

Yuima Municipal Water District

Pauma Valley, California

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013



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

OUR MISSION AND VISION



W.D. "Bill"
Knutson

Douglas K.
Anderson

George
Stockton

Ron W.
Watkins

Mike
Fitzsimmons

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, Todd Engstrand, Linden Burzell, Mark Quinn, and Allen Simon. Bottom Row From Left to Right: Lori Johnson, Mitch Davis, Jolyn Duff, and Vanessa Velasquez.

**Yuima Municipal Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2013**

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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
Jeffery G. Scott



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

December 20, 2013

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, 2013. 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.

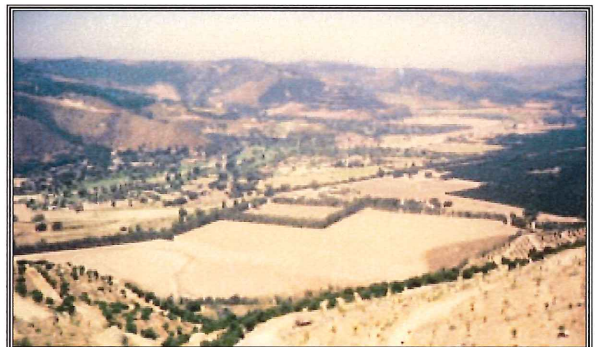
The District's financial statements have been audited by Teaman, Ramirez and Smith Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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, 2013, 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 2012-2013 fiscal year was 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 District 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 for use within the boundaries of Improvement District "A" (IDA) from the San Luis Rey River upstream of Cole Grade Road to no more than 1,350 acre feet annually.



Yuima, as successor in interest to Palomar Mutual continues to operate the former Palomar Mutual system and properties (now known as Improvement District A) as an independent water system. Yuima is responsible for administering IDA's compliance with *Strub et al.*, which however does not, in the opinion of District Counsel, affect or bind the 75% of the District which is outside of IDA and which operates under a separate system permit.

The District's ordinances, policies, taxes, and rates for service are set by the five member Board of Directors, who are elected by voters in their respective geographic divisions, to serve staggered four-year terms on its Governing Board. The Board of Directors (Board) governs the District. The Board manages the District through an appointed general manager. The District's management team also includes two department heads who oversee the Administrative & Finance and Operations & Engineering Departments. There are currently 9 full-time 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" measurement 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.

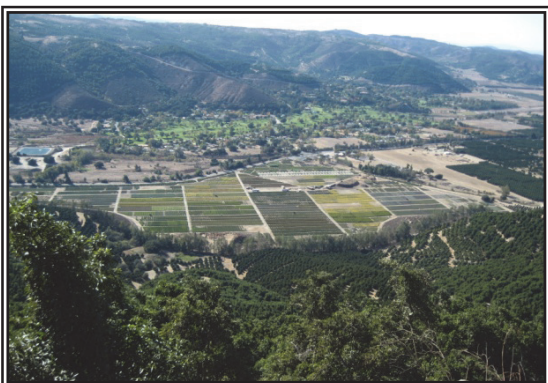
The District provides water and fire protection services. The District has established and maintains various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are funds and sub-funds of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

While the current economic recovery is slower than previous recoveries, many sectors of the economy are improving. Home values are rising, credit conditions are improving and household spending - typically the principal driver of economic recovery is strengthening. Job creation, while still modest, also continues to improve. Consumer confidence improved steadily in the latter months of 2012. The state's housing market recovery effectively began early in 2012. California's personal income has historically grown slightly faster than the nation's as a whole. From 1980 to 2011, California's total personal income grew 6.1 percent per year on average, while the national income grew 6 percent. According to the Index of Leading Indicators, the economy should continue to expand at a moderate pace in the near future. In June, 2013 the Governor's property tax borrowing under Proposition 1A was repaid with interest.



San Diego's economy is expected to show signs of recovery.

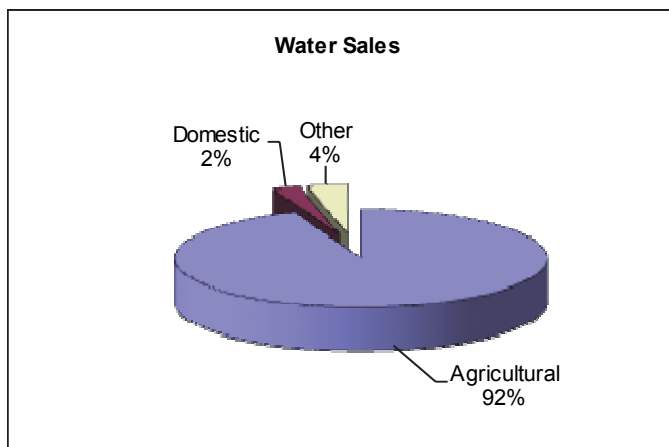
Weather conditions and sustained reduction in water demand impact the District water sales more than the local economic conditions.

Over the last 51 years, the District has grown to be a strong agricultural community. Today the District serves a population of 1,336 through 337 service connections provided within approximately 21 square miles of northern San Diego County. The District operates 42.3 miles of water main, 24 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 0.5% per year over the next five years. Considering that only about 2.5% 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 few years.

In fiscal year 2012-13 the District purchased approximately 34% of its water from the San Diego County Water Authority (SDCWA or the "Authority") and 11% of its water from local water agreements, at a cost of \$2.2 million, or 27.1% 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, 2013, the District billed 337 customers for 6,310 acre feet of water, representing a 15% increase in sales from the prior fiscal year.

Water sales for the past ten years have ranged from 4,959 to 7,399 acre feet. Because a large portion of our sales are to agriculture, sales are greatly affected by weather conditions, making sales projections difficult. In fiscal year 2012-13 the Pauma Valley area received over 13.5" of rainfall contributing to the higher sales. Total system demand is anticipated to be driven by irrigated agriculture which is estimated to constitute in excess of 93% of all water delivered.

Our agricultural customers purchased 93% of the District's total water sales in fiscal year 2012-13 compared to the average of 85% of the District's water sales over the previous ten year period. As water is one of the largest production costs for farmers in San Diego County, rapidly increasing wholesale water rates have the potential to severely affect the profitability of agriculture. The impact of these increases on the District's customers has been mitigated to a significant extent by the District's aggressive efforts to develop new sources of lower cost local groundwater. The significant price increases for imported water along with the fluctuating decreases in water sales have made it difficult to project long-term sales demand forecasts.



Since May of 1994, the Metropolitan Water District's Interim Agricultural Water Program (IAWP) has provided a discount to qualifying agricultural water users. In addition, the San Diego County Water Authority offers an agricultural 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 \$6.1 million dollars through both programs.

In 2008, Met approved a 4-year phase out period of the IAWP program, which no longer existed as of January 1, 2013. The decisions are the consequence of sustained multi-year drought conditions and judicially imposed restrictions on the transfer of water through the Bay-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.

The Bay-Delta, a 1,000 square mile network of islands and waterway at the confluence of the Sacramento and San Joaquin rivers east of San Francisco Bay, is a key water supply source for California, including the 3.1 million residents and business community in San Diego County.

Water supplies from the Bay-Delta come to San Diego County via the State Water project. The Metropolitan Water District of Southern California (Met) purchases the water from the State Department of Water Resources under a water supply contract. This water has become increasingly unreliable in recent years as deteriorating ecological conditions have led to regulatory restrictions on pumping water supplies from the Bay-Delta.

Met estimates the cost to repair the Bay-Delta to be between \$8 billion and \$13 billion dollars. The District, through its water wholesaler, the San Diego County Water Authority (Authority), will be responsible for a portion of the cost. How much and when the District would begin paying for the Bay-Delta fix is undetermined at this time. The problems in the

Sacramento-San Joaquin Bay-Delta (the hub of the State Water Project) remain, however, and are likely to lead to future cuts in the imported water supply.

The San Diego County Water Authority filed a lawsuit in 2010 against Met. The Authority alleges that the water rates set by Met discriminate against the Authority by artificially inflating the price charged for transporting water through Met's pipelines. If the Authority wins the case, Met may be required to refund amounts estimated to be approximately \$135 million as of the end of 2013. The Authority has indicated that it would then refund the proportionate share of the proceeds to its member agencies, including the District.

San Diego County Water Authority (SDCWA), the District's water wholesaler, entered into a water purchase agreement with Poseidon to purchase seawater from Poseidon's plant in Carlsbad, California. SDCWA is incorporating seawater desalination into its diversified water supply portfolio and expects seawater desalination to meet 7% of the San Diego region's water demand in 2016.

The agreement between SDCWA and Poseidon sets the purchase price of seawater desalination ranging from \$1,849 to \$2,064 per acre-foot in 2012 dollars, depending on volume of water purchases. The additional costs for improvements to the SDCWA's system to integrate the new supply to its transmission and distribution system will bring the total cost of desalinated water between \$1,943 and \$2,174 per acre-foot. The actual impact of seawater desalination cost to each SDCWA member agency's wholesale service water cost is currently being evaluated and reviewed by SDCWA's Staff and Board of Directors. A comprehensive cost of study is expected to be completed by June 2014 to incorporate seawater desalinated cost into its existing rate structure. It is anticipated that the melding of SDCWA seawater desalinated cost with the current regional supply may increase water cost to member agencies between 15% and 20% starting in 2016.

LONG-TERM FINANCIAL PLANNING

The coming years will be challenging times for everyone in the water industry. Uncertainties concerning Bay-Delta conveyance, new surface storage, the effects of climate change, court decisions affecting both supply and cost, and public environmental policies all contribute to a difficult planning environment in which the cost of imported water is all but certain to increase. Water shortages, both natural and man-made, are possible. These factors have the potential to adversely impact the finances of the District, and staff continues to work diligently to improve operating efficiencies and to cut costs in order to minimize the associated financial risks. Among the most critical policies adopted by the Board is the mandate to increase local supply, thereby decreasing the District's dependence on imported water.

ACCOMPLISHMENTS IN FISCAL YEAR 2012-13

The District continues to develop additional local water. The Improvement District has so far drilled six horizontal wells in the IDA watershed, and at least two more are planned for the coming fiscal year. The horizontal wells produced 207 acre feet of water this fiscal year. This additional production will help off-set the amount of imported water purchases required to meet the demands in the Improvement District.

RENOVATION OF WELL 22



Yuima General District Well 22 was drilled in 1993 into hard rock fractures to a depth of 1,100'. Renovation this year included cleaning the well, removing the sand filters and installing a new pump and motor bringing its production to between 260 to 300 gallons per minute.



DRILLING IDA HORIZONTAL WELLS NO. 44 AND 46

There are now 6 horizontal wells in Improvement District A's watershed at the 2,000' plus elevation. This water is gravity feed into the potable water system offsetting some of the higher imported water cost.



ZONE 4 TANK SITE GRADING AND RESERVOIR 6 DEMO AND SITE GRADING

The site for the new Zone 4 1.2 Million Gallon tank was graded by RSH Construction. It is located on District watershed lands at approximately 2,200' elevation.

Zone 4 tank site will be the home to a new 1.2 MG steel tank to be constructed in Fiscal Year 2013-14. The new tank will provide additional storage and eliminate Mesa Tank which is undersized and reached the end of its service life.

Zone 4 tank pipeline was constructed by District crews to connect the new zone 4 storage tank to the existing 12" Kahlstrom pipeline.



IDA open reservoir 6 was demolished and the site was prepared for the location of the upgraded pump station No. 6.



STATION 1 PUMP AND MOTOR ENCLOSURE

A metal enclosure was added to the Station 1 pump station to provide protection and security for the new pumps.



DRILLING VO WELL NO. 2

The District entered into a well water purchase agreement with VO Pauma Development for the purchase of ground water from their new well they recently drilled. As part of the agreement the district outfitted the well with a new pump and motor and appentences. Unfortunately this source is currently under litigation so the district has not received any production from this well.

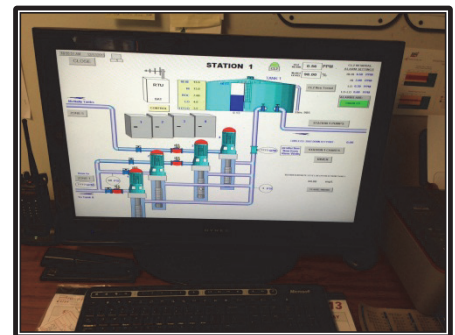


MARSHALL LINE UPGRADE

To improve system hydraulics from the VO wells, the Marshall line needed to be upgraded from 6” to 12”. District crews upsized the Marshall line from 6” to 12” CML&C steel pipe.

SCADA UPGRADE

To improve the reliability and function of the Districts SCADA remote operating and monitoring system, Tesco Controls was contracted to upgrade the hardware and software and perform integration services.



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, additional internal control improvements to the accounting software have been made, and we continue to identify ways in which we can strengthen our procedures.

ACCOUNTING SYSTEM

The Finance department is responsible for providing financial and administrative 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 billing, processing of customer payment, customer service, internal auditing, administrative services, human resources, 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 provision of services is financed or recovered primarily through user charges.

BUDGETING CONTROLS

The District views the budget as an essential tool for proper financial management. 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, for the most part, a 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.

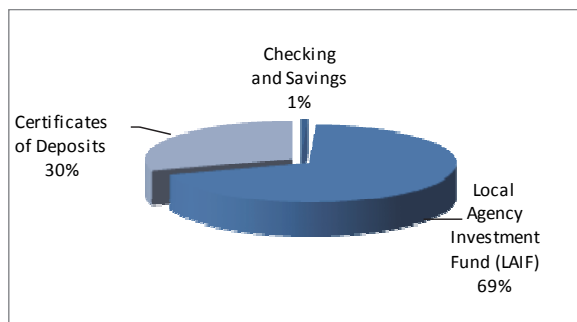
Annual operating water user rates and charges are derived from the annual operating budget and are based on historical seasonal demand, and other internal and external factors impacting the budget. The District maintains two sets of user rates and charges to account for the differing entitlement of the 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 throughout 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 District's investment policy governs the cash management and investment of all District funds. 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 2012-13, the District's fixed income investment portfolio consisted primarily of short-term securities with an average maturity of 297 days or just over 9 ½ months. These securities included the State-managed Local Agency Investment Fund (LAIF) and various Certificates of Deposit (CD's).

At June 30, 2013, the District's cash assets totaled \$4.3 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. In 2003 the District added the worker's compensation coverage under JPIA. During fiscal year 2012-13, 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 low loss history in all of the JPIA programs.

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. All contributions to the Deferred Compensation Plan are employee contributions. 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. In accordance with these and previous Internal Revenue code revisions, all assets in the Plans are held in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not recognized in the accompanying financial statements. As of June 30, 2013, 9 employees were participating in the 457(b) plan with accumulated assets from past and current employees totaling \$321,464.37.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada 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, 2012. This is the fifth 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 August of 2012, the District was formally recognized for having their written investment policy certified by the Association of Public Treasurer's 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. This is the second time the District has received this award.

The Association's Investment Policy Certification Program ("Program") 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.

**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, property and liability programs from 2005 until 2013, 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 or lori@yuimamwd.com.

