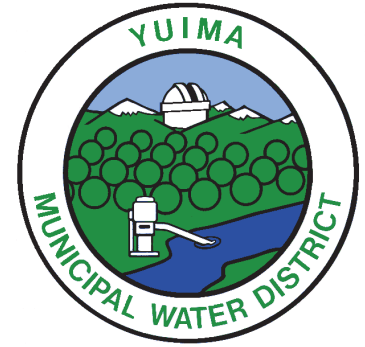


# YUIMA MUNICIPAL WATER DISTRICT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the fiscal year ended June 30, 2014*



Pauma Valley, California



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014



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 a diversified, sustainable water supply for water service to our Pauma Valley customers that exceeds all standards of quality and reliability at fair, reasonable and equitable rates. We hope to be known and 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: Allen Simon, Linden Burzell, Todd Engstrand, and Mark Quinn. Bottom Row From Left to Right: Matt Munaco, Vanessa Velasquez, Mitch Davis, Lori Johnson, and Jolyn Duff.



**Yuima Municipal Water District  
Comprehensive Annual Financial Report  
Year Ended June 30, 2014**

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**Yuima Municipal Water District  
Comprehensive Annual Financial Report  
Year Ended June 30, 2014**

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

General Manager  
Linden A. Burzell, Ph. D.

Counsel  
Jeffery G. Scott



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Tel: (760) 742-3704 Fax: (760) 742-2069  
Website: [www.yuimamwd.com](http://www.yuimamwd.com)

December 12, 2014

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, 2014. 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, 2014, 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, 2014, 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 2013-2014 fiscal year was another challenging year. We herewith submit 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 primary 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. Overall, California is mirroring or even exceeding national averages for job growth, person income, and unemployment. The



San Diego County labor market has improved over the past year and the construction sector has played a large role in job growth. Job growth in the construction industry in San Diego has outpaced that of the state; from July 2013 to July 2014, job growth in the San Diego construction sector increased by 11.3% compared to the state's increase of 3.6%. Construction employment is expected to continue trending upward over the next few years.

Governor Jerry Brown declared a statewide drought in January 2014, due to areas of California that have been hit hard by increasingly scarce water supplies after two consecutive dry years and the start of a third dry year. The State Water Resources Control Board officially adopted emergency regulation in July 2014 to increase conservation efforts throughout the state.

More than 70% of the San Diego region’s water is imported from the San Diego County Water Authority (SDCWA). SDCWA, as the regional water supplier, does not anticipate water shortages for San Diego County in 2015 due to new water supply reliability projects and adequate water storage programs that have been implemented by SDCWA since the 2009 drought. These programs include independent water transfers that will provide the county with approximately 180,000 acre-feet of Colorado River water in 2015, the construction of additional water storage in Southern California, and the purchase of drought-proof water supplies from the nations’ largest desalination plant in Carlsbad which is expected to bring desal water on line in 2016.

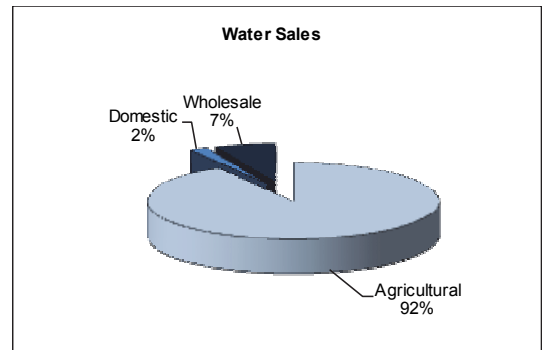
Weather conditions (the worst being the drought), as well as sustained reduction in water demand, impact District water sales and local water production more than the local economic conditions.

Over the last 52 years, the District has grown to be a strong agricultural community. Today the District serves a population of 1,336 through 334 service connections provided within approximately 21 square miles of northern San Diego County. The District operates 42.18 miles of water main, 33 productive wells, 10 potable water tanks, and 2 ag only 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 2013-14 the District purchased approximately 60% of its water from the San Diego County Water Authority (SDCWA or the “Authority”) and 4% of its water from local water agreements, at a cost of \$7.6 million, or 60% 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, 2014, the District billed 334 customers for 7,591 acre feet of water, representing a 21% increase in sales from the prior fiscal year.

Water sales for the past ten years have ranged from 4,959 to 7,591 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 2013-14 the Pauma Valley area received only 8.19 inches of rainfall well under the 20” average for the area. The effects of the extended drought resulting in a loss of local groundwater contribute to the higher sales. Total system demand is anticipated to be driven by irrigated agriculture which is estimated to constitute in excess of 92% of all water delivered.

Our agricultural customers purchased 92% of the District's total water sales in fiscal year 2013-14 compared to the average of 97% 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 forecast long-term sales demand.



The San Diego County Water Authority (SDCWA), the District’s water wholesaler, filed a lawsuit in 2010 against Met. SDCWA 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 SDCWA wins the case, Met may be required to refund amounts estimated to be approximately \$135 million. The SDCWA has indicated that it would then refund the proportionate share of the proceeds to its member agencies, including the District.

SDCWA 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.

### LONG-TERM FINANCIAL PLANNING

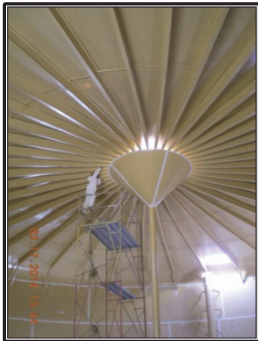
The coming years will be challenging times for everyone in the water industry. Uncertainties concerning Bay-Delta conveyance, new surface storage, the effects of climate change, court decisions affecting both supply and cost, and public environmental policies all contribute to a difficult planning environment 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 and challenging policies adopted by the Board is to provide an increased, diversified and sustainable water supply, thereby decreasing the District's dependence on imported water.

### ACCOMPLISHMENTS IN FISCAL YEAR 2013-14

#### ZONE 4 TANK AND PIPELINE

The new Zone 4 Tank has a capacity of 1.2 million gallons. It eliminated the need for the Mesa Tank which will be removed in the coming fiscal year. The tank was completed and in service May, 2014.



#### STATION 6 AND PIPELINE

Pump station 6 is located where the Reservoir 6 site was recently demolished and filled in. It was outfitted with new pumps, motors and electrical. This station will eliminate Booster No. 5.



## DRILLING WELLS NO. 47 AND 48

The District continues to develop additional local water. The Improvement District (IDA) has so far drilled eight horizontal wells in the IDA watershed, and one more is planned for the coming fiscal year. The horizontal wells produced 210 acre feet of water this fiscal year. This additional production from the horizontal wells will help off-set reductions in ground water production and therefore decreased the amount of imported water required to meet the demands in IDA.



## DRILLING OF PV3R SCHOEPE WELL FIELD

The General District drilled Well PV3R under the revised Schoepe lease agreement.



## 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.

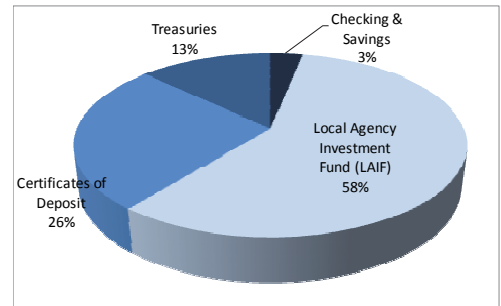
Annual operating water user rates and charges are derived from the annual operating budget and are based on historical seasonal demand, and other internal and external factors impacting the budget. The District maintains two sets of user rates and charges to account for the differing entitlement of the 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

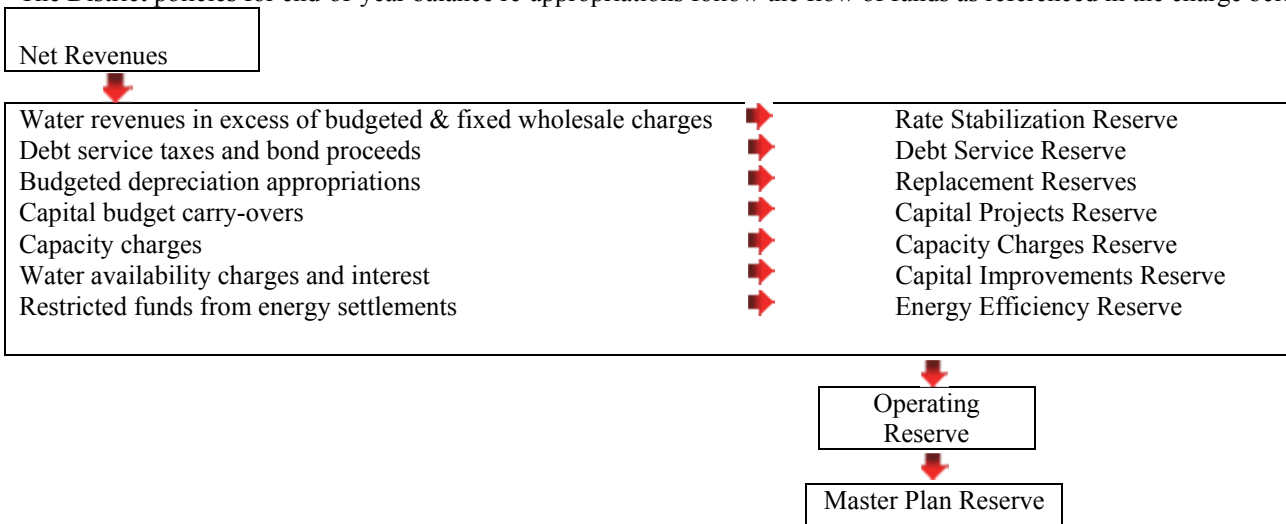
The District is regulated by State law (primarily California Government Code Section 53600 et seq.) as to the types of securities in which it can invest its cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive than the State codes. The 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 2013-14, the District’s fixed income investment portfolio consisted primarily of short-term securities with an average maturity of 337 days or just under one year. These securities included the State-managed Local Agency Investment Fund (LAIF), Treasuries and various Certificates of Deposit (CD’s).

At June 30, 2014, the District’s cash assets totaled \$3.1 million. The diversification of the portfolio is shown in the chart to the right. These cash balances are allocated to various committed funds.



The District policies for end-of-year balance re-appropriations follow the flow of funds as referenced in the charge below.



During this reporting period due to the effects of the drought condition on the District's local water sources as well as private ground water wells as significant percentage of the water available came from the expensive imported water supply resulting in a negative impact on the Districts reserves in addition to the litigation cost defending the use of the local ground water supplies.

## **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. ACWA Health Benefits Authority dissolved in 2012 and the Health and other employee insurance were transferred to the JPIA. During fiscal year 2013-14, 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, 2014, 9 employees were participating in the 457(b) plan with accumulated assets from past and current employees totaling \$394,101.

