

Yuima Municipal Water District

Pauma Valley, California



Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2009

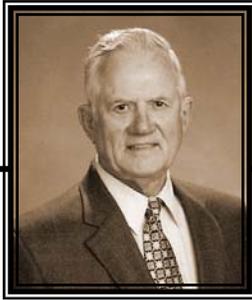
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2009



Prepared by the Finance Department
Yuima Municipal Water District
Pauma Valley, California

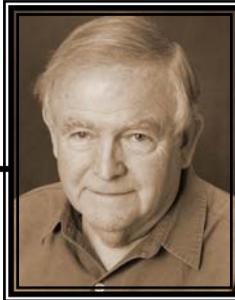
OUR MISSION AND VISION



W.D. "Bill" Knutson
President



Douglas K. Anderson
Vice President



George Stockton
Secretary/Treasurer



Ron W. Watkins
Director



Mike Fitzsimmons
Director

Yuima Municipal Water District is committed to providing water service to our Pauma Valley customers that exceeds all standards of quality and reliability at fair and reasonable rates.

We hope to be respected in our community as good stewards of the Public resources and responsibilities entrusted to us.



Linden A. Burzell, Ph.D.
General Manager



Top Row From Left to Right: Matt Munaco, Steve Bell, Allen Simon, Robert Fowler, Linden Burzell, and Mark Quinn. Bottom Row From Left to Right: Debbie Simon, Mitch Davis, Lori Johnson, Vanessa Velasquez, and Jolyn Duff.

**Yuima Municipal Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2009**

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**Yuima Municipal Water District
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Year Ended June 30, 2009**

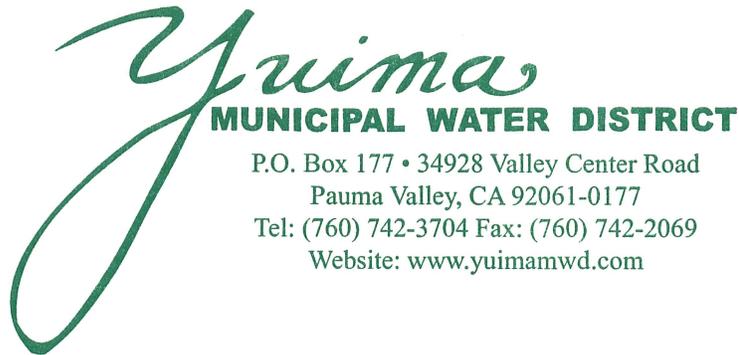
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Board of Directors
W.D. "Bill" Knutson - President
Doug Anderson - Vice President
George Stockton - Secretary/Treasurer
Michael Fitzsimmons - Director
Ron W. Watkins - Director

General Manager
Linden A. Burzell, Ph. D.

Counsel
Jeffrey G. Scott



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Pauma Valley, CA 92061-0177
Tel: (760) 742-3704 Fax: (760) 742-2069
Website: www.yuimamwd.com

December 21, 2009

Honorable Board of Directors
Yuima Municipal Water District
34928 Valley Center Road
Pauma Valley, CA 92061-0177

We are pleased to present the Yuima Municipal Water District's ("District") Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The purpose of the report is to provide the board, citizens, creditors, investors, and other interested parties with reliable financial information about the District.

This report was prepared by the District's Finance Department following the guidelines set forth by the Government Accounting Standards Board (GASB) and in accordance with generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operation of the District and includes all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The District's MD&A can be found immediately following the Independent Auditors' Report.

The District's financial statements were audited by Teaman, Ramirez and Smith Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2009, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion and that the District's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The 2008-2009 fiscal year was indeed another challenging year. We are very proud of the results we achieved, which are presented throughout the pages of this report. The hard work and commitment of our Board, management, and every staff member at Yuima is reflected in the information included here. We encourage you to review the information presented in this report.

DISTRICT FORMATION, ORGANIZATION AND HISTORY

The District is a publicly-owned water agency, organized on January 19, 1963 as a California special district by the State Legislature, with an entitlement to import water under the provisions of the *California Municipal Water District Act of 1911, section 71000 et.seq.* of the *California Water Code* as amended. The Organization was formed for the prime purpose of importing Colorado River water to augment local water supplies.

Prior to the District's formation, the sole source of water was local ground water on the alluvial fan and the San Luis Rey River basin. Following a period of drought extending back to 1949, coupled with increased agricultural water demands, the water table fell drastically and overdrafts of the underlying water basin lowered the basin's level as much as 85 feet, forcing the abandonment of some wells and giving rise to increased pumping costs. This condition also prompted the filing of the *Strub vs. Palomar Mutual Water Company* suit to which the District is successor in interest and



which limits the withdrawal of water by the Improvement District "A" (IDA) from the San Luis Rey River upstream of Cole Grade Road to no more than 1,350 acre feet annually.

The District's ordinances, policies, taxes, and rates for service are set by the five Directors, who are elected by voters in their respective divisions, to serve staggered four-year terms on its Governing Board. The Board of Directors (Board) manages through an appointed general manager and two department heads who oversee the Finance and Operations Departments. There are currently 11 employees working for the District.

The financial data presented herein includes information for activities and entities that are significantly controlled by the District and for which the Board is primarily financially accountable.

THE REPORTING ENTITY AND ITS SERVICES

The District is a "revenue neutral" public agency, meaning that rates are set based on projections so that each end-user pays his or her fair share of the District's costs of water acquisition, operation and maintenance, betterment, renewal and replacement of the public water facilities. The district is an "Enterprise" district, in that operations are financed and operated in a manner similar to private business enterprises – where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges; or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Since the District is in the business of selling water and rendering services to an end user, it is required by the State of California to follow the enterprise type of fund accounting. All proprietary funds are accounted for on a cost of services or "capital maintenance" measure focus. This means that all assets and all liabilities (whether current, non-current or restricted) associated with the activity are included in the balance sheet.

The District provides water and fire protection services. The District has established and maintains various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are funds and sub-funds of the reporting entity, are identified in the District's books and records as:

- ✓ General Fund
- ✓ Improvement District A Fund
- ✓ Fire Fund

The General Fund accounts for all activity related to water operations as well as the general operations of the District's water operations. Improvement District A Fund accounts for water operations, capital assets, and construction-in-progress transactions related exclusively to that geographically defined area. The Fire Fund acts as a pass-through mechanism for revenues collected on behalf of the California Department of Forestry and Fire Protection (CalFire), to fund the fire protection operations.

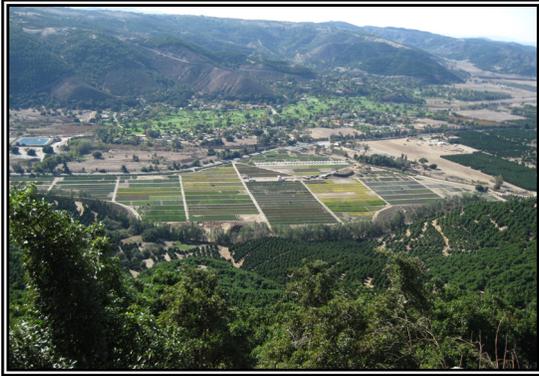
CURRENT ECONOMIC CONDITIONS AND OUTLOOK

Repercussions from the credit crisis that started in the subprime mortgage sector and the further decline in real estate prices will continue to be a drag on the overall economy. Mortgage problems continue to cause major difficulties for San Diego County. In addition, California is currently facing a severe drought. The last drought occurred in 1991. Even with promising snowfall in the Rockies, it will take several years of above normal precipitation to bring Colorado River reservoirs back to normal levels after nine consecutive years of drought.

Over the last 46 years, the District has grown to be a strong agricultural community. Today the District serves a population of 1,966 through 342 service connections provided within approximately 21 square miles of northern San Diego County. The District operates 44.8 miles of water main, 21 productive wells, 10 potable water tanks, and 2 reservoirs.

It appears unlikely that population growth will be a significant factor within the next five years. No major housing developments are planned, and even if a project were initiated today, it would take at least five years to obtain the appropriate zoning changes and complete construction. It is estimated that population growth will not exceed 1% per year over the next five years. Considering that only about 3% of total District demand is residential, the increase in population growth is expected to be negligible with respect to overall water demand during the next couple of years.

In fiscal year 2008-09 the District purchased approximately 36.7% of its water from the San Diego County Water Authority (SDCWA or the "Authority") at a cost of \$1.3 million, or 24% of the District's operating expenses. The Authority imports most of its water from the Metropolitan Water District of Southern California (MET). For the fiscal year ended June 30, 2009, the District billed 342 customers for 5,909 acre feet of water.



Water sales for the past ten years have ranged from 5,384 to 7,633 acre feet. Because a large portion of our sales are to agriculture, sales are greatly affected by weather conditions, making sales projections difficult. Total system demand is anticipated to be driven by irrigated agriculture which is estimated to constitute in excess of 94% of all water delivered.

Since May of 1994, the MET Interim Agricultural Water Program (IAWP) has provided a discount to qualifying agricultural water users. In addition, SDCWA offers a rebate on their water rate. In exchange for reduced rates, agricultural customers agree to have their water supply reduced first during droughts and other emergencies. Since the inception of the program, our agricultural customers have seen a savings of over \$5.2 million dollars through both programs.

As a part of MET's agricultural credit program, mandatory cut backs in agricultural deliveries were implemented by MET in January 2008 due to State-water supply constraints in California. MET enforced a mandatory cutback of 30% on all IAWP participants against a base year of 2006-07. Fortunately the District is able to augment the imported supply (from MET through SDCWA) with additional local water from its own wells and other private local wells; such local supplies account for about 50%-60% of all water sold by the District. Due to favorable weather conditions and exceptional participation from our farmers in scheduling irrigation, this resulted in only a 10% cutback in January, 2009 and 0% cutbacks for the rest of the year. It is estimated that the District will be able to maintain 0% cutbacks through December 2009.

In 2008, MET approved a 4-year phase out period of the IAWP program, which will no longer exist as of January 1, 2013. MET's decision was a consequence of sustained multi-year drought conditions and judicially imposed restrictions on the transfer of water through the Sacramento Delta. The court restricted the amount of water that can be pumped and delivered from the State Water Project because the condition of the Delta fails to provide a healthy ecosystem for a variety of fish and other wildlife. The costs to repair the Delta will result in higher prices for water in the future, but with improved supply reliability.

LONG-TERM FINANCIAL PLANNING

The coming years will be challenging times for everyone in the industry. Following Governor Schwarzenegger's declaration of a statewide drought in California in June of 2008 and the implementation of MET's phase-out of the IAWP program, the District has implemented programs to comply with mandatory limits on imported water supplies, while at the same time seeking to minimize the impact of water restrictions on its customers by increasing local supplies.

Clearly, water shortages have the potential to impact adversely the finances of the District, and staff is working diligently to prepare for the consequences of an extended drought, should one occur. With that in mind, practices and policies have been put into place by the Board to ensure the strength and stability of the District as we move forward into uncertain times. These actions will assure our success as an organization and the well-being of the customers we serve.

ACCOMPLISHMENTS IN FISCAL YEAR 2008-09

TANK 8 AND BOOSTER 8 PUMPING STATION

During 2008-2009 the District completed the multi-year project known as the Tank 8 and Booster Pumping station. The project included the demolition of Reservoir 8 and its replacement with a 1.7 million gallon steel tank. The replacement of this open reservoir was undertaken to comply with State Health Department regulations requiring the phase-out of open reservoirs in public water supplies where down-stream filtration is not provided.

The project also included the demolition and total replacement of Pump Station 8, in order to improve efficiency and capacity, as well as to eliminate potentially dangerous confined space conditions for District personnel. The new tank and pumping station was dedicated in memory of the District's long time engineer, Linden R. Burzell and is known as the *Linden R. Burzell Memorial Pumping Station and 1.7 MG Tank*.



NORTHERN ROUTE PIPELINE PROJECT

During the current reporting period, the District and its prospective partner, the San Luis Rey Indian Water Authority (“SLRIWA”), completed the Environmental Impact Report/Environmental Assessment for the proposed Northern Route Pipeline Project. The proposed pipeline would be operated by the District, jointly owned by the District and the SLRIWA and would allow the District to import water from MET at a significantly lower unit price, by virtue of avoided costs for pumping and SDCWA transportation charges. At the same time, the SLRIWA would use its capacity in the pipeline to transport some or all of the 16,000 acre-feet of Colorado River Water to which it is entitled to under the provisions of the 1988 San Luis Rey Indian Water Rights Settlement Act (Public Law 100-675).

The board has deferred a final decision whether to proceed with the project at this time, because that decision will largely hinge on a timely re-assessment of long-term prospects for the availability of imported water from the State Water Project and the Colorado River system.

FIRE APPARATUS BUILDING

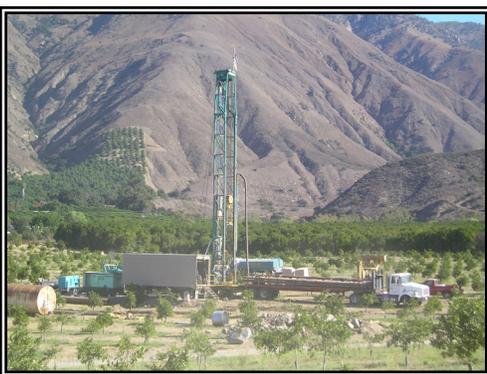
The District completed construction on a 2,000 sq. ft. fire apparatus building built at the Rincon CalFIRE Station at a total cost of \$268,000. This project was funded by the Fire Mitigation Fees collected within the district over the last 20 years along with participation from the Pauma and Mootamai Municipal Water District.



GIS SYSTEM

The District’s Geographic Information System (GIS) is now complete to the point that it provides District personnel with the ability to view all District data (including pipelines, valves and appurtenances, assessors parcel data as well as District wide aerial data) in layer format, including all layers or any selected groups of layers. Annotations on the displayed document can be made, and custom maps for presentations, hot links to easement, “as-built” or other documents, may be viewed. Stored feature data (i.e. valve size, insertion date, turns, last operated, etc.) may be accessed by individual selection and new layers of GIS data may be added as they become available. In addition the GIS system can generate specific query lists – for instance, a list of customers located between selected valves who much be contacted prior to a pipeline shut down.

The Nobel “Geoviewer” software we use for this function is designed and supported by Nobel Systems, Inc. and is a living document from the standpoint that new data and program refinements, and capabilities are continually upgraded, thereby increasing the program functionality and usefulness.



LOCAL GROUNDWATER

In response to increasing agricultural demand and the reductions in imported supply arising from mandatory cutbacks under IAWP, the District has completed the rehabilitation of four existing groundwater wells which had previously been taken out of service because of low production, inefficient motors and other problems. These wells were put back into service during 2008-2009 and have increased local groundwater production by 300 acre-feet. In addition, the district drilled a new well located at the Eastside Tank which is expected to increase local ground water production by 350 acre feet per year and thus aid the District materially in compensating for the loss of some 1,088 acre-feet of imported water due to the IAWP cutbacks.

INTERNSHIP PROGRAM

The District has been an active participant in the San Diego County Water Authority's Regional Water/Wastewater Internship Program since 2006-07. As the water and wastewater industry experience an increased demand for qualified staff, the program was developed to provide students in the San Diego region with career opportunities and on-the-job experience. The program was divided into four instructional modules that included water system operations, water system maintenance, water treatment, and wastewater treatment. Qualified applicants selected to take part in the program are placed with participating agencies while taking applicable classes at the local community colleges. To date, the District has trained seven interns.

FINANCIAL INFORMATION AND INTERNAL CONTROLS

INTERNAL CONTROLS

District management is responsible for establishing and maintaining a system of internal controls designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of its Financial Statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that these objectives are met as effectively as possible. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Management believes that activities presented within this report comply with financial, legal, and contractual obligations, as prudent fiduciary responsibility requires. In addition, we believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. During the year, internal control improvements have been made, and we will continue to identify ways in which we can strengthen our procedures.

ACCOUNTING SYSTEM

The Finance department is responsible for providing financial services for the District, including financial accounting and reporting, payroll and accounts payable disbursement functions, cash, investments and debt management, budgeting, grant administration, purchasing, data processing, customer billings, processing of customer payment, internal auditing and special financial analyses. The District reports its activities as an enterprise fund, which is used to account for operations similar to business enterprises, where the intent of providing services is financed or recovered primarily through user charges.

BUDGETING CONTROLS

The District views the budget as an essential tool for proper financial management. Although not legally required to do so, the District adopts a budget annually to outline major elements of the forthcoming year's operating and capital plans and to allocate funding required for those purposes. It is designed and presented for the general needs of the District, its staff, and its customers. It is a comprehensive and balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow users to gain a general understanding of the District's financial status and future. The District's operating and capital budgets are approved by the Board of Directors. Board approval is required for any increase in appropriations. Actual expenditures are then compared to these appropriations on a monthly basis and are distributed to all department heads monthly and to the Board quarterly.

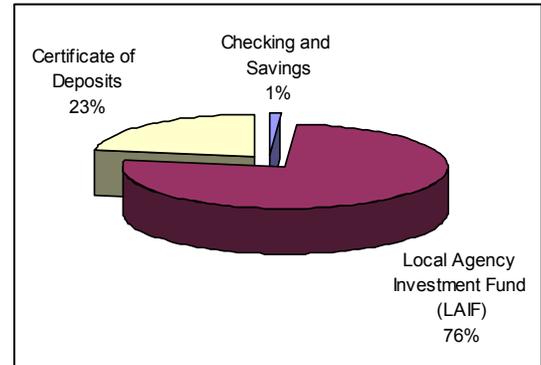
Annual operating water user rates and charges are derived from the annual operating budget and are based on historical seasonal demand, and other internal and external factors impacting the budget. The District maintains two sets of user rates and charges to account for the differing entitlement of the respective geographic areas to local water. One set is for the General District and the other for Improvement District A. Higher pumping charges apply in higher elevations within the District.

CASH MANAGEMENT

The District is regulated by State law (primarily California Government Code Section 53600 et seq.) as to the types of securities in which it can invest its cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive than the State codes. The standard practice of the District is to maintain an appropriate balance between safety, liquidity, and yield of its investments while meeting required expenditures, and conforming to all applicable State laws, the District's investment policy, and prudent cash management principles.