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 also like to particularly to thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:



Linden A. Burzell,
General Manager

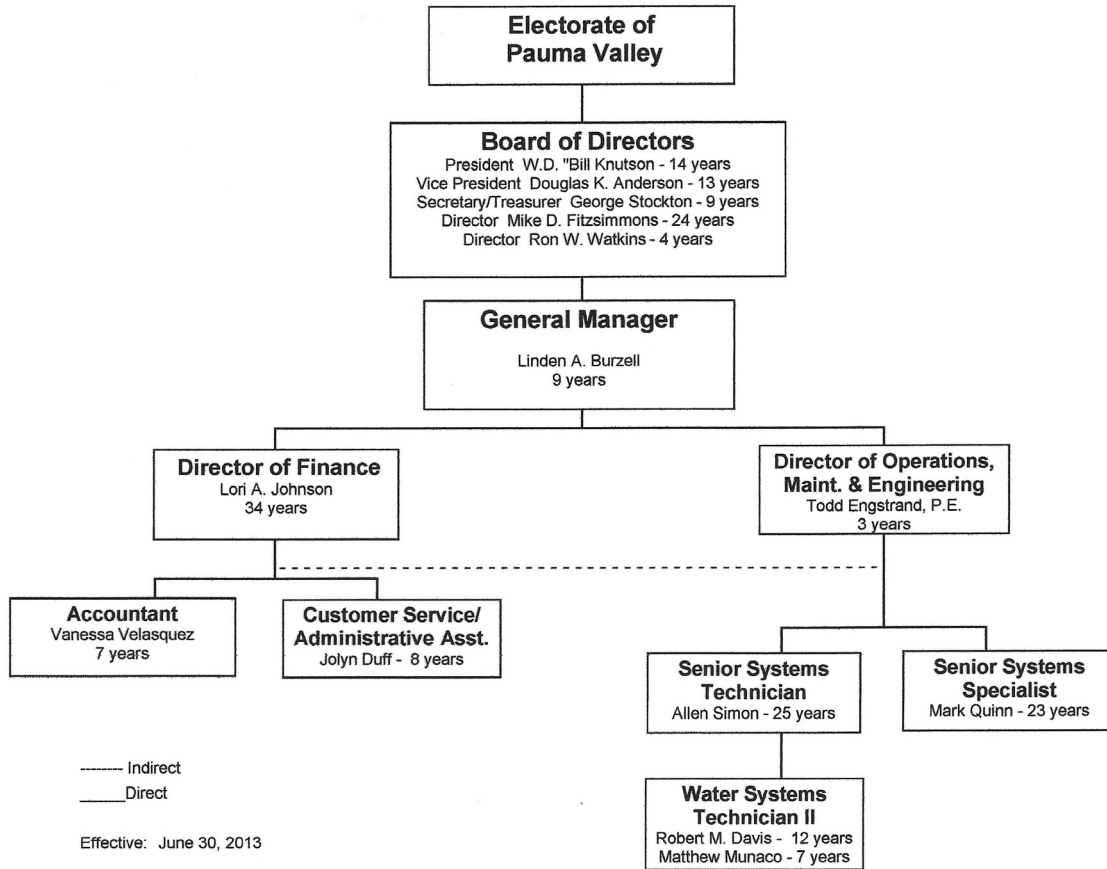


Lori A. Johnson,
Director of Finance

ORGANIZATION CHART

Fiscal Year Ended June 30, 2013

**YUIMA MUNICIPAL WATER DISTRICT
Organizational Chart
With Years of Service**



PRINCIPAL OFFICIALS

Fiscal Year Ended June 30, 2013

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

Todd Engstrand

GENERAL COUNSEL

Jeffrey G. Scott



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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, the business-type activities, and each major fund of the Yuima Municipal Water District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 1B to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 - 12 and 46 - 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Yuima Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yuima Municipal Water District's internal control over financial reporting and compliance.

Jeaman Ramirez & Smith, L.L.C.

Riverside, California
December 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2013

This section of the Yuima Municipal Water District's Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis of the District's financial performance for fiscal year ended June 30, 2013, and includes the Governmental Accounting Standard Board's (GASB) enhanced financial reporting requirements. 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, 2013.

Included in this section are:

- Financial Statement Overview;
- Analysis of Financial Position and Results of Operations;
- Overview of the Accompanying Basic Financial Statements;

The Letter of Transmittal can be found on pages i - ix and should be read in conjunction with the audited financial statements. The audited financial statements are located in the section following the MD&A.

FINANCIAL STATEMENTS OVERVIEW - FISCAL YEAR ENDED JUNE 30, 2013

Statement of Net Position - The Statement of Net Position presents the District's financial position relating to assets and liabilities. Assets in excess of liabilities (Net Position) for fiscal year 2012-13 increased \$259,836 over fiscal year 2011-12, from \$15,458,076 to \$15,717,912, which correlates to the \$259,836 increase as presented on the Statements of Revenues, Expenses, and Changes in Net Position. Of this amount, \$4,493,253 may be used to meet the District's ongoing obligation to citizens and creditors.

Yuima Municipal Water District Net Assets						
	Governmental		Business-type		Total	
	Activities (Fire Protection)		Activities (Water Operations)			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,512	\$ (141)	\$ 5,613,087	\$ 5,192,165	\$ 5,614,599	\$ 5,192,024
Capital assets	-	-	12,914,346	12,681,445	12,914,346	12,681,445
Total Assets	\$ 1,512	\$ (141)	\$ 18,527,433	\$ 17,873,610	\$ 18,528,945	\$ 17,873,469
Long-term liabilities outstanding	\$ -	\$ -	\$ 1,668,351	\$ 1,917,169	\$ 1,668,351	\$ 1,917,169
Other liabilities	-	-	1,142,682	498,224	1,142,682	498,224
Total liabilities	\$ -	\$ -	\$ 2,811,033	\$ 2,415,393	\$ 2,811,033	\$ 2,415,393
Net Position:						
Net Investment in Capital Assets	\$ -	\$ -	\$ 11,224,659	\$ 10,954,646	\$ 11,224,659	\$ 10,954,646
Restricted	-	-	-	-	-	-
Unrestricted	1,512	(141)	4,491,741	4,503,571	4,493,253	4,503,430
Total net position	\$ 1,512	\$ (141)	\$ 15,716,400	\$ 15,458,217	\$ 15,717,912	\$ 15,458,076

Statement of Activities and Changes in Net Position - The Statement of Activities and Changes in Net Position accounts for all activities during the fiscal year. All changes in net position 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.

ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

The District's overall financial position continues to be strong as evidenced by the calculated results of the current, quick, and debt-to-equity ratios. Selected financial ratios are a measurement of how effectively the District can meet its current

obligations. The current ratio (current assets divided by current liabilities) indicates that the District has the ability to pay 6.06 times its current debt from current assets. However, some current assets are not easily converted, or will never be converted to cash (e.g. inventories and prepaid insurance). The quick ratio - quick assets (cash, liquid investments, and accounts receivable) divided by current liabilities - measures how effectively the District can meet obligations with assets readily convertible to cash. Performance of this calculation shows that the District can pay 5.6 times its current obligations with assets readily convertible to cash. The June 30, 2013, debt-to-equity ratio calculations indicate decreases for the current year; they are reflective of year-to-year fluctuations, and are discussed below.

In comparing each of these ratios with the previous fiscal year calculations, the current ratio decreased 0.69 from 6.75 to 6.06, the quick-ratio also decreased 0.5 from 6.1 to 5.6, and the debt-to-equity ratio decreased \$0.81 from \$6.40 to \$5.59. The decrease in the current and quick ratios are attributable to an increase in current liabilities. The decrease in the debt-to-equity ratio is attributed to a increase in total liabilities. As in prior years, the District's current, quick and debt-to-equity ratio calculations continue to reflect significant financial strength.

Analysis of Net Position – Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with Generally Accepted Account Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers’ construction cost. Net Position represent the District’s net worth including, but not limited to, capital contributions received to date and all investment in capital assets since formation. Net Position helps answer the following question: “Is the District, as a whole, better or worse off as a result of this year’s activities?” As reported in the Statements of Net Position, the net position increased between fiscal years ending 2012 and 2013 from \$15,458,217 to 15,716,400. Net investment in capital assets increased \$270,013, and unrestricted net position decreased \$11,830.

Yuima Municipal Water District Change in Net Assets						
	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 51,288	\$ 51,406	\$ 8,444,931	\$ 7,214,477	\$ 8,496,219	\$ 7,265,883
Operating Grants and Contributions	92,842	146,859	-	-	92,842	146,859
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	-	-	372,995	381,697	372,995	381,697
Investment Earnings	11	13	44,587	39,395	44,598	39,408
Other	7,480	8,502	(2,511)	20,007	4,969	28,509
Total Revenues	151,621	206,780	8,860,002	7,655,576	9,011,623	7,862,356
Expenses:						
Fire Protection	149,968	214,549	-	-	149,968	214,549
Water Enterprise	-	-	8,601,819	6,312,177	8,601,819	6,312,177
Total Expenses	149,968	214,549	8,601,819	6,312,177	8,751,787	6,526,726
Increase (Decrease) in Net Position	1,653	(7,769)	258,183	1,343,399	259,836	1,335,630
Net Position - Beginning	(141)	7,628	15,458,217	14,114,818	15,458,076	14,122,446
Net Position - Ending	\$ 1,512	\$ (141)	\$ 15,716,400	\$ 15,458,217	\$ 15,717,913	\$ 15,458,076

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 increase of the Fire Protection Activities net position and fund balance is as follows:

- ▶ The Fire Protection revenues totaling \$151,621 were sufficient to cover the expenditures of \$149,968 resulting in an increase in net assets totaling \$1,653 for the fiscal year. This is largely due to the state calling an early fire season, which resulted in a reduction in our fire contract costs with CalFire.

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.

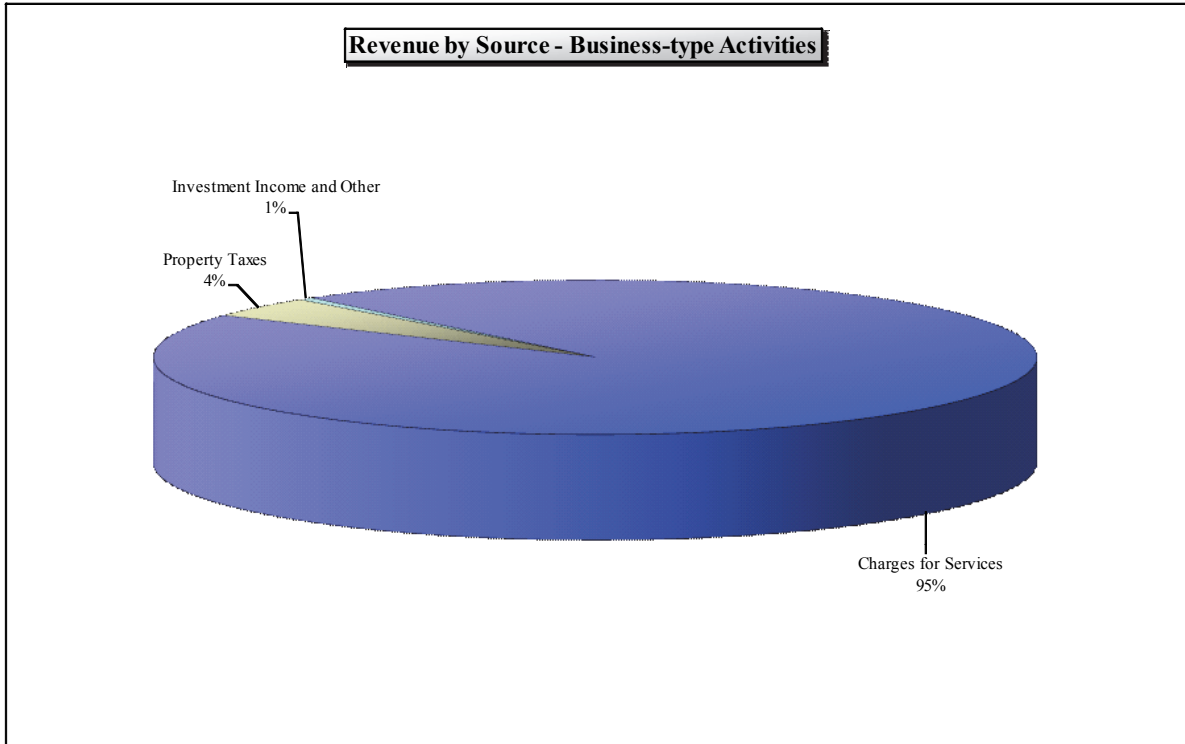
Statement of Revenues, Expenses, and Changes in Net Position - The Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. In accordance with generally accepted accounting principals, revenues are recognized (recorded) when services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the District's core activities. Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest earnings, property taxes, and interest expenses). The operating loss for the year ended June 30, 2013, of \$56,978 is combined with total non-operating revenues of \$667,506 and non-operating expenses of \$213,121 and a prior period adjustment of (\$139,224) to arrive at the increase in net position of \$258,183. The increase in net position is added to the beginning net position of \$15,458,217 to arrive at the ending net position total of \$15,716,400 as of June 30, 2013.

Change in Net Position - The District's operating revenues were \$8,192,496 for the year, \$1,229,068 higher than the previous year due to a 14.6% increase in water consumption due to dry weather conditions over the prior year.

The District's operating expenses increased \$2,029,133 or 32.6% to \$8,249,474. Operating expenses increased due to purchasing 81% more imported water from the San Diego County Water Authority to meet peak demands over the prior year.

The District's investment earnings increased \$5,192 due to a slight increase in the return on investments. The decrease in property taxes, assessments and other contributions in the amount of \$2,053 representing the net of SDG&E incentive payments received in the prior year and JPIA prior year refunds.

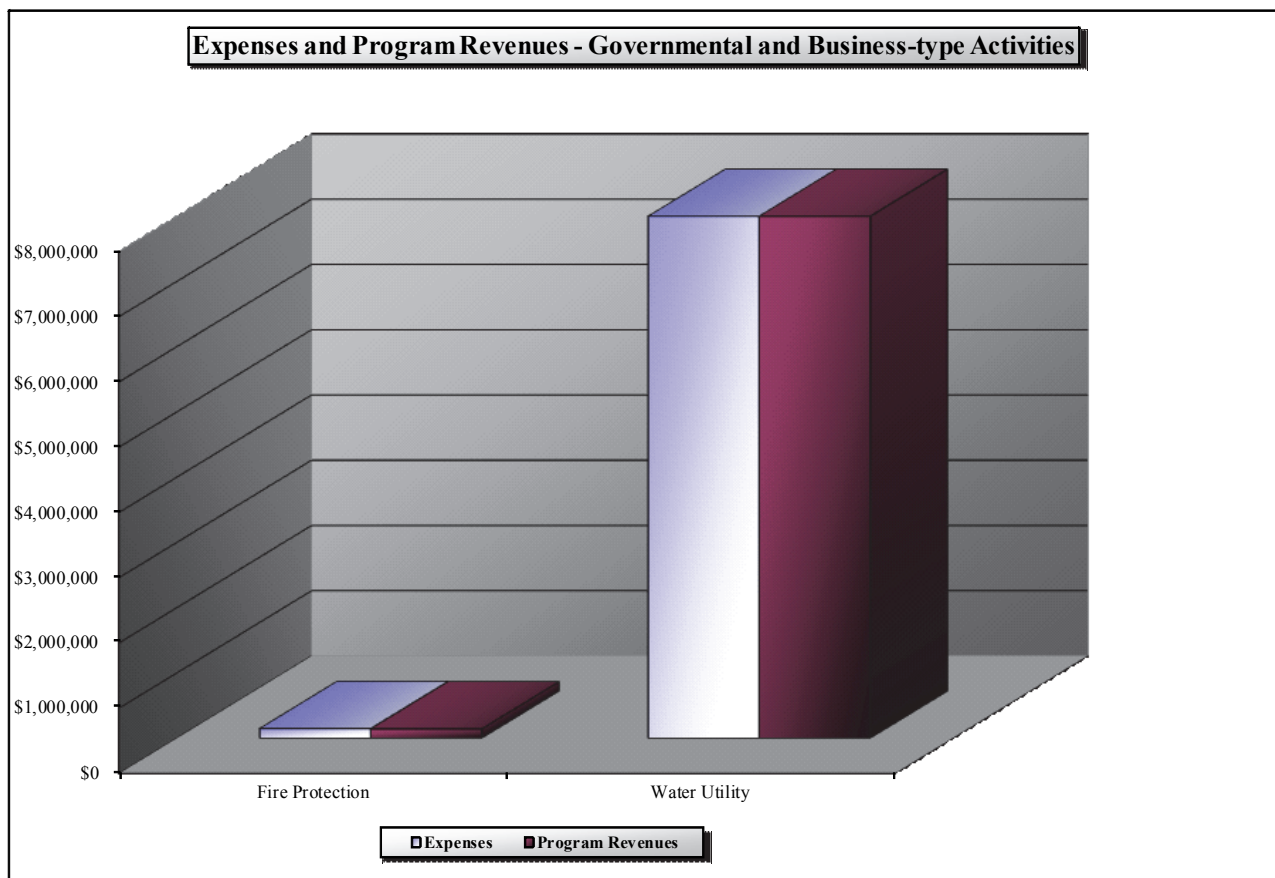
Analysis of Statement of Revenues, Expenses, and Changes in Net Position - Revenues for the year ended June 30, 2013, totaled \$8,860,002, which is an increase of \$1,204,426, or 15.7% from the prior year.