## **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, 2013. This is the sixth 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 43<sup>rd</sup> 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, including among other things, 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 2014, 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](mailto: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:



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Linden A. Burzell,  
General Manager



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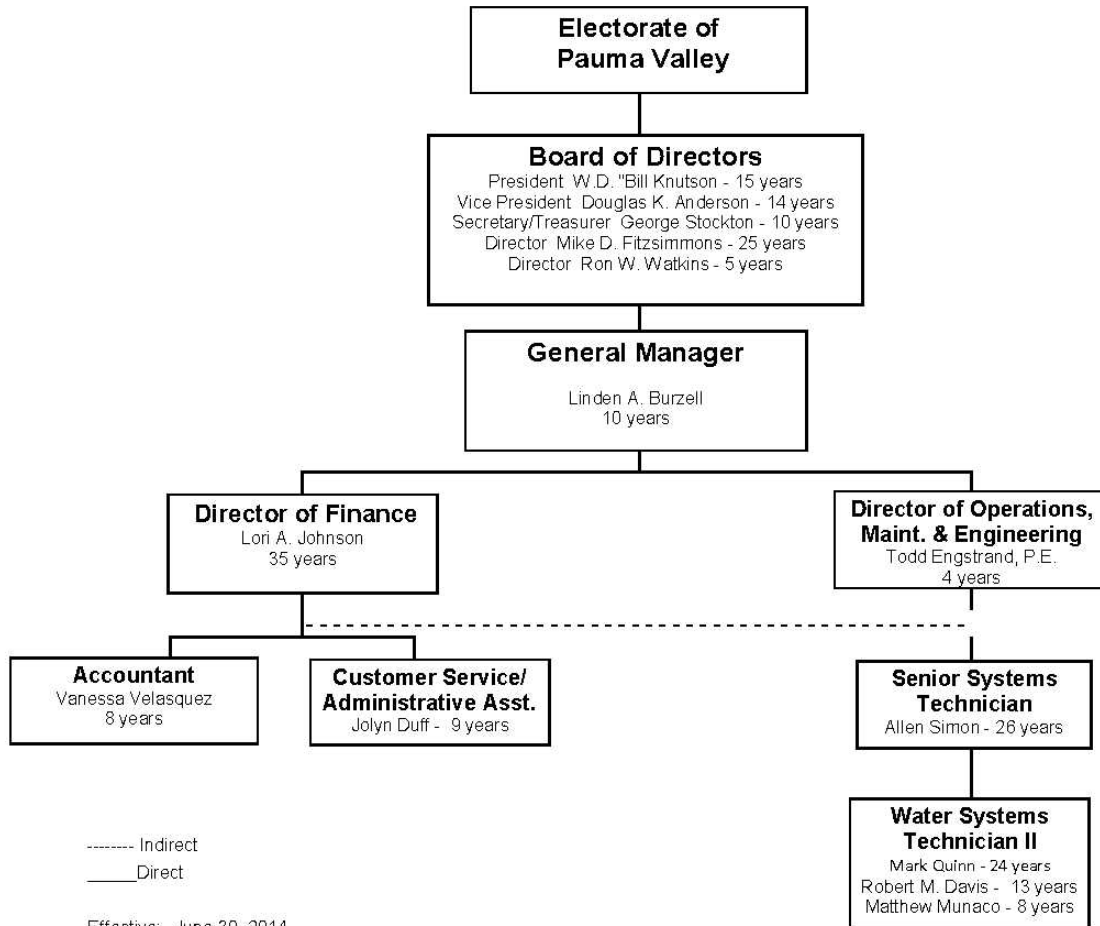
Lori A. Johnson,  
Director of Finance



**ORGANIZATION CHART**

Fiscal Year Ended June 30, 2014

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



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**PRINCIPAL OFFICIALS**

Fiscal Year Ended June 30, 2014

**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**

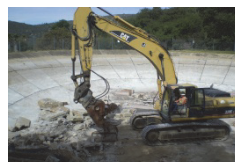
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2014, 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, 2014, 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.

## **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 44-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 12, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

*Teaman Ramirez & Smith, Inc.*

Riverside, California  
December 12, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2014

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, 2014, and includes the Governmental Accounting Standard Board's (GASB) enhanced financial reporting requirements. We offer general readers of the Yuima Municipal Water District's financial statements an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2014.

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-viii and should be read in conjunction with the audited financial statements. The audited financial statements are located in the section following the MD&A. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL STATEMENTS OVERVIEW - FISCAL YEAR ENDED JUNE 30, 2014

**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 2013-14 decreased \$1,289,743 over fiscal year 2012-13, from \$15,717,912 to \$14,428,169, which correlates to the \$1,289,743 decrease as presented on the Statements of Revenues, Expenses, and Changes in Net Position. Of this amount, \$2,549,920 may be used to meet the District's ongoing obligation to citizens and creditors.

Yuima Municipal Water District Net Position						
	Governmental		Business-type		Total	
	Activities (Fire Protection)		Activities (Water Operations)			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 92,942	\$ 1,512	\$ 4,366,603	\$ 5,613,087	\$ 4,459,545	\$ 5,614,599
Capital assets	-	-	14,279,838	12,914,346	14,279,838	12,914,346
<b>Total Assets</b>	<b>\$ 92,942</b>	<b>\$ 1,512</b>	<b>\$ 18,646,442</b>	<b>\$ 18,527,433</b>	<b>\$ 18,739,384</b>	<b>\$ 18,528,945</b>
Long-term liabilities outstanding	\$ -	\$ -	\$ 2,617,337	\$ 1,885,407	\$ 2,617,337	\$ 1,885,407
Other liabilities	32,000	-	1,661,878	925,626	1,693,878	925,626
<b>Total liabilities</b>	<b>\$ 32,000</b>	<b>\$ -</b>	<b>\$ 4,279,215</b>	<b>\$ 2,811,033</b>	<b>\$ 4,311,215</b>	<b>\$ 2,811,033</b>
<b>Net Position:</b>						
Net Investment in						
Capital Assets	\$ -	\$ -	\$ 11,878,249	\$ 11,224,659	\$ 11,878,249	\$ 11,224,659
Restricted	-	-	-	-	-	-
Unrestricted	60,942	1,512	2,488,978	4,491,741	2,549,920	4,493,253
<b>Total net position</b>	<b>\$ 60,942</b>	<b>\$ 1,512</b>	<b>\$ 14,367,227</b>	<b>\$ 15,716,400</b>	<b>\$ 14,428,169</b>	<b>\$ 15,717,912</b>

**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 was affected by the results of the lawsuit filed by the Rancho Pauma Mutual Water Company resulting in the loss of some local ground water and litigation fees which contributed to the deficit in operations this year.

**Analysis of Net Position** – Net Position is the difference between assets acquired, owned, and operated by the District, amounts owed (liabilities) and, if any, deferred inflows/outflows of resources. In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District is recorded at historical cost. Capital assets contributed by developers are recorded at developers’ construction cost. Net Position represents 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 decreased between fiscal years ending 2013 and 2014 from \$15,717,912 to \$14,428,169. Net investment in capital assets increased \$653,590 and unrestricted net position decreased \$1,943,333.

Yuima Municipal Water District Change in Net Position						
	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 55,052	\$ 51,288	\$ 11,183,476	\$ 8,444,931	\$ 11,238,528	\$ 8,496,219
Operating Grants and Contributions	1,650	92,842	-	-	1,650	92,842
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	-	-	378,146	372,995	378,146	372,995
Investment Earnings	11	11	34,020	44,587	34,031	44,598
Other	8,203	7,480	27,198	(2,511)	35,401	4,969
<b>Total Revenues</b>	<b>64,916</b>	<b>151,621</b>	<b>11,622,840</b>	<b>8,860,002</b>	<b>11,687,756</b>	<b>9,011,623</b>
Expenses:						
Fire Protection	5,486	149,968	-	-	5,486	149,968
Water Enterprise	-	-	12,972,013	8,601,819	12,972,013	8,601,819
<b>Total Expenses</b>	<b>5,486</b>	<b>149,968</b>	<b>12,972,013</b>	<b>8,601,819</b>	<b>12,977,499</b>	<b>8,751,787</b>
Increase (Decrease) in Net Position	59,430	1,653	(1,349,173)	258,183	(1,289,743)	259,836
Net Position - Beginning	1,512	(141)	15,716,400	15,458,217	15,717,912	15,458,076
<b>Net Position - Ending</b>	<b>\$ 60,942</b>	<b>\$ 1,512</b>	<b>\$ 14,367,227</b>	<b>\$ 15,716,400</b>	<b>\$ 14,428,169</b>	<b>\$ 15,717,912</b>

For a detailed discussion regarding the decrease in total net position, please see the section for the Statement of Revenues Expenses and Changes in Net Position on the following page.

## 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 assets and fund balance is as follows:

- ▶ The Fire Protection revenues totaling \$64,916 were sufficient to cover the expenditures of \$5,486 resulting in an increase in net position totaling \$59,430 for the fiscal year. There were no charges under the fire contract with the state this year. This was due to the extended fire season resulting from the drought and the consequent decision of the state not to a “Non-Fire” season during which the District would normally be paying for fire protection services.



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

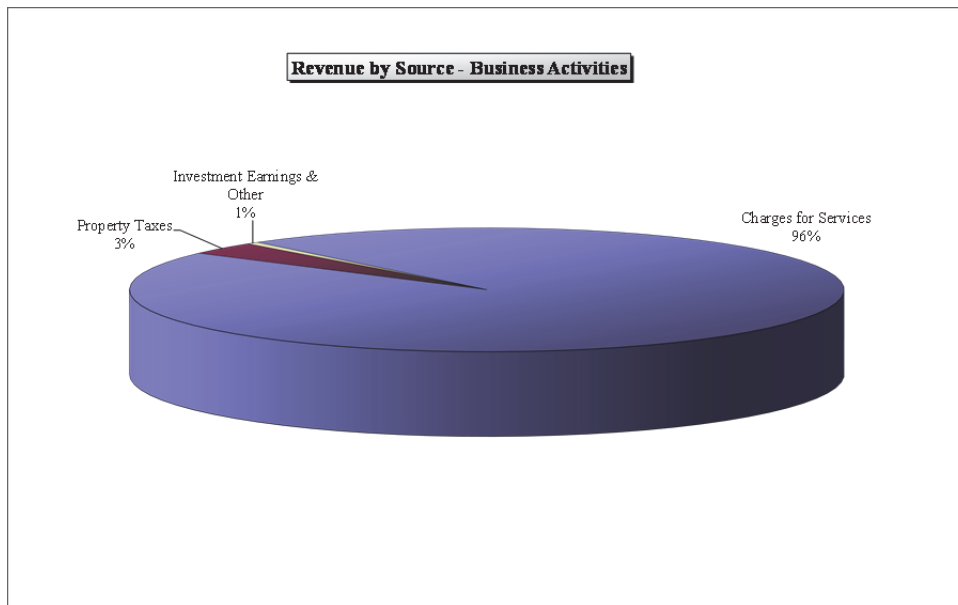
The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Below is an analysis of the increases or decreases in the activities for the proprietary fund and business-type activities.

**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 principles, 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 income, property taxes, capacity/connection charges and interest expenses). The operating loss for the year ended June 30, 2014, of \$1,758,397 is combined with total non-operating revenues of \$698,162 and non-operating expenses of \$288,938 to arrive at the decrease in net position of \$1,349,173. The decrease in net assets is subtracted from the beginning net assets of \$15,716,400 to arrive at the ending net assets total of \$14,367,227 as of June 30, 2014.

**Change in Net Position** - The District's operating revenues were \$10,924,679 for the year, \$2,732,183 higher or 33.3% higher than the previous year due to an increase in water consumption as a result of dry weather conditions over the prior year.

The District's operating expenses increased \$4,433,602 or 53.7% to \$12,683,076. Operating expenses increased due to purchasing 113% more imported water from the San Diego County Water Authority to meet peak and new demands over the prior year. The increase in imported water purchases are a direct result of the loss of local water and the ongoing drought as it affected some customers who normally rely on their own private groundwater wells.

The District's investment earnings decreased \$10,567 due to a decrease in cash available to be invested. The increase in other non-operating revenues represent proceeds from the sale of obsolete equipment.



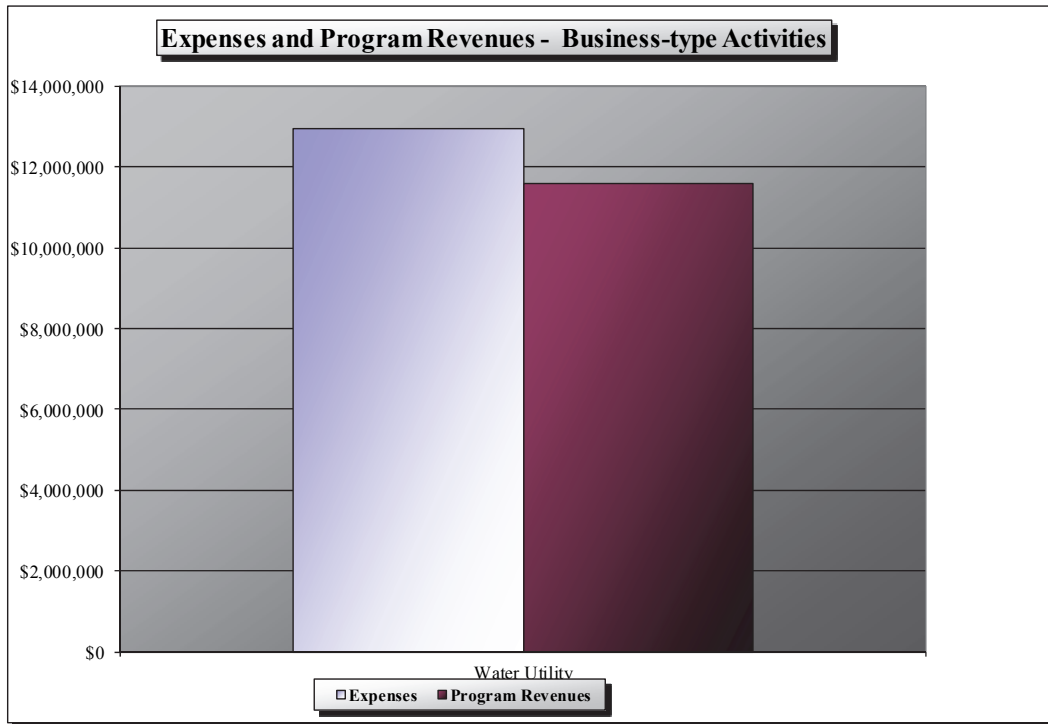
**Analysis of Statement of Revenues, Expenses, and Changes in Net Position** - Revenues for the year ended June 30, 2014, totaled \$11,622,840, which is an increase of \$2,762,838, or 31.1% from the prior year as a direct result of the higher than average water sales.