For the fiscal year 2008-09, the District's fixed income investment portfolio consisted primarily of short-term securities with an average maturity of 11.7 months. These securities included the State-managed Local Agency Investment Fund (LAIF), a mutual fund, and various Certificates of Deposit (CD's).

At June 30, 2009, the District's cash assets totaled \$3.8 million. The diversification of the portfolio is shown in the chart to the right. These cash balances are allocated to various restricted funds.



RISK MANAGEMENT

In 1996, the District became a member of the Joint Powers Insurance Authority (JPIA), a pooled insurance program developed by the Association of California Water Agencies, that provides the District's coverage for general liability insurance, property insurance, employee bonds, and other blanket coverage's. In 2003 the District added the worker's compensation coverage under JPIA. During fiscal year 2008-09, the District continued its proactive liability risk management role through careful monitoring of losses and designing and implementing programs to minimize risks. In addition, management analyzes workers' compensation issues by monitoring work conditions, and organizing and implementing safety training programs to reduce employee exposure to hazards. The District proudly maintains an excellent minimal loss history.

PENSION AND DEFERRED COMPENSATION PLANS

The District provides two complementary retirement plan programs for employees. The first is a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS). The District contributes a specified percentage of covered employees' payroll, which is invested by CalPERS. Upon retirement, District employees are entitled to a specified retirement benefit. The plan is more fully described in Note 5 to the Financial Statements.

In addition, the District has adopted a Deferred Compensation Plan in accordance with Section 457(b) of the Internal Revenue Code. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. The deferred compensation plan was amended May 26, 2009, in accordance with recent changes in the Internal Revenue code. All assets in the Plans are held in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not included in the accompanying financial statements. As of June 30, 2009, 8 employees were participating in the 457(b) plan and had accumulated assets of \$257,689.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides other post-employment benefits (OPEB) as a part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes healthcare in addition to the benefits provided from specific pension plans. Financial reporting of the actuarial accrued liabilities corresponding to all promised benefits associated with past services of District employees is not required until Fiscal Year 2009-2010. However, the District decided to implement Governmental Accounting Standards Board Statement No. 45 early. For additional information see Note 6 to the Financial Statements.

RECORD MANAGEMENT PROGRAM

Management is responsible for the maintenance and preservation of the historical records of District's activities. The retention schedule is approved by the Board of Directors. A record management program was established to achieve these goals. The District has successfully implemented a document imaging and computer output program. The purpose of this system is to provide easy access to the District's records and the ability to share documents among departments to increase work productivity.

AWARDS

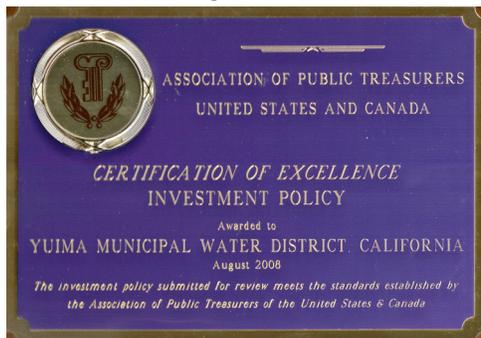
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Yuima Municipal Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This is the first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the GFOA certification the District also received an Award for Outstanding Financial Report for the Fiscal Year Ending June 30, 2008 from the California Society of Municipal Finance Officers Association (CSFMO).

In August of 2008, the District was formally recognized for having their written investment policy certified by the Association of Public Treasurers of the United States and Canada ("Association"). The District's policy was reviewed and certified as meeting the standards set forth by the Association. The District was honored at the Association's 43rd Annual Conference.



Yuima is one of 33 governments to have its investment policy certified by the Association's Investment Policy Certification Program ("Program"), which was developed in 1990. The Program was instituted in an effort to assist state and local governments interested in drafting or improving upon an existing investment policy.

The District's policy included 18 sections that the Association deems as critical elements; liquidity; selection and review of suitable investment instruments; internal controls; reporting; portfolio diversification; custody and safekeeping; selection of investment institution criteria; ethics; and conflicts of interest.

A written investment policy is only certified when the Association's Investment Policy Review Team acknowledges that the policy has met all criteria set forth in the Program. The Certificate is valid for a period of three years, at which time it is recommended the policy be recertified.

ASSOCIATION OF CALIFORNIA WATER AGENCIES, JOINT POWERS INSURANCE AUTHORITY (ACWA/JPIA) "PRESIDENT'S SPECIAL RECOGNITION AWARD"

Each year, ACWA/JPIA reviews the insurance claims history of all agencies participating in the Liability, Property, and Workers' Compensation pooled insurance programs. Those agencies that have maintained a ratio of 20% or less when comparing claims paid versus premiums paid are awarded a certificate of recognition. The district received the *President's Special Recognition Award* from JPIA for achieving a low loss ratio in the worker's compensation and liability programs since 2005, demonstrating staff's dedication to maintaining an aggressive risk management strategy for reducing accidents and losses while promoting a safe and healthy working environment.

CONTACTING THE DISTRICT'S FINANCE DEPARTMENT

This financial report is designed to provide the Board, customers, creditors, and investors with a general overview of the District's Financial condition. Should you have any questions regarding the content of this report, please contact Lori A. Johnson, Yuima Municipal Water District's Director of Finance, at (760) 742-3704.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the contribution of the Finance Department and our independent auditor, Teaman, Ramirez and Smith, Inc. We would like to particularly thank the Board of Directors for their continued interest in and support of the highest level of prudent fiscal management.

Respectfully Submitted:



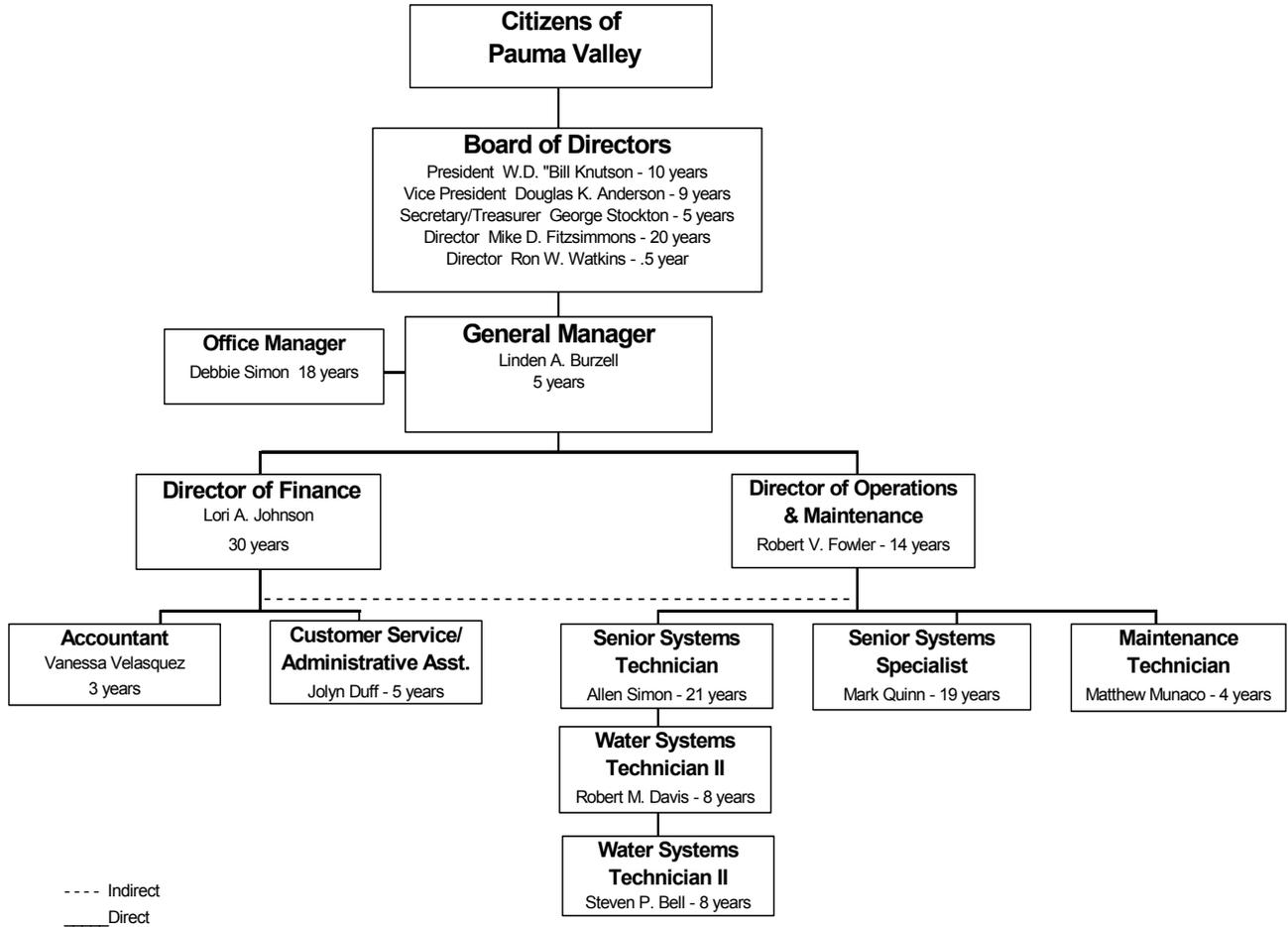
Linden A. Burzell,
General Manager



Lori A. Johnson,
Director of Finance

ORGANIZATION CHART

Fiscal Year Ended June 30, 2009



PRINCIPAL OFFICIALS

Fiscal Year Ended June 30, 2009

BOARD OF DIRECTORS

W.D. "Bill" Knutson, President
Douglas K. Anderson, Vice President
George Stockton, Secretary/Treasurer
Mike Fitzsimmons, Director
Ron W. Watkins, Director

GENERAL MANAGER

Linden A. Burzell

DIRECTOR OF FINANCE

Lori A. Johnson

DIRECTOR OF OPERATIONS

Robert V. Fowler

GENERAL COUNSEL

Jeffrey G. Scott

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Yuima Municipal Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", is written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", is written over the printed name.

Executive Director

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yuima Municipal Water District
Yuima, California

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Yuima Municipal Water District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and each major fund of the Yuima Municipal Water District as of June 30, 2009, and the respective changes in financial position 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 December 17, 2009, on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* and *Required Supplementary Information* are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Yuima Municipal Water District's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Teaman Ramirez & Smith

December 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2009

As management of the Yuima Municipal Water District, we offer readers of the Yuima Municipal Water District's financial statements this narrative overview and analysis of the financial position and results of operations for the fiscal year ended June 30, 2009. Included in this section are:

- Financial highlights;
- Overview of the accompanying basic financial statements;
- Financial analysis of the District as a whole;

The Management's Discussion and Analysis (MD&A) can be found on pages i-vii and should be read in conjunction with the audited financial statements. The audited financial statements are located in the section following the MD&A. All amounts, unless other-wise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Flat growth is expected to continue because of declining home prices and increasing housing foreclosure activities throughout the County. Water sales will decline and imported water supply costs will escalate due to limitations on imported water supply.

- The assets of the Yuima Municipal Water District exceeded its liabilities at the close of the most recent fiscal year by \$15,593,773 (*net assets*). Of this amount, \$3,848,285 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$836,144. Approximately 57% of this increase is attributable to a one-time infusion of resources from grants, contributions and reimbursements.
- Water Sales for this fiscal year ended June 30, 2009 are only 88.7% of the prior 9 year average, and our rainfall for the same period is 84.7% of the prior 9 year average. Due to a prolonged drought and federal restrictions placed on the pumping of water from the Sacramento Bay Delta, water utilities in Southern California are faced with limitations on their imported water supply. During this fiscal year the District, was limited to 30% of its 2006-07 agricultural water purchases base year of imported water. District Staff has been working aggressively to supplement the loss of imported supply by increasing local groundwater production.
- As of the close of the current fiscal year, the Yuima Municipal Water District governmental funds (*fire funds*) reported combined ending fund balances of \$14,997, a decrease of \$235,620 in comparison with the prior year. This is due to the completion of the new fire apparatus bay built at the Rincon CalFIRE station at a total cost of \$268,000. This project was financed by Fire Mitigation Fee Funds with participation from the Pauma and Mootamai Municipal Water District. This capital asset will be maintained and owned by the Rincon CalFIRE station.
- As of the close of the current fiscal year, the Yuima Municipal Water District business-type funds (*water related activities*) reported an ending fund balance of \$15,578,776, an increase of \$1,071,764 in comparison with the prior year.
- At the end of the current fiscal year, the fire protection unreserved fund balance was \$14,997, or 4.3 percent of total fire protection fund expenditures.
- At the end of the current fiscal year, the business-type (*water related activities*) unreserved fund balance was \$3,833,288, or 59.2 percent of total business-type expenditures. These unreserved fund balances are designated to various funds that are designed to: provide for the timely implementation of the capital improvements specified in the District's Master Plan; guarantee the availability of funds required to fulfill debt requirements in accordance with debt covenants; provide funding for emergencies and natural disasters; and to soften the effect of large rate increases.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Yuima Municipal Water District's basic financial statements. The Yuima Municipal Water District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The financial statement present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

REQUIRED (BASIC) FINANCIAL STATEMENTS

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Yuima Municipal Water District's finances, in a manner similar to a private-sector business. The required financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The *Statement of Net Assets* presents information on all of the Yuima Municipal Water District's assets and liabilities, with the difference between the two reported as *net assets*. This statement provides financial information about the nature of investments and ownership (assets) and the obligations of the District to its bond investors and creditors for all purchases made (liabilities). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Yuima Municipal Water District is improving or deteriorating.

The *Statement of Activities and Changes in Net Assets* accounts for all activities during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's solvency and ability to meet its financial commitments.

The *Statement of Cash Flows* accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general readers about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and financing, and investing activities. The cash flow statement helps the readers to answer the following questions: "Where did cash come from; What was cash used for, and; What was the change in cash during the fiscal year?"

Both of the government-wide financial statements distinguish functions of the Yuima Municipal Water District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Yuima Municipal Water District include fire protection services. The business-type activities (Proprietary Fund) of the Yuima Municipal Water District include water related operations.

The government-wide financial statements can be found on pages 10 - 12 of this report.

NOTES TO THE 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 financial statements can be found on pages 19 - 36 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Yuima Municipal Water District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 37 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. Net Assets is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). Net Assets represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Assets help answer the following questions: "Is the District, as a whole, better or worse off as a result of the year's activities?" In the case of the Yuima Municipal Water District, assets exceeded liabilities by \$15,593,773 at the close of the most recent fiscal year.

By far the largest portion of the Yuima Municipal Water District's net assets (75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Yuima Municipal Water District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Yuima Municipal Water District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net assets* (\$3,848,285) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in its categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Condensed Statement of Net Assets

Yuima Municipal Water District Net Assets						
	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2009	2008	2009	2008	2009	2008
	Current and other assets	\$ 45,862	\$ 283,965	\$ 5,122,770	\$ 5,820,841	\$ 5,168,632
Capital assets	-	-	14,053,792	11,798,063	14,053,792	11,798,063
Total Assets	\$ 45,862	\$ 283,965	\$ 19,176,562	\$ 17,618,904	\$ 19,222,424	\$ 17,902,869
Long-term liabilities outstanding	\$ -	\$ -	\$ 2,147,912	\$ 2,346,111	\$ 2,147,912	\$ 2,346,111
Other liabilities	30,865	33,348	1,449,874	765,781	1,480,739	799,129
Total liabilities	\$ 30,865	\$ 33,348	\$ 3,597,786	\$ 3,111,892	\$ 3,628,651	\$ 3,145,240
Net Assets:						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 11,745,488	\$ 9,297,688	\$ 11,745,488	\$ 9,297,688
Restricted	-	-	-	-	-	-
Unrestricted	14,997	250,617	3,833,288	5,209,324	3,848,285	5,459,941
Total net assets	\$ 14,997	\$ 250,617	\$ 15,578,776	\$ 14,507,012	\$ 15,593,773	\$ 14,757,629

There was an increase of \$2,447,800 in the District's Invested in Capital Assets, Net of Related Debt. The increase is a net result from the issuance of the \$1.5 million in long-term debt for the Tank 8 project, increase in capital assets from the completion of several construction projects and additions to construction in progress of \$1.1 million.

The District's net assets increased by \$836,144 during the current fiscal year. The increase is largely due to the following:

- ▶ The District received \$294,351 in grants and contributions.
- ▶ The District received \$145,920 in FEMA Funds for the 2007 disaster repairs.
- ▶ Increase in property tax due to increased assessed values in prior fiscal year.
- ▶ Reimbursements on the Northern Route Pipeline Project.

Yuima Municipal Water District Change in Net Assets

	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2009	2008	2009	2008	2009	2008
	Revenues:					
Program Revenues:						
Charges for Services	\$ 55,855	\$ 51,000	\$ 6,811,581	\$ 6,918,807	\$ 6,867,436	\$ 6,969,807
Operating Grants and Contributions	34,840	87,926	-	-	34,840	87,926
Capital Grants and Contributions	-	-	440,271	170,820	440,271	170,820
General Revenues:						
Property Taxes	-	-	429,668	413,896	429,668	413,896
Investment Income	1,905	8,754	130,217	253,442	132,122	262,196
Other	13,786	5,660	1,332	16,214	15,118	21,874
Total Revenues	106,386	153,340	7,813,069	7,773,179	7,919,455	7,926,519
Expenses:						
Fire Protection	342,006	144,288	-	-	342,006	144,288
Water Enterprise	-	-	6,629,393	7,386,450	6,629,393	7,386,450
Interest on Long-term Debt	-	-	111,912	90,019	111,912	90,019
Total Expenses	342,006	144,288	6,741,305	7,476,469	7,083,311	7,620,757
Increase (Decrease) in Net Assets	(235,620)	9,052	1,071,764	296,710	836,144	305,762
Prior Period Adjustment		-	-	216,716	-	216,716
Net Assets - Beginning	250,617	241,565	14,507,012	13,993,586	14,757,629	14,235,151
Net Assets - Ending	\$ 14,997	\$ 250,617	\$ 15,578,776	\$ 14,507,012	\$ 15,593,773	\$ 14,757,629

ANALYSIS OF GOVERNMENTAL FUND AND GOVERNMENTAL ACTIVITIES – FIRE FUND

The District's fire protection fund to the government-wide financial statements has no reconciling items from the modified accrual to a full accrual basis. The information below provides an analysis of the increases or decreases in the activities for the governmental fund and governmental activities since the information on both the government-wide and fund statements reflect the same reported figures.