Details of this increase in revenues are as follows:

- Water Sales including associated customer fees and charges increased by \$1,229,068 for this fiscal year ended June 30, 2013. There was a 17.7% increase in the volume of water sold. In 2012-13 6,310 acre feet of water were billed compared to 5,486 acre feet in the prior year.
- Property taxes and assessments decreased by 0.30%, or \$2,053, from 2011-12 to 2012-13 representing the net of SDG&E incentive payments received in the prior year and JPIA prior year refunds.
- Investment earnings was up 13.2%, or \$5,192, from the prior year. The increase is due to a slight increase in the return on investments.
- There were no new meter installations and no related meter capacity fees collected during the year.
- Other non-operating revenues decreased 88.9% or \$27,781 due to miscellaneous revenues.

Expenses for the year ended June 30, 2013, totaled \$8,601,819, which is an increase of \$2,289,642, or 36.2% increase from the prior year. Certain significant expenses are as follows:



- The cost of water sold increased 55.4% over the prior year while water deliveries increased 15%. In the prior year the District purchased and produced a total of 5,537 acre feet of water at an average price of \$695.78 per acre foot. In the current year, the District purchased and produced 6,349 acre feet of water at an average price of \$864 per acre foot, an increase of 24.1% or \$168.22 per acre foot due to having to purchase additional imported water from the San Diego County Water Authority to meet demands. The average price per acre foot is impacted by the fixed components of the Metropolitan Water District of Southern California (Met) and San Diego County Water Authority (SDCWA) rate that the District must pay regardless of water sales. These fixed components include: a capacity reservation charge by Met and customer service and emergency storage program charges by the SDCWA.
- Agricultural discounts received were \$230,622 for fiscal year 2012-13.
- Pumping and energy costs increased \$255,680 due to increased groundwater production cost and booster pumping costs to the higher elevations.
- General Plant expenses increased \$17,266 over the prior year due to required maintenance expenses.
- Depreciation expense in 2012-13 increased 3.8%, or \$18,271, from the prior year.

Schedule of Revenues, Expenses and Change in Net Position
Yuima General District and IDA - Combined

	Proprietary Fund		Increase/	Percent
	2013	2012	(Decrease)	Change
Operating revenues:				
Water sales & Pumping charges	\$7,598,904	\$6,411,120	\$1,187,784	18.5%
Other customer fees and charges	\$593,592	\$552,308	41,284	7.5%
Total operating revenues	<u>8,192,496</u>	<u>6,963,428</u>	<u>1,229,068</u>	<u>17.7%</u>
Operating expenses:				
Cost of water sold	3,919,200	2,522,747	1,396,453	55.4%
Pumping and energy costs	1,468,796	1,243,116	225,680	18.2%
Water Treatment	97,681	86,969	10,712	12.3%
Transmission and distribution	349,865	285,884	63,981	22.4%
Customer services	74,813	78,550	(3,737)	-4.8%
General Plant	78,061	60,795	17,266	28.4%
General and administrative	1,756,221	1,455,714	300,507	20.6%
Depreciation	504,837	486,566	18,271	3.8%
Total operating expenses	<u>8,249,474</u>	<u>6,220,341</u>	<u>2,029,133</u>	<u>32.6%</u>
Operating income (loss)	(56,978)	743,087	(800,065)	-107.7%
Nonoperating revenues:				
Investment earnings	44,587	39,395	5,192	13.2%
Property taxes, assmts, conn fees & leases	619,442	621,495	(2,053)	-0.3%
Other non-operating revenues	3,477	31,258	(27,781)	-88.9%
Total nonoperating revenues	<u>667,506</u>	<u>692,148</u>	<u>(24,642)</u>	<u>-3.6%</u>
Nonoperating expenses:				
Other Non-operating expenses	131,907	10,471	121,436	0.0%
Interest on long term debt	81,214	81,365	(151)	-0.2%
Total nonoperating expenses	<u>213,121</u>	<u>91,836</u>	<u>121,285</u>	<u>132.1%</u>
Revenues over/(under) Expenditures	<u>397,407</u>	<u>1,343,399</u>	<u>(945,992)</u>	<u>-70.4%</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	<u>397,407</u>	<u>1,343,399</u>	<u>(945,992)</u>	<u>-70.4%</u>
Net position, beginning of year -	<u>15,458,217</u>	<u>14,114,818</u>	<u>1,343,399</u>	<u>9.5%</u>
Prior Period Adjustment	<u>(139,224)</u>	<u>-</u>	<u>(139,224)</u>	<u>0.0%</u>
Net Position, Beginning - As Restated	<u>15,318,993</u>	<u>14,114,818</u>	<u>1,204,175</u>	<u>0.0%</u>
Total Net Position, End of year	<u><u>\$15,716,400</u></u>	<u><u>\$15,458,217</u></u>	<u><u>\$258,183</u></u>	<u><u>1.7%</u></u>

**Schedule of Revenues, Expenses and Change in Position
Yuima - General District**

	Proprietary Fund		Increase/ (Decrease)	Percent Change
	2013	2012		
Operating revenues:				
Water sales & Pumping charges	\$2,962,739	\$2,273,185	\$689,554	30.3%
Other customer fees and charges	197,530	195,471	2,059	1.1%
Total operating revenues	<u>3,160,269</u>	<u>2,468,656</u>	<u>691,613</u>	<u>28.0%</u>
Operating expenses:				
Cost of water sold	2,236,362	1,282,773	953,589	74.3%
Pumping and energy costs	363,248	360,172	3,076	0.9%
Water Treatment	34,348	34,028	320	0.9%
Transmission and distribution	140,105	125,982	14,123	11.2%
Customer services	29,845	27,020	2,825	10.5%
General Plant	44,941	32,272	12,669	39.3%
General and administrative	950,855	784,466	166,389	21.2%
Depreciation	214,108	209,120	4,988	2.4%
Total operating expenses	<u>4,013,812</u>	<u>2,855,833</u>	<u>1,157,979</u>	<u>40.5%</u>
Operating income (loss)	(853,543)	(387,177)	(466,366)	120.5%
Nonoperating revenues:				
Investment earnings	26,482	23,408	3,074	13.1%
Property taxes, assmts, conn fees & leases	428,368	438,734	(10,366)	-2.4%
Other non-operating revenues	3,400	19,993	(16,593)	-83.0%
Total nonoperating revenues	<u>458,250</u>	<u>482,135</u>	<u>(23,885)</u>	<u>-5.0%</u>
Nonoperating expenses:				
Other Non-operating expenses	42,389	10,267	32,122	0.0%
Interest on long term debt	19,308	26,618	(7,310)	-27.5%
Total nonoperating expenses	<u>61,697</u>	<u>36,885</u>	<u>24,812</u>	<u>67.3%</u>
Revenues over/(under) Expenditures	(456,990)	58,073	(515,063)	-886.9%
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	<u>(456,990)</u>	<u>58,073</u>	<u>(515,063)</u>	<u>-886.9%</u>
Net position, beginning of year -	<u>6,595,248</u>	<u>6,537,174</u>	<u>58,074</u>	<u>0.9%</u>
Total Net Position, End of year	<u><u>\$6,138,258</u></u>	<u><u>\$6,595,247</u></u>	<u><u>-\$456,989</u></u>	<u><u>-6.9%</u></u>

**Schedule of Revenues, Expenses and Change in Net Position
Improvement District A**

	Proprietary Fund		Increase/ (Decrease)	Percent Change
	2013	2012		
Operating revenues:				
Water sales & Pumping charges	\$4,636,165	\$4,137,935	\$498,230	12.0%
Other customer fees and charges	396,062	356,837	39,225	11.0%
Total operating revenues	<u>5,032,227</u>	<u>4,494,772</u>	537,455	12.0%
Operating expenses:				
Cost of water sold	1,682,838	1,239,974	442,864	35.7%
Pumping and energy costs	1,105,548	882,944	222,604	25.2%
Water Treatment	63,333	52,941	10,392	19.6%
Transmission and distribution	209,760	159,902	49,858	31.2%
Customer services	44,968	51,530	(6,562)	-12.7%
General Plant	33,120	28,523	4,597	16.1%
General and administrative	805,366	671,248	134,118	20.0%
Depreciation	290,729	277,446	13,283	4.8%
Total operating expenses	<u>4,235,662</u>	<u>3,364,508</u>	871,154	25.9%
Operating income (loss)	796,565	1,130,264	(333,699)	-29.5%
Nonoperating revenues:				
Investment earnings	18,105	15,987	2,118	13.2%
Property taxes, assmts, conn fees & leases	191,074	182,761	8,313	4.5%
Other non-operating revenues	77	11,265	(11,188)	-99.3%
Total nonoperating revenues	<u>209,256</u>	<u>210,013</u>	(757)	-0.4%
Nonoperating expenses:				
Other Non-operating expenses	89,518	204	89,314	0.0%
Interest on long term debt	61,906	54,747	7,159	13.1%
Total nonoperating expenses	<u>151,424</u>	<u>54,951</u>	96,473	175.6%
Revenues over/(under) Expenditures	854,397	1,285,326	(430,929)	-33.5%
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	854,397	1,285,326	(430,929)	-33.5%
Net position, beginning of year -	<u>8,862,969</u>	<u>7,577,644</u>	<u>1,285,325</u>	<u>17.0%</u>
Prior Period Adjustment	<u>(139,224)</u>	<u>-</u>	<u>(139,224)</u>	<u>0.0%</u>
Total Net Position, End of year	<u><u>\$9,578,142</u></u>	<u><u>\$8,862,970</u></u>	<u><u>\$715,172</u></u>	<u><u>8.1%</u></u>

Statement of Cash Flows - The Statements of Cash Flows present the amounts of cash provided or used by the District's operating, financing, and investment activities during the reporting period. Every cash flow has been categorized as one of the following activities: operating, noncapital financing, capital and related financing, or investing. 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. 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?" The total of these categories for the year ended June 30, 2013, represents an increase in cash and cash equivalents of \$315,701 which is combined with beginning cash and cash equivalents of \$4,012,546 to arrive at ending cash and cash equivalents of \$4,328,247.

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 21 - 45 of this report. The government-wide financial statements can be found on pages 13 - 15 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.

CAPITAL ASSETS AND CAPITAL PROJECTS

The District's Capital Assets in service at June 30, 2013 totaled \$21,582,812 less \$8,668,466 of accumulated depreciation, for a net book value of \$12,914,346. Additional information on capital assets can be found in Note 3 to the financial statements. Capital Asset additions being depreciated totaled \$568,458 and included the following:

Capital Asset Additions			
	Yuima	IDA	Total
Source of Supply	\$ 9,993	\$ 205,519	\$ 215,512
General Plant Additions	82,264	17,957	100,221
Pumping Plant	100,027	131,757	231,784
Water Treatment	20,941	-	20,941
Pipelines (Transmission & Distribution)	-	-	-
Total	\$ 213,225	\$ 355,233	\$ 568,458

Deletions of Capital Assets being depreciated totaled \$320,689 for retirement of vehicles and other equipment replacements. Also, included in the total reported on the Statement of Net Position is \$616,189 in construction-in-progress reflecting capital projects in various stages of completion. As of June 30, 2013, the following capital projects were in progress:

Construction in Progress	
<u>Yuima</u>	
Forebay Back-up Power	\$ 2,967
VO Well Discharge Line 520' 6"	\$ 13,762
Marshall Line Upsize	<u>\$ 12,285</u>
Total	<u>\$ 29,014</u>
<u>IDA</u>	
Horizontal Well 43	\$ 39,506
East Fork Pipeline Additional 500'	\$ 1,759
IDA Horizontal Well #47	\$ 1,093
Zone 4 Tank Site Grading	\$ 412,069
Zone 4 Tank Pipeline to Kahlstrom Line	\$ 27,570
Zone 4 1.2 MG Tank	\$ 297
Station 4 Renovation	\$ 3,966
Station 6 Demo/Grading/Pump Sta	<u>\$ 100,915</u>
Total	<u>\$ 587,175</u>
Total	<u><u>\$ 616,189</u></u>

The District's capital assets were financed through a combination of current revenues, available reserves from the capital fund and capacity (connection fee) fund, and debt issuances. 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, 2013 all capacity fees collected in prior years have been used for this purpose. Growth in the area is slow to none. There were no new meters set and no capacity fees collected in fiscal year 2012-13. The District does not expect any change in growth in the area for the next few years. The District's CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages.

LONG-TERM DEBT

At the end of the current fiscal year, the Yuima Municipal Water District had total bonded debt outstanding of \$1,503,199, including \$232,778 which is the portion that is due within one year. 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 Eastside Tank with a capacity of 3 million gallons 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, 2013 is as follows:

Schedule of Bond Indebtedness For Fiscal Year Ended 2013

Long-term Debt								
Description	District	Year Issued	Total Bonds Sold	Final Maturity Date	Fixed Interest Rate	Bonds Outstanding (Audited) As of June 30, 2013		
						Current	Long Term	Total
Eastside Tank & Pump Station	Yuima	2004	\$ 1,500,000	2016	3.73%	\$ 71,833	\$ 367,633	\$ 439,466
Tank 8 and Pump Station	IDA	2007	<u>\$ 1,500,000</u>	2022	4.58%	\$ 96,292	\$ 967,441	<u>\$ 1,063,733</u>
Total			<u>\$ 3,000,000</u>			<u>\$ 168,125</u>	<u>\$ 1,335,074</u>	<u>\$ 1,503,199</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 eventually 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. No definitive timetable for the construction of either a Southern or Northern Route pipeline has yet been established.

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 35% of total water delivered during the year 2012-13 to one customer. The same customer has been one of the top ten water consumers in the District for the last 24 years averaging 30% of the District sales.

The District incurred a \$258,183 operating gain during fiscal year 2012-13 as compared to a \$743,087 operating gain during fiscal year 2011-12. In fiscal year 2012-13 the District purchased 34% of the water sold from the San Diego County Water Authority, compared to 21% in fiscal year 2011-12. This resulted in a higher cost of the water purchased and produced.

The drought in California has been declared over due to the increased water storage levels throughout the State and in the Colorado River basin as a result of an extremely wet winter and cool summer during the past twelve months. The long-term water supply shortage still persists.

The District has invested significantly in diversifying its water supply by increasing its local supply through additional wells and local well agreements to reduce its reliance on the high cost imported water supply from the San Diego County Water Authority. Keeping the District’s financial position strong will be critical in the future as increased capital spending will be required.

Governor Brown signed the California Public Employees’ Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The provisions in PEPRA will affect the District’s future defined benefit pension costs with the California Public Employees Retirements System (CalPERS) for new hires after January 1, 2013.

The District has implemented several cost containment strategies to mitigate pension and Other Post Employment Benefit (OPEB) burdens on the District. Yuima MWD employees are now paying 58.7% of the employee’s portion (8%) of District’s pension costs; ultimately employees will pay 100% of that cost in compliance with PEPRA.

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 at www.yuimamwd.com.

