purchase price for the acquisition of property and easements necessary for the construction and installation of the Projects and of the costs of designing, constructing, installing and equipping the Projects shall be made from the moneys deposited with the Trustee which shall be disbursed from the Acquisition and Construction Fund in accordance and upon compliance with the Trust Agreement. In the event that the amounts on deposit in the Acquisition and Construction Fund shall at any time be insufficient to provide for the payment of any Acquisition and Construction Costs when due, the amount of such deficiency shall be deposited therein by the District from any legally available source of funds.

Deletion and Substitution of Project Facilities.

The District may delete facilities which comprise portions of the Projects described in the Installment Sale Agreement and substitute other facilities therefor, provided that the following conditions are satisfied:

(a) The District Representative shall certify in writing to the Seller and the Trustee that the construction and installation of the facility or facilities to be substituted will be completed on or before February 25, 2013, and either (i) that the cost of the construction and installation of such substituted facility or facilities will not exceed the cost of the construction and installation of the facility or facilities which is/are to be deleted from the Projects, or (ii) that the District will be able to pay any excess cost of the construction and installation of the substituted facility or facilities from available Water System Reserves; provided, however, the February 25, 2013 date may be extended upon the receipt by the Trustee of an opinion of a nationally recognized bond counsel firm to the effect that an extension of such date will not adversely affect the tax-exempt status of the Series A Certificates or the treatment of the Series B Certificates as Build America Bonds eligible for the Treasury Credits; and

(b) The District shall deliver to the Seller and the Trustee an opinion of a nationally recognized bond counsel firm that the proposed deletion and substitution of facilities will not cause the interest component of the Series A Certificates to be included in gross income for purposes of federal income taxation or the Series B Certificates not to be treated as Build America Bonds eligible for the Treasury Credits.

Any such deletion and substitution of facilities shall be accomplished by a supplemental agreement to be entered into by and between the Seller and the District which shall not require the consent of the Trustee or the Certificate Owners. Upon the execution and delivery of such a supplemental agreement, the substituted facility or facilities shall be a part or parts of the Projects and shall replace the deleted facility or facilities to the same extent and with the same effect as if the substituted facility or facilities had been a part or parts of the Projects and described in the Trust Agreement on the Closing Date.

Deposit of Moneys.

On the Closing Date the Seller shall cause to be deposited with the Trustee the proceeds of the sale of the Certificates. Pursuant to the Trust Agreement, the Trustee shall deposit such proceeds as follows:

(a) Series A Certificates. Proceeds of the sale of the Series A Certificates shall be deposited in the following funds and accounts as follows:

- (1) Series A Certificates Costs of Issuance Account;
- (2) Series A Certificates Reserve Account;
- (3) 1993 Certificates Escrow Bank for deposit in the 1993 Certificates Escrow Fund;
- (4) 2001 Certificates Escrow Bank for deposit in the 2001 Certificates Escrow Fund; and
- (5) Series A Certificates Account in the Acquisition and Construction Fund.

(b) Series B Certificates. Proceeds of the sale of the Series B Certificates shall be deposited in the following funds and accounts as follows:

- (1) The Acquisition and Construction Fund;
- (2) Series B Certificates Costs of Issuance Account; and
- (3) Series B Certificates Reserve Account.

Availability of the Projects.

So long as the District shall not be in default under the Installment Sale Agreement, the Projects, the Administrative Center Project and the 1993 Project shall be available to and shall be used by the District, in accordance with and pursuant to the Installment Sale Agreement.

Appointment of District.

The Seller hereby appoints the District as its agent to carry out all phases of the acquisition, construction, installation and equipping of the Projects and the District, as agent of the Seller, assumes all rights, duties, responsibilities and liabilities of the Seller regarding the construction, installation and equipping of the Projects, except as limited in the Installment Sale Agreement. The appointment by the Seller of the District as its agent as provided in the Installment Sale Agreement and the acceptance by the District of such appointment results in the assumption by the District of duties, responsibilities and liabilities which are separate and apart from its duties, responsibilities and liabilities under the Installment Sale Agreement, and such assumption does not include or transfer to the District any of the rights or obligations of the Seller under the Installment Sale Agreement which have been assigned by the Seller to the Trustee pursuant to the Trust Agreement. It is recognized by the parties that the Seller has appointed the District for the purposes specified in the Installment Sale Agreement, rather than appoint another firm or entity for said purposes, based upon the Seller's determination that the District is suitable to perform the duties, responsibilities and liabilities delegated to and assumed by it pursuant to the Installment Sale Agreement due to the expertise, knowledge and ability of the District's personnel with respect to similar undertakings. The parties hereto agree and acknowledge that the District may enter into an agency agreement with one or more parties to carry out the acquisition and construction of the Projects.

Sale.

The Seller hereby bargains, sells and conveys the Projects, the 1993 Project and the Administrative Center Project to the District, and the District hereby purchases the Projects, the 1993 Project and the Administrative Center Project from the Seller, upon the terms and conditions set forth in the Installment Sale Agreement.

Title.

The District and the Seller agree that title to the Projects, the 1993 Project and the Administrative Center Project shall be deemed conveyed to and vested in the District upon the delivery of the Installment Sale Agreement, subject only to Permitted Encumbrances. The Seller and its officers shall take all actions necessary to vest in the District all of the Seller's rights in and title to the Projects, the 1993 Project and the Administrative Center Project.

Term of Agreement.

The Term of the Installment Sale Agreement shall commence as of the date thereof and shall end on September 1, 2041, unless such term is extended or sooner terminated as hereinafter provided. If on September 1, 2041, the Trust Agreement shall not be discharged by its terms, then the Term of the Installment Sale Agreement shall be extended until ten (10) days after the Trust Agreement shall be discharged by its terms. If prior to September 1, 2041, the Trust Agreement shall be discharged by its terms, the Term of the Installment Sale Agreement shall end ten (10) days after the date of such discharge.

Installment Payments.

(a) Obligation to Pay; Time of Payment.

(1) Series A Certificates Installment Payments. The District shall pay to the Seller, or its assignee, as a portion of the purchase price of the Projects, the 1993 Project and the Administrative Center Project, the Series A Certificates Installment Payments as specified in the Installment Sale Agreement. The Series A Certificates Installment Payments shall be due on the fifteenth (15th) Business Day preceding each Payment Date; provided that there shall be applied as a credit (provided there are no delinquent Series A Certificates Installment Payments) against the Series A Certificates Installment Payments payable on each such date an amount equal to the sum of:

(i) The amount of interest or income, other than amounts, if any, required to be rebated to the United States pursuant to the Trust Agreement, earned on the Series A Certificates Installment Payment Account since the preceding Payment Date; plus

(ii) The amount of interest or income, other than amounts, if any, required to be rebated to the United States pursuant to the Trust Agreement, earned on the Series A Certificates Reserve Account since the preceding Payment Date (provided there is then on deposit in the Series A Certificates Reserve Account an amount equal to the Reserve Requirement for the Series A Certificates); plus

(iii) The amount, if any, then on deposit in the Series A Certificates Installment Payment Account which is not on deposit therein to pay Series A Certificates which have matured or been called for prepayment and have not been surrendered.