The key factors in the decrease of the Fire Protection Activities net assets and fund balance is as follows:

- ▶ The District completed construction of a new Fire Apparatus Bay built at the CalFire Rincon Station. The total charges for the project was \$268,000 which was financed with Fire Mitigation Fee Funds and contributions from Pauma and Mootamia Municipal Water District.

ANALYSIS OF PROPRIETARY FUND AND BUSINESS-TYPE ACTIVITIES – WATER OPERATIONS

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Below is an analysis of the increases or decreases in the activities for the proprietary fund and business-type activities.

Revenues for the year ended June 30, 2009 totaled \$7,813,069, which is a .51% increase from the prior year. Details of this increase in revenues are as follows:

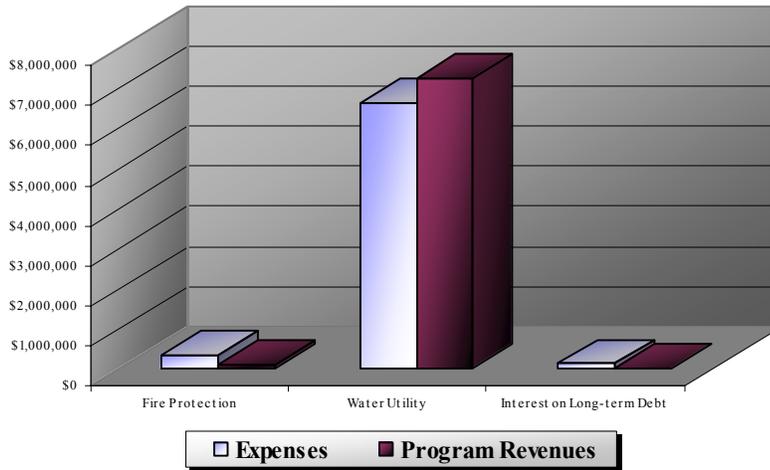
- ▶ Water sales and pumping revenues decreased by 7.3%, or \$447,421 from the prior year. There was a 2.9% decrease in the volume of water sold. In 2008-09 a total of 5,908.3 acre feet of water were billed compared to 6,088.4 acre feet in the prior year.
- ▶ Property taxes and assessments increased \$293,131 from 2007-08 to 2008-09. This increase is due to receiving the growth in property values in the 1% general tax take, state unitary taxes and the elimination of the ERAF tax shift. Meter Connection Fees and IDA Special Connection Fees totaled \$51,962.
- ▶ Other non-operating revenues decreased 44% or \$132,717 from the prior year largely due to lower returns on investments.

Expenses for the year ended June 30, 2009, totaled \$6,741,305. A decrease of \$735,164. Certain significant expenses are as follows:

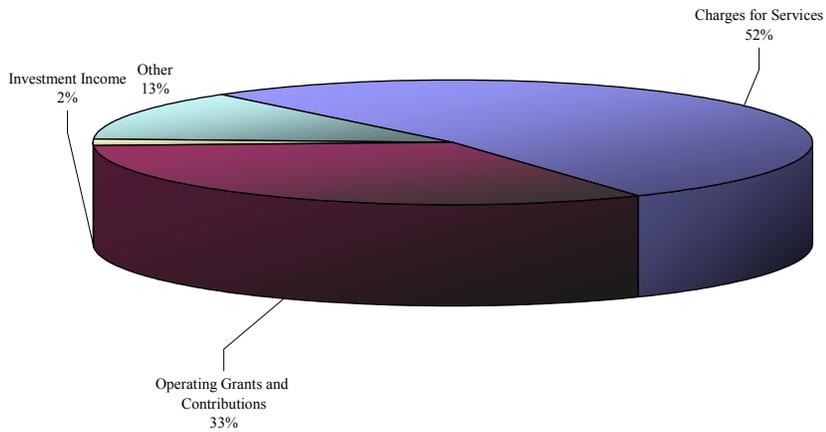
- ▶ The cost of water sold decreased 33.2% over the prior year because the District purchased 1,370 acre feet less imported water and produced and purchased more local groundwater compared to the year prior.
- ▶ Pumping and energy costs increased 21.7% over prior year in relation to the additional water production power requirements and the addition of SDG&E's new generation demand charges.
- ▶ Customer Service Expense decreased 14.0% due to near completion of the meter replacement program.
- ▶ Transmission & Distribution expense increased 11.1% largely due to increased labor cost.
- ▶ Other non-operating expense includes obsolescing old parts held in inventory determined to be no longer applicable to our current system.

Schedule of Revenues, Expenses and Change in net Assets				
	Proprietary Fund		Increase/	Percent
	2009	2008	(Decrease)	Change
Operating revenues:				
Water sales & Pumping charges	\$5,641,270	\$6,088,691	-\$447,421	-7.3%
Other customer fees and charges	<u>485,243</u>	<u>430,599</u>	<u>\$54,644</u>	<u>12.7%</u>
Total operating revenues	6,126,513	6,519,290	-\$392,777	-6.0%
Operating expenses:				
Cost of water sold	2,436,534	3,649,431	-1,212,897	-33.2%
Pumping and energy costs	1,409,094	1,157,719	251,375	21.7%
Water Treatment	103,851	105,466	-1,615	-1.5%
Transmission and distribution	326,041	293,526	32,515	11.1%
Customer services	87,197	101,418	-14,221	-14.0%
General Plant	101,899	89,574	12,325	13.8%
General and administrative	1,574,924	1,510,279	64,645	4.3%
Depreciation	<u>434,207</u>	<u>392,394</u>	<u>41,813</u>	<u>10.7%</u>
Total operating expenses	6,473,747	7,299,807	-826,060	-11.3%
Operating (loss)	(347,234)	(780,517)	433,283	-55.5%
Non-operating revenues:				
Investment income	130,217	253,442	-123,225	-48.6%
Property taxes, assessments, connection fees & leases	1,077,521	781,438	296,083	37.9%
Other non-operating revenues	<u>38,547</u>	<u>48,189</u>	<u>-9,642</u>	<u>-20.0%</u>
Total non-operating revenues	1,246,285	1,083,069	163,216	15.1%
Non-operating expenses:				
Other Non-operating expenses	155,646	86,643	69,003	0.0%
Interest on long term debt	<u>111,912</u>	<u>90,019</u>	<u>21,893</u>	<u>24.3%</u>
Total non-operating expenses	267,558	176,662	90,896	51.5%
Revenues over/(under) Expenditures	631,493	125,890	505,603	401.6%
Capital Contributions	<u>440,271</u>	<u>170,820</u>	<u>269,451</u>	
Change in net assets	1,071,764	296,710	775,054	261.2%
Net assets, beginning of year - as previously reported	14,507,012	13,993,586	513,426	3.7%
Prior Period Adjustment	<u>0</u>	<u>216,716</u>	<u>-216,716</u>	
Total Net Assets, Beginning - As Restated	<u>14,507,012</u>	<u>14,210,302</u>	<u>296,710</u>	2.1%
Total Net Assets, End of year	<u>\$15,578,776</u>	<u>\$14,507,012</u>	<u>\$1,071,764</u>	<u>7.4%</u>

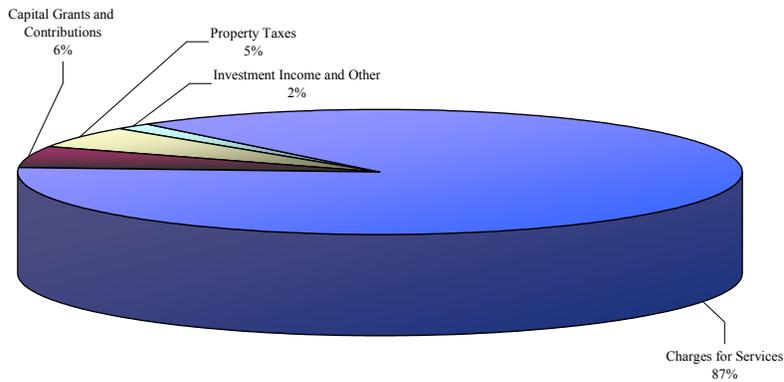
Expenses and Program Revenues - Governmental and Business-type Activities



Revenue by Source - Governmental Activities



Revenue by Source - Business-type Activities



CAPITAL ASSETS AND CAPITAL PROJECTS

The District's Capital Assets in service at June 30, 2009 totaled \$19,094,179 less \$6,804,249 of accumulated depreciation, for a net book value of \$12,289,930. Additional information on capital assets can be found in Note 3 to the financial statements. Capital Asset additions being depreciated totaled \$3,133,638 and included the following:

Capital Asset Additions	
Source of Supply	\$ 1,487,098
General Plant Additions	37,095
Pumping Plant	1,156,969
Water Treatment	-
Pipelines (Transmission & Distribution)	452,476
Total	<u>\$ 3,133,638</u>

Deletions of Capital Assets being depreciated totaled \$339,544, a large portion of this was the Station 8 reservoir and pump station that was replaced this year.

Also, included in the total reported on the Statement of Net Assets is \$1,763,862 in construction-in-progress reflecting capital projects in various stages of completion. As of June 30, 2009, the following capital projects were in progress:

Construction in Progress	
Northern Route Feasibility Study	1,323,739
LISA Grant Basin Study	440,024
New Well in Yuima (Well # 30)	100
Total	<u>\$ 1,763,862</u>

To help fund capital projects the District collects capacity fees from new development. These fees are restricted and used exclusively to provide capacity to service new development and fund future construction of facilities identified in the District's Master Plan. As of June 30, 2009 all capacity fees collected have been used for this purpose. Growth in the area is slow to none. The District does not expect any change for the next few years.

LONG-TERM DEBT

At the end of the current fiscal year, the Yuima Municipal Water District had total bonded debt outstanding of \$2,308,304, including the portion that is due within one year - \$160,392. The debt was incurred to finance the replacement of Reservoir 8 with a 1.7 million gallon tank and pump station and the construction for the 3 MG Eastside Tank and pump station. Additional information on long-term debt can be found in Note 4 to the financial statements.

The District's outstanding bond indebtedness as of June 30, 2009 is as follows:

Schedule of Bond Indebtedness For Fiscal Year Ended 2009

Long-term Debt							
Description	Year Issued	Total Bonds Sold	Final Maturity Date	Fixed Interest Rate	Bonds Outstanding (Audited) As of June 30, 2009		
					Current	Long Term	Total
Eastside Tank & Pump Station	2004	\$ 1,500,000	2016	3.73%	\$ 121,719	\$ 832,813	\$ 954,531
Tank 8 and Pump Station	2007	\$ 1,500,000	2022	4.58%	\$ 38,674	\$ 1,315,099	\$ 1,353,772
Total		<u>\$ 3,000,000</u>			<u>\$ 160,392</u>	<u>\$ 2,147,912</u>	<u>\$ 2,308,304</u>

FUTURE INFRASTRUCTURE PLANNING

Based upon long-term demand forecasts for agricultural and urban development within the current boundaries of the District, coupled with a number of annexation requests expected to be driven by local water shortages affecting both agriculture and new housing in adjacent under-served areas, the District has determined that a new transmission pipeline will be required to bring additional imported water into the District from the First and Second San Diego Aqueduct Pipelines. Two potential routes are under consideration. The first (“Southern Route”) would parallel the District’s existing 20” pipeline and would be built at the sole expense of the District. The second (“Northern Route”) would be a joint venture between the San Luis Rey Indian Water Authority and the District, and would connect to the Metropolitan Water District portion of the aqueduct at a point just north of the jurisdictional boundary with the San Diego County Water Authority. The preliminary estimate of the District’s cost is approximately \$25 million for either route.

GOVERNMENTAL ACTIVITIES – FIRE PROTECTION

Since the late 70’s the District has exercised its latent powers to provide fire protection services. The services are provided under a joint powers agreement with Pauma Municipal Water District and Mootamai Municipal Water District wherein they contract with the State Department of Forestry & Fire Protection for fire protection during the non-fire season.

In November, 2004 Proposition C received an 81% approval by San Diego County voters in support of consolidation of unincorporated area fire protection agencies – provided that consolidation results in better coordinated and enhanced delivery of fire protection and emergency medical services at no additional cost. Citing voter support of Prop C, the Board of Supervisors requested LAFCO to initiate the process for consolidation.

On February 7, 2005, the San Diego Local Agency Formation Commission unanimously approved the initiation of a reorganization proposal involving the dissolution of sixteen (16) Fire Protection Districts and seven (7) County Service Areas plus the deactivation of the fire protection and emergency medical service functions of five (5) Municipal Water Districts, namely Yuima MWD, Pauma MWD, Mootamai MWD, Rincon del Diablo MWD and Ramona MWD.

The Board of Supervisors unanimously supported the concept of reapportioning local property tax in favor of a new regional fire protection agency. New reapportioned revenue would be phased in over three years and added to the proposed Regional Fire Protection District’s existing revenue. The County’s background material indicates that \$178.9 million in combined reapportioned and existing revenue would be available to the proposed Regional Fire Protection District by FY 08-09. The property tax revenue of the five municipal water districts is discretionary income that funds both water and fire function.

In the January 31, 2007 Micro Report prepared for LAFCO it acknowledged that State law does not authorize removal of individual services from a multi-purpose district, and the Municipal Water District’s could not be considered for the Phase 1 reorganization; accordingly, Municipal Water District’s property tax and voter-approved assessment revenues would not transfer to a successor agency. There is a provision in the reorganization documents to allow a Municipal Water District to apply for readmission and evaluate whether their fire protection function could be voluntarily transferred to the regional agency. Yuima’s Board has elected not to participate in the reorganization at this time. Their reasons for this decision include the following:

- No stable, reliable funding source for the new agency has been identified.
- It is not clear that the services provided to the local community will be equal to or better than those now provided by the California Department of Forestry (“CalFire”)
- It is not clear that the reorganization will ever take place.
- The option to join later is still available.

ECONOMIC FACTORS

The District derives funding for operations from customer rates, fees, and charges. To the extent required, the District has the ability to generate additional funding resources through rate adjustments to cover the costs for providing water services. The District sets its rates annually based upon anticipated consumption. A significant reduction in consumption could have an adverse effect on the District’s financial position.

The District sold 29.7% of total water delivered during the year 2008/09 to one customer. The same customer has been one of the top ten water consumers in the district for the last 20 years averaging 27.6% of the District sales.

The District incurred a \$347,234 operating loss during fiscal year 2008/09 and a \$780,517 operating loss during fiscal year 2007/08. The operating loss in 2008/09 is primarily the result of the lower water sales due to weather conditions, higher cost

of imported water supplies, pumping costs and salary and benefit costs. The District has historically utilized its non-operating reserves to compensate for these operating losses.

The devastating economic climate, coupled with water shortage issues, all water utilities are faced with significant fiscal challenges. Rising imported water supply costs with declining water sales due to the water rate and the economic downturn makes it difficult to sustain operations.

The continued dry weather conditions and environmental challenges surrounding the Bay Delta (a major source of Southern California's water supply) have resulted in a significant reduction in the availability of the State Water Project to meet imported water demand in Southern California. So far, the District has been able to back-fill these shortages with local ground water, but a continued drought could reduce local supplies, potentially leading to supply shortages in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's rate payers, bond investors and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it received and the stewardship of the facilities it maintains. If you have any questions about this report or need additional financial information, contact the Yuima Municipal Water District's Finance Department, Lori A. Johnson, Director of Finance, 34928 Valley Center Road, Pauma Valley, Ca. 92061, or call (760) 742-3704, or send inquiries to our website @ www.yuimamwd.com.