Yuima Municipal Water District
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 3,792	\$ 4,328,247	\$ 4,332,039
Accounts Receivable	92,842	735,362	828,204
Taxes Receivable	99	8,250	8,349
Interest Receivable		6,881	6,881
Internal Balances	(95,221)	95,221	0
Inventories		404,637	404,637
Prepays		34,489	34,489
Capital Assets, Not Being Depreciated:			
Land and Improvements		1,300,707	1,300,707
Construction in Progress		616,189	616,189
Capital Assets, Net of Depreciation:			
General Plant		456,012	456,012
Source of Supply		5,237,043	5,237,043
Pumping Plant		1,969,022	1,969,022
Water Treatment Plant		104,626	104,626
Transmission and Distribution Plant		3,230,747	3,230,747
		<u>1,512</u>	<u>18,527,433</u>
Total Assets			<u>18,528,945</u>
LIABILITIES			
Accounts Payable		886,475	886,475
Deposits and Other Liabilities		23,337	23,337
Interest Payable		15,814	15,814
Long-term Liabilities:			
Due Within One Year		301,622	301,622
Due in More Than One Year		1,583,785	1,583,785
		<u>0</u>	<u>2,811,033</u>
Total Liabilities			<u>2,811,033</u>
NET POSITION			
Net Investment in Capital Assets		11,224,659	11,224,659
Unrestricted	1,512	4,491,741	4,493,253
		<u>1,512</u>	<u>15,716,400</u>
Total Net Position	\$	<u>1,512</u>	<u>\$ 15,717,912</u>

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 149,968	\$ 51,288	\$ 92,842	\$
Business-type Activities:				
Water Enterprise	8,462,595	8,438,943		
Total Primary Government	\$ 8,612,563	\$ 8,490,231	\$ 92,842	\$ 0

General Revenues:

Unrestricted Intergovernmental
Investment Earnings
Other

Total General Revenues

Change in Net Position

Total Net Position - Beginning, As Previously Reported

Prior Period Adjustment (Note 13)

Total Net Position - Beginning, As Restated

Total Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (5,838)	\$	\$ (5,838)
	<u>(23,652)</u>	<u>(23,652)</u>
<u>(5,838)</u>	<u>(23,652)</u>	<u>(29,490)</u>
	372,995	372,995
11	44,587	44,598
<u>7,480</u>	<u>3,477</u>	<u>10,957</u>
<u>7,491</u>	<u>421,059</u>	<u>428,550</u>
<u>1,653</u>	<u>397,407</u>	<u>399,060</u>
(141)	15,458,217	15,458,076
	<u>(139,224)</u>	<u>(139,224)</u>
<u>(141)</u>	<u>15,318,993</u>	<u>15,318,852</u>
<u>\$ 1,512</u>	<u>\$ 15,716,400</u>	<u>\$ 15,717,912</u>

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Balance Sheet
Governmental Fund
June 30, 2013

	Fire Protection
ASSETS	
Cash and Investments	\$ 3,792
Accounts Receivable	92,842
Taxes Receivable	99
Total Assets	\$ 96,733
LIABILITIES AND FUND BALANCE	
Liabilities	
Due to Other Funds	\$ 95,221
Total Liabilities	95,221
Fund Balance	
Unassigned	1,512
Total Fund Balance	1,512
Total Liabilities and Fund Balance	\$ 96,733
Fund Balance of Governmental Fund	\$ 1,512
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Reconciling items to the Statement of Net Position	-
Net Position of Governmental Activities	\$ 1,512

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, 2013

	Fire Protection
REVENUES	
Fire Protection Special Tax	\$ 50,715
Mitigation Fees	573
Contributions	92,842
Investment Earnings	11
Miscellaneous	7,480
Total Revenues	151,621
EXPENDITURES	
General and Administrative	2,431
Fire Protection	147,537
Total Expenditures	149,968
Excess (Deficiency) of Revenues Over Expenditures	1,653
Fund Balance, Beginning	(141)
Fund Balance, Ending	\$ 1,512
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,653
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Reconciling items to the Statement of Activities	-
Changes in Net Position of Governmental Activities	\$ 1,653

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Net Position
Proprietary Fund
June 30, 2013

ASSETS

Current Assets:

Cash and Investments	\$ 4,328,247
Accounts Receivable	735,362
Taxes Receivable	8,250
Interest Receivable	6,881
Due from Other Funds	95,221
Inventories	404,637
Prepays	<u>34,489</u>

Total Current Assets	<u>5,613,087</u>
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Noncurrent Assets:

Capital Assets, Not Being Depreciated	1,916,896
Capital Assets, Net of Depreciation	<u>10,997,450</u>

Total Noncurrent Assets	<u>12,914,346</u>
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Total Assets	<u>18,527,433</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	886,475
Compensated Absences - Current Portion	48,930
Deposits and Other Liabilities	23,337
Interest Payable	15,814
Notes Payable - Current Portion	<u>252,691</u>

Total Current Liabilities	<u>1,227,247</u>
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Noncurrent Liabilities:

Compensated Absences	146,790
Notes Payable	<u>1,436,996</u>

Total Noncurrent Liabilities	<u>1,583,786</u>
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Total Liabilities	<u>2,811,033</u>
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NET POSITION

Net Investment in Capital Assets	11,224,659
Unrestricted	<u>4,491,741</u>

Total Net Position	<u>\$ 15,716,400</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 Position
Proprietary Fund
Year Ended June 30, 2013

OPERATING REVENUES

Water Sales and Pumping Charges	\$ 7,598,904
Other Services	<u>593,592</u>
Total Operating Revenues	<u>8,192,496</u>

OPERATING EXPENSES

Purchased Water	3,919,200
Pumping	1,468,796
Water Treatment	97,681
Transmission and Distribution	349,865
Customer Accounts	74,813
General Plant	78,061
General and Administrative	1,756,221
Depreciation	<u>504,837</u>
Total Operating Expenses	<u>8,249,474</u>

Operating Income (Loss)	<u>(56,978)</u>
-------------------------	-----------------

NON-OPERATING REVENUES (EXPENSES)

Property Taxes and Assessments	380,580
Availability Charges	164,731
Lease Income	74,131
Investment Earnings	44,587
Other Non-operating Revenues	3,477
Interest Expense	(81,214)
Other Non-operating Expenses	<u>(131,907)</u>
Total Non-Operating Revenues (Expenses)	<u>454,385</u>

Change in Net Position	<u>397,407</u>
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Total Net Position, Beginning - As Previously Reported	15,458,217
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Prior Period Adjustment (Note 13)	<u>(139,224)</u>
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Total Net Position, Beginning - As Restated	<u>15,318,993</u>
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Total Net Position, Ending	<u><u>\$ 15,716,400</u></u>
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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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 8,141,205
Cash from Other Operating Activities	3,478
Cash Payments to Employees	(1,043,146)
Cash Payments to Suppliers	<u>(6,415,101)</u>
Net Cash Provided by (Used for) Operating Activities	<u>686,436</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Property Taxes	415,267
Availability Charges	164,731
Lease Income	74,131
Advances to Other Funds	<u>55,479</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>709,608</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Notes Payable	186,488
Acquisition of Capital Assets	(1,008,247)
Principal Payments on Capital Debt	(223,600)
Interest Payments on Capital Debt	<u>(81,215)</u>
Net Cash Provided by (Used for) Capital and Related Financing	<u>(1,126,574)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>46,231</u>
Net Cash Provided by (Used for) Investing Activities	<u>46,231</u>

Net Increase (Decrease) in Cash and Cash Equivalents	315,701
Cash and Cash Equivalents - Beginning of Year	<u>4,012,546</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,328,247</u></u>

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used for) Operating Activities:	
Net Operating Income (Loss)	\$ (56,978)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by (Used for) Operating Activities:	
Depreciation	504,837
Miscellaneous Revenues	3,478
Miscellaneous Expenses	(622)
(Increase) Decrease in Accounts Receivable	(60,803)
(Increase) Decrease in Inventory	(133,377)
(Increase) Decrease in Prepaids	(2,851)
Increase (Decrease) in Accounts Payable	417,890
Increase (Decrease) in Compensated Absences	5,350
Increase (Decrease) in Deposits and Other Liabilities	<u>9,512</u>
Total Cash Provided by (Used for) Operating Activities	<u><u>\$ 686,436</u></u>

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

<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, 2013

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 to improve the delivery of agricultural and domestic water services, and to facilitate the acquisition of a supplemental water supply from the Metropolitan Water District of California 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" (IDA) was originally known as Rossmoyne Villages ("Rossmoyne"). The Palomar Mutual Water Company ("Palomar Mutual") became Rossmoyne's successor in interest through an agreement dated February 11, 1948. In turn, Palomar Mutual transferred all of its water rights, lands and water system, together with its functions and obligations, to the District in April, 1968.

Among the transferred obligations was a stipulated judgment (*Strub et al. v Palomar* or "*Strub et al.*"), filed November 10, 1953 and later modified, that provides for the net delivery to IDA of no more than 1,350 acre-feet of water per calendar year from the San Luis Rey River upstream of Cole Grade Road.

The District, as successor in interest to Palomar Mutual, continues to operate IDA as an independent water system (California State System No. 3700938). While the District is responsible for administering IDA's compliance with *Strub et al.*, that stipulated judgment does not affect or bind the 70% of the District which is outside of IDA and which operates under a separate system permit (California State System No. 3701408).

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, 2013 are as follows:

Name	Title	Term Expiration
W.D. "Bill" Knutson	President	January 2015
Douglas K. Anderson	Vice President	January 2015
George Stockton	Secretary/Treasurer	January 2017
Mike Fitzsimmons	Director	January 2017
Ron W. Watkins	Director	January 2017

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement also provides guidance for governments that are operators in an SCA. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Currently, this statement has no effect on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Currently, this statement has no effect on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 62

In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.” This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, thereby eliminating the election provided in

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental Accounting Standards Board Statement No. 62 - Continued

paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position, formerly net assets, in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District has implemented GASB No. 63 which is reflected in the District's financial statements.

Governmental Accounting Standards Board Statement No. 64

In June of 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Statement No. 64 provides guidance for accounting and reporting when interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 clarifies the accounting treatment when this occurs. Statement No. 64 is effective for periods beginning after June 15, 2011. Currently, the District has no investments with derivatives.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental Accounting Standards Board Statement No. 65 - Continued

elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The District has elected to early implement GASB No. 65 and currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*. Statement No. 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal fund type. This statement also amends Statement No. 62, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Statement No. 66 is effective for periods beginning after December 15, 2012. The District has elected not to early implement GASB No. 66 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. This statement was issued to improve the financial reporting by state and local governmental pension plans. The statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trust or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trust covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. Statement No. 67 is effective for periods beginning after June 15, 2013. The District has elected not to early implement GASB No. 67 and has not determined its effect on the District's financial statements.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The District has elected not to early implement GASB No. 68 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement was issued to improve the financial reporting by state and local governments for government combinations and disposals of government operations. The term *government combinations* is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfer of operations may be present in shared service arrangements, reorganizations, redistricting, annexations and arrangements in which an operation is transferred to a new government created to provide those services. In addition to providing guidance for reporting such activity, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for periods beginning after December 15, 2013. The District has elected not to early implement GASB No. 69 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 70

In April of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement was issued to improve the recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. Statement No. 70 is effective for periods beginning after June 15, 2013. The District has elected not to early implement GASB No. 70 and has not determined its effect on the District's financial statements.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 Position 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then use unrestricted resources as they are needed.

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

The District has one governmental fund that provides fire protection services through the California Department of Forestry. These services are paid for through special assessments. 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.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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 earnings" 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 earnings" account on the Statement of Activities and the Statement of Revenues, Expenses and Changes in Net Position 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, 2013, the District reported water sales to one customer which totaled approximately 35% 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.

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.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the District 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. Water inventory has been added this fiscal year and is stated at its purchase cost using first in, first out method.

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. Capital assets purchased in excess of \$2,000 are capitalized if they have an expected useful life greater than one year.

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) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation, sick, comp and other leave benefits. Sick leave, upon termination, separation or retirement will be paid out at a rate of 50% of the accumulated balance. All other leave balances are paid 100% upon termination, separation or retirement. The accrued liabilities for compensated absences are reflected in the government-wide and proprietary fund financial statements. Currently, there are no compensated absences associated with the governmental activities.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District does not have any type of these items as of June 30, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the District does not have any type of these items as of June 30, 2013.

P) Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred inflow of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Q) Fund Equity

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then use unrestricted resources as they are needed. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (ordinance) by the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Q) Fund Equity - Continued

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given. The Board of Directors has by resolution the authority to assign fund balance. However, unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

R) 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

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.

S) 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.

T) 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. Actual results could differ from those estimates.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

2) CASH AND INVESTMENTS

Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ <u>4,332,039</u>

Cash and investments consist of the following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	1,328,413
Investments	<u>3,003,126</u>
Total Cash and Investments	\$ <u>4,332,039</u>

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

The table below identifies the investment types that are authorized by the District'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	1 year	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 rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

As of June 30, 2013, the District had the following investments:

			<u>Maturity Date</u>	<u>Weighted Average Maturity (Years)</u>
State Investment Pool (LAIF)	\$	3,003,126	N/A	0.65

*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.

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.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				AAA	Aa	Not Rated
State Investment Pool (LAIF)	\$	3,003,126	N/A	\$	\$	\$ 3,003,126

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 provisions for deposits and investments: 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. Negotiable certificates of deposits must be fully insured and have a rating of satisfactory or better.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of June 30, 2013, 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, 2013 was 0.24%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2013 was \$58,812,406,570 and \$58,828,474,533, respectively. The District's share of the Pool at June 30, 2013 was approximately 0.005106 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 \$50,000,000 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 \$400,000,000 and \$753,400,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

3) CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land and Improvements	\$ 1,300,707	\$	\$	\$ 1,300,707
Construction in Progress	<u>87,209</u>	<u>576,683</u>	<u>47,703</u>	<u>616,189</u>
Total Capital Assets				
Not Depreciated	<u>1,387,916</u>	<u>576,683</u>	<u>47,703</u>	<u>1,916,896</u>
Capital Assets, Being Depreciated:				
General Plant	1,596,053	100,221	24,253	1,672,021
Source of Supply	6,794,878	215,512	100,005	6,910,385
Pumping Plant	3,102,425	231,784	196,431	3,137,778
Water Treatment Plant	153,211	20,941		174,152
Transmission and Distribution Plant	<u>7,771,580</u>			<u>7,771,580</u>
Total Capital Assets Being Depreciated	<u>\$ 19,418,147</u>	<u>\$ 568,458</u>	<u>\$ 320,689</u>	<u>\$ 19,665,916</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

3) CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation:				
General Plant	\$ (1,153,356)	\$ (78,807)	\$ (16,154)	\$ (1,216,009)
Source of Supply	(1,543,531)	(135,299)	(5,488)	(1,673,342)
Pumping Plant	(1,137,601)	(109,726)	(78,571)	(1,168,756)
Water Treatment Plant	(65,289)	(4,237)		(69,526)
Transmission and Distribution Plant	<u>(4,364,065)⁽¹⁾</u>	<u>(176,768)</u>		<u>(4,540,833)</u>
Total Accumulated Depreciation	<u>(8,263,842)</u>	<u>(504,837)</u>	<u>(100,213)</u>	<u>(8,668,466)</u>
Total Capital Assets Being Depreciated, Net	<u>11,154,305</u>	<u>63,621</u>	<u>220,476</u>	<u>10,997,450</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 12,542,221</u>	<u>640,304</u>	<u>268,179</u>	<u>\$ 12,914,346</u>

⁽¹⁾The beginning balance for accumulated depreciation of the Transmission and Distribution Plant includes a prior period adjustment of \$139,224 (see Note 13).