Details of this increase in revenues are as follows:

- Water Sales including associated customer fees and charges increased by \$2,732,183 for this fiscal year ended June 30, 2014. There was a 20.3% increase in the volume of water sold. In 2013-14 the District billed 7,591 acre feet of water compared to 6,310 acre feet in the prior year.
- Property taxes and assessments increased by 0.90%, or \$5,563, from 2012-13 to 2013-14.

- Investment earnings was down 23.7%, or \$10,567, from the prior year. The decrease is due to a decrease in available cash reserves.
- There were no new meter installations and no related meter capacity fees collected during the year.
- Other non-operating revenues increased \$35,660 due to the sale of obsolete equipment.

Expenses for the year ended June 30, 2014, totaled \$12,972,013, which is an increase of \$4,370,194, or 50.8% increase from the prior year. Certain significant expenses are as follows:



- The cost of water sold increased 93.1% over the prior year largely due to the increased purchases of the imported water supply and decreased groundwater production due to the loss of local supply contracts and groundwater due to the extended drought. In the prior year the District purchased and produced a total of 6,349 acre feet of water at an average price of \$864 per acre foot. In the current year, the District purchased and produced 7,742 acre feet of water at an average price of \$1,181 per acre foot, an increase of 37% or \$317 per acre foot. Imported water is purchased from the San Diego County Water Authority. 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 charges by the SDCWA.
- Agricultural discounts received through the San Diego County Water Authority Transitional Special Agricultural Water Rate (TSAWR) totaled \$522,400 for fiscal year 2013-14. These discounts, as required by the program, are passed on to the agricultural consumer in the agricultural rate differential.
- The General and Administrative expense increase is due to additional legal expenses totaling \$912,142 for the Strub litigation.
- Depreciation expense in 2013-14 increased 5.2%, or \$26,406, from the prior year reflecting the addition of new facilities added.

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

	<b>Proprietary Fund</b>		<b>Increase/</b>	<b>Percent</b>
	<b>2014</b>	<b>2013</b>	<b>(Decrease)</b>	<b>Change</b>
<b>Operating revenues:</b>				
Water sales & Pumping charges	\$10,356,950	\$7,598,904	\$2,758,046	36.3%
Other customer fees and charges	\$567,729	\$593,592	(25,863)	-4.4%
Total operating revenues	<u>10,924,679</u>	<u>8,192,496</u>	<u>2,732,183</u>	<u>33.3%</u>
<b>Operating expenses:</b>				
Cost of water sold	7,569,889	3,919,200	3,650,689	93.1%
Pumping and energy costs	1,474,252	1,468,796	5,456	0.4%
Water Treatment	95,484	97,681	(2,197)	-2.2%
Transmission and distribution	377,315	349,865	27,450	7.8%
Customer services	88,290	74,813	13,477	18.0%
General Plant	79,657	78,061	1,596	2.0%
General and administrative	2,466,946	1,756,221	710,725	40.5%
Depreciation	531,243	504,837	26,406	5.2%
Total operating expenses	<u>12,683,076</u>	<u>8,249,474</u>	<u>4,433,602</u>	<u>53.7%</u>
Operating income (loss)	(1,758,397)	(56,978)	(1,701,419)	2986.1%
<b>Nonoperating revenues:</b>				
Investment earnings	34,020	44,587	(10,567)	-23.7%
Property taxes, assmts, conn fees & leases	625,005	619,442	5,563	0.9%
Other non-operating revenues	39,136	3,477	35,659	1025.6%
Total nonoperating revenues	<u>698,161</u>	<u>667,506</u>	<u>30,655</u>	<u>4.6%</u>
<b>Nonoperating expenses:</b>				
Other Non-operating expenses	206,354	131,907	74,447	56.4%
Interest on long term debt	82,583	81,214	1,369	1.7%
Total nonoperating expenses	<u>288,937</u>	<u>213,121</u>	<u>75,816</u>	<u>35.6%</u>
<b>Revenues over/(under) Expenditures</b>	<u>(1,349,173)</u>	<u>397,407</u>	<u>(1,746,580)</u>	<u>-439.5%</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Change in net position</b>	<u>(1,349,173)</u>	<u>397,407</u>	<u>(1,746,580)</u>	<u>-439.5%</u>
Net position, beginning of year -	<u>15,716,400</u>	<u>15,458,217</u>	<u>258,183</u>	<u>1.7%</u>
Prior Period Adjustment	<u>-</u>	<u>(139,224)</u>	<u>139,224</u>	<u>0.0%</u>
Net Position, Beginning - As Restated	<u>15,716,400</u>	<u>15,318,993</u>	<u>397,407</u>	<u>0.0%</u>
<b>Total Net Position, End of year</b>	<u><u>\$14,367,227</u></u>	<u><u>\$15,716,400</u></u>	<u><u>\$ (1,349,173)</u></u>	<u><u>-8.6%</u></u>

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

	<b>Proprietary Fund</b>		<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
	<b>2014</b>	<b>2013</b>		
<b>Operating revenues:</b>				
Water sales & Pumping charges	\$5,153,741	\$2,962,739	\$2,191,002	74.0%
Other customer fees and charges	193,830	197,530	(3,700)	-1.9%
Total operating revenues	<u>5,347,571</u>	<u>3,160,269</u>	<u>2,187,302</u>	<u>69.2%</u>
<b>Operating expenses:</b>				
Cost of water sold	4,585,308	2,236,362	2,348,946	105.0%
Pumping and energy costs	462,964	363,248	99,716	27.5%
Water Treatment	35,781	34,348	1,433	4.2%
Transmission and distribution	254,202	140,105	114,097	81.4%
Customer services	34,708	29,845	4,863	16.3%
General Plant	43,368	44,941	(1,573)	-3.5%
General and administrative	1,419,170	950,855	468,315	49.3%
Depreciation	211,454	214,108	(2,654)	-1.2%
Total operating expenses	<u>7,046,955</u>	<u>4,013,812</u>	<u>3,033,143</u>	<u>75.6%</u>
Operating income (loss)	(1,699,384)	(853,543)	(845,841)	99.1%
<b>Nonoperating revenues:</b>				
Investment earnings	14,169	26,482	(12,313)	-46.5%
Property taxes, assmts, conn fees & leases	437,648	428,368	9,280	2.2%
Other non-operating revenues	39,235	3,400	35,835	1054.0%
Total nonoperating revenues	<u>491,052</u>	<u>458,250</u>	<u>32,802</u>	<u>7.2%</u>
<b>Nonoperating expenses:</b>				
Other Non-operating expenses	139,276	42,389	96,887	228.6%
Interest on long term debt	14,297	19,308	(5,011)	-26.0%
Total nonoperating expenses	<u>153,573</u>	<u>61,697</u>	<u>91,876</u>	<u>148.9%</u>
<b>Revenues over/(under) Expenditures</b>	<b>(1,361,905)</b>	<b>(456,990)</b>	<b>(904,915)</b>	<b>198.0%</b>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Change in net position</b>	<b>(1,361,905)</b>	<b>(456,990)</b>	<b>(904,915)</b>	<b>198.0%</b>
Net position, beginning of year -	<u>6,138,258</u>	<u>6,595,248</u>	<u>(456,990)</u>	<u>-6.9%</u>
<b>Total Net Position, End of year</b>	<b><u>\$4,776,353</u></b>	<b><u>\$6,138,258</u></b>	<b><u>\$(1,361,905)</u></b>	<b><u>-22.2%</u></b>

<b>Schedule of Revenues, Expenses and Change in Net Position</b>				
<b>Improvement District A</b>				
	<b>Proprietary Fund</b>		<b>Increase/</b>	<b>Percent</b>
	<b>2014</b>	<b>2013</b>	<b>(Decrease)</b>	<b>Change</b>
<b>Operating revenues:</b>				
Water sales & Pumping charges	\$5,203,209	\$4,636,165	\$567,044	12.2%
Other customer fees and charges	373,899	396,062	(22,163)	-5.6%
Total operating revenues	<u>5,577,108</u>	<u>5,032,227</u>	544,881	10.8%
<b>Operating expenses:</b>				
Cost of water sold	2,984,581	1,682,838	1,301,743	77.4%
Pumping and energy costs	1,011,288	1,105,548	(94,260)	-8.5%
Water Treatment	59,703	63,333	(3,630)	-5.7%
Transmission and distribution	123,113	209,760	(86,647)	-41.3%
Customer services	53,582	44,968	8,614	19.2%
General Plant	36,289	33,120	3,169	9.6%
General and administrative	1,047,776	805,366	242,410	30.1%
Depreciation	319,789	290,729	29,060	10.0%
Total operating expenses	<u>5,636,121</u>	<u>4,235,662</u>	1,400,459	33.1%
Operating income (loss)	(59,013)	796,565	(855,578)	-107.4%
<b>Nonoperating revenues:</b>				
Investment earnings	19,851	18,105	1,746	9.6%
Property taxes, assmts, conn fees & leases	187,357	191,074	(3,717)	-1.9%
Other non-operating revenues	(99)	77	(176)	-228.6%
Total nonoperating revenues	<u>207,109</u>	<u>209,256</u>	(2,147)	-1.0%
<b>Nonoperating expenses:</b>				
Other Non-operating expenses	67,078	89,518	(22,440)	-25.1%
Interest on long term debt	68,286	61,906	6,380	10.3%
Total nonoperating expenses	<u>135,364</u>	<u>151,424</u>	(16,060)	-10.6%
<b>Revenues over/(under) Expenditures</b>	12,732	854,397	(841,665)	-98.5%
Capital Contributions	-	-	-	
<b>Change in net position</b>	12,732	854,397	(841,665)	-98.5%
Net position, beginning of year -	<u>9,578,142</u>	<u>8,862,969</u>	715,173	8.1%
Prior Period Adjustment	-	(139,224)	139,224	0.0%
<b>Total Net Position, End of year</b>	<u><u>\$9,590,874</u></u>	<u><u>\$9,578,142</u></u>	<u><u>\$12,732</u></u>	<u><u>0.1%</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, 2014, represents a decrease in cash and cash equivalents of \$1,272,350 which is combined with beginning cash and cash equivalents of \$4,328,247 to arrive at ending cash and cash equivalents of \$3,055,897.

## 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 21-43 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 and budgetary information for the fire protection fund. Required supplementary information can be found on pages 44-46 of this report.

## CAPITAL ASSETS AND CAPITAL PROJECTS

The District’s Capital Assets in service at June 30, 2014 totaled \$23,399,405 less \$9,119,567 of accumulated depreciation, for a net book value of \$14,279,838. Additional information on capital assets can be found in Note 3 to the financial statements. Capital Asset additions being depreciated totaled \$2,629,173 and included the following:

Capital Asset Additions			
	Yuima	IDA	Total
Source of Supply	\$ 160,248	\$ 1,608,503	\$ 1,768,751
General Plant Additions	8,896	7,950	\$ 16,846
Pumping Plant	35,383	466,567	\$ 501,950
Water Treatment	-	3,883	\$ 3,883
Pipelines (Transmission & Distribution)	105,468	232,275	\$ 337,743
Total	\$ 309,995	\$ 2,319,178	\$ 2,629,173

Deletions of Capital Assets being depreciated totaled \$285,508 for retirement of equipment replacements. Also, included in the total reported on the Statement of Net Position is \$89,117 in construction-in-progress reflecting capital projects in various stages of completion. As of June 30, 2014, the following capital projects were in progress:

Construction in Progress	
IDA	
Horizontal Well 43	\$ 39,506
East Fork Pipeline Additional 500'	\$ 3,897
IDA Horizontal Well #49	\$ 45,714
Total	\$ 89,117
<b>Total</b>	<b>\$ 89,117</b>

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, 2014 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 2013-14. 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. The District is nearing the end of an 8-year aggressive capital improvement program.