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Yuima Municipal Water District
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 2,854	\$ 3,857,754	\$ 3,860,608
Accounts Receivable	108,824	874,713	983,537
Taxes Receivable	363	4,515	4,878
Interest Receivable		17,948	17,948
Internal Balances	(66,179)	66,179	-
Inventories		268,995	268,995
Prepays		32,666	32,666
Capital Assets, Not Being Depreciated		3,064,569	3,064,569
Capital Assets, Net of Depreciation		10,989,223	10,989,223
	<u>45,862</u>	<u>19,176,562</u>	<u>19,222,424</u>
Total Assets			
LIABILITIES			
Accounts Payable	30,865	808,885	839,750
Compensated Absences		201,498	201,498
Deposits and Other Liabilities		17,013	17,013
Net OPEB Obligation		255,258	255,258
Interest Payable		6,828	6,828
Long-term Liabilities			
Due Within One Year		160,392	160,392
Due in More Than One Year		2,147,912	2,147,912
	<u>30,865</u>	<u>3,597,786</u>	<u>3,628,651</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		11,745,488	11,745,488
Unrestricted	14,997	3,833,288	3,848,285
	<u>14,997</u>	<u>3,833,288</u>	<u>3,848,285</u>
Total Net Assets	<u>\$ 14,997</u>	<u>\$ 15,578,776</u>	<u>\$ 15,593,773</u>

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General and Administrative	\$ 3,428	\$	\$	\$
Fire Protection	338,578	55,855	34,840	
Total Governmental Activities	342,006	55,855	34,840	
Business-type Activities:				
Water Enterprise	6,629,393	6,811,581		440,271
Interest on Long-term Debt	111,912			
Total Business-type Activities	6,741,305	6,811,581		440,271
Total Primary Government	\$ 7,083,311	\$ 6,867,436	\$ 34,840	\$ 440,271

General Revenues:
Unrestricted Intergovernmental
Investment Income
Other

Total General Revenues and Transfers

Change in Net Assets

Total Net Assets - Beginning

Total Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,428)	\$	\$ (3,428)
(247,883)		(247,883)
(251,311)		(251,311)
	622,459	622,459
	(111,912)	(111,912)
	510,547	510,547
(251,311)	510,547	259,236
	429,668	429,668
1,905	130,217	132,122
13,786	1,332	15,118
15,691	561,217	576,908
(235,620)	1,071,764	836,144
250,617	14,507,012	14,757,629
\$ 14,997	\$ 15,578,776	\$ 15,593,773

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Balance Sheet
Governmental Fund
June 30, 2009

	Fire Protection
ASSETS	
Cash and Investments	\$ 2,854
Accounts Receivable	108,824
Taxes Receivable	363
Total Assets	\$ 112,041
LIABILITIES AND FUND BALANCE	
Accounts Payable	\$ 30,865
Due to Other Funds	66,179
Total Liabilities	97,044
Fund Balance	
Unreserved:	
Designated for Fire Mitigation	14,997
Total Fund Balance	14,997
Total Liabilities and Fund Balance	\$ 112,041
Fund Balance of Governmental Fund	\$ 14,997
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Reconciling items to the Statement of Net Assets	-
Net Assets of Governmental Activities	\$ 14,997

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2009

	Fire Protection
REVENUES	
Fire Protection Special Tax	\$ 51,322
Mitigation Fees	4,533
Contributions	34,840
Investment Income	1,905
Miscellaneous	13,786
Total Revenues	106,386
EXPENDITURES	
General and Administrative	3,428
Fire Protection	338,578
Total Expenditures	342,006
Excess (Deficiency) of Revenues Over Expenditures	(235,620)
Fund Balance, Beginning	250,617
Fund Balance, Ending	\$ 14,997
Excess (Deficiency) of Revenues Over Expenditures	\$ (235,620)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Reconciling items to the Statement of Activities	-
Changes in Net Assets of Governmental Activities	\$ (235,620)

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Net Assets
Proprietary Fund
June 30, 2009

ASSETS

Current Assets:

Cash and Investments	\$ 3,857,754
Accounts Receivable	874,713
Taxes Receivable	4,515
Interest Receivable	17,948
Due from Other Funds	66,179
Inventories	268,995
Prepays	<u>32,666</u>

Total Current Assets	<u>5,122,770</u>
----------------------	------------------

Noncurrent Assets:

Capital Assets, Not Being Depreciated	3,064,569
Capital Assets, Net of Depreciation	<u>10,989,223</u>

Total Noncurrent Assets	<u>14,053,792</u>
-------------------------	-------------------

Total Assets	<u>19,176,562</u>
--------------	-------------------

LIABILITIES

Current Liabilities:

Accounts Payable	808,885
Compensated Absences	201,498
Deposits and Other Liabilities	17,013
Net OPEB Obligation	255,258
Interest Payable	6,828
Notes Payable - Current Portion	<u>160,392</u>

Total Current Liabilities	<u>1,449,874</u>
---------------------------	------------------

Noncurrent Liabilities:

Notes Payable	<u>2,147,912</u>
---------------	------------------

Total Noncurrent Liabilities	<u>2,147,912</u>
------------------------------	------------------

Total Liabilities	<u>3,597,786</u>
-------------------	------------------

NET ASSETS

Invested in Capital Assets, Net of Related Debt	11,745,488
Unrestricted	<u>3,833,288</u>

Total Net Assets	<u><u>\$ 15,578,776</u></u>
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The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2009

OPERATING REVENUES

Water Sales and Pumping Charges	\$ 5,641,270
Other Services	485,243
	6,126,513
Total Operating Revenues	6,126,513

OPERATING EXPENSES

Purchased Water	2,436,534
Pumping	1,409,094
Water Treatment	103,851
Transmission and Distribution	326,041
Customer Accounts	87,197
General Plant	101,899
General and Administrative	1,574,924
Depreciation	434,207
	6,473,747
Total Operating Expenses	6,473,747

Operating Income (Loss)	(347,234)
-------------------------	-----------

NON-OPERATING REVENUES (EXPENSES)

Property Taxes and Assessments	817,910
Availability Charges	162,270
Lease Income	97,341
Investment Income	130,217
Other Non-operating Revenues	38,547
Interest Expense	(111,912)
Other Non-operating Expenses	(155,646)
	978,727

Total Non-Operating Revenues (Expenses)	978,727
---	---------

Income (Loss) Before Contributions	631,493
------------------------------------	---------

Capital Contributions	440,271
-----------------------	---------

Change in Net Assets	1,071,764
----------------------	-----------

Total Net Assets, Beginning	14,507,012
-----------------------------	------------

Total Net Assets, Ending	\$ 15,578,776
--------------------------	---------------

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statements of Cash Flows
Proprietary Fund
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 5,788,132
Cash from Availability Charges	162,270
Cash from Lease Income	97,341
Cash from Other Operating Activities	38,547
Cash Payments to Employees	(1,008,148)
Cash Payments to Suppliers	(4,411,986)

Net Cash Provided (Used) by Operating Activities	666,156
--	---------

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Property Taxes	816,193
Advances to Other Funds	(43,819)

Net Cash Provided (Used) by Non-Capital Financing Activities	772,374
--	---------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Contributions	440,271
Acquisition of Capital Assets	(2,845,583)
Principal Payments on Capital Debt	(192,071)
Interest Payments on Capital Debt	(103,717)

Net Cash (Used) by Capital and Related Financing	(2,701,100)
--	-------------

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	149,021
-------------------	---------

Net Cash Provided (Used) by Investing Activities	149,021
--	---------

Net Increase (Decrease) in Cash and Cash Equivalents	(1,113,549)
--	-------------

Cash and Cash Equivalents - Beginning of Year	4,971,303
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Cash and Cash Equivalents - End of Year	\$ 3,857,754
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The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statements of Cash Flows
Proprietary Fund
Year Ended June 30, 2009

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Net Operating Income (Loss)	\$ (347,234)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	434,207
Availability Charges	162,270
Lease Income	97,341
Miscellaneous Revenues	38,547
(Increase) Decrease in Accounts Receivable	(347,103)
(Increase) Decrease in Inventory	(43,918)
(Increase) Decrease in Prepaids	2,275
Increase (Decrease) in Accounts Payable	517,022
Increase (Decrease) in Compensated Absences	20,641
Increase (Decrease) in Deposits and Other Liabilities	8,722
(Increase) Decrease in Net OPEB Obligation	123,386
Total Cash Provided (Used) by Operating Activities	\$ 666,156

The accompanying notes are an integral part of this statement.

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Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Yuima Municipal Water District (the "District") was formed in January 1963 pursuant to Section 8 of the California Municipal Water district Act of 1911 for the purpose of securing a supplemental water supply from the Metropolitan Water District of California for its irrigation and domestic service within its boundaries. The District is governed by an elected, five-member Board of Directors (the "Board"). The 1963 General Obligation Bonds financed the construction of the necessary pipelines, pumping and storage facilities to bring Colorado River water from the aqueducts owned by the Metropolitan Water District and the San Diego County Water Authority to serve the properties within its boundaries, which cover about 13,460 acres in northeastern San Diego County, California; the District maintains, develops and manages such water distribution system. The District offices are located in Pauma Valley, California.

The accounts of the District are organized on the basis of geographic segments. These groups of accounts, which are subfunds of the proprietary fund, are identified in the District's books and records as the General Fund, Improvement District A, Annexation #1, Fire Fund, and their related capital improvement funds.

The area now known as "Improvement District A" was previously Palomar Mutual Water Company ("Palomar Mutual"). Palomar Mutual transferred its lands, water system and water rights, together with its rights, functions and duties as stated in an agreement dated February 11, 1948 between Palomar Mutual and Rossmoyne Village, Inc. to the District in April, 1968. This area consisting of approximately 4,000 acres was limited under a Stipulated Judgment (Strub vs. Palomar) filed November 10, 1953 and later modified to allow production of no more than 1,350 acre feet of water per calendar year from the San Luis Rey River, up-stream of Cole Grade Road.

The District added another 351 acres, Annexation #1, in November 1967, and another 63 acres, Annexation #2, in November 1969, by revising its boundaries pursuant to the Reorganization Act of 1965 as amended by LAFCO. The District added another six acres, Fitzsimmons Annexation, on March 26, 1991, and de-annexed 27 acres, Adams De-annexation, on March 29, 1991. Hence the District boundaries total 13,460 acres.

The Board of Directors and officers of the District at June 30, 2009 are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expiration</u>
W.D. "Bill" Knutson	President	January 2011
Douglas K. Anderson	Vice President	January 2011
George Stockton	Secretary/Treasurer	January 2013
Mike Fitzsimmons	Director	January 2013
Ron W. Watkins	Director	January 2011

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 49

In November of 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For recognized pollution remediation liabilities and recoveries, this Statement requires governments to disclose the nature and source of pollution remediation obligations, the amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. Currently, this statement has no impact on the financial statements.

C) Basis of Presentation

The basic financial statements of the Yuima Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting and financial reporting purposes.

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No.33*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

These statements require that the financial statements described below be presented:

Government-wide Statements: The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for the governmental fund and proprietary fund.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District has one type of Proprietary Fund, which is an Enterprise Fund.

Enterprise Funds are used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District maintains one Enterprise Fund, the Water Department, to account for the operations of the District's utility services. In accordance with GASB Statement No. 20, the District has elected to apply only those Financial Accounting Standard Board Statements and interpretations issued prior to November 30, 1989.

Governmental Funds are used to account for the District's Fire activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District has one Special Revenue Governmental Fund, which is the Fire Protection Fund. The Fire Protection Fund is used to account for all financial resources and expenditures used to provide fire protection services within the boundaries of the District.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Reconciliation Between the Governmental Fund Financial Statements and Government-wide Statements

The District has one governmental fund that provides fire protection services. These services are provided and paid through special assessments to the California Department of Forestry. The District currently has no capital assets, long-term debt or other reconciling items necessary to reconcile between the Governmental fund financial statements and the Government-wide statements.

F) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of short-term highly liquid investments with maturities of 90 days or less.

G) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value.

In applying GASB 31, the District utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB 31;
- 4) The gain/loss resulting from valuation will be reported within the revenue account "investment income" on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds. For Proprietary Fund Types the gain/loss from valuation will be reported within the "investment income" account on the Statement of Activities and the Statement of Revenues, Expenses and Changes in Net Assets for Proprietary Funds.

H) Water Sales and Accounts Receivable

Water sales revenue is recorded and billed monthly when the service is rendered. During the year ended June 30, 2009, the District reported water sales to one customer which totaled approximately 29.77% as a percentage of consumption. Management has not incurred any additional expense to serve this customer, and the District has more than one source of supply to meet its needs.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Allowance for Uncollectible Accounts

The District does not provide an allowance for uncollectible accounts. Based upon prior experience and management's assessment of the collectibility of existing specific accounts all past due accounts have been paid. When accounts become past due, they are transferred to the tax roll and eventually collected.

J) Unbilled Services

Unbilled water services are accrued at year-end.

K) Inventory

Inventory consists of parts, materials and supplies needed to keep the plant and equipment owned by either the General District or Improvement District A in efficient operating condition to supply water to their customers without interruption of such service. It is valued at cost, and when it is used, it is charged out on the first in, first out basis.

L) Capital Assets

Capital assets of the District are recorded at cost, or if donated, at approximate value on the date contributed. Contributed assets are recorded at the developer's cost or at the value determined by the developer at the date of contribution. The District does not capitalize interest costs incurred on the construction of capital assets. Assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
General Plant	5-30
Source of Supply	10-50
Pumping Plant	25
Water Treatment Plant	33 1/3
Transmission and Distribution	33 1/3

M) Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indenture, by law, or contractual obligations to be used for specified purposes, such as serving bonded debt and construction of capital assets

N) Property Tax

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

N) Property Tax - Continued

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to entities based on complex formulas prescribed by state statutes.

O) Capitalized Expenses

Certain administrative and general expenses, relating to assets under construction, are charged to construction-in-progress until the assets are ready for their intended use. Upon completion of major utility plant additions the capitalized cost is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset.

P) Allocation of Expenses

The District uses a three factor formula for the purpose of allocating indirect expenses between the General District and Improvement District A. The three factors used in this formula are:

- 1) Value of Plant, equipment and property;
- 2) Number of customers served by each; and
- 3) Direct hours worked.

This allocation is made on a monthly basis.

Q) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management.

2) CASH AND INVESTMENTS

Cash and Investments

Cash and Investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	<u>\$ 3,860,608</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	916,992
Investments	<u>2,943,116</u>
Total Cash and Investments	<u>\$ 3,860,608</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended 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's investment policy. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (Other Investment Pools)	N/A	None	None

⁽¹⁾Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

Disclosures Relating to 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 rates 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2009 the District had the following investments:

	Maturity Date	Weighted Average Maturity (Years)
State Investment Pool (LAIF) \$ 2,943,116	N/A	.38

*The District has various non-negotiable Certificates of Deposit with various maturity dates, however, these amounts are considered to be deposits with institutions rather than investments.

Disclosures Relating to 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 or the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
State Investment Pool (LAIF) \$ 2,943,116	N/A				2,943,116

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year end, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

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

As of June 30, 2009 none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Local Agency Investment Fund (LAIF)

The yield of LAIF for the quarter ended June 30, 2009 was 1.51%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2009 was \$50,784,427,116 and \$50,850,687,766, respectively. The District's share of the Pool at June 30, 2009 was approximately .005795 percent.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. It is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each district may invest up to \$40,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. The fair value of the District's investment in this Pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities totaling \$5,169,332,000 and \$2,296,565,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

3) CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land and Improvements	\$ 1,300,707	\$	\$	\$ 1,300,707
Construction in Progress	<u>2,053,521</u>	<u>1,164,058</u>	<u>1,453,717</u>	<u>1,763,862</u>
Total Capital Assets Not Depreciated	<u>3,354,228</u>	<u>1,164,058</u>	<u>1,453,717</u>	<u>3,064,569</u>
Capital Assets, Being Depreciated:				
General Plant	1,529,585	37,095	51,351	1,515,329
Source of Supply	4,784,991	1,487,097		6,272,088
Pumping Plant	1,902,103	1,156,970	141,136	2,917,937
Water Treatment Plant	141,315		27,804	113,511
Transmission and Distribution Plant	<u>6,641,385</u>	<u>452,475</u>	<u>119,252</u>	<u>6,974,608</u>
Total Capital Assets Being Depreciated	<u>14,999,379</u>	<u>3,133,637</u>	<u>339,543</u>	<u>17,793,473</u>
Less Accumulated Depreciation:				
General Plant	(961,896)	(88,641)	(49,100)	(1,001,437)
Source of Supply	(1,040,179)	(112,447)		(1,152,626)
Pumping Plant	(830,151)	(81,850)	(67,496)	(844,505)
Water Treatment Plant	(57,282)	(2,791)	(4,588)	(55,485)
Transmission and Distribution Plant	<u>(3,666,036)</u>	<u>(148,478)</u>	<u>(64,317)</u>	<u>(3,750,197)</u>
Total Accumulated Depreciation	<u>(6,555,544)</u>	<u>(434,207)</u>	<u>(185,501)</u>	<u>(6,804,250)</u>
Total Capital Assets Being Depreciated, Net	<u>8,443,835</u>	<u>2,699,430</u>	<u>154,042</u>	<u>10,989,223</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 11,798,063</u>	<u>3,863,488</u>	<u>1,607,759</u>	<u>\$ 14,053,792</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type Activities:	
Water Enterprise	\$ 434,207

4) LONG-TERM LIABILITIES

The following is a summary of changes in Business-type Long-term liabilities for the year:

Description	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable:					
2004 Installment Note	\$ 1,071,834	\$	\$ 117,302	\$ 954,532	\$ 121,718
2007 Installment Note	<u>1,428,541</u>	<u></u>	<u>74,769</u>	<u>1,353,772</u>	<u>38,674</u>
Total	<u>\$ 2,500,375</u>	<u>\$ 0</u>	<u>\$ 192,071</u>	<u>\$ 2,308,304</u>	<u>\$ 160,392</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM LIABILITIES - Continued

Notes Payable - 2004 Installment Note - On April 19, 2004, the District entered into an installment sale agreement with Municipal Financial Corporation for \$1,500,000 payable to City National Bank. The agreement is to provide financing for the construction of water storage facilities known as Eastside 3M tank and pump station. Principal and interest on the agreement is payable April 21st and October 21st of each year. Interest on the agreement accrues at 3.73%. Principal on the agreement is payable in annual installments ranging from \$50,124 to \$76,669, commencing October 21, 2004, through April 21, 2016. The agreement requires a maintenance of water system revenues that the pledged net system revenues are in an amount, which will be sufficient to be at least equal to one hundred twenty five percent (125%) of the annual debt service for such fiscal year.

For the Year Ended June 30,	Principal	Interest	Total
2010	\$ 121,718	\$ 34,480	\$ 156,198
2011	126,301	29,897	156,198
2012	131,056	25,142	156,198
2013	135,990	20,208	156,198
2014	141,109	15,089	156,198
2015-2016	<u>298,358</u>	<u>14,038</u>	<u>312,396</u>
Total	<u>\$ 954,532</u>	<u>\$ 138,854</u>	<u>\$ 1,093,386</u>

Notes Payable - 2007 Installment Note - On August 27, 2007, the District entered into an installment sale agreement with Municipal Finance Corporation for \$1,500,000 payable to Citizens Bank. The agreement is to provide financing for the construction of a water storage tank and a pump station in IDA, known as Tank 8. Principal and interest on the agreement is payable January 15th and July 15th of each year. Interest on the agreement accrues at 4.58%. Principal on the agreement is payable in annual installments ranging from \$35,325 to \$68,115, commencing January 15, 2008, through July 15, 2022. The agreement requires a maintenance of water system revenues that the pledged net system revenues are in an amount which will be sufficient to be at least equal to one hundred twenty five percent (125%) of the annual debt service for such fiscal year.

For the Year Ended June 30,	Principal	Interest	Total
2010	\$ 38,674*	\$ 31,001*	\$ 69,675*
2011	80,024	59,326	139,350
2012	83,731	55,619	139,350
2013	87,610	51,740	139,350
2014	91,668	47,682	139,350
2015-2019	526,114	170,635	696,749
2020-2023	<u>445,951</u>	<u>41,774</u>	<u>487,725</u>
Total	<u>\$ 1,353,772</u>	<u>\$ 457,777</u>	<u>\$ 1,811,549</u>

*The principal and interest due in July 2009 was paid in June 2009.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

4) LONG-TERM LIABILITIES - Continued

Pledged Revenues

The District has pledged a portion of future water activities revenues to repay its 2004 and 2007 Installment Notes Payable to Citizens and City National Bank under the agreement with Municipal Finance Corporation. The note payables are secured solely by operating revenues from the proprietary fund. Total principal and interest remaining on the note payables are \$2,904,935 payable through fiscal year 2023. For the current year, principal and interest paid by the operating revenues were \$192,071 and \$103,717, respectively.

5) DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The Yuima Municipal Water District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee 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 of California. Benefit provisions and all other requirements are established by state statute and District ordinance. As of fiscal year 2006, entities participating in the California Public Employees Retirement System (PERS) with less than one hundred members, are mandated by the State to be in a risk pool. The District has less than one hundred members participating in PERS and has presented information based on the requirements of cost-sharing multiple-employer defined benefits plans since certain information for an agent multiple-employer defined benefit plan are unavailable. Copies of the PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

The District has elected to make the required participant contributions on behalf of its employees which is 8% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate for the year ended June 30, 2009 was 31.009%. 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.

Miscellaneous Employees

For 2008-09, the District's annual pension cost for miscellaneous employees, of \$328,515 for PERS was equal to the District's required and actual contributions. The required contribution for fiscal year 2008-09 was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

5) DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

Miscellaneous Employees - Continued

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value).

<u>THREE-YEAR TREND INFORMATION FOR PERS</u>		
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/07	\$ 328,313	100%
6/30/08	\$ 340,331	100%
6/30/09	\$ 328,515	100%

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Benefit Plan"). In May 2000, the District Board of Directors approved and adopted the plan to be effective July 1, 2000. The Plan is permitted under Government Code Section 53200 et. seq., and generally provides that the District will pay all or a portion of the premiums for certain post employment health insurance coverage for eligible management employees. Benefit provisions are established and amended by the Board of Directors. The Retiree Health Benefit Plan does issue a publicly available financial report, which can be obtained from District's office at 34928 Valley Center Road, Pauma Valley, California 92061-0177.

Funding Policy

Contributions to the plan are made solely by the District. The District contributes a percentage of the health insurance premiums based on the age of the employee when they retire or if they become disabled. For the fiscal year 2009, the District made no contributions to the Plan. The District, currently, has one retiree receiving benefits from the plan. Below are the retirement ages and corresponding percentages that the District will contribute to the Plan.

<u>Retirement Age and Benefit Units</u>	<u>% of Premium</u>
65	50%
66	55%
67	60%
68	65%
69	70%
70	75%
71	80%
72	85%
73	90%
74	95%
75	100%

*Disabled employees, who become disabled before attaining the age 65, will receive contributions that are 50% of their health insurance premium.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$	123,386
Interest on Net OPEB Obligation		8,486
Adjustments to Annual Required Contribution		-
Annual OPEB Cost (Expense)		123,386
Contributions Made		-
Increase (Decrease) in Net OPEB Obligation		131,872
Net OPEB Obligation - Beginning of Year		123,386
Net OPEB Obligation - End of Year	\$	255,258

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation for fiscal year 2009 and the two preceding fiscal years were as follows:

Fiscal Year Ended	THREE-YEAR TREND INFORMATION			Net Obligation
	Annual OPEB Cost	Percentage of OPEB Cost Contributed		
6/30/07	\$	*	*	\$
6/30/08	\$	123,386	0.0%	\$
6/30/09	\$	123,386	0.0%	\$

*The District implemented GASB 45 in 2008. Information for the 2007 year is unavailable.

Funded Status and Funding Progress

As of June 30, 2008, the actuarial accrued liability for benefits was \$882,185, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$477,532, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 184.7 percent.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Funded Status and Funding Progress - Continued

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as *required supplementary information* following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 1999 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections from the National Health Expenditures (NHE) reports issued in January 2008. These reports used information from the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 6.7 percent initially, reduced to an ultimate rate of 5.6 percent after six years, was used.

Health Insurance Premiums - 2008 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Methods and Assumptions - Continued

Inflation Rate - The expected long-term inflation assumption of 5.0 percent was based on the payroll growth rate.

Payroll Growth Rate - The expected long-term payroll growth rate was based on an average of the prior ten years.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was thirty years.

7) DEFERRED COMPENSATION PLAN

The District offers their employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is under three investment group contracts, American United Life, Valic and CalPERS, which offer a fixed and variable rate, respectively. The plan permits employees to defer a portion of their salary until future retirement years. Eligibility to participate is after six months of service. The plan requires a minimum of \$25 per month to be allocated for each option preference. The maximum amount that may be deferred under this plan for the calendar year 2009 was \$15,500 per participant and is \$15,500 for the calendar year 2008; or up to 25% of gross compensation.

8) FIRE MITIGATION FEE PROGRAM

On March 20, 1987 the Board of Directors of the District passed Resolution Number 404-87 effective July 1, 1987 establishing a Fire Mitigation Fee Program. Since that time, the District has annually re-established participation in the program. The Board resolved to participate in the San Diego County's Fire Mitigation Fee Program whereby the District requests the County of San Diego to collect 100% of the ceiling amount of the fire mitigation fee on the District's behalf from applicants for building permits or other permits for development. This percent of ceiling fee is equal to or less than capital facility expansion needs caused by new development. Mitigation fees paid under this program will be used to expand the availability of capital facilities and equipment to serve new development. A separate budget accounting category has been set up on the books of the District to be known as the San Diego County Fire Mitigation Fee Fund. In 2008-09 the District expended all its available Fire Mitigation Fee Funds to build a Fire Apparatus Bay at the Cal Fire Station at a total of \$268,000.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

9) NET ASSETS - DESIGNATED

In addition to the regulatory restrictions imposed by state law, the Board of Directors by resolution allocated and designated unrestricted net asset balances for the following purposes:

	<u>Beginning of Year</u>	<u>Additions Transfers In</u>	<u>Dispositions Transfers Out</u>	<u>End of Year</u>
Customer Rate Stabilization	\$ 1,629,576	\$	\$	\$ 1,629,576
Minimum Operating Reserve	690,447	457,671		1,148,118
Continuing Capital Projects	648,656		634,276	14,380
Debt Service Requirements	487,831		487,831	-
Vehicle Replacement	455,551	11,537		467,088
System Improvements/Planning	846,984		729,614	117,370
Employee Benefit Requirements	<u>450,279</u>	<u>6,477</u>	<u></u>	<u>456,756</u>
Total	<u>\$ 5,209,324</u>	<u>\$ 475,685</u>	<u>\$ 1,851,721</u>	<u>\$ 3,833,288</u>

10) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Expenditures exceeded budgeted appropriations in the following individual funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
Fire Protection Fund	\$ 95,610	\$ 342,006	\$ (246,396)

11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage from commercial insurance carriers to reduce its exposure to large losses.

The District pays annual premiums for its liability (auto, general, and public officials), property loss, workers' compensation, and fidelity bond coverage. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged or credited to expense as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2009

12) COMMITMENTS AND CONTINGENCIES

Legal

The District is involved with various potential litigation matters. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial condition of the District.

Economic Dependency

For fiscal year ended June 30, 2009, 39% of water sold by the District is purchased from the San Diego Water Authority and 61% is produced or purchased from local groundwater sources. All electricity used by the District for pumping and operations is purchased from San Diego Gas and Electric.

REQUIRED SUPPLEMENTARY INFORMATION

Yuima Municipal Water District
Schedule of Funding Progress for OPEB
Year Ended June 30, 2009

The table below shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial liability as a percentage of annual covered payroll as of June 30:

Required Supplementary Information
Schedule of Funding Progress - Retiree Health Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets In Excess of) AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2008	\$ -	\$ 882,185	\$ 882,185	0.0%	\$ 477,532	184.7%

*The District implemented GASB 45 in 2008 and the two previous actuarial valuations are unavailable.

Yuima Municipal Water District
Notes to Required Supplementary Information
Year Ended June 30, 2009

1. BUDGETARY DATA

The budget process begins in March with input from staff with a series of goals and objectives in mind. The General Manager and Department Heads discuss the budget process and departments submit budget requests. Budget requests are refined by the Department Heads and approved by the General Manager. Following a series of Finance Committee meetings with the Board of Directors a program is presented that is fiscally sound, prudent, and necessary for the continued efficient operation of the District during the coming year. The proposed budget is then presented to the Board of Directors for review and ultimate approval in June.

Yuima Municipal Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund Type - Fire Protection
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Fire Protection Special Tax	\$ 50,100	\$ 50,100	\$ 51,322	\$ 1,222
Mitigation Fees			4,533	4,533
Contributions			34,840	34,840
Investment Income			1,905	1,905
Miscellaneous			13,786	13,786
			<u>106,386</u>	<u>56,286</u>
Total Revenues	<u>50,100</u>	<u>50,100</u>	<u>106,386</u>	<u>56,286</u>
EXPENDITURES				
General and Administration	2,197	2,197	3,428	(1,231)
Fire Protection	93,413	93,413	338,578	(245,165)
			<u>342,006</u>	<u>(246,396)</u>
Total Expenditures	<u>95,610</u>	<u>95,610</u>	<u>342,006</u>	<u>(246,396)</u>
Excess of Revenues Over Expenditures	<u>\$ (45,510)</u>	<u>\$ (45,510)</u>	(235,620)	<u>\$ (190,110)</u>
Fund Balance - Beginning of Year			<u>250,617</u>	
Fund Balance - End of Year			<u>\$ 14,997</u>	

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STATISTICAL SECTION

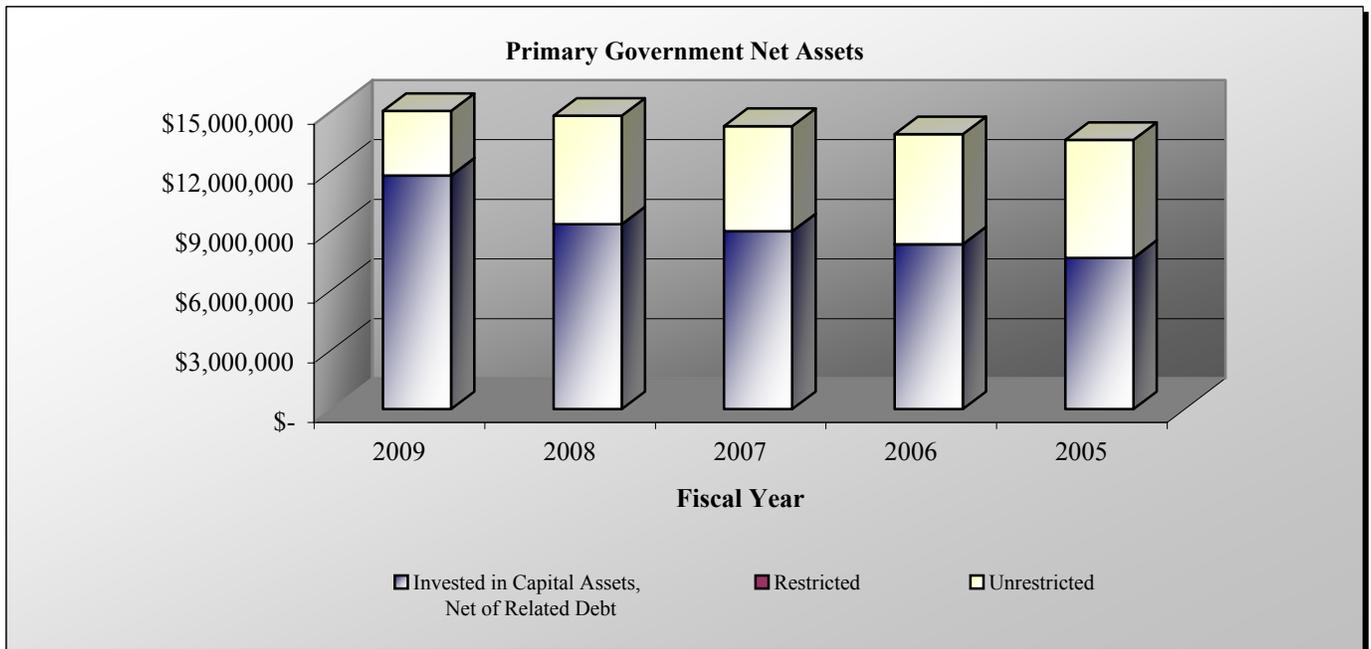
This part of the Yuima Municipal Water District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	41
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the water sales.	48
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	54
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	58
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	61

Yuima Municipal Water District
Net Assets by Component
Last Ten Fiscal Years

Page 1 of 2

	Fiscal Year				
	2009	2008	2007	2006	2005
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	14,997	250,617	241,565	226,557	233,232
Total Governmental Activities Net Assets	\$ 14,997	\$ 250,617	\$ 241,565	\$ 226,557	\$ 233,232
Business - type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 11,745,488	\$ 9,297,688	\$ 8,947,575	\$ 8,295,589	\$ 7,613,682
Restricted	-	-	-	-	-
Unrestricted	3,833,288	5,209,324	5,046,011	5,303,896	5,697,144
Total Business-type Activities Net Assets	\$ 15,578,776	\$ 14,507,012	\$ 13,993,586	\$ 13,599,485	\$ 13,310,826
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 11,745,488	\$ 9,297,688	\$ 8,947,575	\$ 8,295,589	\$ 7,613,682
Restricted	-	-	-	-	-
Unrestricted	3,848,285	5,459,941	5,287,576	5,530,453	5,930,376
Total Primary Government Net Assets	\$ 15,593,773	\$ 14,757,629	\$ 14,235,151	\$ 13,826,042	\$ 13,544,058



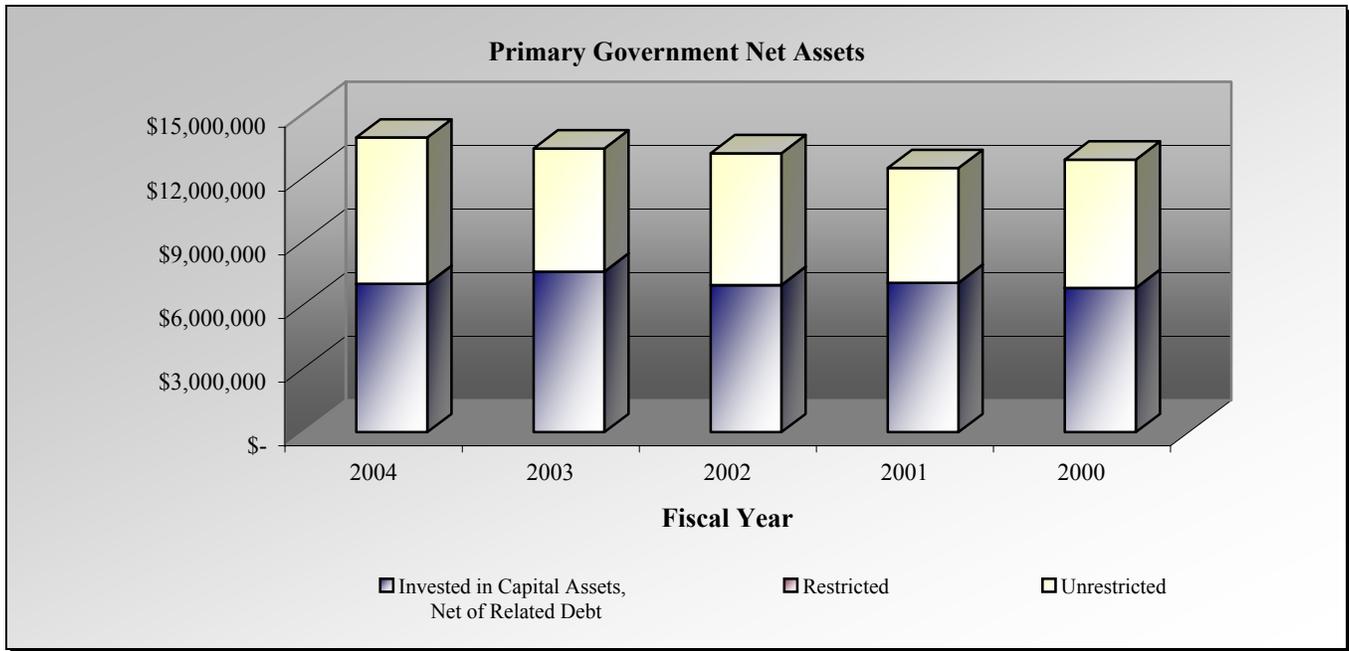
Source: Yuima Municipal Water District

Notes: The District's assets consist primarily of water treatment and distribution facilities.

**Yuima Municipal Water District
Net Assets by Component
Last Ten Fiscal Years**

Page 2 of 2

	Fiscal Year				
	2004	2003	2002	2001	2000
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	188,191	176,779	184,032	187,205	167,996
Total Governmental Activities Net Assets	\$ 188,191	\$ 176,779	\$ 184,032	\$ 187,205	\$ 167,996
Business - type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 6,984,703	\$ 7,556,294	\$ 6,929,113	\$ 7,038,267	\$ 6,799,750
Restricted	-	-	-	-	-
Unrestricted	6,704,573	5,624,626	6,019,871	5,213,605	5,866,018
Total Business-type Activities Net Assets	\$ 13,689,276	\$ 13,180,920	\$ 12,948,984	\$ 12,251,872	\$ 12,665,768
Primary government					
Invested in Capital Assets, Net of Related Debt	\$ 6,984,703	\$ 7,556,294	\$ 6,929,113	\$ 7,038,267	\$ 6,799,750
Restricted	-	-	-	-	-
Unrestricted	6,892,764	5,801,405	6,203,903	5,400,810	6,034,014
Total Primary Government Net Assets	\$ 13,877,467	\$ 13,357,699	\$ 13,133,016	\$ 12,439,077	\$ 12,833,764



Source: Yuima Municipal Water District

Notes: The District's assets consist primarily of water treatment and distribution facilities.