In the event that the total amount of credit exceeds the Series A Certificates Installment Payment due on any Payment Date, the amount of such excess shall be applied as a credit against subsequent Series A Certificates Installment Payments. In addition, the amount in the Series A Certificates Reserve Account shall be applied as a credit against the last Series A Certificates Installment Payments due prior to the expiration of the term of the Installment Sale Agreement. The Installment Payments shall be paid solely from the Net Revenues and the credits provided for in subparagraphs (i), (ii) and (iii) above; provided, however, that at the election of the District all or any portion of the Installment payments may be paid from Water System Reserves or from moneys transferred from the Revenue Stabilization Fund.

(2) Series B Certificates Installment Payments. The District shall pay to the Seller, or its assignee, as a portion of the purchase price of the Projects, the 1993 Project and the Administrative Center Project, the Series B Certificates Installment Payments as specified in the Installment Sale Agreement. The Series B Certificates Installment Payments shall be due on the fifteenth (15th) Business Day preceding each Payment Date; provided that there shall be applied as a credit (provided there are no delinquent Series B Certificates Installment Payments) against the Series B Certificates Installment Payments payable on each such date an amount equal to the sum of:

(i) The amount of interest or income, other than amounts, if any, required to be rebated to the United States pursuant to the Trust Agreement, earned on the Series B Certificates Installment Payment Account since the preceding Payment Date; plus

(ii) The amount of interest or income, other than amounts, if any, required to be rebated to the United States pursuant to the Trust Agreement, earned on the Series B Certificates Reserve Account since the preceding Payment Date (provided there is then on deposit in the Series B Certificates Reserve Account an amount equal to the Reserve Requirement for the Series B Certificates); plus

(iii) The amount, if any, then on deposit in the Series B Certificates Installment Payment Account which is not on deposit therein to pay Series B Certificates which have matured or been called for prepayment and have not been surrendered; plus

(iv) Any Treasury Credits received by or on behalf of the District with respect to the Series B Certificates and deposited with the Trustee.

In the event that the total amount of credit exceeds the Series B Certificates Installment Payment due on any Payment Date, the amount of such excess shall be applied as a credit against subsequent Series B Certificates Installment Payments. In addition, the amount in the Series B Certificates Reserve Account shall be applied as a credit against the last Series B Certificates Installment Payments due prior to the expiration of the term of the Installment Sale Agreement. The Installment Payments shall be paid solely from the Net Revenues and the credits provided for in subparagraphs (i), (ii) and (iii) above; provided, however, that at the election of the District all or any portion of the Installment payments may be paid from Water System Reserves or from moneys transferred from the Revenue Stabilization Fund.

(b) Option to Prepay. Subject to the terms and conditions of the Installment Sale Agreement, the Seller hereby grants an option to the District to prepay the Series A Certificates Installment Payments or the Series B Certificates Installment Payments, or both thereof, in whole or in part. With respect to the Series A Certificates, said option may be exercised on any Payment Date as set forth in the Official Statement. The Series A Certificates Installment Payments or the Series B Certificates Installment Payments, or both thereof, may be prepaid on any Payment Date at a prepayment price equal to the amount of principal plus accrued interest to the date of prepayment, without premium as set forth in the Official Statement. With respect to the Series B Certificates, said prepayment option shall be exercised as set forth in the Official

Statement. Such option shall be exercised by the District (i) by giving written notice to the Trustee of the exercise of such option at least sixty (60) days prior to such a Payment Date; and by (ii) depositing with the Trustee ,on or before such Payment Date, cash in the amount of the principal component of the Series A Certificates Installment Payments and/or the Series B Certificates Installment Payments to be prepaid, which shall be equally divisible by \$5,000 (and which shall be not less than \$20,000 with respect to the Series A Certificates), plus an amount equal to accrued interest on the principal component of the Series A Certificates Installment Payments and/or the Series B Certificates Installment Payments to be prepaid to the date of Prepayment, together with the amount of any Installment Payments then due but unpaid.

(c) Payment in Lawful Money; No Set-Off. Each Series A Certificates Installment Payment and each Series B Certificates Installment Payment shall be paid by the District in lawful money of the United States, which at the time of payment is legal tender for the payment of public and private debts to or upon the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California or at such other place as the Trustee shall designate in writing to the District. Notwithstanding any dispute between the District and the Seller, or any other party, the District shall make or cause to be made each and all Installment Payments when due and shall not withhold or permit to be withheld any Installment Payments pending the final resolution of any such dispute, and the District shall not assert or permit to be asserted any right of set-off or counter-claim against its obligation to make Installment Payments as set forth in the Installment Sale Agreement. Any Installment Payment which shall not be paid when due shall bear interest at the rate of twelve percent (12%) per annum from the Payment Date when the same was due until the same shall be paid.

(d) Assignment. The District understands and agrees that the Seller has assigned its rights hereunder to the Trustee in trust for the benefit of the Owners of the Certificates and the District consents to such assignment. The Seller hereby directs the District, and the District hereby agrees, to pay to the Trustee at the Trustee's Principal Corporate Trust Office in Los Angeles, California, or at such other place as the Trustee shall direct in writing, all payments payable by the District.

(e) Deposit to Secure Payment of Installment Payments.

(1) Series A Certificates Installment Payments. Notwithstanding any other provision of the Installment Sale Agreement, the District may on any date secure the payment of the Series A Certificates Installment Payments by a deposit with the Trustee in trust, as provided in the Trust Agreement, of an amount which, together with amounts on deposit in the Series A Certificates Installment Payment Account and the Series A Certificates Reserve Account and the amount of earnings calculated to accrue on any investments of such amounts in Defeasance Securities (as defined in the Trust Agreement), to maturity or applicable redemption date, will be sufficient to pay all unpaid Series A Certificates Installment Payments, including the principal, premium, if any, and interest components thereof, in accordance with the schedule of the Series A Certificates Installment Payments specified in the Installment Sale Agreement. In the event of a deposit pursuant to the Installment Sale Agreement, all obligations of the District under the Installment Sale Agreement with respect to the Series A Certificates and the Series A Certificates Installment Payments, and all security provided by the Installment Sale Agreement for said obligations, shall cease and terminate, excepting

only the obligation of the District to make, or cause to be made, Series A Certificates Installment Payments from the deposit made by the District pursuant to the Installment Sale Agreement. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Series A Certificates Installment Payments in accordance with the provisions of the Installment Sale Agreement. Upon such deposit, the Seller or its assignee shall execute or cause to be executed any and all documents as may be necessary to evidence the release of any security provided for by the Installment Sale Agreement with respect to the Series A Certificates and the Series A Certificates Installment Payments.