## LONG-TERM DEBT

At the end of the current fiscal year, the Yuima Municipal Water District had total debt outstanding of \$2,401,591, including \$302,231 which is the portion that is due within one year. The debt was incurred to finance the replacement of several tanks including 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 as well as the Zone 4 Tank with a capacity of 1.2 million gallons. Additional information on long-term debt can be found in Note 4 to the financial statements. The District refinanced the 2004 and 2007 debt in July of 2013 and obtained additional financing for the 1.2 million gallon water storage tank (Zone 4 Tank) for a total of \$2,372,463 at lower interest rates.

The District's outstanding bond indebtedness as of June 30, 2014 is as follows:

### Schedule of Bond Indebtedness For Fiscal Year Ended 2014

Long-term Debt									
Description	District	Year Issued	Total Debt	Final Maturity Date	Fixed Interest Rate	Debt Outstanding (Audited) As of June 30, 2014			
						Current	Long Term	Total	
Eastside Tank & Pump Station	Yuima	2004	\$ 1,500,000	2016	2.35%	\$ 146,209	\$ 225,819	\$ 372,028	
Tank 8 and Pump Station	IDA	2007	\$ 1,500,000	2022	2.65%	\$ 103,989	\$ 873,636	\$ 977,625	
Zone 4 Tank	IDA	2013	\$ 900,000	2033	3.55%	\$ 32,119	\$ 852,240	\$ 884,359	
Station 1 SDG&E On-Bill	IDA	2013	\$ 111,364	2022	0.00%	\$ 12,039	\$ 87,286	\$ 99,325	
Station 4 SDG&E On-Bill	IDA	2013	\$ 75,125	2023	0.00%	\$ 7,875	\$ 60,377	\$ 68,252	
Total			<u>\$ 4,086,489</u>			<u>\$ 302,231</u>	<u>\$ 2,099,358</u>	<u>\$ 2,401,589</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 31.4% of total water delivered during the year 2013-14 to one customer. The same customer has been one of the top ten water consumers in the District for the last 25 years averaging 31% of the District sales.

The District incurred a \$1,349,173 operating loss during fiscal year 2013-14 as compared to a \$397,407 operating gain during fiscal year 2012-13. This was due to the increased purchases of higher cost imported water, loss of local groundwater and legal fees for the *Strub* litigation. In fiscal year 2013-14 the District purchased 60% of the water sold from the San Diego County Water Authority, compared to 34% in fiscal year 2012-13. This resulted in a higher cost of the water purchased and produced.

The District has been working aggressively and invested significantly to diversify its water supply through a combination of new and rehabilitated groundwater wells and new horizontal wells along with local water well agreements to reduce its reliance on the high cost imported water supply from the San Diego County Water Authority.

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 71% 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](http://www.yuimamwd.com).



**Yuima Municipal Water District**  
**Statement of Net Position**  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments	\$ 2,500	\$ 3,055,897	\$ 3,058,397
Accounts Receivable	1,749	993,372	995,121
Taxes Receivable	854	11,453	12,307
Interest Receivable		4,639	4,639
Internal Balances	87,839	(87,839)	0
Inventories		356,899	356,899
Prepays		32,183	32,183
Capital Assets, Not Being Depreciated:			
Land and Improvements		1,300,707	1,300,707
Construction in Progress		89,117	89,117
Capital Assets, Net of Depreciation:			
General Plant		382,211	382,211
Source of Supply		6,850,653	6,850,653
Pumping Plant		2,221,388	2,221,388
Water Treatment Plant		79,177	79,177
Transmission and Distribution Plant		3,356,585	3,356,585
	<u>92,942</u>	<u>18,646,442</u>	<u>18,739,384</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts Payable		1,606,356	1,606,356
Deposits and Other Liabilities	32,000	25,214	57,214
Interest Payable		30,308	30,308
Long-term Liabilities:			
Due Within One Year		356,168	356,168
Due in More Than One Year		2,261,169	2,261,169
	<u>32,000</u>	<u>4,279,215</u>	<u>4,311,215</u>
Total Liabilities			
<b>NET POSITION</b>			
Net Investment in Capital Assets		11,878,249	11,878,249
Unrestricted	60,942	2,488,978	2,549,920
	<u>60,942</u>	<u>14,367,227</u>	<u>14,428,169</u>
Total Net Position			

The accompanying notes are an integral part of this statement.

**Yuima Municipal Water District**  
**Statement of Activities**  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 5,486	\$ 55,052	\$ 1,650	\$
Business-type Activities:				
Water Enterprise	12,972,013	11,177,486		
Total Primary Government	\$ 12,977,499	\$ 11,232,538	\$ 1,650	\$ 0

General Revenues:  
Unrestricted Intergovernmental  
Investment Earnings  
Other

Total General Revenues

Change in Net Position

Total Net Position - Beginning

Total Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 51,216	\$	\$ 51,216
	(1,794,527)	(1,794,527)
51,216	(1,794,527)	(1,743,311)
	378,146	378,146
11	34,020	34,031
8,203	33,188	41,391
8,214	445,354	453,568
59,430	(1,349,173)	(1,289,743)
1,512	15,716,400	15,717,912
\$ 60,942	\$ 14,367,227	\$ 14,428,169

The accompanying notes are an integral part of this statement.

**Yuima Municipal Water District**  
**Balance Sheet**  
**Governmental Fund**  
June 30, 2014

	Fire Protection
<b>ASSETS</b>	
Cash and Investments	\$ 2,500
Accounts Receivable	1,749
Taxes Receivable	854
Due from Other Funds	87,839
Total Assets	\$ 92,942
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Other Current Liabilities	\$ 32,000
Total Liabilities	32,000
Fund Balance	
Unassigned	60,942
Total Fund Balance	60,942
Total Liabilities and Fund Balance	\$ 92,942
Fund Balance of Governmental Fund	\$ 60,942
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	\$ 60,942

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, 2014

	Fire Protection
<b>REVENUES</b>	
Fire Protection Special Tax	\$ 50,715
Mitigation Fees	4,337
Contributions	1,650
Investment Earnings	11
Miscellaneous	8,203
Total Revenues	64,916
<b>EXPENDITURES</b>	
General and Administrative	3,835
Fire Protection	1,651
Total Expenditures	5,486
Excess (Deficiency) of Revenues Over Expenditures	59,430
Fund Balance, Beginning	1,512
Fund Balance, Ending	\$ 60,942
Excess (Deficiency) of Revenues Over Expenditures	\$ 59,430
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	\$ 59,430

The accompanying notes are an integral part of this statement.

**Yuima Municipal Water District**  
**Statement of Net Position**  
**Proprietary Fund**  
June 30, 2014

**ASSETS**

Current Assets:

Cash and Investments	\$ 3,055,897
Accounts Receivable	993,372
Taxes Receivable	11,453
Interest Receivable	4,639
Inventories	356,899
Prepays	<u>32,183</u>
Total Current Assets	<u>4,454,443</u>

Noncurrent Assets:

Capital Assets, Not Being Depreciated	1,389,824
Capital Assets, Net of Depreciation	<u>12,890,014</u>
Total Noncurrent Assets	<u>14,279,838</u>
Total Assets	<u>18,734,281</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable	1,606,356
Compensated Absences - Current Portion	53,937
Deposits and Other Liabilities	25,214
Interest Payable	30,308
Due to Other Funds	87,839
Notes Payable - Current Portion	<u>302,231</u>
Total Current Liabilities	<u>2,105,885</u>

Noncurrent Liabilities:

Compensated Absences	161,811
Notes Payable	<u>2,099,358</u>
Total Noncurrent Liabilities	<u>2,261,169</u>
Total Liabilities	<u>4,367,054</u>

**NET POSITION**

Net Investment in Capital Assets	11,878,249
Unrestricted	<u>2,488,978</u>
Total Net Position	<u>\$ 14,367,227</u>

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, 2014

**OPERATING REVENUES**

Water Sales and Pumping Charges	\$ 10,356,950
Other Services	<u>567,729</u>
Total Operating Revenues	<u>10,924,679</u>

**OPERATING EXPENSES**

Purchased Water	7,569,889
Pumping	1,474,252
Water Treatment	95,484
Transmission and Distribution	377,315
Customer Accounts	88,290
General Plant	79,657
General and Administrative	2,466,946
Depreciation	<u>531,243</u>
Total Operating Expenses	<u>12,683,076</u>

Operating Income (Loss)	<u>(1,758,397)</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Property Taxes and Assessments	384,191
Availability Charges	174,000
Lease Income	72,762
Investment Earnings	34,020
Other Non-operating Revenues	33,188
Interest Expense	(82,583)
Other Non-operating Expenses	<u>(206,354)</u>
Total Non-Operating Revenues (Expenses)	<u>409,224</u>

Change in Net Position	<u>(1,349,173)</u>
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Total Net Position, Beginning	<u>15,716,400</u>
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Total Net Position, Ending	<u><u>\$ 14,367,227</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, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 10,668,546
Cash from Other Operating Activities	33,189
Cash Payments to Employees	(1,003,442)
Cash Payments to Suppliers	<u>(10,359,426)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(661,133)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Property Taxes	380,988
Availability Charges	174,000
Lease Income	72,762
Advances to Other Funds	<u>183,060</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>810,810</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Notes Payable	2,372,463
Acquisition of Capital Assets	(2,102,102)
Principal Payments on Capital Debt	(1,660,561)
Interest Payments on Capital Debt	<u>(68,089)</u>
Net Cash Provided by (Used for) Capital and Related Financing	<u>(1,458,289)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Earnings	<u>36,262</u>
Net Cash Provided by (Used for) Investing Activities	<u>36,262</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(1,272,350)
Cash and Cash Equivalents - Beginning of Year	<u>4,328,247</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,055,897</u>

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided by (Used for) Operating Activities:**

Net Operating Income (Loss)	\$ (1,758,397)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by (Used for) Operating Activities:	
Depreciation	531,243
Miscellaneous Revenues	33,189
Miscellaneous Expenses	(988)
(Increase) Decrease in Accounts Receivable	(258,010)
(Increase) Decrease in Inventory	47,738
(Increase) Decrease in Prepaids	2,306
Increase (Decrease) in Accounts Payable	719,881
Increase (Decrease) in Compensated Absences	20,028
Increase (Decrease) in Deposits and Other Liabilities	<u>1,877</u>
Total Cash Provided by (Used for) Operating Activities	<u>\$ (661,133)</u>

The accompanying notes are an integral part of this statement.



**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

<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, 2014

**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, 2014 are as follows:

Name	Title	Term Expiration
W.D. "Bill" Knutson	President	December 2014
Ron W. Watkins	Vice President	December 2016
George Stockton	Secretary/Treasurer	December 2016
Mike Fitzsimmons	Director	December 2016
Douglas K. Anderson	Director	December 2014

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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. Currently, this statement has no 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. Currently, this statement has no effect on the District's financial statements.

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

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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 - Continued

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.

Governmental Accounting Standards Board Statement No. 71

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68*. This statement was issued to address an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributions entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

Governmental Accounting Standards Board Statement No. 71 - Continued

measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. Statement No. 71 is effective for periods beginning after June 15, 2014 and should be implemented simultaneously with the provisions of GASB Statement No. 68. The District has elected not to early implement GASB No. 68 and 71 and has not determined its effect on the District's financial statements.

**C) Basis of Presentation**

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

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.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

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

*Enterprise Funds* are used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District maintains one Enterprise Fund, the Water Department, to account for the operations of the District's utility services.

*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.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

The District has one governmental fund that provides fire protection services 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.

**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, 2014, the District reported water sales to one customer which totaled approximately 31.4% as a percentage of consumption. Management has not incurred any additional expense to serve this customer, and the District has more than one source of supply to meet its needs.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I) Allowance for Uncollectible Accounts**

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

**J) Unbilled Services**

Unbilled water services are accrued at year-end.