Yuima Municipal Water District
Changes in Net Assets
Last Ten Fiscal Years

Page 1 of 2

	Fiscal Year				
	2009	2008	2007	2006	2005
Expenses					
Governmental Activities:					
Fire Protection	\$ 342,006	\$ 144,288	\$ 55,288	\$ 98,633	\$ 68,300
Total Governmental Activities Expenses	<u>342,006</u>	<u>144,288</u>	<u>55,288</u>	<u>98,633</u>	<u>68,300</u>
Business-type activities:					
Water Activities	6,629,393	7,386,450	7,334,519	6,001,789	5,375,827
Interest on Long-term Debt	111,912	90,019	46,529	50,652	54,354
Total Business-type Activities Expenses	<u>6,741,305</u>	<u>7,476,469</u>	<u>7,381,048</u>	<u>6,052,441</u>	<u>5,430,181</u>
Total Primary Government Expenses	<u>\$ 7,083,311</u>	<u>\$ 7,620,757</u>	<u>\$ 7,436,336</u>	<u>\$ 6,151,074</u>	<u>\$ 5,498,481</u>
Program Revenues					
Governmental Activities:					
Charges for Services - Fire Protection	\$ 55,855	\$ 51,000	\$ 61,585	\$ 59,070	\$ 50,028
Operating Grants & Contributions - Fire Protection	34,840	87,926	-	46,236	40,324
Capital Grants and Contributions - Fire Protection	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>90,695</u>	<u>138,926</u>	<u>61,585</u>	<u>105,306</u>	<u>90,352</u>
Business-type Activities:					
Charges for Services - Water Activities	6,811,581	6,918,807	6,675,823	5,736,423	4,491,018
Operating Grants & Contributions - Water Activities	-	-	-	-	-
Capital Grants & Contributions - Water Activities	440,271	170,820	-	-	-
Total Business-type Activities Program Revenues	<u>7,251,852</u>	<u>7,089,627</u>	<u>6,675,823</u>	<u>5,736,423</u>	<u>4,491,018</u>
Total Primary Government Program Revenues	<u>\$ 7,342,547</u>	<u>\$ 7,228,553</u>	<u>\$ 6,737,408</u>	<u>\$ 5,841,729</u>	<u>\$ 4,581,370</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (251,311)	\$ (5,362)	\$ 6,297	\$ 6,673	\$ 22,052
Business-type Activities	510,547	(386,842)	(705,225)	(316,018)	(939,163)
Total Primary Government Net (Expense)/Revenue	<u>\$ 259,236</u>	<u>\$ (392,204)</u>	<u>\$ (698,928)</u>	<u>\$ (309,345)</u>	<u>\$ (917,111)</u>
General Revenues and Other					
Changes in Net Assets					
Governmental Activities:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	1,905	8,754	8,711	6,234	3,407
Other	13,786	5,660	-	-	-
Total Governmental Activities	<u>15,691</u>	<u>14,414</u>	<u>8,711</u>	<u>6,234</u>	<u>3,407</u>
Business-type Activities:					
Property Taxes	429,668	413,896	587,046	205,676	191,219
Investment Income	130,217	253,442	277,258	291,715	138,272
Other	1,332	16,214	235,022	107,286	231,220
Total Business-type Activities	<u>561,217</u>	<u>683,552</u>	<u>1,099,326</u>	<u>604,677</u>	<u>560,711</u>
Total Primary Government	<u>\$ 576,908</u>	<u>\$ 697,966</u>	<u>\$ 1,108,037</u>	<u>\$ 610,911</u>	<u>\$ 564,118</u>
Change in Net Assets					
Governmental Activities	\$ (235,620)	\$ 9,052	\$ 15,008	\$ 12,907	\$ 25,459
Business-type Activities	1,071,764	296,710	394,101	288,659	(378,452)
Total Primary Government	<u>\$ 836,144</u>	<u>\$ 305,762</u>	<u>\$ 409,109</u>	<u>\$ 301,566</u>	<u>\$ (352,993)</u>

Source: Yuima Municipal Water District

Yuima Municipal Water District
Changes in Net Assets
Last Ten Fiscal Years

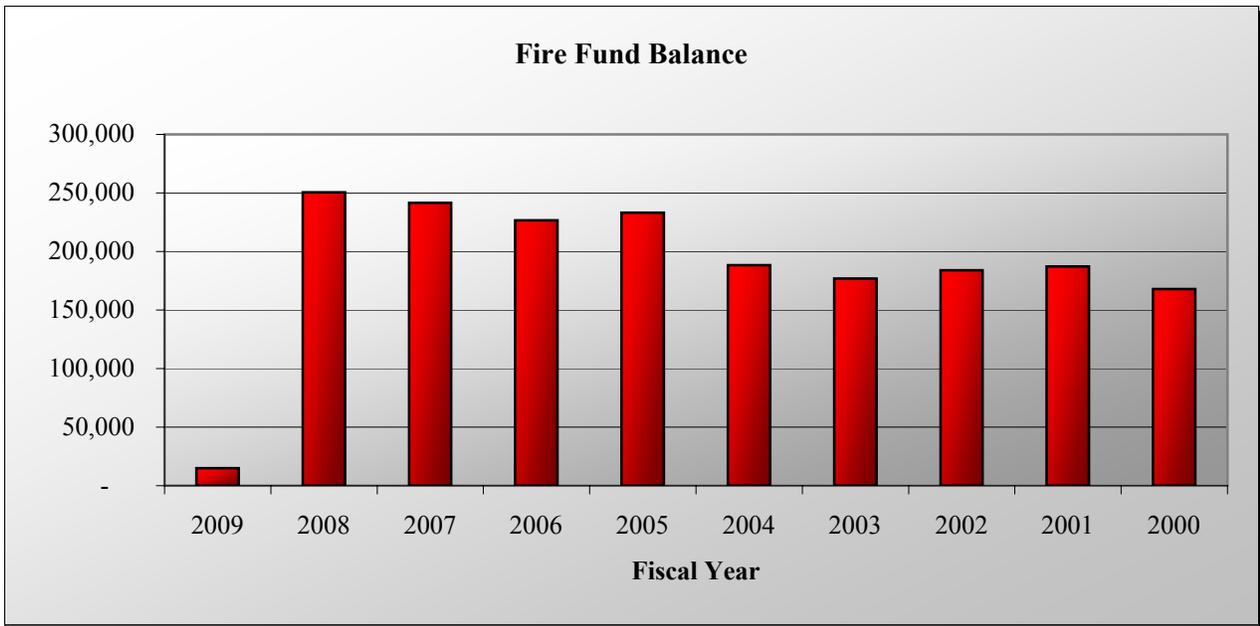
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	Fiscal Year				
	2004	2003	2002	2001	2000
Expenses					
Governmental Activities:					
Fire Protection	\$ 45,490	\$ 62,344	\$ 59,006	\$ 52,516	\$ 50,577
Total Governmental Activities Expenses	<u>45,490</u>	<u>62,344</u>	<u>59,006</u>	<u>52,516</u>	<u>50,577</u>
Business-type activities:					
Water Activities	6,032,769	5,109,328	5,583,648	5,110,669	4,392,877
Interest on Long-term Debt	9,810	-	-	-	-
Total Business-type Activities Expenses	<u>6,042,579</u>	<u>5,109,328</u>	<u>5,583,648</u>	<u>5,110,669</u>	<u>4,392,877</u>
Total Primary Government Expenses	<u>\$ 6,088,069</u>	<u>\$ 5,171,672</u>	<u>\$ 5,642,654</u>	<u>\$ 5,163,185</u>	<u>\$ 4,443,454</u>
Program Revenues					
Governmental Activities:					
Charges for Services	\$ 54,613	\$ 52,029	\$ 51,317	\$ 64,833	\$ 49,798
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>54,613</u>	<u>52,029</u>	<u>51,317</u>	<u>64,833</u>	<u>49,798</u>
Business-type Activities:					
Charges for Services	5,401,434	4,736,676	5,681,365	3,978,840	4,347,389
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
Total Business-type Activities Program Revenues	<u>5,401,434</u>	<u>4,736,676</u>	<u>5,681,365</u>	<u>3,978,840</u>	<u>4,347,389</u>
Total Primary Government Program Revenues	<u>\$ 5,456,047</u>	<u>\$ 4,788,705</u>	<u>\$ 5,732,682</u>	<u>\$ 4,043,673</u>	<u>\$ 4,397,187</u>
Net (Expense)/Revenue					
Governmental Activities	\$ 9,123	\$ (10,315)	\$ (7,689)	\$ 12,317	\$ (779)
Business-type Activities	(641,145)	(372,652)	97,717	(1,131,829)	(45,488)
Total Primary Government Net (Expense)/Revenue	<u>\$ (632,022)</u>	<u>\$ (382,967)</u>	<u>\$ 90,028</u>	<u>\$ (1,119,512)</u>	<u>\$ (46,267)</u>
General Revenues and Other					
Changes in Net Assets					
Governmental Activities:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	2,289	3,063	4,516	6,892	4,660
Other	-	-	-	-	-
Total Governmental Activities	<u>2,289</u>	<u>3,063</u>	<u>4,516</u>	<u>6,892</u>	<u>4,660</u>
Business-type Activities:					
Property Taxes	402,724	265,511	261,624	341,374	224,473
Investment Income	93,824	134,805	196,560	341,352	326,939
Other	175,444	204,271	141,211	35,208	137,984
Total Business-type Activities	<u>671,992</u>	<u>604,587</u>	<u>599,395</u>	<u>717,934</u>	<u>689,396</u>
Total Primary Government	<u>\$ 674,281</u>	<u>\$ 607,650</u>	<u>\$ 603,911</u>	<u>\$ 724,826</u>	<u>\$ 694,056</u>
Change in Net Assets					
Governmental Activities	\$ 11,412	\$ (7,252)	\$ (3,173)	\$ 19,209	\$ 3,881
Business-type Activities	30,847	231,935	697,112	(413,895)	643,908
Total Primary Government	<u>\$ 42,259</u>	<u>\$ 224,683</u>	<u>\$ 693,939</u>	<u>\$ (394,686)</u>	<u>\$ 647,789</u>

Source: Yuima Municipal Water District

**Yuima Municipal Water District
Fund Balances of Governmental Funds
Last Ten Years**

Fiscal Year Ended	GOVERNMENTAL FUNDS			Total Reserved Balance	Total Unreserved Balance
	General ⁽¹⁾ Fund	Fire Fund	Total Balance		
2009 ⁽²⁾	-	14,997	14,997	-	14,997
2008	-	250,617	250,617	-	250,617
2007	-	241,565	241,565	-	241,565
2006	-	226,557	226,557	-	226,557
2005	-	233,232	233,232	-	233,232
2004	-	188,191	188,191	-	188,191
2003	-	176,779	176,779	-	176,779
2002	-	184,032	184,032	-	184,032
2001	-	187,205	187,205	-	187,205
2000	-	167,996	167,996	-	167,996



Source: Yuima Municipal Water District

Notes: (1) The District does not have a governmental type general fund.

(2) The Fire Mitigation Fee project consisted of building a Fire Apparatus Bay at the Cal Fire CDF location. The project was completed at a total cost of \$268,000. It was funded as a joint project with Yuima, Pauma, and Mootamai Municipal Water Districts.

Yuima Municipal Water District
Changes in Fund Balances of Governmental Fund
Last Ten Fiscal Years

Page 1 of 2

	Fiscal Year				
	2009	2008	2007	2006	2005
Revenues					
Fire Protection Special Tax	\$ 51,321	\$ 49,555	\$ 48,671	\$ 48,671	\$ 45,519
Mitigation Fees	4,533	1,445	12,914	10,399	4,509
Contributions	34,840	87,926	-	46,236	40,324
Investment Income	1,905	8,754	8,711	6,234	3,407
Miscellaneous	13,786	5,660	-	-	-
Total Revenues	<u>106,386</u>	<u>153,340</u>	<u>70,296</u>	<u>111,540</u>	<u>93,759</u>
Expenditures					
General and Administrative	3,428	2,274	5,773	5,992	3,030
Capital Expenditures	268,000	-	-	-	-
Fire Protection	70,578	142,014	49,515	92,641	65,270
Total Expenditures	<u>342,006</u>	<u>144,288</u>	<u>55,288</u>	<u>98,633</u>	<u>68,300</u>
Net Change in Fund Balances	<u>\$ (235,620)</u>	<u>\$ 9,052</u>	<u>\$ 15,008</u>	<u>\$ 12,907</u>	<u>\$ 25,459</u>

Source: CAFR - Statement of Revenues, Expenditures and Changes in Fund Balance - Government Funds

Notes: The Fire Fund has no related debt and therefore has no debt expenditures or ratio presented.

The Capital expenditures in 2009 was part of a joint project by the District with Pauma and Mootamai Municipal Water Districts. It was for a new fire apparatus bay built at the Rincon CalFIRE station which will be operated and owned by the Rincon CalFIRE station.

Yuima Municipal Water District
Changes in Fund Balances of Governmental Fund
Last Ten Fiscal Years

Page 2 of 2

	Fiscal Year				
	2004	2003	2002	2001	2000
Revenues					
Fire Protection Special Tax	\$ 50,614	\$ 44,373	\$ 46,922	\$ 48,513	\$ 44,988
Mitigation Fees	3,999	7,656	4,395	16,320	-
Contributions	-	-	-	-	4,810
Investment Income	2,289	3,063	4,516	6,892	4,660
Miscellaneous	-	-	-	-	-
Total Revenues	<u>56,902</u>	<u>55,092</u>	<u>55,833</u>	<u>71,725</u>	<u>54,458</u>
Expenditures					
General and Administrative	3,845	7,531	1,489	2,260	1,426
Capital Expenditures	-	-	-	-	-
Fire Protection	41,645	54,813	57,517	50,256	49,151
Total Expenditures	<u>45,490</u>	<u>62,344</u>	<u>59,006</u>	<u>52,516</u>	<u>50,577</u>
Net Change in Fund Balances	<u>\$ 11,412</u>	<u>\$ (7,252)</u>	<u>\$ (3,173)</u>	<u>\$ 19,209</u>	<u>\$ 3,881</u>

Source: CAFR - Statement of Revenues, Expenditures and Changes in Fund Balance - Government Funds

Notes: The Fire Fund has no related debt and therefore has no debt expenditures or ratio presented.

**Yuima Municipal Water District
Commodity Charges and Base Charges
Last Ten Fiscal Years**

Commodity Charges

Fiscal Year Ended	Agricultural Water		Domestic Water		Average Annual Increase	Pumping Charge			Average Annual Increase
	Rate (per acre foot)		Rate (per acre foot)			Yuima	IDA (Range)		
	Yuima	IDA	Yuima	IDA			Yuima	IDA (Range)	
2009	\$ 742	\$ 562	\$ 848	\$ 619	11%	\$ 87	\$ 64	\$ 307	7%
2008	\$ 669	\$ 506	\$ 764	\$ 558	10%	\$ 81	\$ 60	\$ 287	10%
2007	\$ 608	\$ 460	\$ 695	\$ 509	8%	\$ 74	\$ 54	\$ 261	4%
2006	\$ 563	\$ 426	\$ 649	\$ 474	6%	\$ 71	\$ 52	\$ 251	0%
2005	\$ 537	\$ 394	\$ 638	\$ 449	15%	\$ 71	\$ 52	\$ 251	0%
2004	\$ 476	\$ 337	\$ 571	\$ 385	4%	\$ 71	\$ 52	\$ 251	0%
2003	\$ 458	\$ 326	\$ 563	\$ 380	0%	\$ 71	\$ 52	\$ 251	0%
2002	\$ 458	\$ 326	\$ 559	\$ 378	8%	\$ 71	\$ 52	\$ 251	26%
2001	\$ 430	\$ 298	\$ 504	\$ 327	-3%	\$ 56	\$ 41	\$ 199	25%
2000	\$ 445	\$ 307	\$ 504	\$ 327	0%	\$ 45	\$ 33	\$ 159	0%

Base Charges

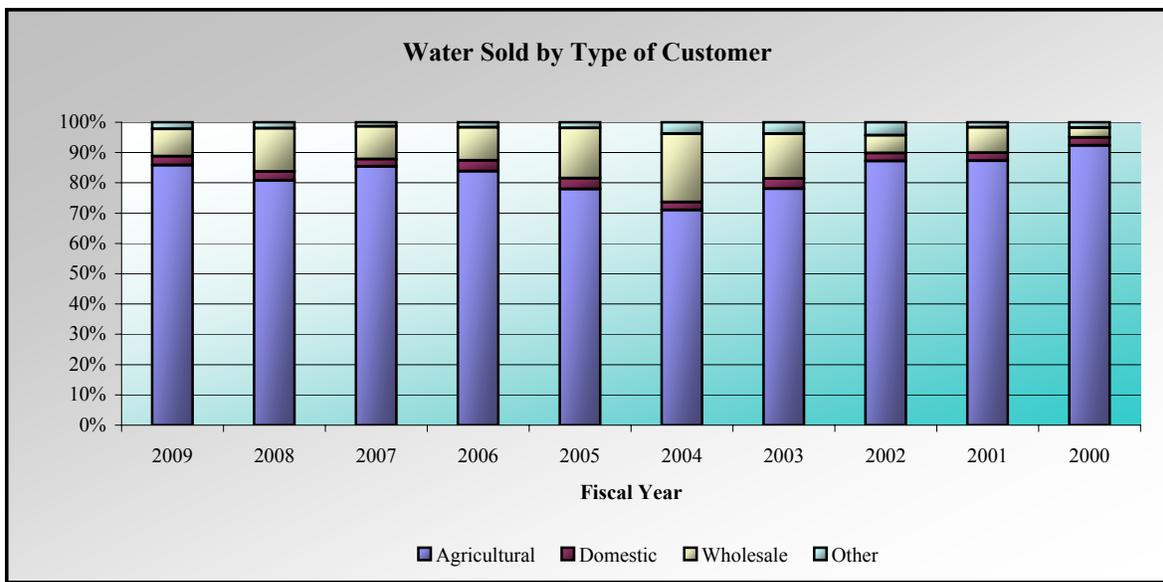
Fiscal Year Ended	Monthly Meter Charge by Meter Size										Average Annual Increase
	5/8"	1"	1¼" & 1½"	2"	3"	4"	5"	6"	8"		
2009	\$ 22	\$ 35	\$ 66	\$ 114	\$ 210	\$ 358	\$ 507	\$ 650	\$ 1,136	10%	
2008	\$ 20	\$ 32	\$ 60	\$ 103	\$ 191	\$ 326	\$ 461	\$ 591	\$ 1,032	10%	
2007	\$ 18	\$ 29	\$ 54	\$ 94	\$ 173	\$ 296	\$ 419	\$ 542	\$ 939	0%	
2006	\$ 18	\$ 29	\$ 54	\$ 94	\$ 173	\$ 296	\$ 419	\$ 542	\$ 939	0%	
2005	\$ 18	\$ 29	\$ 54	\$ 94	\$ 173	\$ 296	\$ 419	\$ 542	\$ 939	79%	
2004	\$ 15	\$ 23	\$ 38	\$ 56	\$ 99	\$ 144	\$ 235	\$ 235	\$ 360	0%	
2003	\$ 15	\$ 23	\$ 38	\$ 56	\$ 99	\$ 144	\$ 235	\$ 235	\$ 360	0%	
2002	\$ 15	\$ 23	\$ 38	\$ 56	\$ 99	\$ 144	\$ 235	\$ 235	\$ 360	0%	
2001	\$ 15	\$ 23	\$ 38	\$ 56	\$ 99	\$ 144	\$ 235	\$ 235	\$ 360	0%	
2000	\$ 15	\$ 23	\$ 38	\$ 56	\$ 99	\$ 144	\$ 235	\$ 235	\$ 360	0%	

Source: Yuima Municipal Water District

Notes: The District annually performs a water rate study to determine the new water rates for the following fiscal year. The new rates are based on the amount of revenue needed and derived by a balance between a base charge for each meter and a commodity charge for the volume of water used by each customer. The allocation of revenue to the base charge and commodity charge is determined by the proportion of fixed cost and variable costs needed to produce the water supply. Typically 70-75% of revenue is derived from commodity charges (variable costs) and the remainder from the base charges (fixed costs).