(2) Series B Certificates Installment Payments. Notwithstanding any other provision of the Installment Sale Agreement, the District may on any date secure the payment of the Series B Certificates Installment Payments by a deposit with the Trustee in trust, as provided in the Trust Agreement, of an amount which, together with amounts on deposit in the Series B Certificates Installment Payment Account and the Series B Certificates Reserve Account and the amount of earnings calculated to accrue on any investments of such amounts in Defeasance Securities (as defined in the Trust Agreement), to maturity or applicable redemption date, will be sufficient to pay all unpaid Series B Certificates Installment Payments, including the principal, premium, if any, and interest components thereof, in accordance with the schedule of the Series B Certificates Installment Payments specified in the Installment Sale Agreement. In the event of a deposit pursuant to the Installment Sale Agreement, all obligations of the District under the Installment Sale Agreement with respect to the Series B Certificates and the Series B Certificates Installment Payments, and all security provided by the Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, Series B Certificates Installment Payments from the deposit made by the District pursuant to the Installment Sale Agreement. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Series B Certificates Installment Payments in accordance with the provisions of the Installment Sale Agreement. Upon such deposit, the Seller or its assignee shall execute or cause to be executed any and all documents as may be necessary to evidence the release of any security provided for by the Installment Sale Agreement with respect to the Series B Certificates and the Series B Certificates Installment Payments.

Interest Component.

A portion of each Series A Certificates Installment Payment and each Series B Certificates Installment Payment is paid as, and represents payment of, interest. The interest component with respect to each Series A Certificates Installment Payment and each Series B Certificates Installment Payment shall be as set forth in the Installment Sale Agreement.

Special Obligation of the District.

The District's obligation to pay the Installment Payments shall be a special obligation, limited solely to the Net Revenues (including Treasury Credits) and the Tax Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues (including Treasury Credits) or the Tax Revenues and

other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments. No other funds or property of the District shall be liable for the payment of the Installment Payments; provided, however, that the District may elect to pay any Installment Payment from Water System Reserves or from moneys transferred from the Revenue Stabilization Fund. The obligation of the District to make Installment Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

The obligations of the District to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counter-claim, or recoupment arising out of any breach of the Seller or the Trustee of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Seller or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid or secured, the District (i) will not suspend or discontinue any payments provided for in the Installment Sale Agreement, (ii) will perform and observe all other agreements contained in the Installment Sale Agreement, and (iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the taking by eminent domain of title to or temporary use of all or any part of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States or of the State of California or any political subdivision of either thereof or any failure of the Seller or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or the Installment Sale Agreement.

Nothing contained in the Installment Sale Agreement shall be construed to release the Seller or the Trustee from the performance of any of the agreements on its part in the Installment Sale Agreement or in the Trust Agreement. In the event the Seller or the Trustee shall fail to perform any such agreements on its part, the District may institute such action against the Seller or the Trustee as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first paragraph of this section. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Seller, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights of possession, occupancy and use hereunder, and in such event the Seller agrees to cooperate fully with the District and to take such action as is necessary to effect the substitution of the District for the Seller in such action or proceeding if the District shall so request.

Pledge of Net Revenues and Tax Revenues; Deposits to Pay Installment Payments.

(a) Pledge of Net Revenues. The District hereby agrees that the payment of the Installment Payments shall be secured by a pledge of and charge and lien upon the Net Revenues. The payment of the Installment Payments shall be, and hereby is, secured by such a pledge of and charge and lien upon the Net Revenues, and, except as in the Installment Sale Agreement otherwise provided, all of the Net Revenues are hereby pledged, charged, assigned,

transferred and set over by the District to the Seller and its assignee for the purpose of securing payment of the Installment Payments. Except as in the Installment Sale Agreement otherwise provided, the Net Revenues, and any interest earned on the Net Revenues, shall constitute a trust fund for the security and payment of the Installment Payments. The District agrees that none of the Net Revenues will be used for any other purposes unless and until the then required payments of the Series A Certificates Installment Payments and the Series B Certificates Installment Payments have been made and the Reserve Requirement deposits in the Series A Certificates Reserve Account and the Series B Certificates Reserve Account have been made. The District hereby further covenants that it will not encumber or create a lien upon the Net Revenues superior to the pledge of the Net Revenues created hereunder.

(b) Pledge of Tax Revenues. The District hereby agrees to secure the payment of the Installment Payments by a pledge of and charge and lien upon the Tax Revenues. The payments of the Installment Payments shall be and hereby are secured by a pledge of and a charge and lien upon the Tax Revenues, and all of the Tax Revenues are hereby pledged, charged, assigned, transferred and set over by the District to the Seller and its assignee for the purpose of providing additional security for the payment of the Installment Payments, and the Tax Revenues, and any interest earned thereon, shall be constitute a trust fund for the security and payment of the Installment Payments. The District hereby further covenants that it will not encumber or create a lien on the Tax Revenues superior to the pledge of the Tax Revenues created hereunder. Notwithstanding the preceding provisions of this subsection (b) and the pledge of the Tax Revenues provided for thereby, to the extent the Tax Revenues for any Fiscal Year will not be needed to pay Installment Payments, the District may use such Tax Revenues for any other legally authorized purpose.

(c) Payments to Trustee for Deposit into Installment Payment Accounts. In order to provide for the timely payment of Installment Payments when due, the District Representative shall pay the Series A Certificates Installment Payments and the Series B Certificates Installment Payments when due to the Trustee, for deposit into the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account.

Maintenance of Water System, Utilities, Taxes and Assessments.

The District covenants to operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

The District shall pay or cause to be paid all taxes and assessments of any type or nature levied, assessed or charged against the Water System or the respective interests or estates of the Seller and the District therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due. The District shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Seller, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property comprising the Water System.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Seller or the Trustee shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the Water System or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges, or provide the Seller with full security against any loss which may result from nonpayment, in form satisfactory to the Seller or the Trustee.

Modification of Water System.

The District shall, at its own expense, have the right to make additions, modifications and improvements to the Water System. Such additions, modifications and improvements shall not in any way damage the Water System or cause it to be used for purposes other than those authorized under the provisions of state and federal law, or in any way which would impair the tax-exempt status of the interest component of the Installment Payments; and the Water System, upon completion of any additions, modifications and improvements made pursuant to the Installment Sale Agreement, shall have a value at least equal to the value of the Water System immediately prior to the making of such additions, modifications and improvements.