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

Business-type Activities:	
Water Enterprise	\$ 504,837

4) LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences (Note 1)	\$ 190,370	\$ 52,943	\$ 47,594	\$ 195,719	\$ 48,930
Note Payable:					
2004 Installment Note	575,456		135,990	439,466	141,109
2007 Installment Note	1,151,343		87,610	1,063,733	91,669
2013 Station 1 Note	0	120,393	9,029	111,364	12,039
2013 Station 4 Note	<u>0</u>	<u>78,753</u>	<u>3,628</u>	<u>75,125</u>	<u>7,875</u>
Total	<u>\$ 1,917,169</u>	<u>\$ 252,089</u>	<u>\$ 283,851</u>	<u>\$ 1,885,407</u>	<u>\$ 301,622</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

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 semi-annual installments ranging from \$50,124 to \$76,669, commencing October 21, 2004, through April 21, 2016. The agreement requires that water system revenues be maintained at levels such 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.

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 141,109	\$ 15,089	\$ 156,198
2015	146,422	9,776	156,198
2016	<u>151,935</u>	<u>4,263</u>	<u>156,198</u>
Total	<u>\$ 439,466</u>	<u>\$ 29,128</u>	<u>\$ 468,594</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 semi-annual installments ranging from \$35,325 to \$68,115, commencing January 15, 2008, through July 15, 2022. The agreement requires the District to maintain the pledged net system revenues at least equal to one hundred twenty five percent (125%) of the annual debt service for such fiscal year.

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 91,669	\$ 47,681	\$ 139,350
2015	95,915	43,435	139,350
2016	100,358	38,992	139,350
2017	105,007	34,343	139,350
2018	109,872	29,478	139,350
2019-2023	<u>560,912</u>	<u>66,162</u>	<u>627,074</u>
Total	<u>\$ 1,063,733</u>	<u>\$ 260,091</u>	<u>\$ 1,323,824</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

4) LONG-TERM LIABILITIES - Continued

Notes Payable - 2013 Station 1 Note - In August 2012, the District entered into an On-Bill Financing agreement with San Diego Gas & Electric Company for \$120,393 with no interest. The imputed interest on the loan was not significant to the note payable. The agreement is to provide financing for Station 1 improvements that will provide energy efficiency savings.

The payments are due in monthly installments on the District's utility bills from San Diego & Electric Company of \$1,003, commencing September 4, 2012 through September 4, 2022.

<u>For the Year</u> <u>Ended June 30,</u>	<u>Payment</u>
2014	\$ 12,039
2015	12,039
2016	12,039
2017	12,039
2018	12,039
2019 - 2023	<u>51,169</u>
Total	<u>\$ 111,364</u>

Notes Payable - 2013 Station 4 Note - In January 2013, the District entered into an On-Bill Financing agreement with San Diego Gas & Electric Company for \$78,753 with no interest. The imputed interest on the loan was not significant to the note payable. The agreement is to provide financing for Station 4 improvements that will provide energy efficiency savings. The payments are due in monthly installments on the District's utility bills from San Diego & Electric Company of \$656, commencing February 1, 2013 through February 1, 2023.

<u>For the Year</u> <u>Ended June 30,</u>	<u>Payment</u>
2014	\$ 7,875
2015	7,875
2016	7,875
2017	7,875
2018	7,875
2019 - 2023	<u>35,750</u>
Total	<u>\$ 75,125</u>

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 \$1,792,418 payable through fiscal year 2023. For the current year, principal and interest paid by the operating revenues were \$223,600 and \$71,948, respectively.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

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), a cost-sharing multiple-employer public employee defined benefit pension plan. The District began participation in the pension plan on December 16, 2001. 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 pay a portion of the required participant contributions on behalf of its employees. The District pays 4.8% of the required 8% of the participant's annual covered salary for its employees. 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, 2013 was 30.586%. 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 2012-2013, the District's annual pension cost for miscellaneous employees, of \$314,864 for PERS was equal to the District's required and actual contributions. The required contribution for fiscal year 2012-2013 was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

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</u> <u>Year</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>
6/30/11	\$ 281,744	100%
6/30/12	\$ 301,917	100%
6/30/13	\$ 314,864	100%

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In May 2000, the District Board of Directors approved and adopted a postemployment healthcare plan ("the Retiree Health Benefit Plan") for the benefit of its management employees to be effective July 1, 2000. The plan is permitted under Government Code Section 53200 et. Seq. The Board of Directors amended the plan on April 25, 2011 to a defined contribution plan effective July 1, 2011 for new management employees. Participants in the plan as of June 30, 2011 will continue to receive benefits under the defined benefit plan's provisions prior to this amendment.

In September 2010, the District established an irrevocable trust fund through the California Public Employees' Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Under the defined contribution plan, contributions to the plan are made solely by the District. The District contributes 100% of the health insurance premiums for an eligible retirement management employee and spouse, not to exceed:

- \$320 per month for retiree and spouse coverage;
- \$200 per month for retiree only coverage; and
- \$160 per month for retiree's spouse only coverage.

The District's contribution toward the health insurance premiums will cease when the retired management employee and spouse reach age 65. For the fiscal year ended June 30, 2013, the District made \$115,300 contributions to the Plan representing the District's 2013 annual required contributions to fund the trust. The District, currently, has two retirees receiving benefits from the plan.

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.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

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	\$	110,273
Interest on Net OPEB Obligation		-
Adjustments to Annual Required Contribution		<u>5,027</u>
Annual OPEB Cost (Expense)		115,300
Contributions Made		<u>(115,300)</u>
Increase (Decrease) in Net OPEB Obligation		-
Net OPEB Obligation - Beginning of Year		<u>-</u>
Net OPEB Obligation - End of Year	\$	<u><u>-</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

THREE-YEAR TREND INFORMATION				
Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net Obligation	
6/30/11	\$ 152,869	100.0%	\$	-
6/30/12	\$ 113,646	100.0%	\$	-
6/30/13	\$ 115,300	100.0%	\$	-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$	1,355,558
Actuarial Value of Plan Assets	\$	822,227
Unfunded Actuarial Accrued Liability (UAAL)	\$	533,331
Funded Ratio (Actuarial Value of Plan Assets/AAL)		60.7%
Covered Payroll (Active Plan Members)	\$	541,763
UAAL as a Percentage of Covered Payroll		98.4%

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

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. Through CERBT, the District is required to perform an actuarial valuation every two years.

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 September 2012. These reports used information from the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.7 percent initially, increased to an ultimate rate of 6.7 percent after six years, was used.

Health Insurance Premiums - 2013 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, 2013

6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Methods and Assumptions - Continued

Inflation Rate - The expected long-term inflation assumption of 4.0 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 using the CalPERS CERBT Asset Allocation Strategy 1, a discount rate of 7.61 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, 2013, 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 two investment group contracts, Valic and CalPERS, which offer a variety of variable rates. 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 2013 was \$17,000 per participant and is \$17,000 for the calendar year 2012; 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.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2013

9) NET POSITION - DESIGNATED

In addition to the regulatory restrictions imposed by state law, the Board of Directors by resolution allocated and designated unrestricted net position balances for business-type activities 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	\$ 906,131	\$ 231,734	\$ -	\$ 1,137,865
Minimum Operating Reserve	2,474,986	-	348,854	2,126,132
Continuing Capital Projects	553,773	820,000	726,531	647,242
Vehicle Replacement	378,311	6,470	-	384,781
Employee Benefit Requirements	<u>190,370</u>	<u>5,350</u>	<u>-</u>	<u>195,720</u>
Total	<u>\$ 4,503,571</u>	<u>\$ 1,063,554</u>	<u>\$ 1,075,385</u>	<u>\$ 4,491,740</u>

10) JOINT VENTURE

On June 18, 1976, the District entered into a joint powers agreement for fire protection services with Pauma Municipal Water District and Mootamai Municipal Water District. The fire protection services are provided by the California Department of Forestry. The District under the agreement is responsible for administrating these services and determining each district's proportionate share. This activity is reflected in the financial statements in the fire protection governmental fund.

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. The District's insurance expense for year ended June 30, 2013 was \$37,122. 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, 2013

12) COMMITMENTS AND CONTINGENCIES

Legal

On May 17, 2013, the Rancho Pauma Mutual Water Company filed suit against the District in Superior Court to enforce certain claimed rights under a case entitled **Peter Michael Strub, et al. v Palomar Mutual Water Company**. Rancho Pauma and the District are, respectively, successors in interest to the original parties named above in this case, which was decided over sixty years ago and over which the Superior Court has retained continuing jurisdiction. Rancho Pauma asserts that the original decision, as subsequently modified, forbids, *inter alia*, the District from taking more than 1,350 acre-feet per year from a defined groundwater basin in Pauma Valley for use anywhere within the boundaries of the District. The District maintains that the Strub case applies only to usage within the former boundaries of the Palomar Mutual Water Company, which is now incorporated in the District as Improvement District A (“IDA”). If the case is ultimately decided against the District, the probable result will be an increase in the total amount of imported water that the District will need to import to satisfy the demands of its non-IDA customers and a correlative increase in costs leading to an increase in water rates.

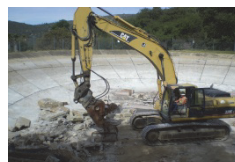
Economic Dependency

For fiscal year ended June 30, 2013, 33.5% of water sold by the District is purchased from the San Diego Water Authority and 66.5% 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.

13) PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$139,224 is to adjust accumulated depreciation for transmission and distribution capital assets. This amount relates to depreciation not calculated in prior years on certain assets.

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REQUIRED SUPPLEMENTARY INFORMATION

Yuima Municipal Water District
Schedule of Funding Progress for OPEB
Year Ended June 30, 2013

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, 2010	\$ -	\$ 1,224,245	\$ 1,224,245	0.0%	\$ 509,222	240.4%
June 30, 2011	\$ 553,428	\$ 1,213,410	\$ 659,982	45.6%	\$ 509,961	129.4%
June 30, 2013	\$ 822,227	\$ 1,355,558	\$ 533,331	60.7%	\$ 541,763	98.4%

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, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Fire Protection Special Tax	\$ 50,100	\$ 50,100	\$ 50,715	\$ 615
Mitigation Fees			573	573
Contributions	175,659	175,659	92,842	(82,817)
Investment Earnings			11	11
Miscellaneous	8,000	8,000	7,480	(520)
Total Revenues	<u>233,759</u>	<u>233,759</u>	<u>151,621</u>	<u>(82,138)</u>
EXPENDITURES				
General and Administration	2,589	2,589	2,431	158
Fire Protection	<u>225,715</u>	<u>225,715</u>	<u>147,537</u>	<u>78,178</u>
Total Expenditures	<u>228,304</u>	<u>228,304</u>	<u>149,968</u>	<u>78,336</u>
Excess of Revenues Over Expenditures	<u>\$ 5,455</u>	<u>\$ 5,455</u>	1,653	<u>\$ (3,802)</u>
Fund Balance - Beginning of Year			<u>(141)</u>	
Fund Balance - End of Year			<u>\$ 1,512</u>	

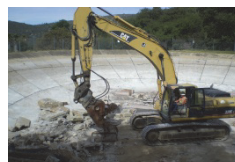
Yuima Municipal Water District
Notes to Required Supplementary Information
Year Ended June 30, 2013

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.

The appropriated budget is prepared by fund and object. The General Manager may make transfers of appropriations within the fund up to \$15,000. Any other changes, requires the approval of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object level (salaries and wages, purchased water, etc.).

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STATISTICAL SECTION

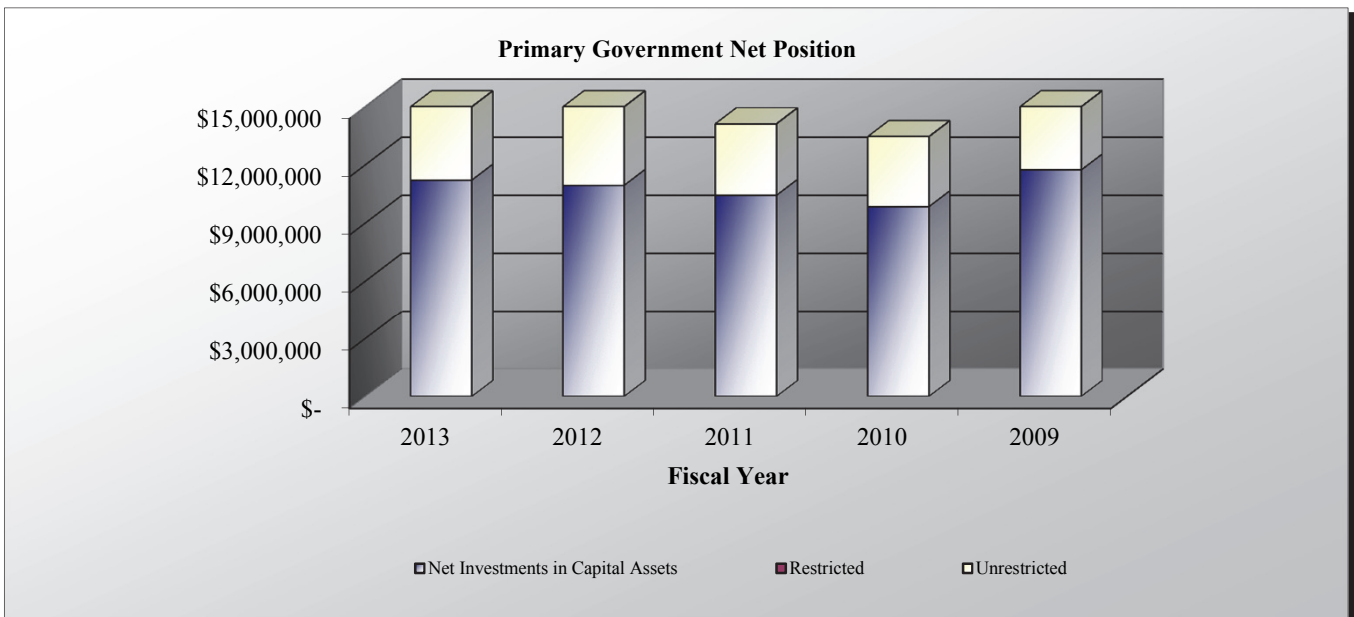
This part of the Yuima Municipal Water District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	49
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	56
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	62
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	66
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	69

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

Page 1 of 2

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental Activities:					
Net Investments in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	1,512	(141)	7,628	10,276	14,997
Total Governmental Activities Net Position	\$ 1,512	\$ (141)	\$ 7,628	\$ 10,276	\$ 14,997
Business - type Activities					
Net Investments in Capital Assets	\$ 11,224,659	\$ 10,954,646	\$ 10,441,399	\$ 9,851,232	\$ 11,745,488
Restricted	-	-	-	-	-
Unrestricted	4,491,741	4,503,571	3,673,419	3,594,996	3,833,288
Total Business-type Activities Net Position	\$ 15,716,400	\$ 15,458,217	\$ 14,114,818	\$ 13,446,228	\$ 15,578,776
Primary Government					
Net Investments in Capital Assets	\$ 11,224,659	\$ 10,954,646	\$ 10,441,399	\$ 9,851,232	\$ 11,745,488
Restricted	-	-	-	-	-
Unrestricted	4,493,253	4,503,430	3,681,047	3,605,272	3,848,285
Total Primary Government Net Position	\$ 15,717,912	\$ 15,458,076	\$ 14,122,446	\$ 13,456,504	\$ 15,593,773