**K) Inventory**

Inventory consists of parts, materials and supplies needed to keep the plant and equipment owned by 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) 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, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**N) 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 of these types of items as of June 30, 2014.

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 of these types of items as of June 30, 2014.

**O) 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.

**P) 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, 2014

**1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P) 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.

**Q) 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 <sup>st</sup> Installment
	February 1	2 <sup>nd</sup> Installment
Delinquent Dates	December 10	1 <sup>st</sup> Installment
	April 10	2 <sup>nd</sup> 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.

**R) 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.

**S) 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, 2014

**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>3,058,397</u>

Cash and investments consist of the following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	1,292,225
Investments	<u>1,765,672</u>
Total Cash and Investments	\$ <u>3,058,397</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 <sup>(1)</sup>	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

<sup>(1)</sup> 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, 2014

**2) CASH AND INVESTMENTS - Continued**

**Disclosures Relating to Interest Rate Risk - Continued**

As of June 30, 2014, the District had the following investments:

			<u>Maturity Date</u>		<u>Weighted Average Maturity (Years)</u>
State Investment Pool (LAIF)	\$	1,765,672	N/A		0.78

\*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>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State Investment Pool (LAIF)	\$	1,765,672	N/A	\$	\$	\$ 1,765,672

**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 a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. 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, 2014

**2) CASH AND INVESTMENTS - Continued**

**Custodial Credit Risk - Continued**

As of June 30, 2014, 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, 2014 was 0.22%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2014 was \$64,850,840,279 and \$64,870,214,443, respectively. The District's share of the Pool at June 30, 2014 was approximately 0.002723 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 asset-backed securities totaling \$1,205,901,000. 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
<b>Business-type Activities:</b>				
Capital Assets, Not Depreciated:				
Land and Improvements	\$ 1,300,707	\$	\$	\$ 1,300,707
Construction in Progress	<u>616,189</u>	<u>53,132</u>	<u>580,204</u>	<u>89,117</u>
Total Capital Assets Not Depreciated	<u>1,916,896</u>	<u>53,132</u>	<u>580,204</u>	<u>1,389,824</u>
Capital Assets, Being Depreciated:				
General Plant	1,672,021	16,846	60,690	1,628,177
Source of Supply	6,910,385	1,768,751		8,679,136
Pumping Plant	3,137,778	501,950	152,202	3,487,526
Water Treatment Plant	174,152	3,883	33,762	144,273
Transmission and Distribution Plant	<u>7,771,580</u>	<u>337,743</u>	<u>38,854</u>	<u>8,070,469</u>
Total Capital Assets Being Depreciated	<u>\$ 19,665,916</u>	<u>\$ 2,629,173</u>	<u>\$ 285,508</u>	<u>\$ 22,009,581</u>

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**3) CAPITAL ASSETS - Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation:				
General Plant	\$ (1,216,009)	\$ (81,756)	\$ (51,799)	\$ (1,245,966)
Source of Supply	(1,673,342)	(155,141)		(1,828,483)
Pumping Plant	(1,168,756)	(115,043)	(17,661)	(1,266,138)
Water Treatment Plant	(69,526)	(3,308)	(7,738)	(65,096)
Transmission and Distribution Plant	<u>(4,540,833)</u>	<u>(175,995)</u>	<u>(2,944)</u>	<u>(4,713,884)</u>
Total Accumulated Depreciation	<u>(8,668,466)</u>	<u>(531,243)</u>	<u>(80,142)</u>	<u>(9,119,567)</u>
Total Capital Assets Being Depreciated, Net	<u>10,997,450</u>	<u>2,097,930</u>	<u>205,366</u>	<u>12,890,014</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 12,914,346</u>	<u>2,151,062</u>	<u>785,570</u>	<u>\$ 14,279,838</u>

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

Business-type Activities:	
Water Enterprise	\$ 531,243

**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)	\$ 195,719	\$ 68,959	\$ 48,930	\$ 215,748	\$ 53,937
Note Payable:					
2004 Installment Note	439,466		439,466 <sup>(1)</sup>		
2007 Installment Note	1,063,733		1,063,733 <sup>(1)</sup>		
2013 Station 1 Note	111,364		12,039	99,325	12,039
2013 Station 4 Note	75,125		6,873	68,252	7,875
2013 Installment Note	<u>0</u>	<u>2,372,463</u>	<u>138,451</u>	<u>2,234,012</u>	<u>282,317</u>
Total	<u>\$ 1,885,407</u>	<u>\$ 2,441,422</u>	<u>\$ 1,709,492</u>	<u>\$ 2,617,337</u>	<u>\$ 356,168</u>

<sup>(1)</sup>These amounts include a current refunding of \$439,466 and \$1,018,418 for the 2004 and 2007 Installment Notes, respectively.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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 IDA improvements that will provide energy efficiency savings.

The payments are due in monthly installments on the District's utility bills from San Diego Gas & 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>
2015	\$ 12,039
2016	12,039
2017	12,039
2018	12,039
2019	12,039
2020 - 2023	<u>39,130</u>
Total	<u>\$ 99,325</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 IDA improvements that will provide energy efficiency savings. The payments are due in monthly installments on the District's utility bills from San Diego Gas & 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>
2015	\$ 7,875
2016	7,875
2017	7,875
2018	7,875
2019	7,875
2020 - 2023	<u>28,877</u>
Total	<u>\$ 68,252</u>

**Notes Payable - 2013 Installment Note** - In July 2013, the District entered into a Loan and Installment Sale agreement with City National Bank for \$2,420,000 with interest rate of 2.35% - 3.55%. The agreement is to provide financing for the refinancing of two installment sale agreements and for the acquisition and construction of a 1.2 million gallon water storage tank and pump station. The payments are due in semiannual installments commencing July 15, 2014 through July 15, 2034. The District only borrowed \$2,372,463 of the \$2,420,000 Installment Note since it made an additional debt service payment on the 2007 Installment Note before it was refinanced.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**4) LONG-TERM LIABILITIES - Continued**

For the Year Ended June 30.	2004 Refunding Installment Agreement			2007 Refunding Installment Agreement		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 146,209	\$ 7,889	\$ 154,098	\$ 103,989	\$ 25,223	\$ 129,212
2016	149,665	4,432	154,097	106,762	22,449	129,211
2017	76,154	895	77,049	109,611	19,601	129,212
2018				112,534	16,677	129,211
2019				115,536	13,675	129,211
2020-2024				429,193	23,047	452,240
2025-2029						
2030-2034						
Total	<u>\$ 372,028</u>	<u>\$ 13,216</u>	<u>\$ 385,244</u>	<u>\$ 977,625</u>	<u>\$ 120,672</u>	<u>\$ 1,098,297</u>

For the Year Ended June 30.	Construction			Total		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 32,119	\$ 31,112	\$ 63,231	\$ 282,317	\$ 64,224	\$ 346,541
2016	33,270	29,962	63,232	289,697	56,843	346,540
2017	34,461	28,770	63,231	220,226	49,266	269,492
2018	35,696	27,536	63,232	148,230	44,213	192,443
2019	36,974	26,257	63,231	152,510	39,932	192,442
2020-2024	205,708	110,450	316,158	634,901	133,497	768,398
2025-2029	245,281	70,878	316,159	245,281	70,878	316,159
2030-2034	<u>260,850</u>	<u>23,693</u>	<u>284,543</u>	<u>260,850</u>	<u>23,693</u>	<u>284,543</u>
Total	<u>\$ 884,359</u>	<u>\$ 348,658</u>	<u>\$ 1,233,017</u>	<u>\$ 2,234,012</u>	<u>\$ 482,546</u>	<u>\$ 2,716,558</u>

**Advanced Refunding**

In July 2013, the District entered a \$2,420,000 Loan and Installment Sale agreement with interest rates of 2.35%-3.55% to advance refund \$439,466 of the 2004 Installment Note and \$1,018,418 of the 2007 Installment Note. The net proceeds of \$1,472,463 was used to prepay the obligations. As a result, the 2004 Installment Note and the 2007 Installment Note are considered to be refunded and the liabilities of these notes have been removed from long-term debt.

The reacquisition price exceeded the net carrying amount of the old debt by \$14,579. The District advance refunded the 2004 and 2007 Installment Notes to reduce its total debt service payments over 9 years by \$93,952 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$86,763. This amount was not significant and is included in interest expense rather than being amortized over the remaining life of the refunding debt.

**Pledged Revenues**

The District has pledged a portion of future water activities revenues to repay its 2013 Installment Note payable to City National Bank under the agreement with Municipal Finance Corporation. The note payable is secured solely by operating revenues from the proprietary fund. Total principal and interest remaining on the note payable is \$2,716,558 payable through fiscal year 2034. For the current year, principal and interest paid by the operating revenues were \$138,451 and \$551,141, respectively.



**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

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

**Plan Description**

The Yuima Municipal Water District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. The District began participation in the pension plan on December 16, 2001. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public 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 (CalPERS) 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 CalPERS 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. Effective January 1, 2013, District new hires who meet the definition of "new employee" and "new members" will accrue and receive defined benefit pension plan benefits in accordance with the California Public Employees' Pension Reform Act (PEPRA) of 2013. Requests for detailed plan provisions and copies of CalPERS' annual financial report can be obtained from CalPERS fiscal services division, PO Box 942703, Sacramento, CA 94229-2703 or <http://www.calpers.ca.gov>.

**Funding Policy**

The District has elected to pay a portion of the required participant contributions on behalf of its employees. The District pays 4.7% 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, 2014 was 33.837%. 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 2013-2014, the District's annual pension cost for miscellaneous employees, of \$360,370 for PERS was equal to the District's required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2011, 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>	
6/30/12	\$ 301,917	100%	
6/30/13	\$ 314,864	100%	
6/30/14	\$ 360,370	100%	

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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 establishes and has the authority to amend the plan provisions. 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 which are established and may be amended by the Board of Directors. 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, 2014, the District made \$128,700 contributions to the Plan representing the District's 2014 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, 2014

**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		-
 Annual OPEB Cost (Expense)		 110,273
Contributions Made		(110,273)
 Increase (Decrease) in Net OPEB Obligation		 -
Net OPEB Obligation - Beginning of Year		-
 Net OPEB Obligation - End of Year	 \$	 -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation for fiscal year 2014 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	
6/30/12	\$ 113,646	100.0%	\$	-
6/30/13	\$ 115,300	100.0%	\$	-
6/30/14	\$ 110,273	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, 2014

**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 2008 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.

*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.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued**

**Methods and Assumptions - Continued**

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 2014 was \$17,500 per participant and is \$17,000 for the calendar year 2013; 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.

**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	\$ 1,137,865	\$ 300,000	\$ 285,000	\$ 1,152,865
Minimum Operating Reserve	2,126,132	-	1,340,341	785,793
Continuing Capital Projects	647,242	1,279,169	1,607,584	318,827
Vehicle Replacement	384,781	70,058	439,094	15,745
Employee Benefit Requirements	<u>195,720</u>	<u>20,028</u>	<u>-</u>	<u>215,748</u>
Total	<u>\$ 4,491,740</u>	<u>\$ 1,669,255</u>	<u>\$ 3,672,019</u>	<u>\$ 2,488,978</u>

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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 and Fire Protection (CALFIRE). 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, 2014 was \$40,835. There were no instances in the past three years where a settlement exceeded the District's coverage.

**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"). In a Superior Court ruling dated November 15, 2013 and entitled *Order Granting in Part and Denying in Part Petition to Enforce Water Rights Judgment, and Statement of Decision*, Superior Court Judge Richard Dahlquist ruled that Strub *et. al. v Palomar* imposes a "hard cap" of 1,350 acre-feet per year, regardless of where within the boundaries of the District such water is ultimately used. On May 29, 2014, Yuima appealed that ruling and the case is now before the Fourth District Court of Appeal. 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.