Public Liability and Property Damage Insurance.

The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general liability insurance policy or policies, in protection of the District, its officers, agents and employees, and the Seller, its officers, agents, and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation and maintenance of the Water System. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$250,000 (subject to a deductible clause of not to exceed \$200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained by the District, and may be maintained in the form of self-insurance by the District; provided, however, that any self-insurance shall be in an appropriate form and provide adequate coverage, as determined by an independent insurance consultant or risk manager. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Errors and Omissions Insurance.

The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement a policy of errors and omissions insurance for the protection of the trustees or directors of the Seller.

Fire and Extended Coverage Insurance.

The District shall procure and maintain, or cause to be procured and maintained throughout the Term of the Installment Sale Agreement insurance against loss or damage to any structures constituting any part of the Water System (excluding collection and transmission pipelines and other underground facilities) by fire and lightning, with extended coverage insurance. A maximum deductible amount of \$100,000 for any one loss shall be allowable. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of the Water System (excluding collection and transmission pipelines and equipment in public and private rights of way). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance maintained or required to be maintained by the District, and may be maintained in the form of self-insurance by the District; provided, however, that any self-insurance shall be in an appropriate form and provide adequate coverage, as determined by an independent insurance consultant or risk manager. The Net Proceeds of such insurance shall be applied as provided in the Installment Sale Agreement.

Insurance Proceeds; Form of Policies.

All proceeds of the insurance required by the Installment Sale Agreement, shall be payable to the Trustee for the benefit of the Certificate Owners. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Installment Sale Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration thereof, and any intended cancellation thereof or reduction of the coverage provided thereby. Neither the Seller nor the Trustee shall be responsible for the sufficiency of any insurance in the Installment Sale Agreement required and the Seller or the Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Seller or the Trustee. The District shall cause to be delivered to the Seller and the Trustee annually on or before July 1 of each Fiscal Year during the Term of the Installment Sale Agreement a Certificate of a District Representative stating that the insurance policies required by the Installment Sale Agreement are in full force and effect and that all required premiums have been paid. The Trustee may conclusively rely upon such Certificates as evidence of compliance with the insurance requirements under the Installment Sale Agreement.

Advances.

If the District fails to perform any of its obligations under the Installment Sale Agreement, the Seller may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest thereon at the maximum legal rate of interest for public agencies from the date of the advance to the date of repayment.

Installation of District's Equipment.

The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or personal property in or upon the Water System. All such items shall remain the sole property of the District, in which neither the Seller nor the Trustee shall have any interest, and may be modified or removed by the District at

any time, provided that the District shall repair and restore any and all damage to the Water System resulting from the installation, modification or removal of any such items. Subject to the provisions of the Installment Sale Agreement, nothing in the Installment Sale Agreement shall prevent the District from purchasing items to be installed pursuant to the Installment Sale Agreement under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Operation of Water System.

The District shall operate, or cause to be operated, the Water System in accordance with customary standards and business practices applicable to similar facilities.

Audited Financials.

The District shall provide to the Seller and its assigns each year during the term of the Installment Sale Agreement, audited financial statements within 180 days of the close of each Fiscal Year.

Eminent Domain.

If the entirety of the Water System shall be taken permanently under the power of eminent domain (or sold to a government agency threatening to exercise the power of eminent domain), the Term of the Installment Sale Agreement shall continue until all Certificates, including the interest thereon, are paid in full. If less than the entirety of the Water System shall be taken permanently, or if the entirety of the Water System, or any part thereof, shall be taken temporarily, under the power of eminent domain, the Installment Sale Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking, and the parties waive the benefit of any law to the contrary.

Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Water System, or any part thereof, by fire or other casualty shall be deposited by the Trustee in the Insurance and Condemnation Fund promptly upon receipt thereof and, if the District Representative notifies the Trustee in writing of the District's determination that the replacement, repair, restoration, modification or improvement of the Water System, or any part thereof, is not economically feasible or in the best interest of the District, together with a certificate of an Independent Engineer and/or Independent Financial Consultant to the effect that such action will not have a material effect on the operation of the Water System and that the Rate Covenant of the District set forth in the Installment Sale Agreement, based on projections of said engineer or financial consultant, will continue to be satisfied following such action, then such Net Proceeds shall be promptly transferred by the Trustee to the District. All such Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Water System, upon receipt by the Trustee of a requisition or requisitions acceptable to the Trustee signed by the District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly

incurred, is a proper charge against the Insurance and Condemnation Fund, and has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of each such obligation. Each such requisition shall be accompanied by a bill or a statement of account for each obligation mentioned therein. Any balance of the Net Proceeds of any insurance award remaining after the replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Water System has been completed shall be transferred to the District.

The Trustee can rely solely on and shall have no duty to review or to investigate the accuracy of such report or certificate.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award or settlement resulting from any event described in the Installment Sale Agreement shall be deposited in the Insurance and Condemnation Fund and shall be held and applied by the Trustee pursuant to the Trust Agreement.

Access to the Projects.

The District agrees that the Seller and any Seller's Representative, and the Seller's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Projects. The District further agrees that the Seller, any Seller's Representative, and the Seller's successors or assigns shall have such right of access to the Projects as may be reasonably necessary to cause the proper maintenance of the Projects in the event of failure by the District to perform its obligations hereunder with respect to such maintenance.

Indemnification Covenants.

The District shall and hereby agrees to indemnify and save harmless the Seller, its trustees or directors and officers, and its successors and assigns (including the Trustee) from and against any and all claims, losses, damages, penalties and liabilities, including legal fees and expenses, arising out of (i) the use, maintenance, condition, management, disposition or sale of the Projects, or from any work or other activity done or accomplished by the District with respect to the Projects, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Installment Sale Agreement, (iii) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Projects, or (iv) any act or negligence of any assignee or sublessee of the District with respect to the Projects. No indemnification is made under the Installment Sale Agreement or elsewhere in the Installment Sale Agreement for willful misconduct, gross negligence, or breach of duty under the Installment Sale Agreement by the Seller, its officers, employees, successors or assigns. The indemnity provided for in the Installment Sale Agreement shall survive termination of the Installment Sale Agreement.

Assignment of the Installment Sale Agreement by the Seller.

The Seller's rights under the Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under the Installment Sale Agreement, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Trust Agreement, to which assignment the District hereby consents.

Assignment of the Installment Sale Agreement by the District; Sale or Lease of the Water System.