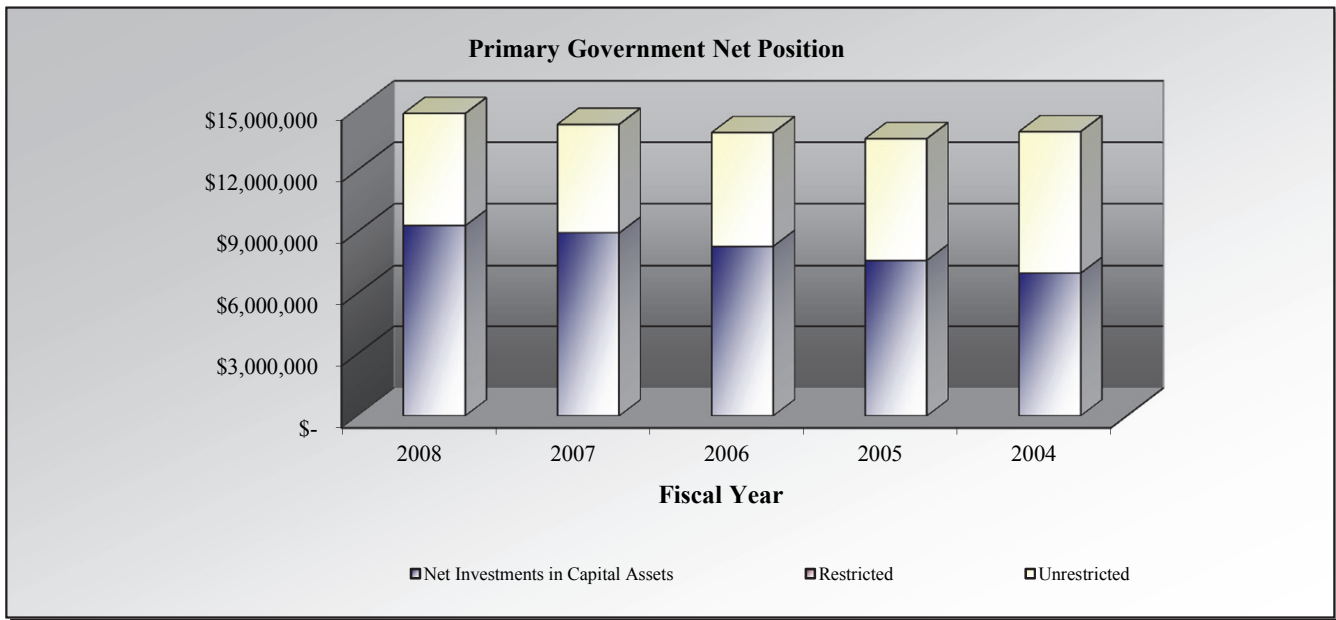
Source: Yuima Municipal Water District

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

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

Page 2 of 2

	Fiscal Year				
	2008	2007	2006	2005	2004
Governmental Activities:					
Net Investments in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	250,617	241,565	226,557	233,232	188,191
Total Governmental Activities Net Position	\$ 250,617	\$ 241,565	\$ 226,557	\$ 233,232	\$ 188,191
Business - type Activities					
Net Investments in Capital Assets	\$ 9,297,688	\$ 8,947,575	\$ 8,295,589	\$ 7,613,682	\$ 6,984,703
Restricted	-	-	-	-	-
Unrestricted	5,209,324	5,046,011	5,303,896	5,697,144	6,704,573
Total Business-type Activities Net Position	\$ 14,507,012	\$ 13,993,586	\$ 13,599,485	\$ 13,310,826	\$ 13,689,276
Primary government					
Net Investments in Capital Assets	\$ 9,297,688	\$ 8,947,575	\$ 8,295,589	\$ 7,613,682	\$ 6,984,703
Restricted	-	-	-	-	-
Unrestricted	5,459,941	5,287,576	5,530,453	5,930,376	6,892,764
Total Primary Government Net Position	\$ 14,757,629	\$ 14,235,151	\$ 13,826,042	\$ 13,544,058	\$ 13,877,467



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 Position
Last Ten Fiscal Years

Page 1 of 2

	Fiscal Year				
	2013	2012	2011	2010	2009
Expenses					
Governmental Activities:					
Fire Protection	\$ 149,968	\$ 214,549	\$ 235,432	\$ 221,085	\$ 342,006
Total Governmental Activities Expenses	<u>149,968</u>	<u>214,549</u>	<u>235,432</u>	<u>221,085</u>	<u>342,006</u>
Business-type activities:					
Water Activities	8,462,595	6,312,177	6,535,139	7,667,445	6,629,393
Interest on Long-term Debt	-	-	-	-	111,912
Total Business-type Activities Expenses	<u>8,462,595</u>	<u>6,312,177</u>	<u>6,535,139</u>	<u>7,667,445</u>	<u>6,741,305</u>
Total Primary Government Expenses	<u>\$ 8,612,563</u>	<u>\$ 6,526,726</u>	<u>\$ 6,770,571</u>	<u>\$ 7,888,530</u>	<u>\$ 7,083,311</u>
Program Revenues					
Governmental Activities:					
Charges for Services - Fire Protection	\$ 51,288	\$ 51,406	\$ 49,763	\$ 51,727	\$ 55,855
Operating Grants & Contributions - Fire Protection	92,842	146,859	174,094	155,075	34,840
Capital Grants and Contributions - Fire Protection	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>144,130</u>	<u>198,265</u>	<u>223,857</u>	<u>206,802</u>	<u>90,695</u>
Business-type Activities:					
Charges for Services - Water Activities	8,438,943	7,196,652	6,763,277	6,815,249	6,811,581
Operating Grants & Contributions - Water Activities	-	-	-	-	-
Capital Grants & Contributions - Water Activities	-	-	-	-	440,271
Total Business-type Activities Program Revenues	<u>8,438,943</u>	<u>7,196,652</u>	<u>6,763,277</u>	<u>6,815,249</u>	<u>7,251,852</u>
Total Primary Government Program Revenues	<u>\$ 8,583,073</u>	<u>\$ 7,394,917</u>	<u>\$ 6,987,134</u>	<u>\$ 7,022,051</u>	<u>\$ 7,342,547</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,838)	\$ (16,284)	\$ (11,575)	\$ (14,282)	\$ (251,311)
Business-type Activities	(23,652)	884,475	228,138	(852,196)	510,547
Total Primary Government Net (Expense)/Revenue	<u>\$ (29,490)</u>	<u>\$ 868,191</u>	<u>\$ 216,563</u>	<u>\$ (866,478)</u>	<u>\$ 259,236</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	11	13	22	38	1,905
Other	7,480	8,502	8,905	9,523	13,786
Total Governmental Activities	<u>7,491</u>	<u>8,515</u>	<u>8,927</u>	<u>9,561</u>	<u>15,691</u>
Business-type Activities:					
Property Taxes	372,995	388,271	381,507	396,197	429,668
Investment Earnings	44,587	39,395	46,694	60,929	130,217
Other	3,477	31,258	12,251	5,717	1,332
Special Item (Note 13)	(139,224)	-	-	(1,743,195)	-
Total Business-type Activities	<u>281,835</u>	<u>458,924</u>	<u>440,452</u>	<u>(1,280,352)</u>	<u>561,217</u>
Total Primary Government	<u>\$ 289,326</u>	<u>\$ 467,439</u>	<u>\$ 449,379</u>	<u>\$ (1,270,791)</u>	<u>\$ 576,908</u>
Change in Net Position					
Governmental Activities	\$ 1,653	\$ (7,769)	\$ (2,648)	\$ (4,721)	\$ (235,620)
Business-type Activities	258,183	1,343,399	668,590	(2,132,548)	1,071,764
Total Primary Government	<u>\$ 259,836</u>	<u>\$ 1,335,630</u>	<u>\$ 665,942</u>	<u>\$ (2,137,269)</u>	<u>\$ 836,144</u>

Source: Yuima Municipal Water District

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

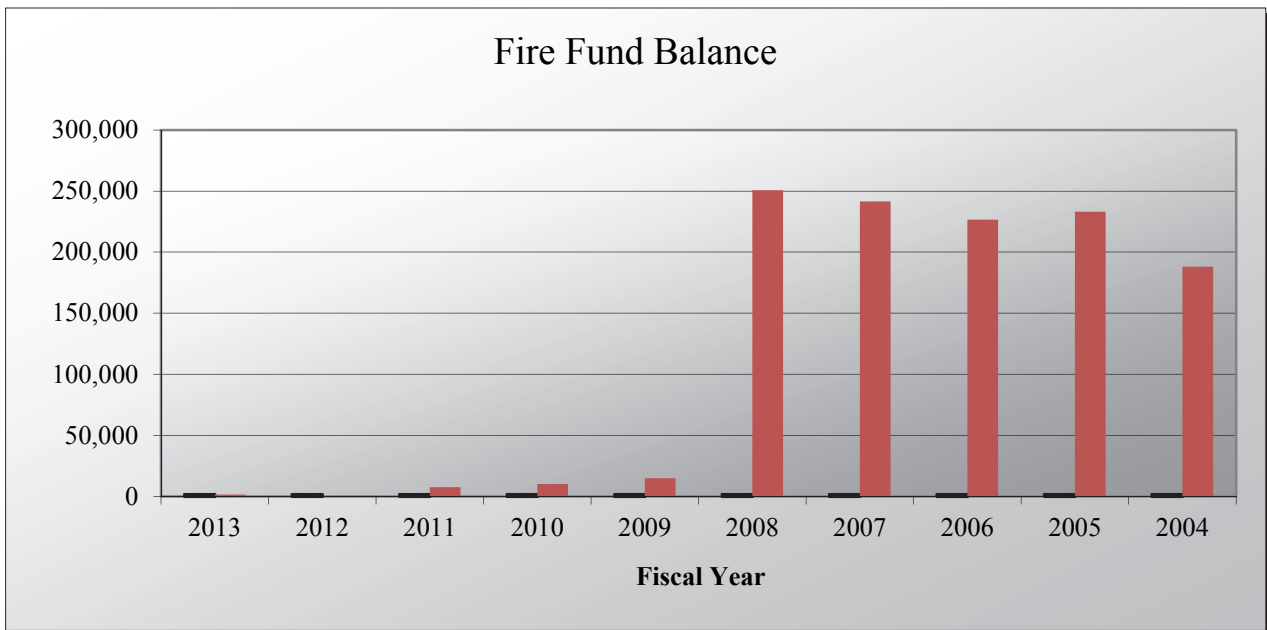
Page 2 of 2

	Fiscal Year				
	2008	2007	2006	2005	2004
Expenses					
Governmental Activities:					
Fire Protection	\$ 144,288	\$ 55,288	\$ 98,633	\$ 68,300	\$ 45,490
Total Governmental Activities Expenses	<u>144,288</u>	<u>55,288</u>	<u>98,633</u>	<u>68,300</u>	<u>45,490</u>
Business-type activities:					
Water Activities	7,386,450	7,334,519	6,001,789	5,375,827	6,032,769
Interest on Long-term Debt	90,019	46,529	50,652	54,354	9,810
Total Business-type Activities Expenses	<u>7,476,469</u>	<u>7,381,048</u>	<u>6,052,441</u>	<u>5,430,181</u>	<u>6,042,579</u>
Total Primary Government Expenses	<u>\$ 7,620,757</u>	<u>\$ 7,436,336</u>	<u>\$ 6,151,074</u>	<u>\$ 5,498,481</u>	<u>\$ 6,088,069</u>
Program Revenues					
Governmental Activities:					
Charges for Services	\$ 51,000	\$ 61,585	\$ 59,070	\$ 50,028	\$ 54,613
Operating Grants and Contributions	87,926	-	46,236	40,324	-
Capital Grants and Contributions	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>138,926</u>	<u>61,585</u>	<u>105,306</u>	<u>90,352</u>	<u>54,613</u>
Business-type Activities:					
Charges for Services	6,918,807	6,675,823	5,736,423	4,491,018	5,401,434
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	170,820	-	-	-	-
Total Business-type Activities Program Revenues	<u>7,089,627</u>	<u>6,675,823</u>	<u>5,736,423</u>	<u>4,491,018</u>	<u>5,401,434</u>
Total Primary Government Program Revenues	<u>\$ 7,228,553</u>	<u>\$ 6,737,408</u>	<u>\$ 5,841,729</u>	<u>\$ 4,581,370</u>	<u>\$ 5,456,047</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,362)	\$ 6,297	\$ 6,673	\$ 22,052	\$ 9,123
Business-type Activities	(386,842)	(705,225)	(316,018)	(939,163)	(641,145)
Total Primary Government Net (Expense)/Revenue	<u>\$ (392,204)</u>	<u>\$ (698,928)</u>	<u>\$ (309,345)</u>	<u>\$ (917,111)</u>	<u>\$ (632,022)</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	8,754	8,711	6,234	3,407	2,289
Other	5,660	-	-	-	-
Total Governmental Activities	<u>14,414</u>	<u>8,711</u>	<u>6,234</u>	<u>3,407</u>	<u>2,289</u>
Business-type Activities:					
Property Taxes	413,896	587,046	205,676	191,219	402,724
Investment Earnings	253,442	277,258	291,715	138,272	93,824
Other	16,214	235,022	107,286	231,220	175,444
Special Item	-	-	-	-	-
Total Business-type Activities	<u>683,552</u>	<u>1,099,326</u>	<u>604,677</u>	<u>560,711</u>	<u>671,992</u>
Total Primary Government	<u>\$ 697,966</u>	<u>\$ 1,108,037</u>	<u>\$ 610,911</u>	<u>\$ 564,118</u>	<u>\$ 674,281</u>
Change in Net Position					
Governmental Activities	\$ 9,052	\$ 15,008	\$ 12,907	\$ 25,459	\$ 11,412
Business-type Activities	296,710	394,101	288,659	(378,452)	30,847
Total Primary Government	<u>\$ 305,762</u>	<u>\$ 409,109</u>	<u>\$ 301,566</u>	<u>\$ (352,993)</u>	<u>\$ 42,259</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		
2013	-	1,512	1,512	-	1,512
2012	-	(141)	(141)	-	(141)
2011	-	7,628	7,628	-	7,628
2010	-	10,276	10,276	-	10,276
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



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				
	2013	2012	2011	2010	2009
Revenues					
Fire Protection Special Tax	\$ 50,715	\$ 50,688	\$ 48,968	\$ 51,059	\$ 51,502
Mitigation Fees	573	718	795	668	4,533
Contributions	92,842	146,859	174,094	155,075	123,251
Investment Earnings	11	13	22	38	1,905
Miscellaneous	7,480	8,502	8,905	9,523	13,786
Total Revenues	<u>151,621</u>	<u>206,780</u>	<u>232,784</u>	<u>216,363</u>	<u>194,977</u>
Expenditures					
General and Administrative	2,431	2,591	3,800	5,589	3,428
Capital Expenditures	-	-	-	-	268,000
Fire Protection	147,537	211,958	231,632	215,495	190,863
Total Expenditures	<u>149,968</u>	<u>214,549</u>	<u>235,432</u>	<u>221,084</u>	<u>462,291</u>
Net Change in Fund Balances	<u>\$ 1,653</u>	<u>\$ (7,769)</u>	<u>\$ (2,648)</u>	<u>\$ (4,721)</u>	<u>\$ (267,314)</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.

In 2009, as part of a joint project by the District with Pauma and Mootamai Municipal Water Districts, a new fire apparatus bay was constructed at the Rincon CalFIRE station. The apparatus bay is now owned and operated 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				
	2008	2007	2006	2005	2004
Revenues					
Fire Protection Special Tax	\$ 49,555	\$ 48,671	\$ 48,671	\$ 45,519	\$ 50,614
Mitigation Fees	1,445	12,914	10,399	4,509	3,999
Contributions	123,350	-	46,236	40,324	-
Investment Earnings	8,754	8,711	6,234	3,407	2,289
Miscellaneous	5,660	-	-	-	-
Total Revenues	<u>188,764</u>	<u>70,296</u>	<u>111,540</u>	<u>93,759</u>	<u>56,902</u>
Expenditures					
General and Administrative	2,274	5,773	5,992	3,030	3,845
Capital Expenditures	-	-	-	-	-
Fire Protection	174,654	49,515	92,641	65,270	41,645
Total Expenditures	<u>176,928</u>	<u>55,288</u>	<u>98,633</u>	<u>68,300</u>	<u>45,490</u>
Net Change in Fund Balances	<u>\$ 11,836</u>	<u>\$ 15,008</u>	<u>\$ 12,907</u>	<u>\$ 25,459</u>	<u>\$ 11,412</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 is presented.