**Yuima Municipal Water District**  
**Notes to Financial Statements**  
Year Ended June 30, 2014

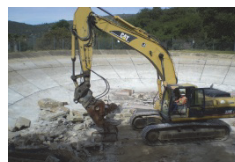
**12) COMMITMENTS AND CONTINGENCIES - Continued**

Economic Dependency

For fiscal year ended June 30, 2014, 59.4% of water sold by the District is purchased from the San Diego Water Authority and 40.6% 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**



**Yuima Municipal Water District**  
**Schedule of Funding Progress for OPEB**  
Year Ended June 30, 2014

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, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Fire Protection Special Tax	\$ 50,100	\$ 50,100	\$ 50,715	\$ 615
Mitigation Fees			4,337	4,337
Contributions	199,655	199,655	1,650	(198,005)
Investment Earnings			11	11
Miscellaneous	8,000	8,000	8,203	203
Total Revenues	<u>257,755</u>	<u>257,755</u>	<u>64,916</u>	<u>(192,839)</u>
<b>EXPENDITURES</b>				
General and Administration	2,500	2,500	3,835	(1,335)
Fire Protection	<u>257,755</u>	<u>257,755</u>	<u>1,651</u>	<u>256,104</u>
Total Expenditures	<u>260,255</u>	<u>260,255</u>	<u>5,486</u>	<u>254,769</u>
Excess of Revenues Over Expenditures	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>	59,430	<u>\$ 61,930</u>
Fund Balance - Beginning of Year			<u>1,512</u>	
Fund Balance - End of Year			<u>\$ 60,942</u>	

**Yuima Municipal Water District**  
**Notes to Required Supplementary Information**  
Year Ended June 30, 2014

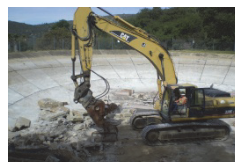
**1. BUDGETARY DATA**

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

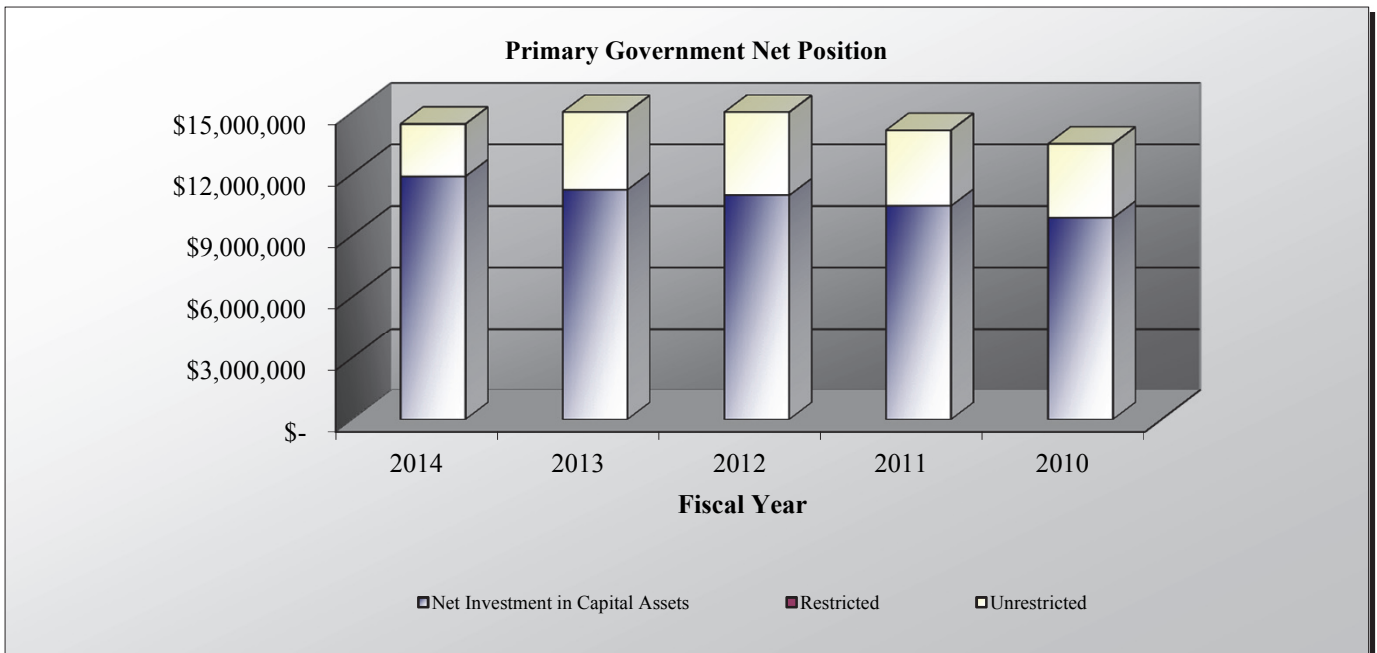
This part of the Yuima Municipal Water District comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<b>CONTENTS</b>	<b>PAGE</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	47
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	54
<b>Debt Capacity</b> 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.	60
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	64
<b>Operating Information</b> 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.	67

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

*Page 1 of 2*

	<b>Fiscal Year</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	60,942	1,512	(141)	7,628	10,276
<b>Total Governmental Activities</b>					
Net Position	<u>\$ 60,942</u>	<u>\$ 1,512</u>	<u>\$ (141)</u>	<u>\$ 7,628</u>	<u>\$ 10,276</u>
<b>Business - type Activities</b>					
Net Investment in Capital Assets	\$ 11,878,249	\$ 11,224,659	\$ 10,954,646	\$ 10,441,399	\$ 9,851,232
Restricted	-	-	-	-	-
Unrestricted	2,488,978	4,491,741	4,503,571	3,673,419	3,594,996
<b>Total Business-type Activities</b>					
Net Position	<u>\$ 14,367,227</u>	<u>\$ 15,716,400</u>	<u>\$ 15,458,217</u>	<u>\$ 14,114,818</u>	<u>\$ 13,446,228</u>
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 11,878,249	\$ 11,224,659	\$ 10,954,646	\$ 10,441,399	\$ 9,851,232
Restricted	-	-	-	-	-
Unrestricted	2,549,920	4,493,253	4,503,430	3,681,047	3,605,272
<b>Total Primary Government Net Position</b>	<u>\$ 14,428,169</u>	<u>\$ 15,717,912</u>	<u>\$ 15,458,076</u>	<u>\$ 14,122,446</u>	<u>\$ 13,456,504</u>



Source: Yuima Municipal Water District

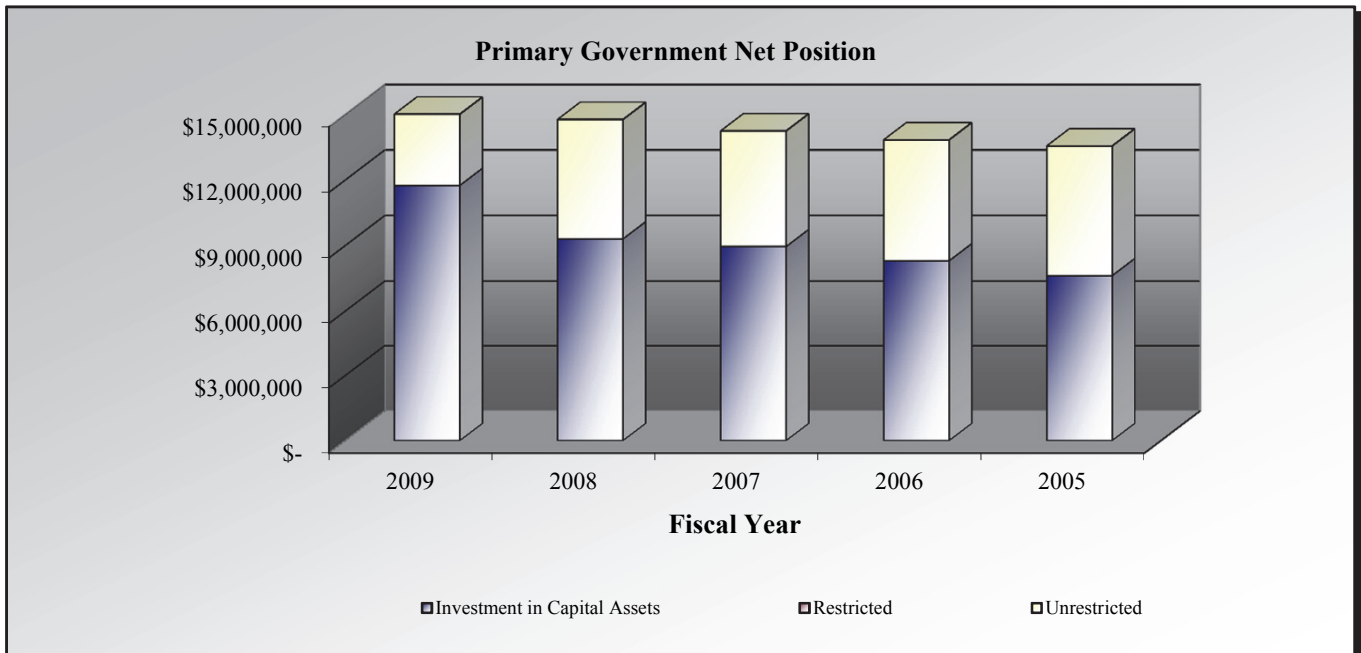
Notes: The District's assets consist primarily of water treatment and distribution facilities.



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

*Page 2 of 2*

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



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				
	2014	2013	2012	2011	2010
<b>Expenses</b>					
Governmental Activities:					
Fire Protection	\$ 5,486	\$ 149,968	\$ 214,549	\$ 235,432	\$ 221,085
Total Governmental Activities Expenses	<u>5,486</u>	<u>149,968</u>	<u>214,549</u>	<u>235,432</u>	<u>221,085</u>
Business-type activities:					
Water Activities	12,972,013	8,462,595	6,312,177	6,535,139	7,667,445
Interest on Long-term Debt	-	-	-	-	-
Total Business-type Activities Expenses	<u>12,972,013</u>	<u>8,462,595</u>	<u>6,312,177</u>	<u>6,535,139</u>	<u>7,667,445</u>
Total Primary Government Expenses	<u>\$ 12,977,499</u>	<u>\$ 8,612,563</u>	<u>\$ 6,526,726</u>	<u>\$ 6,770,571</u>	<u>\$ 7,888,530</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services - Fire Protection	\$ 55,052	\$ 51,288	\$ 51,406	\$ 49,763	\$ 51,727
Operating Grants & Contributions - Fire Protection	1,650	92,842	146,859	174,094	155,075
Capital Grants and Contributions - Fire Protection	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>56,702</u>	<u>144,130</u>	<u>198,265</u>	<u>223,857</u>	<u>206,802</u>
Business-type Activities:					
Charges for Services - Water Activities	11,177,486	8,438,943	7,196,652	6,763,277	6,815,249
Operating Grants & Contributions - Water Activities	-	-	-	-	-
Capital Grants & Contributions - Water Activities	-	-	-	-	-
Total Business-type Activities Program Revenues	<u>11,177,486</u>	<u>8,438,943</u>	<u>7,196,652</u>	<u>6,763,277</u>	<u>6,815,249</u>
Total Primary Government Program Revenues	<u>\$ 11,234,188</u>	<u>\$ 8,583,073</u>	<u>\$ 7,394,917</u>	<u>\$ 6,987,134</u>	<u>\$ 7,022,051</u>
Net (Expense)/Revenue					
Governmental Activities	\$ 51,216	\$ (5,838)	\$ (16,284)	\$ (11,575)	\$ (14,282)
Business-type Activities	(1,794,527)	(23,652)	884,475	228,138	(852,196)
Total Primary Government Net (Expense)/Revenue	<u>\$ (1,743,311)</u>	<u>\$ (29,490)</u>	<u>\$ 868,191</u>	<u>\$ 216,563</u>	<u>\$ (866,478)</u>
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
Governmental Activities:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	11	11	13	22	38
Other	8,203	7,480	8,502	8,905	9,523
Total Governmental Activities	<u>8,214</u>	<u>7,491</u>	<u>8,515</u>	<u>8,927</u>	<u>9,561</u>
Business-type Activities:					
Property Taxes	378,146	372,995	388,271	381,507	396,197
Investment Earnings	34,020	44,587	39,395	46,694	60,929
Other	33,188	3,477	31,258	12,251	5,717
Special Item	-	(139,224)	-	-	(1,743,195)
Total Business-type Activities	<u>445,354</u>	<u>281,835</u>	<u>458,924</u>	<u>440,452</u>	<u>(1,280,352)</u>
Total Primary Government	<u>\$ 453,568</u>	<u>\$ 289,326</u>	<u>\$ 467,439</u>	<u>\$ 449,379</u>	<u>\$ (1,270,791)</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 59,430	\$ 1,653	\$ (7,769)	\$ (2,648)	\$ (4,721)
Business-type Activities	(1,349,173)	258,183	1,343,399	668,590	(2,132,548)
Total Primary Government	<u>\$ (1,289,743)</u>	<u>\$ 259,836</u>	<u>\$ 1,335,630</u>	<u>\$ 665,942</u>	<u>\$ (2,137,269)</u>