The Installment Sale Agreement may not be assigned by the District. The District shall not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to provide adequate Net Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Seller hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Installment Payments and the proceeds of such sale shall be deposited in the Installment Payment Fund.

Nothing in the Installment Sale Agreement shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of, or would otherwise interfere with, its right to own and operate such portion of the Water System.

Events of Default Defined.

The following shall be “events of default” under the Installment Sale Agreement and the terms “event of default” and “default” shall mean, whenever they are used in the Installment Sale Agreement, any one or more of the following events:

(i) Failure by the District to pay any Installment Payment or other payment required to be paid hereunder at the time specified in the Installment Sale Agreement for payment.

(ii) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of the Installment Sale Agreement, including, but not limited to, failure by the District to observe or perform any covenant, condition or agreement contained in the Installment Sale Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Seller, the Trustee, or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Certificates then outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Seller, the Trustee, or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to obtain relief from any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District

in any proceedings instituted under the provisions of federal bankruptcy laws, or under any similar law which may hereafter be enacted.

Remedies on Default.

Whenever any event of default referred to in the Installment Sale Agreement shall have happened and be continuing, the Seller, or the Trustee, shall have the right, at its option and without any further demand or notice to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective outstanding Certificates from the immediately preceding Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under the Installment Sale Agreement.

No Remedy Exclusive.

No remedy in the Installment Sale Agreement conferred upon or reserved to the Seller is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy conferred upon or reserved to the Seller by the Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Seller to exercise any remedy reserved to it in the Installment Sale Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Installment Sale Agreement or by law.

Agreement to Pay Attorneys' Fees and Expenses.

In the event either party to the Installment Sale Agreement should default under any of the provisions of the Installment Sale Agreement and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver.

In the event any agreement contained in the Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Application of the Proceeds.

All amounts received by the Seller under the Installment Sale Agreement shall be transferred to the Trustee for deposit in the Series A Certificates Installment Payment Account and the Series B Certificates Installment Payment Account and credited towards the Series A Certificates Installment Payments and the Series B Certificates Installment Payments in order of payment date.

Liability Limited to Net Revenues and Tax Revenues.

Notwithstanding any provision of the Installment Sale Agreement, the District's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to the Net Revenues and the Tax Revenues as provided in the Installment Sale Agreement. In the event that the Net Revenues and the Tax Revenues shall be insufficient at any time to pay an Installment Payment in full, the District shall not be liable to pay or prepay such Installment Payment other than from the Net Revenues and the Tax Revenues.

Trustee and Certificate Owners to Exercise Rights.

Such rights and remedies as are given to the Seller under the Installment Sale Agreement have been assigned by the Seller to the Trustee under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee for the benefit of the Owners of the Certificates as provided in the Trust Agreement.

THE ASSIGNMENT AGREEMENT

Purchase of Projects.

The Corporation agrees to purchase the 1993 Project and the Administrative Center Project from the District in the Assignment Agreement.

Purchase Price.

The Corporation shall provide from the proceeds of the sale of the Certificates, the purchase price of the 1993 Project and the Administrative Center Project for application pursuant to the Trust Agreements, the 1993 Certificates Escrow Agreement and the 2001 Certificates Escrow Agreement (as defined in the Installment Sale Agreements), as the District may direct. The District and the Corporation agree that said price represents good and valuable consideration for the 1993 Project and the Administrative Center Project, and that said price does not exceed the fair market value of the 1993 Project and the Administrative Center Project. In making said determination, the District and the Corporation have considered the public purposes served by the obligations of the District and the Corporation hereunder. Portions of the purchase price to be paid by the Corporation for the purchase of the 1993 Project and the Administrative Center Project shall be deposited in the 1993 Certificates Escrow Fund and the 2001 Certificates Escrow Fund to be established pursuant to the 1993 Certificates Escrow Agreement and the 2001 Certificates Escrow Agreement, as provided in the Installment Sale Agreements, and utilized as provided in the 1993 Certificates Escrow Agreement and the 2001 Certificates Escrow Agreement.

Conveyance and Transfer of Projects.

Under the Assignment Agreement, the District hereby sells, conveys, assigns and transfers to the Corporation the 1993 Project and the Administrative Center Project on the condition that the Corporation shall sell the 1993 Project and the Administrative Center Project to the District as provided in the Installment Sale Agreement.

Use of Projects.

So long as the District shall not be in default under the Installment Sale Agreement, the 1993 Project and the Administrative Center Project shall be used by the District pursuant to the Installment Sale Agreement.

APPENDIX B

GENERAL INFORMATION ABOUT THE COUNTY OF RIVERSIDE

The following information is included only for the purpose of supplying general information regarding the County of Riverside (the "County"). This information is provided only for general informational purposes, and provides prospective investors limited information about the County and the economic base of the District. The Certificates are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 24 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

Population

The following sets forth the County and the State population estimates as of January 1, for the years 2005 to 2009:

RIVERSIDE COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	Riverside County	State of California
2005	1,882,812	36,675,346
2006	1,962,801	37,114,598
2007	2,034,840	37,559,440
2008	2,078,601	37,883,992
2009	2,107,653	38,292,687

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

Total taxable sales during the first three quarters of calendar year 2008 in the County were reported to be \$19,811,695,000, a 8.48% decrease over the total taxable sales of \$21,646,541,000 reported during the first three quarters of calendar year 2007. The valuations of taxable transactions in the County are presented in the following table. Annual figures are not yet available for 2008.

COUNTY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2003	18,300	16,030,952	40,833	21,709,135
2004	20,642	18,715,949	42,826	25,237,148
2005	22,691	20,839,212	44,222	28,256,491
2006	23,322	21,842,345	43,672	29,816,237
2007	22,918	21,242,516	45,279	29,023,609

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The County is included in the Riverside-San Bernardino-Ontario labor market area. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 14.5 percent in August 2009, unchanged from a revised 14.5 percent in July 2009, and above the year-ago estimate of 9.3 percent. This compares with an unadjusted unemployment rate of 12.1 percent for California and 9.6 percent for the nation during the same period. The unemployment rate was 15.0 percent in Riverside County, and 13.9 percent in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

**RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA
(RIVERSIDE COUNTY)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Civilian Labor Force ⁽¹⁾	1,653,300	1,713,500	1,758,800	1,782,700	1,795,200
Employment	1,555,900	1,622,300	1,672,100	1,678,900	1,646,300
Unemployment	97,400	91,200	86,700	103,800	148,900
Unemployment Rate	5.9%	5.3%	4.9%	5.8%	8.3%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	18,700	18,300	17,300	16,400	16,200
Natural Resources and Mining	1,200	1,400	1,400	1,300	1,200
Construction	111,800	123,300	127,500	112,500	90,500
Manufacturing	120,100	121,000	123,400	118,500	107,000
Wholesale Trade	45,600	49,900	54,200	56,800	55,100
Retail Trade	153,800	165,700	173,200	175,600	168,000
Transportation, Warehousing and Utilities	55,500	60,200	63,800	69,500	70,200
Information	14,000	14,500	15,300	15,400	14,800
Finance and Insurance	28,000	30,100	31,700	30,700	27,800
Real Estate and Rental and Leasing	17,700	18,900	19,900	19,500	18,500
Professional and Business Services	125,500	133,200	142,300	145,000	136,700
Educational and Health Services	118,400	119,900	122,100	127,000	131,700
Leisure and Hospitality	116,700	122,600	128,100	132,600	130,100
Other Services	39,300	40,800	42,500	41,200	40,900
Federal Government	17,300	18,700	19,300	19,400	19,600
State Government	26,500	27,000	27,400	28,700	29,400
Local Government	168,700	174,800	175,700	177,200	181,000
Total All Industries	1,178,700	1,240,300	1,285,000	1,287,300	1,238,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *State of California Employment Development Department.*

Major Employers

The following table lists the largest employers within the County:

COUNTY OF RIVERSIDE LARGEST EMPLOYERS (As of September 2009)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Corrections Dept	Norco	State Govt-Correctional Institutions
Crossroads Truck Dismantling	Mira Loma	Automobile Wrecking (Whls)
Desert Sands Unified School District	La Quinta	Schools
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Laboratories-Medical
Fantasy Springs Resort Casino	Indio	Bowling Centers
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hub International Of CA Ins	Riverside	Insurance
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Physicians & Surgeons
La Quinta Resort & Club	La Quinta	Resorts
Morongo Casino Resort & Spa	Cabazon	Casinos
Mountain & Dunes Golf Courses	La Quinta	Golf Courses-Private
Pechanga Development Corp	Temecula	Casinos
Riverside City Council	Riverside	Government Offices-City, Village & Twp
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Riverside Forklift Training	Riverside	Trucks-Industrial (Whls)
Robertson's Ready-Mix	Corona	Concrete-Ready Mixed
Starcrest Of California	Perris	Internet & Catalog Shopping
Starcrest Products-California	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
University Of Cal-Riverside	Riverside	Schools-Universities & Colleges Academic
Watson Pharmaceuticals Inc	Corona	Marketing Programs & Services

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2009 2nd Edition

Construction Activity

The following is a five-year summary of the valuation of building permits issued in the County.

COUNTY OF RIVERSIDE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Permit Valuation</u>					
New Single-family	\$5,997,513.2	\$6,243,791.7	\$4,412,255.1	\$2,207,519.5	\$1,214,753.0
New Multi-family	404,615.9	407,432.1	431,580.9	238,315.9	243,741.9
Res. Alterations/Additions	<u>135,176.6</u>	<u>164,312.5</u>	<u>158,099.4</u>	<u>141,997.0</u>	<u>118,488.7</u>
Total Residential	6,537,305.6	6,815,536.3	5,001,935.4	2,587,832.4	1,576,983.5
New Commercial	580,057.8	552,666.9	648,065.7	682,331.0	539,943.4
New Industrial	203,311.9	120,367.6	288,352.6	184,505.6	70,410.8
New Other	334,001.0	344,703.2	290,006.3	240,767.0	138,765.2
Com. Alterations/Additions	<u>222,495.5</u>	<u>274,337.7</u>	<u>303,408.9</u>	<u>350,539.1</u>	<u>292,693.8</u>
Total Nonresidential	1,339,866.1	1,292,075.4	1,529,833.4	1,458,142.7	1,041,813.1
<u>New Dwelling Units</u>					
Single Family	29,478	29,994	20,692	9,763	3,815
Multiple Family	<u>4,748</u>	<u>4,140</u>	<u>4,519</u>	<u>2,690</u>	<u>2,104</u>
TOTAL	34,226	34,134	25,211	12,453	5,919

Source: Construction Industry Research Board, *Building Permit Summary*

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

COUNTY OF RIVERSIDE Effective Buying Income 2004 through 2008

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2004	Riverside County	\$29,468,208	\$40,275
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Riverside County	\$32,004,438	\$41,326
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Riverside County	\$35,656,620	\$43,490
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Riverside County	\$38,631,365	\$45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Riverside County	\$40,935,408	\$46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: Sales & Marketing Management Survey of Buying Power for 2004; Claritas Demographics for 2005 and after.

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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Jurupa Community Services District

Mira Loma, California

Annual Financial Report

For the Year Ended June 30, 2009



JURUPA COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

June 30, 2009

Elected Officials

BOARD OF DIRECTORS

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

Appointed Official

General Manager	Eldon E. Horst
------------------------	-----------------------

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



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

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

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Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com

Independent Auditor's Report

Board of Directors
Jurupa Community Services District
Mira Loma, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Jurupa Community Services District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

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

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

Financial Highlights

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

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Assets and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

Statement of Net Assets

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

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

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

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

Statement of Activities

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

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

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

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

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

Capital Asset Administration

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

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

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

Long-Term Debt Administration

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

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

Conditions Affecting Current Financial Position

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

Requests for Information

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

Basic Financial Statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

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

Reconciliation:

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

See accompanying notes to the basic financial statements

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

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

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

Reconciliation:

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Jurupa Community Services District (District) is a special governmental district formed to provide water distribution and wastewater collection and distribution for consumers within its service area. In addition, the District provides street lighting, landscape and park maintenance services. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

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

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements

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

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

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

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

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

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

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

B. Basis of Accounting and Measurement Focus, continued

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

Graffiti Abatement – This fund is used to account for all the graffiti abatement activities within the District and the allocation of property taxes to fund those activities.

Illumination District No. 2 – This fund is used to account for the revenues received from property taxes and special assessments for Illumination District No. 2 that fund the expenditures for this service area.

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

Enterprise Funds

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

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

C. Financial Statement Elements

1. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Investments

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

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

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

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

C. Financial Statement Elements, continued

3. Accounts Receivable

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

4. Property Taxes and Assessments

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

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

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

5. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

6. Materials and Supplies Inventory

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

7. Water-In-Storage Inventory

The District is utilizing two water storage programs implemented by the Chino Basin Watermaster to pre-purchase water at discounted rates. Water is valued at cost on a first-in-first-out basis. The amount recorded as water in storage is based on an estimate of the number of acre feet available to the District since the Chino Basin Watermaster does not perform a final reconciliation of the water storage programs until after the fiscal year end.