**Yuima Municipal Water District
Water Sold by Type of Customer
Last Ten Fiscal Years**

Fiscal Year Ended	Agricultural	Domestic	Wholesale	Other	Total Water Sales⁽¹⁾⁽²⁾	Total Acre Feet Sold	Total Rainfall⁽³⁾ (inches)
2009	\$ 3,060,478	\$ 101,947	\$ 325,005	\$ 77,066	\$ 3,564,496	5,909.0	15.71
2008	2,672,727	96,922	471,004	66,617	3,307,270	6,088.4	22.51
2007	3,021,073	85,156	383,500	48,899	3,538,628	7,380.5	9.27
2006	2,452,927	104,109	322,386	48,172	2,927,594	6,492.5	16.47
2005	1,766,266	80,347	376,411	42,872	2,265,896	5,384.5	41.47
2004	2,330,462	86,853	740,981	123,864	3,282,161	7,398.8	13.03
2003	1,793,695	75,397	340,910	87,014	2,297,017	6,271.4	26.20
2002	2,266,233	70,095	152,428	112,020	2,600,776	7,633.3	7.77
2001	1,740,766	53,892	166,736	33,403	1,994,797	6,368.2	18.66
2000	1,986,174	56,878	69,627	39,222	2,151,901	6,884.1	11.37



Source: Yuima Municipal Water District

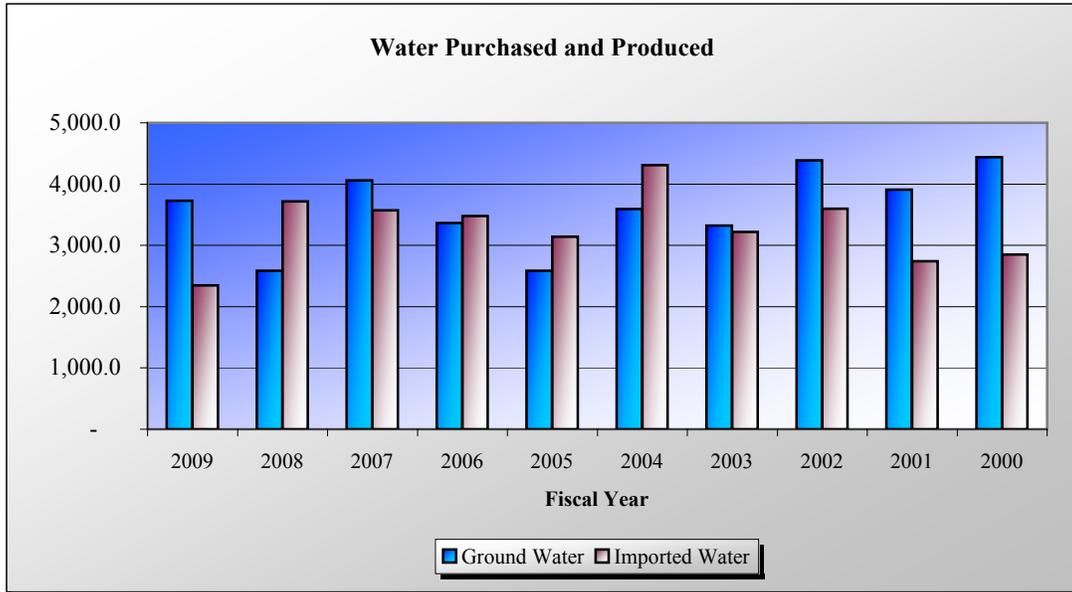
Notes: (1) Yuima's primary and only significant revenue source is retail water sales. The proportion of customer type that makes up the revenue base has remained relatively unchanged for the time frame presented. Agricultural and Wholesale water customers make up the largest section of the revenue base. Consequently, demand peaks sharply during dry years when irrigation requirements are greatest and drops during wet years. As a result in fiscal years of higher rainfall a corresponding dip in Total Acre Feet Sold can be seen.

(2) Although revenue by customer type is not presented separately on the face of the financial statements, these revenues are recorded separately in the District's general ledger for tracking purposes.

(3) Rainfall is measured at the "Barrett" property located at the top of Quail Drive, Pauma Valley, California at an elevation of 2,055 ft.

**Yuima Municipal Water District
Water Purchased and Produced
Last Ten Fiscal Years**

Fiscal Year Ended	Acre Feet			Percent Ground Water	Percent Imported Water
	Ground Water ⁽¹⁾	Imported Water	Total Water Produced		
2009	3,729.7	2,347.0	6,076.7	61%	39%
2008	2,583.6	3,719.8	6,303.4	41%	59%
2007	4,060.1	3,573.5	7,633.6	53%	47%
2006	3,367.0	3,478.7	6,845.7	49%	51%
2005	2,583.6	3,142.9	5,726.5	45%	55%
2004	3,591.1	4,309.0	7,900.1	45%	55%
2003	3,320.9	3,219.9	6,540.8	51%	49%
2002	4,389.3	3,598.0	7,987.3	55%	45%
2001	3,908.9	2,739.0	6,647.9	59%	41%
2000	4,441.4	2,848.8	7,290.2	61%	39%



Source: Yuima Municipal Water District

Notes: (1) Ground Water figures include production in IDA past the master meter and well agreements.

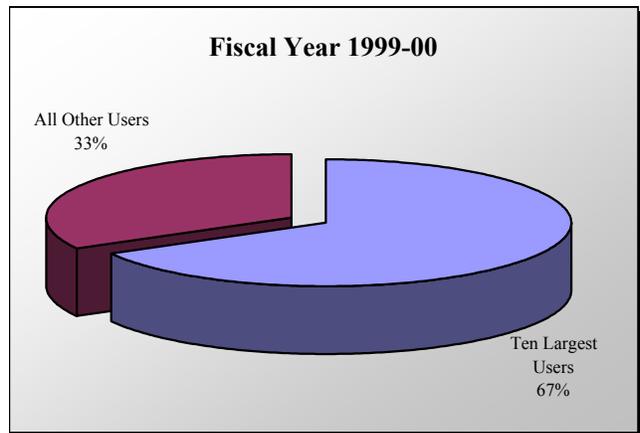
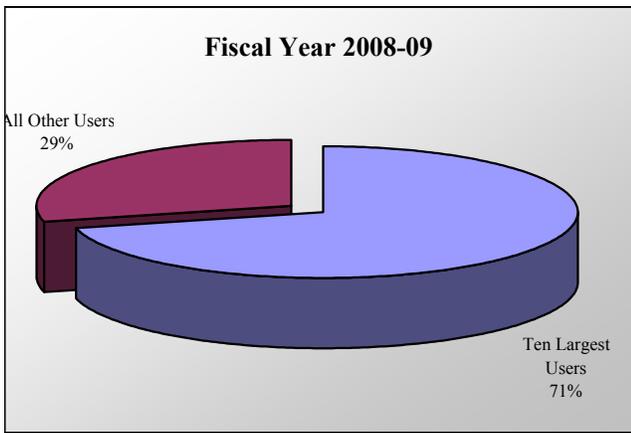
**Yuima Municipal Water District
Principal Water Consumers
For the Fiscal Years 2009 and 2000**

FISCAL YEAR ENDED 2009

Customer Name⁽¹⁾	Usage in Acre Feet	Percent of Water Sold
Pauma Mtn. Ranch/Pauma Ranches	1,759	29.77%
Pauma Ridge	422	7.14%
Rancho Eugenio	417	7.06%
Val Vista	358	6.06%
Humason	331	5.60%
House	212	3.59%
PKB Farms	189	3.20%
T-Y Nursery	188	3.18%
Starbeam Ranch	183	3.10%
Brothers Nursery	144	2.44%
Total Top Ten Consumers	4,203	71.13%
Other Consumers	1,706	28.87%
Total Water Billed	5,909	100.00%

FISCAL YEAR ENDED 2000

Customer Name⁽¹⁾	Usage in Acre Feet	Percent of Water Sold
Pauma Mtn. Ranch/Pauma Ranches	1,943	28.22%
Rancho Eugenio	545	7.92%
Chandler Ranches (Humason)	424	6.16%
Pauma Ridge	415	6.03%
Testa	360	5.23%
House	265	3.85%
PKB Farms	214	3.11%
McKillip	201	2.92%
Ordway	126	1.83%
Metta Forest	125	1.82%
Total Top Ten Consumers	4,618	67.08%
Other Consumers	2,266	32.92%
Total Water Billed	6,884	100.00%

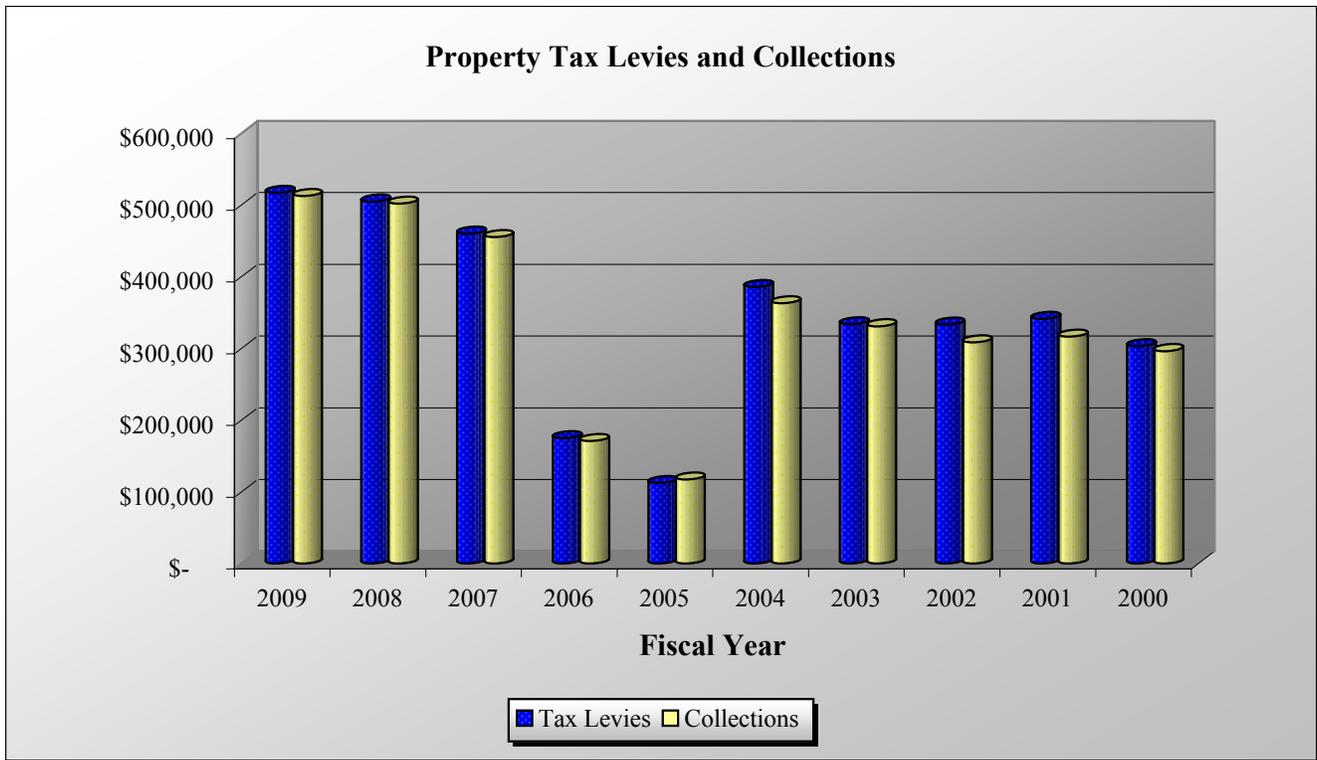


Source: Yuima Municipal Water District

Notes: (1) The District's service area has been established for many years with a relatively stable local economy has seen few changes to the customer base. This stability is reflected in the similarities between the current list of the largest water customers and the list from ten years ago.

**Yuima Municipal Water District
Property Tax and Assessment Levies
Last Ten Years**

Fiscal Year Ended	CURRENT YEAR LEVY			Total Collections Thru 6/30	Net Uncollected at 6/30	Percent Uncollected at 6/30
	Property Taxes ⁽¹⁾	Special Assessments ⁽²⁾	Total Levy			
2009	\$ 440,201	\$ 76,770	\$ 516,970	\$ 512,455	\$ 4,515	0.88%
2008	423,916	80,825	504,741	501,943	2,798	0.56%
2007	375,864	84,096	459,960	455,203	4,757	1.04%
2006	107,497	67,544	175,041	170,862	4,179	2.45%
2005	39,818	72,550	112,368	117,265	(4,897)	-4.18%
2004	300,168	85,477	385,645	362,860	22,785	6.28%
2003	265,510	68,261	333,771	330,867	2,904	0.88%
2002	261,624	71,759	333,383	308,341	25,042	8.12%
2001	249,616	91,758	341,374	316,572	24,802	7.83%
2000	224,473	78,543	303,016	296,271	6,745	2.28%



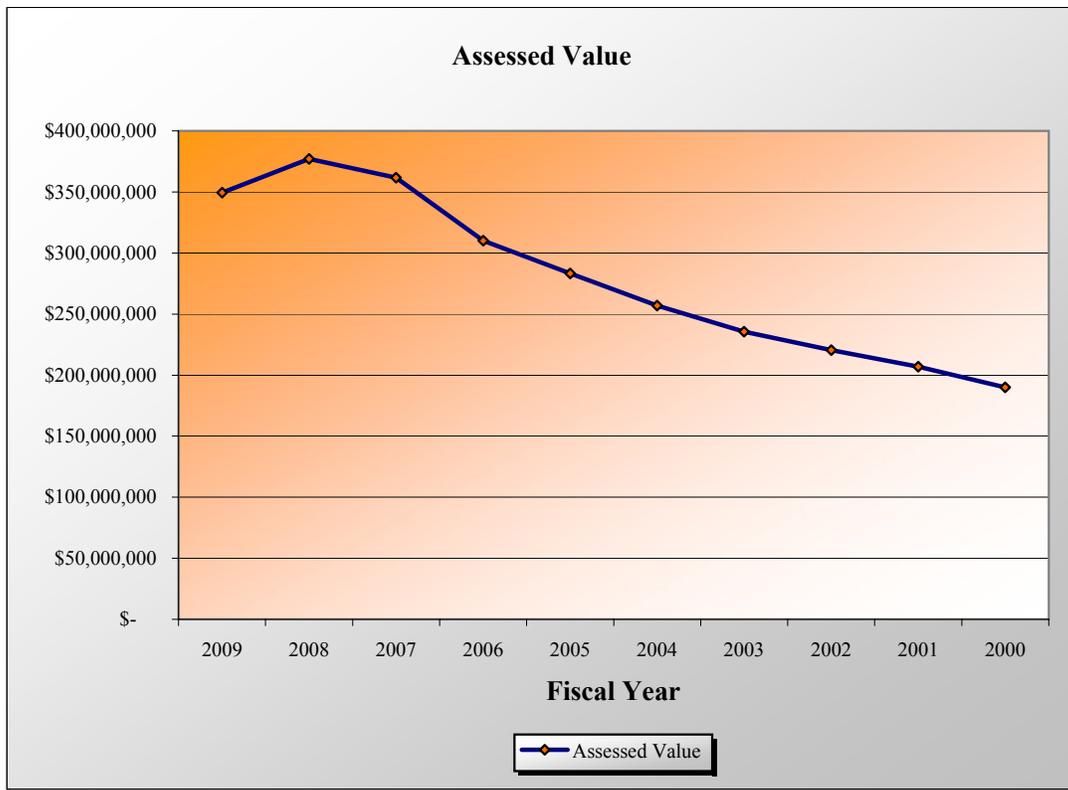
Source: Yuima Municipal Water District and the Office of the Auditor Controller, County of San Diego

Notes: (1) Property taxes represent a portion of the county 1% general tax rate. In Fiscal Years 2005 and 2006, the District experienced a property tax revenue shift as part of the ERAF shift.

(2) Special Assessments represent \$10 per acre water availability charge assessed on all taxable acreage in the District not otherwise deferred.