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

Commodity Charges

Fiscal Year Ended	Agricultural Water Rate (per acre foot)		Domestic Water Rate (per acre foot)		Average Annual Increase	Pumping Charge			Average Annual Increase
	Yuima	IDA	Yuima	IDA		Yuima	IDA (Range)		
	2013	\$ 966	\$ 715	\$ 982		\$ 722	0%	\$ 91	
2012	\$ 966	\$ 715	\$ 982	\$ 722	0%	\$ 91	\$ 67	\$ 321	0%
2011	\$ 966	\$ 715	\$ 982	\$ 722	12%	\$ 91	\$ 67	\$ 321	5%
2010	\$ 854	\$ 646	\$ 927	\$ 675	15%	\$ 87	\$ 64	\$ 307	0%
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%

Base Charges

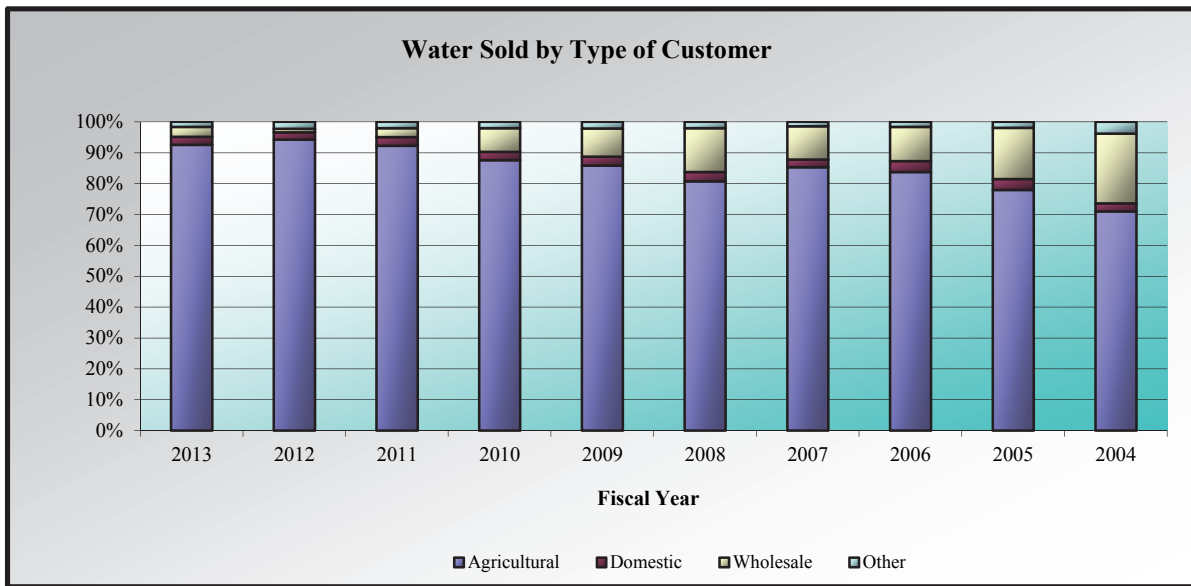
Fiscal Year Ended	Monthly Meter Charge by Meter Size										Average Annual Increase
	5/8"	1"	1¼" & 1½"	2"	3"	4"	5"	6"	8"		
2013	\$ 29	\$ 46	\$ 86	\$ 149	\$ 275	\$ 469	\$ 664	\$ 859	\$ 1,488	7%	
2012	\$ 27	\$ 43	\$ 80	\$ 139	\$ 257	\$ 439	\$ 621	\$ 803	\$ 1,391	7%	
2011	\$ 25	\$ 40	\$ 75	\$ 130	\$ 240	\$ 410	\$ 580	\$ 744	\$ 1,300	7%	
2010	\$ 23	\$ 37	\$ 70	\$ 122	\$ 224	\$ 383	\$ 542	\$ 695	\$ 1,215	7%	
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%	

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 rate calculations begin with a determination of the total amount of revenue required and represent a balance between a fixed charge for each meter and a variable charge for the volume of water used by each customer. The allocation of revenue between base (fixed) charges and commodity (variable) charges is determined by the Board and are based upon the desired percentage of revenue to be derived from fixed and variable sources of income. Typically, 70-75% of revenue is derived from commodity charges and the remainder from the base charges.

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

Fiscal Year Ended	Yuima and IDA Combined				Total Water Sales ^{(1) (2)}	Total Acre Feet Sold	Total Rainfall ⁽³⁾ (inches)
	Agricultural	Domestic	Wholesale	Other			
2013	\$ 4,402,228	\$ 119,586	\$ 152,246	\$ 78,757	\$ 4,752,817	6,310.3	13.51
2012	3,905,423	98,626	47,620	93,342	4,145,011	5,486.9	17.20
2011	3,494,580	108,655	109,128	76,354	3,788,717	4,959.0	25.72
2010	3,201,230	97,934	281,463	72,638	3,653,265	5,310.8	23.97
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



Source: Yuima Municipal Water District

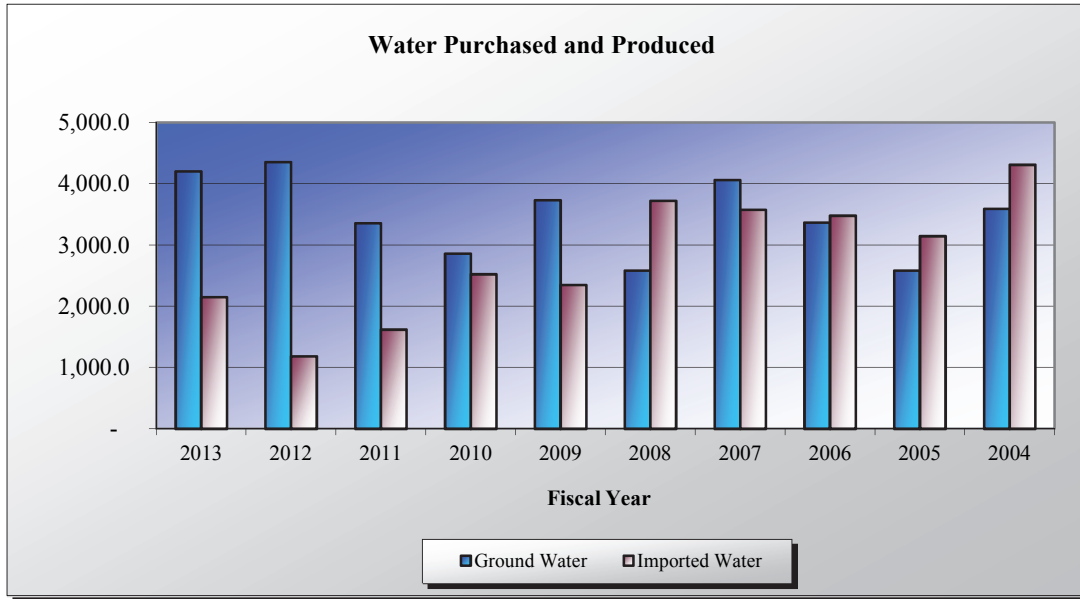
Notes: (1) Yuima's primary and only significant revenue source is retail water sales. The proportion of customer type that makes up the revenue base has remained relatively unchanged for the time frame presented. Agricultural and Wholesale water customers make up the largest section of the revenue base. 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 "Johnson" 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	Yuima & IDA Combined (Acre Feet)			Percent Ground Water	Percent Imported Water
	Ground Water ⁽¹⁾	Imported Water	Total Water Produced		
2013	4,199.9	2,149.3	6,349.2	66%	34%
2012	4,353.8	1,183.6	5,537.4	79%	21%
2011	3,356.5	1,617.7	4,974.2	67%	33%
2010	2,858.8	2,521.8	5,380.6	53%	47%
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%



Source: Yuima Municipal Water District

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

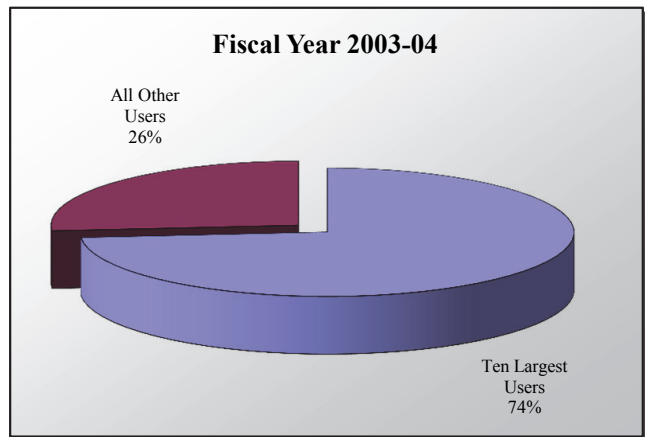
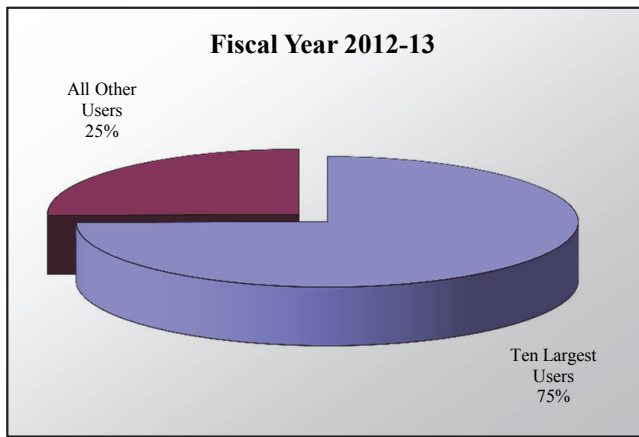
**Yuima Municipal Water District
Principal Water Consumers
For the Fiscal Years 2013 and 2004**

**Yuima & IDA Customer Accounts
FISCAL YEAR ENDED 2013**

Customer Name⁽¹⁾	Usage in Acre Feet	Percent of Water Sold
Pauma Mtn. Ranch/Pauma Ranches	2,221	35.20%
Rancho Eugenio	474	7.51%
Val Vista	444	7.04%
Humason	315	4.99%
T-Y Nursery	271	4.30%
Burge	237	3.76%
House	230	3.65%
PKB Farms	203	3.22%
McKillip	162	2.57%
Metta Forest	158	2.50%
Total Top Ten Consumers	4,715	74.73%
Other Consumers	1,594	25.27%
Total Water Billed	6,309	100.00%

**Yuima & IDA Customer Accounts
FISCAL YEAR ENDED 2004**

Customer Name⁽¹⁾	Usage in Acre Feet	Percent of Water Sold
Pauma Mtn. Ranch/Pauma Ranches	2,017	27.24%
Pauma Ridge	825	11.14%
Rancho Eugenio	583	7.87%
Val Vista	490	6.62%
Humason	389	5.25%
House	272	3.67%
Testa	244	3.30%
PKB Farms	237	3.20%
Brothers Nursery	214	2.89%
Underwood	180	2.43%
Total Top Ten Consumers	5,451	73.61%
Other Consumers	1,954	26.39%
Total Water Billed	7,405	100.00%



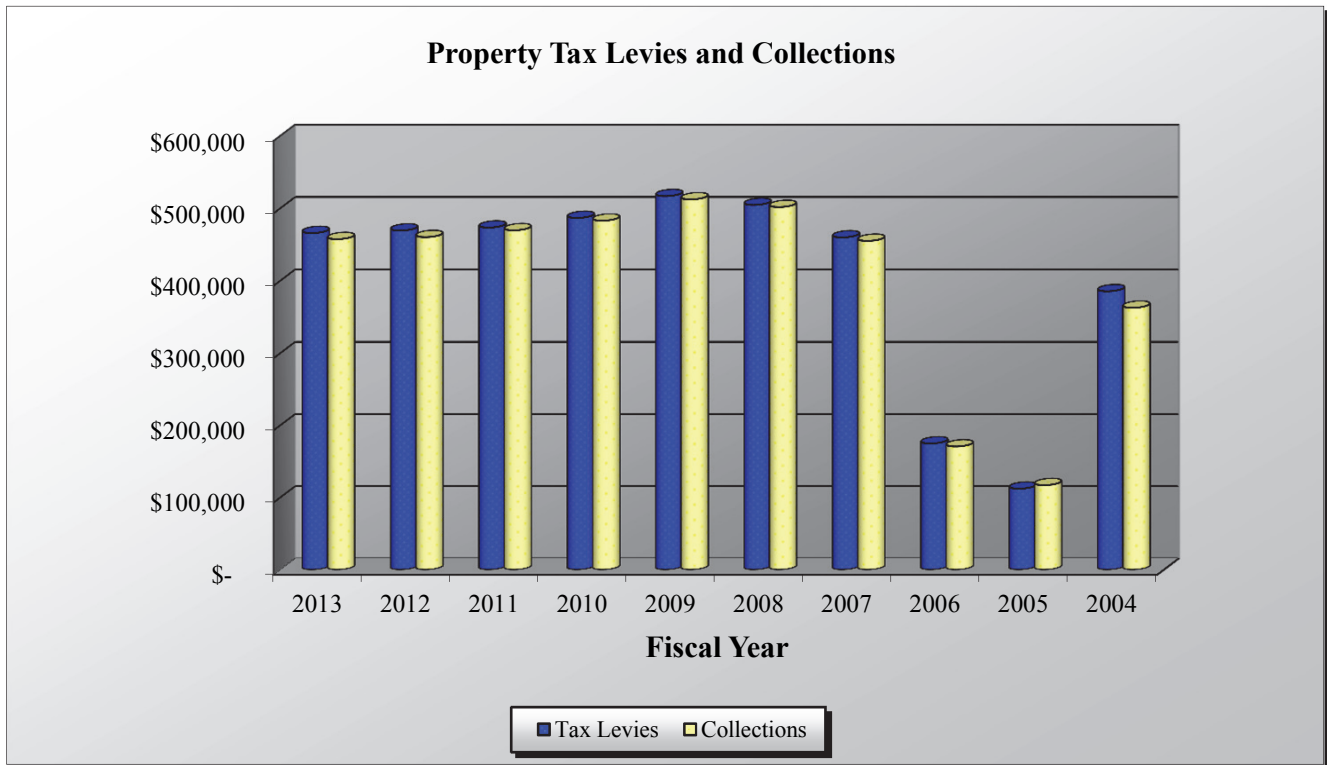
Source: Yuima Municipal Water District

Notes: (1) The District's service area has been established for many years, and 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**

Yuima & IDA Combined

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			
2013	\$ 386,568	\$ 79,384	\$ 465,952	\$ 457,602	\$ 8,350	1.82%
2012	394,069	75,336	469,405	460,391	9,014	1.96%
2011	392,942	80,628	473,570	469,785	3,785	0.81%
2010	406,664	80,176	486,840	483,070	3,770	0.78%
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%



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 loss of property tax revenues 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	Yuima & IDA Combined			Total Assessed Secured Value	Tax Rate ⁽¹⁾
	SECURED				
	Real Property	Personal Property	Exemptions		
2013	\$ 332,486,315	\$ -	\$ (5,381,025)	\$ 327,105,290	-
2012	330,909,035	1,186,264	(5,030,895)	327,064,404	-
2011	337,764,210	1,153,515	(5,036,834)	333,880,891	-
2010	340,734,024	4,232	(5,005,225)	335,733,031	-
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	-