8. Restricted Assets

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

9. Deferred Charges

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

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

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

C. Financial Statement Elements, continued

10. Capital Assets

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

Governmental Activities

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

Business-Type Activities

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

11. Compensated Absences

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

12. Net Assets/Fund Balances

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

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

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

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

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

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

C. Financial Statement Elements, continued

13. Utility Sales

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

14. Capital Contributions

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

15. Use of Estimates

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

(2) Cash and Investments

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

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

Cash and investments, consist of the following:

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

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

(2) Cash and Investments, continued

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

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

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

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

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The debt agreement for the District's revenue refunding bonds (see note 6) authorizes the bond trustee to invest reserve funds in investment contracts with a maturity up to the maturity date of the outstanding debt.

Investment in State Investment Pool

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

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

(2) Cash and Investments, continued

Custodial Credit Risk

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

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF)

Interest Rate Risk

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

Investments at June 30, 2009 have the following maturities:

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

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

(2) Cash and Investments, continued

Credit Risk

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

Investments at June 30, 2009:

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

Concentration of Credit Risk

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

(3) Accounts Receivable – Utilities, net

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

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

(4) Prepaid Expenses and Other Assets

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

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

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

(5) Investment in WRCRWA, net

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

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

(6) Deferred Charges, net

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

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

(7) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

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

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

(7) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

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

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

(7) Capital Assets, continued

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

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

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

(8) Customer Deposits, Deferred Revenue and Advances

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

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

(9) Compensated Absences

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

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

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

(10) Long-Term Debt

Changes in long-term debt were as follows:

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

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

(10) Long-Term Debt, continued

1993 Refunding Certificates of Participation

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

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

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

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

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

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

(10) Long-Term Debt, continued

2001 Certificates of Participation – Series NN

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

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

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

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

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

(10) Long-Term Debt, continued

State Water Resources Control Board Loan

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

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

Economic Development Administration Loan

In October 1977, the District entered into a loan contract with the U.S. Department of Commerce, Economic Development Administration (EDA Loan) to finance the improvement and expansion of the District's water system. Upon completion of the project in 1979, the final loan amount was determined to be \$1,968,000. The interest rate on the loan is 5.0% per annum. Principal and interest are payable in annual installments of \$115,649 on July 1 through the year 2018. The annual installment due July 1, 2009 was paid in June 2009. Annual debt service requirements are as follows:

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

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

(10) Long-Term Debt, continued

Western Municipal Water District of Riverside County Loan

On May 6, 2004, the District entered into an installment sale agreement with the Western Municipal Water District of Riverside County (WMWD loan) for the acquisition of 3.0 million gallons per day of capacity rights for wastewater treatment and disposal in the Western Riverside County Regional Wastewater Authority (see Note 9) treatment facility for \$9,486,754. The term of the WMWD loan is 28.5 years. Interest on the WMWD loan amount is payable monthly at a variable rate plus fees for liquidity facility and remarketing that equaled a rate of 4.484% as of June 30, 2008. The variable interest rate is determined by comparing the three month average daily interest rates as provided by Paine Webber, J.P. Morgan-801113AA9 and J.P. Morgan-463904AA0, Principal payments are due annually on January 1, commencing January 1, 2005 in amounts ranging from \$198,884 to \$517,099. The final principal payment is due January 1, 2033. The District has pledged net water and sewer revenues as well as tax revenues towards the payment of the debt service on the WMWD loan. The District has the option to prepay the WMWD loan in whole or in part at any time upon 60 days written notice. Estimated annual debt service requirements are as follows:

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

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

(11) Post Employment Retirement Benefits

Other Post-Employment Benefits Obligations

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

Post-Employment Benefits Payable:

Plan Description – Eligibility

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

Plan Description – Benefits

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

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

Post-Employment Benefits Payable, continued

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 18.2% of the annual covered payroll.

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

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

(11) Post Employment Retirement Benefits, continued

Annual OPEB Cost and Net OPEB Obligation

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

The balance at June 30, consists of the following:

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

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2009 and the two preceding years were as follows:

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

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

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

(11) Post Employment Retirement Benefits, continued

Post-Employment Benefits Payable, continued

Funded Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Progress

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

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

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

Valuation date	July 1, 2007
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.75%
Projected salary increase	3.00%
Inflation - discount rate	3.00%
Individual salary growth	2.00%

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

(12) Net Investment in Capital Assets

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

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

(13) Restricted Net Assets

The District's net assets are restricted as follows:

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

(14) Unrestricted Net Assets

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

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

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

(15) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS and Nationwide at June 30, 2009 was \$188,660 and \$254,885, respectively.

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

(16) Defined Benefit Pension Plan

Plan Description

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

Funding Policy

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

Three Years CalPERS Funding Information

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

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

(17) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District purchases commercial package insurance policies.

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

(18) Joint-Ventures

Western Riverside County Regional Wastewater Authority

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

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

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

Western Municipal Water District Facilities Authority

In January 2002, the District entered into a Joint Exercise of Powers Agreement (Agreement) with the Western Municipal Water District of Riverside County (WMWD) for the formation of the Western Municipal Water District Facilities Authority (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, CA 92517-5286.

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

(19) Community Facilities Districts

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

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

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

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

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

(19) Community Facilities Districts, continued

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

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

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

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

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

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

Governmental Accounting Standards Board Statement No. 51

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

Governmental Accounting Standards Board Statement No. 53

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

(21) Commitments and Contingencies

Construction Commitments

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's bond financing. The District has committed to approximately \$14,007,988 of open construction contracts as of June 30, 2009.

Litigation

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

Grant Awards

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

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Supplemental Schedules

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

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

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

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

Report on Compliance and Internal Controls



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An Accountancy Corporation

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

Board of Directors
Jurupa Community Services District
Mira Loma, California

We have audited the basic financial statements of the Jurupa Community Services District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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

September 30, 2009
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

APPENDIX D

PROPOSED FORMS OF FINAL OPINIONS

February 25, 2010

Jurupa Community Services District
Mira Loma, California

\$10,895,000
Jurupa Community Services District
Certificates of Participation
(2010 Water Facilities Financing), Series A
(Tax Exempt)

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Jurupa Community Services District (the "District") in connection with the authorization, execution and delivery by the District of the Installment Sale Agreement, dated as of February 1, 2010 (the "Installment Sale Agreement"), by and between the Jurupa Public Facilities Corporation (the "Corporation") and the District. We have also reviewed the Trust Agreement, dated as of February 1, 2010 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Corporation and the District; and such other information and documents as we consider necessary to render this opinion.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation evidencing direct, undivided, fractional interests in installment payments to be made by the District pursuant to the Installment Sale Agreement designated Jurupa Community Services District Certificates of Participation (2010 Water Facilities Financing), Series A (Tax Exempt) (the "Certificates") evidencing direct, undivided, fractional interests in Series A Certificates Installment Payments (as defined in the Trust Agreement).