**Yuima Municipal Water District
Assessed Value of Taxable Property
Last Ten Years**

Fiscal Year Ended	SECURED			Total Assessed Secured Value	Tax Rate ⁽¹⁾
	Real Property	Personal Property	Exemptions		
2009	\$ 354,425,192	\$ 4,789	\$ (5,011,283)	\$ 349,418,698	-
2008	382,363,468	5,223	(5,179,025)	377,189,666	-
2007	366,563,364	7,095	(4,922,806)	361,647,653	-
2006	314,950,169	7,221	(4,906,718)	310,050,672	-
2005	286,056,795	104,446	(2,955,704)	283,205,537	-
2004	258,052,519	1,515,461	(2,615,858)	256,952,122	-
2003	236,651,026	1,326,634	(2,438,808)	235,538,852	-
2002	221,431,234	1,370,571	(2,350,033)	220,451,772	-
2001	208,041,133	1,280,817	(2,362,262)	206,959,688	-
2000	191,198,170	1,116,334	(2,355,970)	189,958,534	-



Source: Yuima Municipal Water District and the Office of the Auditor Controller, County of San Diego

Notes: (1) The District does not assess a tax rate. However, the District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13.

**Yuima Municipal Water District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year Ended	General		Term Loans	Total	Number of Meters ⁽³⁾	Debt per Meter	Percentage		Debt per Capita
	Obligation Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾					of Personal Income ⁽⁴⁾	Population ⁽⁵⁾	
2009	-	-	\$ 2,147,912	\$ 2,147,912	342	\$ 6,280	2%	1,966	\$ 1,093
2008	-	-	2,346,111	2,346,111	337	6,962	2%	1,966	1,193
2007	-	-	1,165,246	1,165,246	336	3,468	1%	1,966	593
2006	-	-	1,274,550	1,274,550	332	3,839	1%	1,966	648
2005	-	-	1,385,123	1,385,123	332	4,172	1%	1,966	705
2004	-	-	1,486,306	1,486,306	331	4,490	1%	1,966	756
2003	-	-	-	-	331	-	0%	1,966	-
2002	-	-	-	-	329	-	0%	1,966	-
2001	-	-	-	-	323	-	0%	1,966	-
2000	-	-	-	-	320	-	0%	1,966	-

Source: Yuima Municipal Water District

Notes: (1) The District has not issued any General Obligation Bonds to date.

(2) The District has not issued any Revenue Bonds to date.

(3) Yuima Meters = 102; IDA Meters = 240

(4) See San Diego County Demographic and Economic Statistics Schedule. Personal Income for San Diego County was used since information for the District is unavailable.

(5) Population data provided by the San Diego Association of Governments (SANDAG), constructed from 2000 U.S. Census Bureau.

Yuima Municipal Water District
Revenue Debt Coverage
Last Six Years⁽¹⁾
Page 1 of 2

Fiscal Year Ended	Operating Revenues	Nonoperating Revenues	Gross Revenues⁽²⁾	Less: Operating Expenses⁽³⁾	Net Revenue Available for Debt Service
2009	\$ 6,126,513	\$ 1,246,285	\$ 7,372,798	\$ 6,039,540	\$ 1,333,258
2008	6,519,290	1,083,069	7,602,359	6,912,967	689,392
2007	6,675,823	1,169,622	7,845,445	6,927,183	918,262
2006	5,736,423	604,677	6,341,100	5,646,860	694,240
2005	4,491,018	560,711	5,051,729	5,049,080	2,649
2004	5,403,723	669,702	6,073,425	5,754,100	319,325

Source: Yuima Municipal Water District

- Notes:
- (1) The District did not have any outstanding debt between fiscal years ended 2000-2003.
 - (2) Computation excludes fire fund revenues.
 - (3) The transactions to record depreciation expense are not included in Total Expenses.
 - (4) Includes Municipal Finance Corporation Loans. See Note 4 to the financial statements.

Yuima Municipal Water District
Revenue Debt Coverage
Last Six Years⁽¹⁾
Page 2 of 2

DEBT SERVICE REQUIREMENTS				Coverage	Pledged
Principal	Interest	Total⁽⁴⁾	Factor	Revenue	Debt Limit
\$ 192,071	\$ 103,717	\$ 295,788	451%	125%	125%
184,505	82,899	267,404	258%	125%	125%
108,945	47,253	156,198	588%	125%	125%
104,992	51,206	156,198	444%	125%	125%
101,183	55,015	156,198	2%	125%	125%
-	-	-	-	-	-

Source: Yuima Municipal Water District

- Notes: (1) The District did not have any outstanding debt between fiscal years ended 2000-2003.
(2) Computation excludes fire fund revenues.
(3) The transactions to record depreciation expense are not included in Total Expenses.
(4) Includes Municipal Finance Corporation Loans. See Note 4 to the financial statements.

**Yuima Municipal Water District
Computation of Direct and Overlapping Debt
June 30, 2009**

2008-09 Assessed Valuation: \$ 384,098,347

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/09	% Applicable ⁽¹⁾	District's Share of Debt 6/30/09
Metropolitan Water District	\$ 293,425,000	0.021%	\$ 61,619
Palomar Community College District	151,750,000	0.466%	717,778
Valley Center-Pauma Unified School District	2,581,648	9.808%	259,869
Palomar Pomerado Hospital District	418,568,319	0.707%	3,017,878
Yuima Municipal Water District	0	100.00%	0
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 4,057,144

<u>OVERLAPPING GENERAL FUND DEBT</u>			
San Diego County General Fund Obligations	\$ 462,405,000	0.108%	\$ 499,397
San Diego County Pension Obligations	986,677,916	0.108%	1,065,612
San Diego County Superintendent of Schools Certificates of Participation	16,395,000	0.108%	17,707
Palomar Community College District General Fund Obligation	7,300,000	0.473%	34,529
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 1,617,245

COMBINED TOTAL DEBT \$ 5,674,389 ⁽²⁾

(1) Percentage of overlapping agency's assessed valuation located within boudaries of the city

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.06%
Combined Total Debt	1.48%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/09: \$0

Source: California Municipal Statistics, Inc.

**Yuima Municipal Water District
San Diego County Demographic and Economic Statistics
Last Ten Years**

Year	Population	Personal Income (in thousands)	Per Capita		Unemployment Rate
			Personal Income (in dollars)	School Enrollment	
2009	3,173,407	134,696,000	42,445	496,702	10.2%
2008	3,146,274	143,873,000	45,728	494,016	6.0%
2007	2,974,861	133,369,000	44,832	496,699	4.6%
2006	2,948,362	126,194,000	42,801	495,228	4.2%
2005	2,941,658	118,793,000	40,383	498,186	4.5%
2004	2,933,929	113,062,259	38,536	499,356	5.1%
2003	2,921,810	104,630,453	35,810	499,750	5.7%
2002	2,901,719	100,655,726	34,688	494,588	5.3%
2001	2,864,593	97,009,480	33,865	488,377	4.3%
2000	2,824,933	92,654,006	32,799	480,017	4.3%

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2009

Notes: (1) San Diego County, while not an exact representation of the District, is used to obtain the Demographic and Economic data shown above. There is no exact data available for the Pauma Valley area.

Yuima Municipal Water District
San Diego County Employment by Industry⁽¹⁾
Calendar Year 2009 and 1999

	2009⁽²⁾		2000	
	Employment at June 2009	% of Total Employment	Employment at June 2000	% of Total Employment
Agriculture	11,300	1%	12,500	1%
Natural Resources & Mining	300	0%	300	0%
Construction	66,500	5%	70,000	6%
Manufacturing	95,300	8%	124,200	10%
Wholesale Trade	41,800	3%	39,800	3%
Retail Trade	134,000	11%	131,900	11%
Transportation				
Warehousing & Utilities	28,300	2%	30,700	3%
Information	37,700	3%	41,000	3%
Finance Activities	74,600	6%	71,500	6%
Professional & Business Services	206,800	16%	194,200	16%
Educational & Health Services	135,500	11%	115,100	9%
Leisure & Hospitality	159,800	13%	131,800	11%
Other Services				
Repair, Religious, Professional	48,400	4%	43,000	4%
Federal Government	43,000	3%	42,100	3%
State Government	43,600	3%	35,900	3%
Local Government	142,200	11%	131,500	11%
Total, All Industries	<u>1,269,100</u>	<u>100%</u>	<u>1,215,500</u>	<u>100%</u>
Civilian Employment	1,414,600	90%	1,315,800	96%
Civilian Unemployment	160,100	10%	59,200	4%
Total Civilian Labor Force	<u>1,574,700</u>	<u>100%</u>	<u>1,375,000</u>	<u>100%</u>

Civilian Unemployment Rate

10.20%

4.30%

Source: California Employment Development Department

Notes: (1) San Diego County, while not an exact representation of the District, is used to obtain the employment profile data shown above. There is no exact data available for the Pauma Valley area.

(2) Data for the 2009 calendar year is not yet available, therefore data at June 30, 2009 is provided.

**Yuima Municipal Water District
San Diego County Principal Employers⁽¹⁾
For the Fiscal Years 2009 and 2000**

	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Federal Government	41,600	1	2.94%	43,000	1	3.27%
State of California	41,600	2	2.94%	35,600	2	2.71%
University of California, San Diego	29,337	3	2.07%	20,653	3	1.57%
County of San Diego	17,189	4	1.22%	16,555	4	1.26%
San Diego Unified School District	14,555	5	1.03%	12,784	5	0.97%
Sharp HealthCare	14,400	6	1.02%	8,003	7	0.61%
Scripps Health	12,622	7	0.89%			
City of San Diego	11,087	8	0.78%	11,500	6	0.88%
Qualcomm Inc.	9,859	9	0.70%	7,000	9	0.53%
Kaiser Permanente	7,618	10	0.54%	6,600	10	0.50%
U.S. Postal Service, San Diego District				7,124	8	0.54%
Total	199,867		14.13%	168,819		12.84%

Source: County of San Diego, Comprehensive Annual Financial Report

Notes: (1) San Diego County, while not an exact representation of the District, is used to obtain the employment profile data shown above. There is no exact data available for the Pauma Valley area. However, the casinos, container nurseries, and schools are the largest employers in our area.

**Yuima Municipal Water District
District Employees and Operational Information⁽¹⁾
Last Ten Fiscal Years**

District Employees

Fiscal Year Ended	Management	Field Operations	Administrative Services	Total Employees⁽²⁾	Average Years of Service
2009	3	5	3	11	12.2
2008	3	5	3	11	11.2
2007	3	5	3	11	10.2
2006	3	5	3	11	10.1
2005	3	4	2	9	10.1
2004	3	4	2	9	9.7
2003	3	4	2	9	8.8
2002	3	4	2	9	7.9
2001	3	4	2	9	10.7
2000	3	4	2	9	9.8

Operational Information

Water System

Service Area.....	13,460 acres
Miles of Water Main.....	44.83 miles
Number of Raw Water Reservoirs.....	2
Number of Treated Water Tanks.....	10
Total Treated Storage Capacity.....	57.5 ac.ft.
Number of Producing Wells.....	21
Daily Production Peak.....	5.35 mgd
Average Daily Production.....	4.55 mgd
Number of Service Connections.....	342

Source: Yuima Municipal Water District

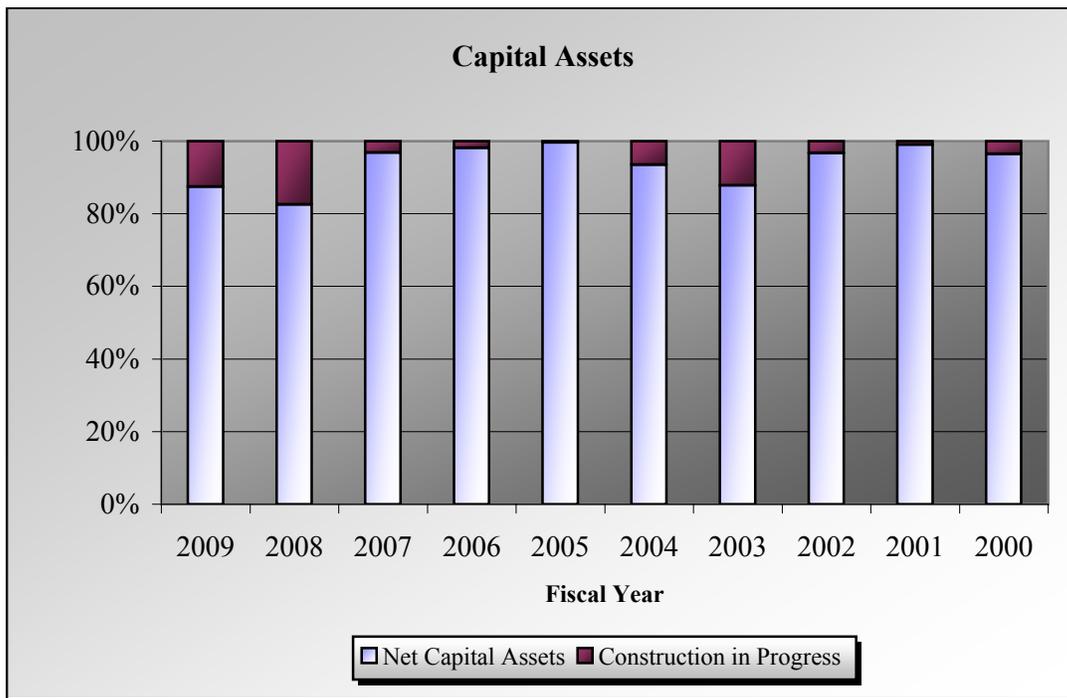
Notes: (1) Yuima is an established water district which is reflected in the relatively small increases in employees over this ten year period.

(2) The employee count represents the head count for the employees in each department.

**Yuima Municipal Water District
Capital Assets
Last Ten Years**

Page 1 of 2

Fiscal Year Ended	Annexation Fees	Land	Source of Supply	Pumping Plant	Water Treatment Plant
2009	\$ 944,872	\$ 355,835	\$ 6,272,088	\$ 2,917,937	\$ 113,511
2008	944,872	355,835	4,784,991	1,902,104	141,315
2007	944,872	355,835	4,623,944	1,854,776	141,315
2006	944,872	355,835	4,130,665	1,798,410	141,315
2005	944,872	355,835	3,906,073	1,546,574	126,446
2004	944,872	355,835	2,867,634	1,459,221	126,446
2003	944,872	355,835	2,867,634	1,406,406	126,446
2002	944,872	269,682	2,867,634	1,373,475	61,128
2001	944,872	264,652	2,880,255	1,271,947	60,104
2000	944,872	265,150	2,257,525	1,236,376	60,104



Source: Yuima Municipal Water District

Notes: The Fire Protection function has no related capital assets, since such activity is outsourced to the California Department of Forestry.

**Yuima Municipal Water District
Capital Assets
Last Ten Years**

Page 2 of 2

Fiscal Year Ended	Transmission & Distribution	General Plant	Accumulated Depreciation	Net Capital Assets	Construction in Progress
2009	\$ 6,974,608	\$ 1,515,329	\$ (6,804,249)	\$ 12,289,930	\$ 1,763,862
2008	6,641,385	1,529,585	(6,555,544)	9,744,542	2,053,521
2007	6,639,470	1,475,628	(6,220,083)	9,815,757	316,698
2006	6,565,232	1,372,870	(5,865,848)	9,413,351	176,063
2005	6,511,924	1,158,508	(5,565,847)	8,984,384	28,115
2004	6,433,619	1,078,963	(5,305,840)	7,960,750	555,817
2003	4,902,325	1,068,401	(5,037,898)	6,634,020	922,274
2002	4,899,545	1,051,554	(4,765,390)	6,702,499	226,614
2001	4,868,566	1,292,690	(4,615,226)	6,967,859	70,407
2000	4,844,024	1,291,062	(4,336,850)	6,562,264	237,487

**Yuima Municipal Water District
Operating & Capital Indicators
Last Ten Fiscal Years**

Page 1 of 2

	Fiscal Year				
	2009	2008	2007	2006	2005
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	15.71	22.51	9.27	16.47	41.47
Miles of Water Main (8"+)	44.8	40.3	39.5	36.0	36.0
Number of Treated Water Tanks	10	10	9	9	9
Capacity of Water Tanks (acre feet)	57.5	57.5	52.3	52.3	52.3
Number of Open Reservoirs	1	1	2	2	2
Capacity of Open Reservoirs (acre feet)	2.1	2.1	4.7	4.7	4.7
Number of Ag Only Open Reservoirs	2	2	2	2	2
Capacity of Ag Only Open Reservoirs (acre feet)	11.7	11.7	11.7	11.7	11.7
Number of Productive Wells	21	17	17	17	16
Maximum gallons per minute Flows	3,130	2,650	2,650	2,650	2,200
Number of Pump Stations	10	9	9	9	9
Number of Pumps	30	27	31	31	31
Pump Capacity (horsepower)	4,480	3,955	3,850	3,850	3,850
Number of Service Connections (1)	342	337	336	332	332
Production Peak (mgd)	5.35	5.2	5.2	5.2	3.6
Average Production (mgd)	4.55	4.3	4.3	4.3	3.0
Number of Mainline Repairs	3.0	-	-	-	1.0

Source: Yuima Municipal Water District

Notes: (1) Yuima connections = 102; IDA connections = 240

**Yuima Municipal Water District
Operating & Capital Indicators
Last Ten Fiscal Years**

Page 2 of 2

	Fiscal Year				
	2004	2003	2002	2001	2000
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	13.03	26.20	7.77	18.66	11.37
Miles of Water Main (8"+)	36.0	36.0	36.0	34.7	34.7
Number of Treated Water Tanks	8	8	8	7	7
Capacity of Water Tanks (acre feet)	37.2	37.2	37.2	33.5	33.5
Number of Open Reservoirs	2	2	2	3	3
Capacity of Open Reservoirs (acre feet)	4.7	4.7	4.7	14.2	14.2
Number of Ag Only Open Reservoirs	2	2	2	1	1
Capacity of Ag Only Open Reservoirs (acre feet)	11.7	11.7	11.7	6.0	6.0
Number of Productive Wells	16	15	15	15	15
Maximum gallons per minute Flows	2,200	2,150	2,150	2,150	2,150
Number of Pump Stations	8	8	8	8	8
Number of Pumps	30	28	28	28	25
Pump Capacity (horsepower)	3,800	3,625	3,625	3,625	3,475
Number of Service Connections	331	331	329	323	320
Production Peak (mgd)	3.6	3.4	3.4	3.4	3.4
Average Production (mgd)	3.0	2.8	2.8	2.8	2.8
Number of Mainline Repairs	-	1.0	2.0	-	1.0

Source: Yuima Municipal Water District

Yuima Municipal Water District

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