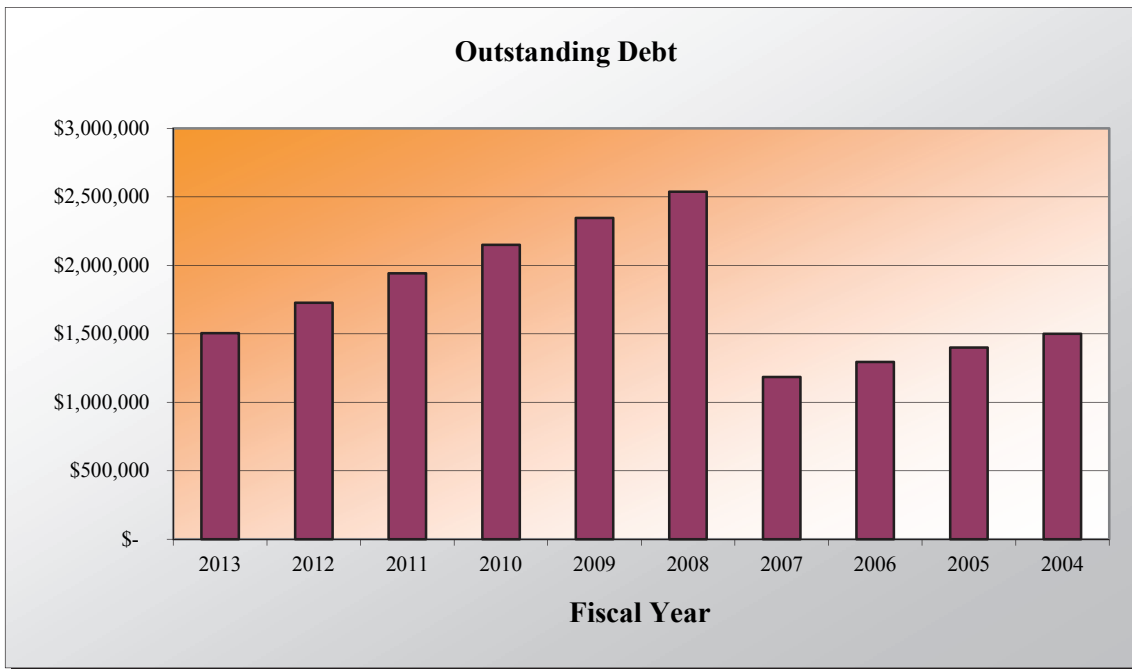


Source: Yuima Municipal Water District and the Office of the Auditor Controller, County of San Diego

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		
	Obligation Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾					of Personal Income ⁽⁴⁾	Population ⁽⁵⁾	Debt per Capita
2013	-	-	\$ 1,503,199	\$ 1,503,199	337	\$ 4,461	1%	1,336	\$ 1,125
2012	-	-	1,726,799	1,726,799	340	5,079	1%	1,336	1,293
2011	-	-	1,941,586	1,941,586	342	5,677	1%	1,336	1,453
2010	-	-	2,147,912	2,147,912	342	6,280	2%	1,336	1,608
2009	-	-	2,346,111	2,346,111	342	6,860	2%	1,359	1,726
2008	-	-	2,536,509	2,536,509	337	7,527	2%	1,359	1,866
2007	-	-	1,184,880	1,184,880	336	3,526	1%	1,359	872
2006	-	-	1,293,825	1,293,825	332	3,897	1%	1,359	952
2005	-	-	1,398,817	1,398,817	332	4,213	1%	1,359	1,029
2004	-	-	1,500,000	1,500,000	331	4,532	1%	1,359	1,104



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 = 235

(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 and 2010 U.S. Census Bureau.

Yuima Municipal Water District
Revenue Debt Coverage
Last Ten Fiscal Years
Page 1 of 2

Yuima & IDA Combined

Fiscal Year Ended	Operating Revenues	Nonoperating Revenues	Gross Revenues⁽¹⁾	Less: Operating Expenses⁽²⁾	Net Revenue Available for Debt Service
2013	\$ 8,192,496	\$ 667,506	\$ 8,860,002	\$ 7,744,637	\$ 1,115,365
2012	6,963,428	692,148	7,655,576	5,733,775	1,921,801
2011	6,515,553	688,176	7,203,729	5,955,611	1,248,118
2010	6,517,992	760,100	7,278,092	7,062,404	215,688
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) Computation excludes fire fund revenues.

(2) The transactions to record depreciation expense are not included in Total Expenses.

(3) Includes Municipal Finance Corporation Loans. See Note 4 to the financial statements.

Yuima Municipal Water District
Revenue Debt Coverage
Last Ten Fiscal Years
Page 2 of 2

Yuima & IDA Combined					
DEBT SERVICE REQUIREMENTS					Pledged Revenue
Principal	Interest	Total⁽³⁾	Coverage Factor	Debt Limit	
\$ 223,600	\$ 81,215	\$ 304,815	366%	225%	
214,787	80,761	295,548	650%	225%	
206,325	89,223	295,548	422%	225%	
160,393	86,874	247,267	87%	125%	
192,071	103,717	295,788	451%	125%	
184,505	82,899	267,404	258%	125%	
108,945	47,253	156,198	588%	125%	
104,992	51,206	156,198	444%	125%	
101,183	55,015	156,198	2%	125%	
-	-	-	-		

Source: Yuima Municipal Water District

Notes: (1) Computation excludes fire fund revenues.

(2) The transactions to record depreciation expense are not included in Total Expenses.

(3) Includes Municipal Finance Corporation Loans. See Note 4 to the financial statements.

**Yuima Municipal Water District
Computation of Direct and Overlapping Debt
June 30, 2013**

2012-13 Assessed Valuation: \$ 331,696,965

	Total Debt		District's Share of
	6/30/13	% Applicable ⁽¹⁾	Debt 6/30/13
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 165,085,000	0.016%	\$ 26,414
Palomar Community College District	315,828,901	0.367%	1,159,092
Palomar Pomerado Hospital District	477,631,555	0.534%	2,550,553
Yuima Municipal Water District	0	100.00%	0
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 3,736,059
<u>OVERLAPPING GENERAL FUND DEBT</u>			
San Diego County General Fund Obligations	\$ 399,780,000	0.087%	\$ 347,809
San Diego County Pension Obligations	753,897,748	0.087%	655,891
San Diego County Superintendent of Schools Certificates of Participation	17,462,500	0.087%	15,192
Palomar Community College District General Fund Obligation	5,345,000	0.367%	19,616
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 1,038,508
TOTAL DIRECT DEBT			\$ -
TOTAL OVERLAPPING DEBT			\$ 4,774,567
COMBINED TOTAL DEBT			\$ 4,774,567 ⁽²⁾

(1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed property value that is within the boundaries of the district divided by the district's total taxable assessed value.

(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	1.13%
Combined Total Debt	1.44%

Source: California Municipal Statistics, Inc.

Yuima Municipal Water District
San Diego County Demographic and Economic Statistics ⁽¹⁾
Last Ten Fiscal Years

Year	Population	Per Capita			
		Personal Income (in thousands)	Personal Income (in dollars)	School Enrollment	Unemployment Rate
2013	3,150,178	\$ 156,600,000	\$ 49,711	499,850	7.8%
2012	3,128,734	155,500,000	49,701	498,263	9.2%
2011	3,115,810	151,539,000	48,635	498,243	10.4%
2010	3,224,432	137,525,000	42,651	496,995	11.0%
2009	3,185,462	134,696,000	42,285	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%

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2013

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⁾
Fiscal Year 2013 and 2004

	2013		2004	
	Employment	% of Total	Employment	% of Total
	at June 2013	Employment	at June 2004	Employment
Agriculture	10,200	1%	11,500	1%
Natural Resources & Mining	400	0%	400	0%
Construction	57,600	4%	88,000	7%
Manufacturing	91,900	7%	104,800	8%
Wholesale Trade	44,300	3%	42,100	3%
Retail Trade	135,900	10%	144,000	11%
Transportation				
Warehousing & Utilities	28,700	2%	28,500	2%
Information	24,700	2%	32,500	3%
Finance Activities	71,000	5%	81,800	6%
Professional & Business Services	220,500	17%	208,000	16%
Educational & Health Services	159,300	12%	122,300	10%
Leisure & Hospitality	168,600	13%	149,000	12%
Other Services				
Repair, Religious, Professional	51,200	4%	48,200	4%
Federal Government	46,100	4%	39,600	3%
State Government	44,800	3%	38,700	3%
Local Government	142,700	11%	139,500	11%
Total, All Industries	1,297,900	100%	1,278,900	100%
Civilian Employment	1,492,300	92.6%	1,407,200	94.9%
Civilian Unemployment	118,900	7.4%	75,200	5.1%
Total Civilian Labor Force	1,611,200	100%	1,482,400	100%

Civilian Unemployment Rate

7.4%

5.1%

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.

**Yuima Municipal Water District
San Diego County Principal Employers⁽¹⁾
Current Year and Ten Years Ago**

	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	40,800	1	2.73%	38,700	2	2.75%
University of California, San Diego	27,832	2	1.87%	26,654	3	1.89%
County of San Diego	16,011	3	1.07%	17,902	5	1.27%
Sharp HealthCare	15,960	4	1.07%	13,175	6	0.94%
Scripps Health	14,381	5	0.96%	10,617	8	0.75%
Qualcomm Inc.	13,400	6	0.90%			
City of San Diego	10,306	7	0.69%			
Kaiser Permanente	7,800	8	0.52%	12,384	7	0.88%
General Atomics (and affiliated companies)	7,668	9	0.51%	7,121	9	0.51%
UC San Diego Health System	6,132	10	0.41%			
Federal Government				38,900	1	2.76%
San Diego Unified School District				21,073	4	1.50%
U.S. Postal Service, San Diego District				6,464	10	0.46%
Total	160,290		10.73%	192,990		13.71%

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2013.

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
2013	3	4	2	9	14.40
2012	3	4	2	9	13.40
2011	3	4	2	9	12.40
2010 ⁽³⁾	3	5	3	11	12.00
2009	3	5	3	11	12.20
2008	3	5	3	11	11.20
2007	3	5	3	11	10.20
2006	3	5	3	11	10.10
2005	3	4	2	9	10.10
2004	3	4	2	9	9.70

Operational Information

Water System - Yuima & IDA Combined

Service Area.....	13,460 acres
Miles of Water Main.....	44.2 miles
Number of Ag Only Open Reservoirs.....	2
Number of Treated Water Tanks.....	10
Total Treated Storage Capacity.....	55.0 ac.ft.
Number of Producing Wells.....	24
Daily Production Peak.....	9.0 mgd
Average Daily Production.....	4.5 mgd
Number of Service Connections.....	337

Source: Yuima Municipal Water District

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

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

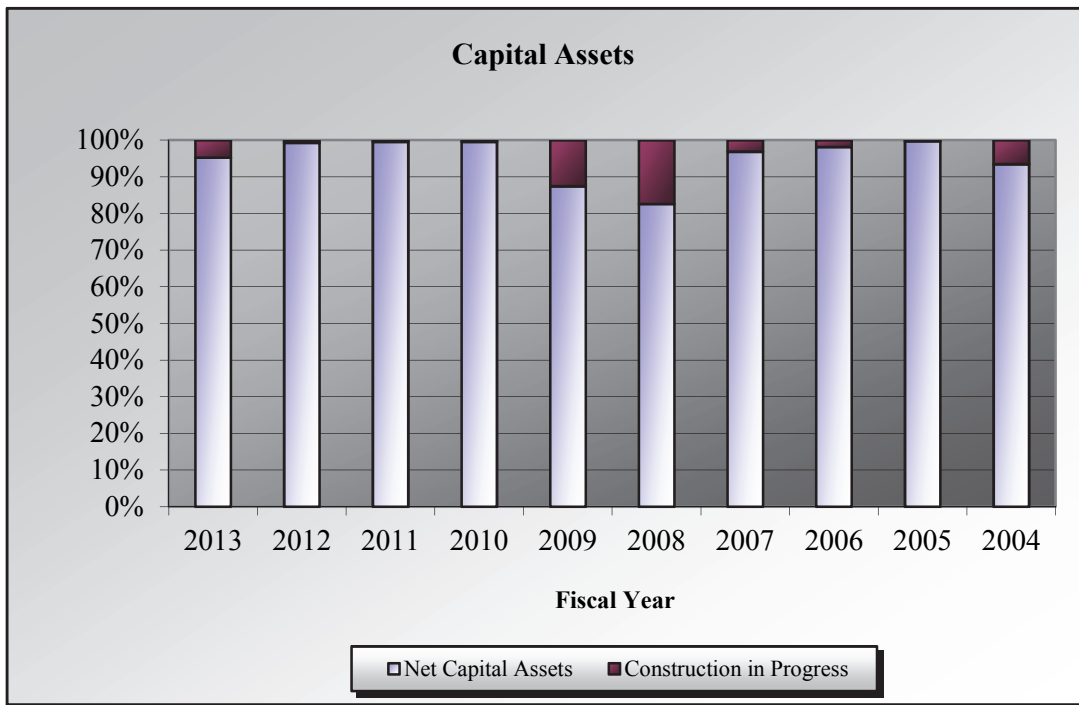
(3) 2010 Data represents the first 11 months of the fiscal year. Staff reductions resulted in one less field staff position and one less administrative staff position for a total of 9 employees with an average of 11.6 years of service

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

Page 1 of 2

Yuima & IDA Combined

Fiscal Year Ended	Annexation Fees	Land	Source of Supply	Pumping Plant	Water Treatment Plant
2013	\$ 944,872	\$ 355,835	\$ 6,910,384	\$ 3,137,779	\$ 174,152
2012	944,872	355,835	6,794,878	3,102,425	153,211
2011	944,872	355,835	6,632,141	3,005,434	125,623
2010	944,872	355,835	6,272,088	2,912,574	113,511
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



Source: Yuima Municipal Water District

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

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

Page 2 of 2

Yuima & IDA Combined

Fiscal Year Ended	Transmission & Distribution	General Plant	Accumulated Depreciation	Net Capital Assets	Construction in Progress
2013	\$ 7,771,580	\$ 1,672,021	\$ (8,668,465)	12,298,157	\$ 616,189
2012	7,771,580	1,596,053	(8,124,617)	12,594,236	87,209
2011	7,366,146	1,566,928	(7,673,180)	12,323,798	59,187
2010	7,027,345	1,529,078	(7,207,478)	11,947,824	51,319
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

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

Page 1 of 2

	Fiscal Year				
	2013	2012	2011	2010	2009
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	13.51	17.20	25.72	23.97	15.71
Miles of Water Main (6"+)	42.26	41.57	41.57	40.47	40.43
Number of Treated Water Tanks	10	10	10	10	10
Capacity of Water Tanks (acre feet)	55.0	55.0	55.0	55.0	57.5
Number of Open Reservoirs	-	-	-	1	1
Capacity of Open Reservoirs (acre feet)	-	-	-	2.1	2.1
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 Producing Wells	24	24	22	21	21
Maximum gallons per minute Flows	3,577	3,240	3,090	3,130	3,130
Number of Pump Stations	10	10	10	10	10
Number of Pumps	28	29	31	31	30
Pump Capacity (horsepower)	4,785	4,820	4,930	4,930	4,480
Number of Service Connections (1)	337	340	342	342	342
Production Peak (mgd)	9.04	6.10	5.90	5.00	5.35
Average Production (mgd)	4.52	4.60	4.45	4.60	4.55
Number of Mainline Repairs	-	1	1	1	3

Source: Yuima Municipal Water District

Notes: (1) Yuima connections = 102; IDA connections = 235

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

Page 2 of 2

	Fiscal Year				
	2008	2007	2006	2005	2004
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	22.51	9.27	16.47	41.47	13.03
Miles of Water Main (8"+)	40.4	39.5	36.0	36.0	36.0
Number of Treated Water Tanks	10	9	9	9	8
Capacity of Water Tanks (acre feet)	57.5	52.3	52.3	52.3	37.2
Number of Open Reservoirs	1	2	2	2	2
Capacity of Open Reservoirs (acre feet)	2.1	4.7	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 Producing Wells	17	17	17	16	16
Maximum gallons per minute Flows	2,650	2,650	2,650	2,200	2,200
Number of Pump Stations	9	9	9	9	8
Number of Pumps	27	31	31	31	30
Pump Capacity (horsepower)	3,955	3,850	3,850	3,850	3,800
Number of Service Connections	337	336	332	332	331
Production Peak (mgd)	5.2	5.2	5.2	3.6	3.6
Average Production (mgd)	4.3	4.3	4.3	3.0	3.0
Number of Mainline Repairs	-	-	-	1	-

Source: Yuima Municipal Water District

Yuima Municipal Water District

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