Source: Yuima Municipal Water District

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

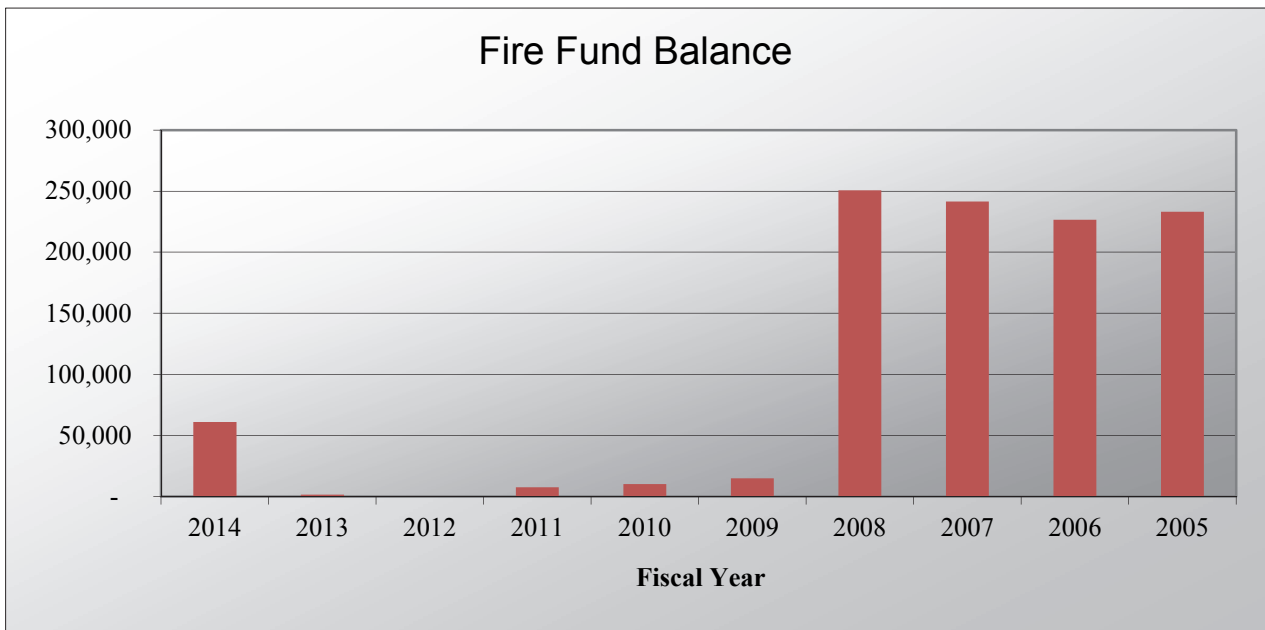
*Page 2 of 2*

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

Source: Yuima Municipal Water District

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

Fiscal Year Ended	GOVERNMENTAL FUNDS			Total Restricted Balance	Total Unassigned Balance
	General <sup>(1)</sup> Fund	Fire Fund	Total Balance		
2014	\$ -	\$ 60,942	\$ 60,942	\$ -	\$ 60,942
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 <sup>(2)</sup>	-	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



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*

	<b>Fiscal Year</b>				
	<b>2014 <sup>(1)</sup></b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>					
Fire Protection Special Tax	\$ 50,715	\$ 50,715	\$ 50,688	\$ 48,968	\$ 51,059
Mitigation Fees	4,337	573	718	795	668
Contributions	1,650	92,842	146,859	174,094	155,075
Investment Earnings	11	11	13	22	38
Miscellaneous (EMS Funds)	8,203	7,480	8,502	8,905	9,523
Total Revenues	<u>64,917</u>	<u>151,621</u>	<u>206,780</u>	<u>232,784</u>	<u>216,363</u>
<b>Expenditures</b>					
General and Administrative	3,835	2,431	2,591	3,800	5,589
Capital Expenditures	-	-	-	-	-
Fire Protection	1,651	147,537	211,958	231,632	215,495
Total Expenditures	<u>5,486</u>	<u>149,968</u>	<u>214,549</u>	<u>235,432</u>	<u>221,084</u>
Net Change in Fund Balances	<u>\$ 59,430</u>	<u>\$ 1,653</u>	<u>\$ (7,769)</u>	<u>\$ (2,648)</u>	<u>\$ (4,721)</u>

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

Notes: (1) CalFire did not call a "Non-Fire Season" in fiscal year 2013-14, therefore no fire contract charges or contributions were incurred during this reporting period.

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

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

*Page 2 of 2*

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>					
Fire Protection Special Tax	\$ 51,502	\$ 49,555	\$ 48,671	\$ 48,671	\$ 45,519
Mitigation Fees	4,533	1,445	12,914	10,399	4,509
Contributions	123,251	123,350	-	46,236	40,324
Investment Earnings	1,905	8,754	8,711	6,234	3,407
Miscellaneous	13,786	5,660	-	-	-
Total Revenues	<u>194,977</u>	<u>188,764</u>	<u>70,296</u>	<u>111,540</u>	<u>93,759</u>
<b>Expenditures</b>					
General and Administrative	3,428	2,274	5,773	5,992	3,030
Capital Expenditures	268,000	-	-	-	-
Fire Protection	190,863	174,654	49,515	92,641	65,270
Total Expenditures	<u>462,291</u>	<u>176,928</u>	<u>55,288</u>	<u>98,633</u>	<u>68,300</u>
Net Change in Fund Balances	<u><u>\$ (267,314)</u></u>	<u><u>\$ 11,836</u></u>	<u><u>\$ 15,008</u></u>	<u><u>\$ 12,907</u></u>	<u><u>\$ 25,459</u></u>

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

Notes: The Fire Fund has no related debt, therefore 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		Domestic Water		Average Annual Increase	Pumping Charge			Average Annual Increase
	Rate (per acre foot)		Rate (per acre foot)			Yuima	IDA (Range)		
	Yuima	IDA	Yuima	IDA			Yuima	IDA (Range)	
2014 <sup>(1)</sup>	\$ 978	\$ 727	\$ 1,123	\$ 727	4%	\$ 96	\$ 70	\$ 338	5%
2013	\$ 966	\$ 715	\$ 982	\$ 722	0%	\$ 91	\$ 67	\$ 321	0%
2012	\$ 966	\$ 715	\$ 982	\$ 722	-4%	\$ 91	\$ 67	\$ 321	0%
2011	\$ 966	\$ 727	\$ 1,066	\$ 776	14%	\$ 91	\$ 67	\$ 321	5%
2010	\$ 854	\$ 646	\$ 927	\$ 675	12%	\$ 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	5%	\$ 71	\$ 52	\$ 251	0%
2005	\$ 537	\$ 394	\$ 638	\$ 449	15%	\$ 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"	
2014	\$ 29	\$ 46	\$ 86	\$ 149	\$ 275	\$ 469	\$ 664	\$ 859	\$ 1,488	0%
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%

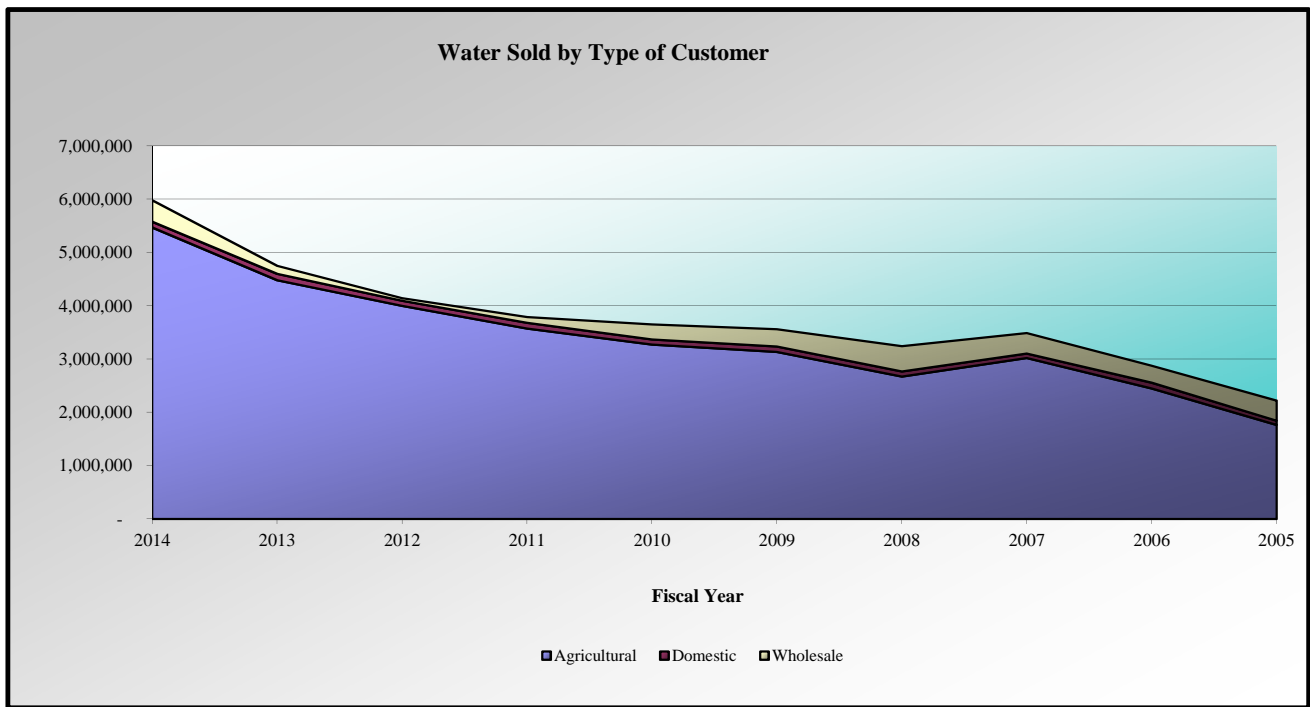
Source: Yuima Municipal Water District

Notes: (1) Effective November 1, 2013, the Board approved a tiered structure. The stated water rates for 2014 represent Tier 1.

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 Rainfall <sup>(3)</sup> (inches)	Average District Rate <sup>(4)</sup>
	Agricultural		Domestic		Wholesale Ag/Dom		Total Water Sales <sup>(1)(2)</sup>			
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet		
2014	\$5,468,903	6,704	\$109,031	163	\$ 406,854	724	\$ 5,984,789	7,591	8.19	\$ 788.40
2013	4,480,984	6,006	119,586	146	152,246	158	4,752,817	6,310	13.51	753.18
2012	3,998,764	5,318	98,626	119	47,620	50	4,145,011	5,487	17.20	755.44
2011	3,570,935	4,721	108,655	123	109,128	115	3,788,717	4,959	25.72	764.01
2010	3,273,868	4,853	97,934	128	281,463	330	3,653,265	5,311	23.97	687.89
2009	3,137,544	5,319	101,947	145	325,005	445	3,564,496	5,909	15.71	603.23
2008	2,739,344	5,221	96,922	152	471,004	715	2,836,266	6,088	22.51	465.85
2007	3,069,972	6,566	85,156	155	383,500	660	3,538,628	7,381	9.27	479.46
2006	2,501,099	5,709	104,109	193	322,386	591	2,927,594	6,493	16.47	450.92
2005	1,809,138	4,495	80,347	158	376,411	732	2,265,896	5,385	41.47	420.82



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.