Based on the foregoing, we are of the opinion that the obligation of the District to pay installment payments (including the Series A Certificates Installment Payments) under the Installment Sale Agreement is a valid and binding obligation payable from and secured by a pledge of and charge and lien upon Net Revenues and Tax Revenues (as such terms are defined in the Trust Agreement).

We are further of the opinion that the Installment Sale Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. The

Certificates have been duly executed and delivered by the Trustee and are entitled to the benefits of the Trust Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Certificates for the portion of each Series A Certificate Installment Payment due under the Installment Sale Agreement designated as and comprising interest and received by the owners of the Certificates (the "Interest Component") to be and remain excluded from gross income for purposes of federal taxation. Noncompliance with such requirements could cause the Interest Component to be included in gross income for purposes of federal taxation retroactive to the date of delivery of the Certificates. Pursuant to the Trust Agreement, the District has covenanted to comply with the requirements of the Code. We are of the opinion that, under existing statutes, regulations, rulings and court decisions, assuming compliance with the aforementioned covenant, the Interest Component is excluded from gross income for purposes of federal income taxation.

We are further of the opinion that the Interest Component is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. Although the Interest Component is excluded from gross income for purposes of federal income taxation, the accrual or receipt of the Interest Component may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

We are further of the opinion that the Interest Component is exempt from personal income taxation imposed by the State of California.

Except as stated in the preceding three paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Certificates. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Certificates, or the interest paid with respect thereto, if any action is taken with respect to the Certificates or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel other than ourselves.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates.

Respectfully submitted,

February 25, 2010

Jurupa Community Services District
Mira Loma, California

\$19,940,000
Jurupa Community Services District
Certificates of Participation (2010 Water Facilities Financing)
Series B
(Federally Taxable-Build America Bonds-Direct Payment)

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Jurupa Community Services District (the "District") in connection with the authorization, execution and delivery by the District of the Installment Sale Agreement, dated as of February 1, 2010 (the "Installment Sale Agreement"), by and between the Jurupa Public Facilities Corporation (the "Corporation") and the District. We have also reviewed the Trust Agreement, dated as of February 1, 2010 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Corporation and the District; and such other information and documents as we consider necessary to render this opinion.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver two separate series of certificates of participation evidencing direct, undivided, fractional interests in installment payments to be made by the District pursuant to the Installment Sale Agreement designated Jurupa Community Services District Certificates of Participation (2010 Water Facilities Financing), Series A (Tax Exempt) (the "Series A Certificates") evidencing direct, undivided, fractional interests in Series A Certificates Installment Payments (as defined in the Trust Agreement) and Jurupa Community Services District Certificates of Participation (2010 Water Facilities Financing), Series B (Federally Taxable – Build America Bonds – Direct Payment) (the "Series B Certificates" and together with the Series A Certificates, the "Certificates"), evidencing direct, undivided, fractional interests in Series B Certificates Installment Payments (as defined in the Trust Agreement).

Based on the foregoing, we are of the opinion that the obligation of the District to pay installment payments (including the Series B Certificates Installment Payments) under the Installment Sale Agreement is a valid and binding obligation payable from and secured by a pledge of and charge and lien upon Net Revenues and Tax Revenues (as such terms are defined in the Installment Sale Agreement).

We are further of the opinion that the Installment Sale Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District and

constitute valid and legally binding agreements of the District enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. The Series B Certificates have been duly executed and delivered by the Trustee and are entitled to the benefits of the Trust Agreement.

We are further of the opinion that the Series B Certificates constitute Qualified Bonds within the meaning of Section 54AA(g)(2) of the Internal Revenue Code of 1986 (the "Tax Code") and are eligible for the credit payable by the Federal government under Section 6431 of the Tax Code (the "Treasury Credits"). The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series B Certificates in order for the Series B Certificates to be treated as Qualified Bonds and continue to be eligible for the Treasury Credits. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Treasury Credits and may cause the Series B Certificates to cease to be treated as Qualified Bonds either prospectively from the date of determination or retroactively to the date of issuance of the Series B Certificates. We express no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Treasury Credits by the Federal government, nor do we express any opinion regarding other federal tax consequences arising with respect to the Series B Certificates.

We are further of the opinion that the portion of each Series B Certificates Installment Payment due under the Installment Sale Agreement designated as and comprising interest and received by the owners of the Series B Certificates (the "Interest Component") is exempt from personal income taxation imposed by the State of California. The Interest Component is not excluded from gross income for federal income tax purposes.

Except as stated in the preceding two paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series B Certificates. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series B Certificates, or the interest paid with respect thereto, if any action is taken with respect to the Series B Certificates or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel other than ourselves.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter

occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$10,895,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES A
(Tax Exempt)

\$19,940,000
JURUPA COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
(2010 WATER FACILITIES FINANCING), SERIES B
(Federally Taxable – Build America Bonds –
Direct Payment)

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Jurupa Community Services District (the “District”) in connection with the execution and delivery of the Certificates captioned above (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of February 1, 2010, by and among the District, the Jurupa Public Facilities Corporation and U.S. Bank National Association, as trustee (the “Trustee”).

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is 9 months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means the Trustee, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Certificates.

“*Participating Underwriter*” means the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain

unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Certificates outstanding.

(ii) Balance in each of the two accounts in the Reserve Fund and a statement of the Reserve Requirement for each such account.

(iii) The top ten largest water accounts by revenues for the most recently completed fiscal year (in the form of Table 5), and the Water System's revenues and expenses, including debt service and coverage ratios for the most recently completed fiscal year (in the form of Table 13).

(iv) A description of any revisions to the water rates which were adopted or which took effect during the most recently completed fiscal year.

(v) A description of any Parity Debt issued during the most recently completed fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) Article IX of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if the Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination

Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: February 25, 2010

JURUPA COMMUNITY SERVICES
DISTRICT

By: _____
Name: _____
Title: _____

AGREED AND ACCEPTED:
U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Jurupa Community Services District

Name of Issue: Jurupa Community Services District Certificates of Participation (2010 Water Facilities Financing), Series A (Tax Exempt)

Jurupa Community Services District Certificates of Participation (2010 Water Facilities Financing), Series B (Federally Taxable – Build America Bonds – Direct Payment)

Date of Issuance: February 25, 2010

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated February 25, 2010. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

U.S. BANK NATIONAL
ASSOCIATION

By: _____
Its: _____

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APPENDIX F

BOOK ENTRY PROVISIONS

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the Certificates (the “**Issuer**”) nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the “**Agent**”) take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “**Certificates**”). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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