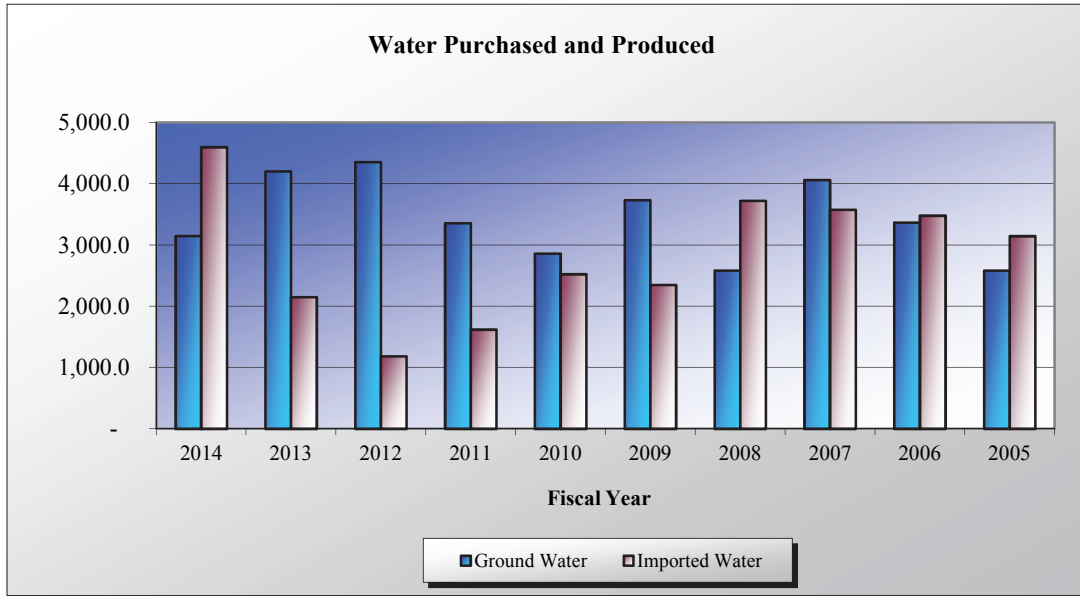
(3) Rainfall is measured at the "Johnson" property located at the top of Quail Drive, Pauma Valley, California at an elevation of 2,055 ft.

(4) Calculated average rate. See page 54 for actual rates.



**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 <sup>(1)</sup>	Imported Water	Total Water Produced		
2014	3,145.7	4,596.1	7,741.8	41%	59%
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%



Source: Yuima Municipal Water District

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

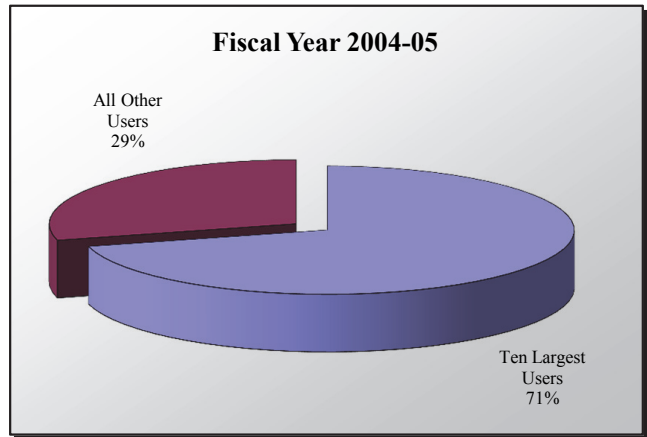
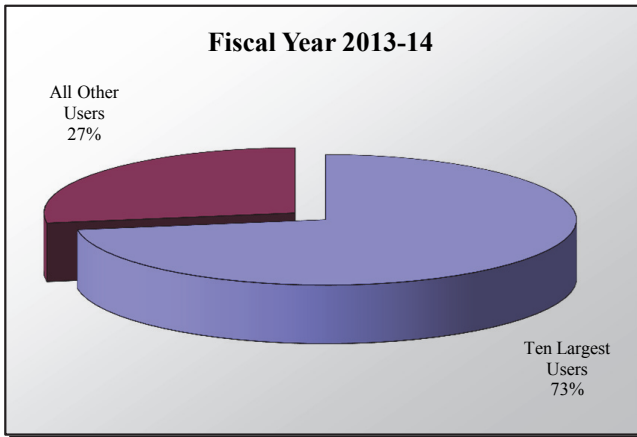
**Yuima Municipal Water District  
Principal Water Consumers  
For the Fiscal Years 2014 and 2005**

**Yuima & IDA Customer Accounts  
FISCAL YEAR ENDED 2014**

<b>Customer Name<sup>(1)</sup></b>	<b>Usage in Acre Feet</b>	<b>Percent of Water Sold</b>
Pauma Mtn. Ranch/Pauma Ranches	2,390	31.49%
Rancho Eugenio	523	6.89%
Val Vista	506	6.67%
Pauma Ridge	382	5.03%
Humason	315	4.15%
Rincon Oaks	315	4.15%
T-Y	300	3.95%
House	284	3.74%
Burge	257	3.39%
PKB Farms	232	3.06%
<b>Total Top Ten Consumers</b>	<b>5,504</b>	<b>72.52%</b>
<b>Other Consumers</b>	<b>2,086</b>	<b>27.48%</b>
<b>Total Water Billed</b>	<b>7,590</b>	<b>100.00%</b>

**Yuima & IDA Customer Accounts  
FISCAL YEAR ENDED 2005**

<b>Customer Name<sup>(1)</sup></b>	<b>Usage in Acre Feet</b>	<b>Percent of Water Sold</b>
Pauma Mtn. Ranch/Pauma Ranches	1,419	26.35%
Pauma Ridge	596	11.07%
Rancho Eugenio	387	7.19%
Val Vista	321	5.96%
Humason	263	4.88%
House	213	3.96%
Brothers Nursery	167	3.10%
Testa	154	2.86%
Metta Forrest	149	2.77%
PKB Farms	147	2.73%
<b>Total Top Ten Consumers</b>	<b>3,816</b>	<b>70.86%</b>
<b>Other Consumers</b>	<b>1,569</b>	<b>29.14%</b>
<b>Total Water Billed</b>	<b>5,385</b>	<b>100.00%</b>



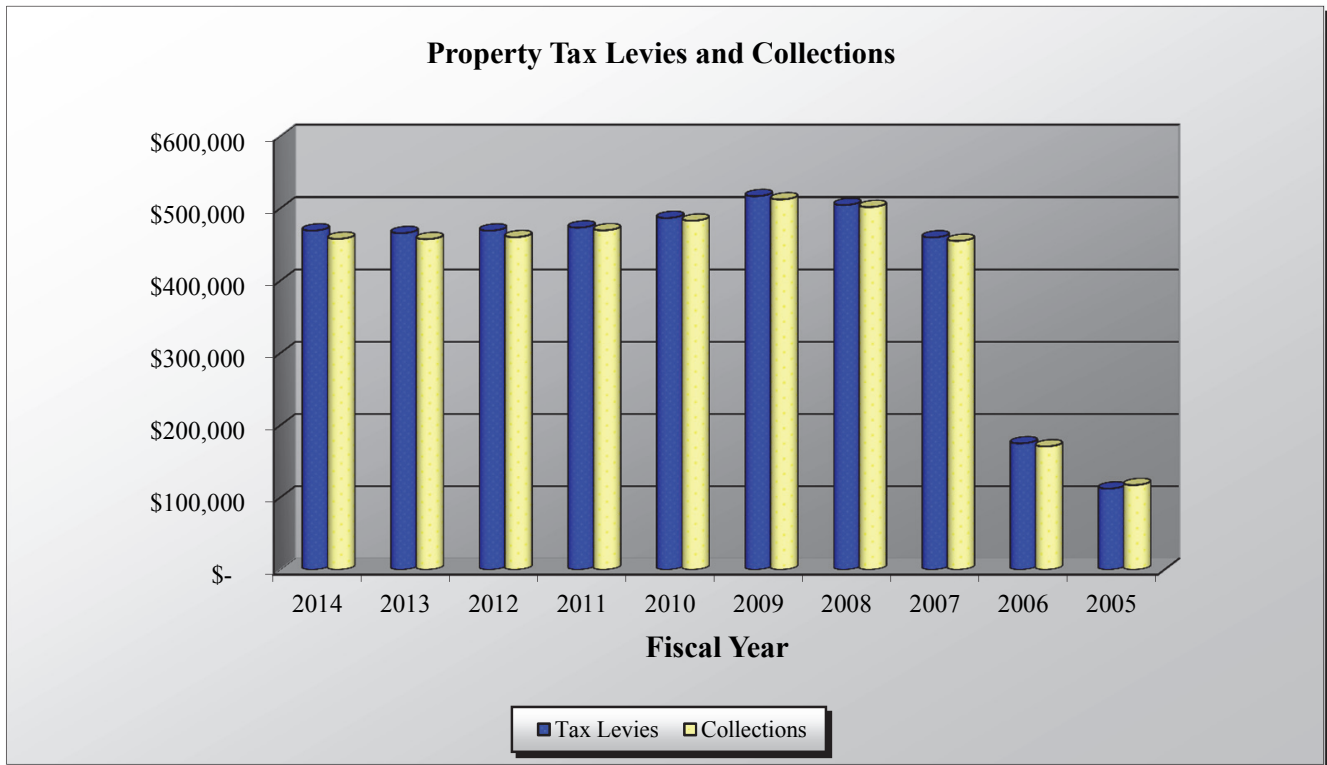
Source: Yuima Municipal Water District

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 <sup>(1)</sup>	Special Assessments <sup>(2)</sup>	Total Levy			
2014	\$ 390,181	\$ 79,287	\$ 469,468	\$ 458,072	\$ 11,396	2.49%
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%



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 <sup>(1)</sup>
	SECURED				
	Real Property	Personal Property	Exemptions		
2014	\$ 339,012,925	\$ -	\$ (5,447,031)	\$ 333,565,894	-
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	-

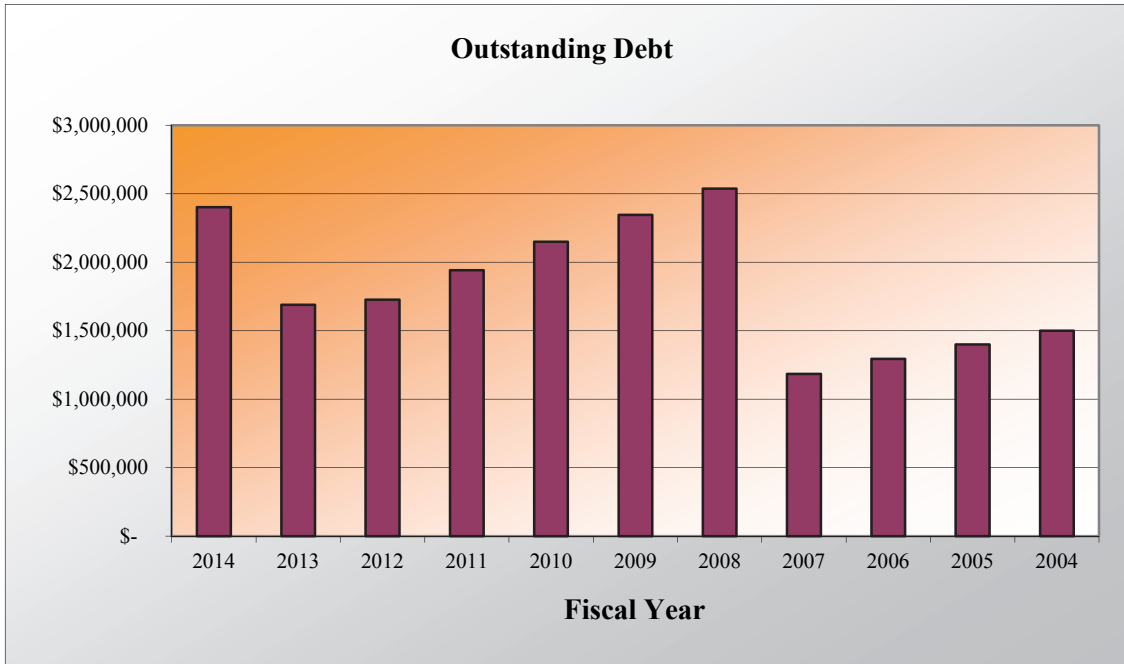


Source: Yuima Municipal Water District and the Office of the Auditor Controller, County of San Diego

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 <sup>(3)</sup>	Debt per Meter	Percentage		Debt per Capita
	Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>					of Personal Income <sup>(4)</sup>	Population <sup>(5)</sup>	
2014	\$ -	\$ -	\$ 2,401,589	\$ 2,401,589	334	\$ 7,190	2%	1,336	\$ 1,798
2013	-	-	1,689,688	1,689,688	337	5,014	1%	1,336	1,265
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 = 232

(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**

<b>Fiscal Year Ended</b>	<b>Operating Revenues</b>		<b>Nonoperating Revenues</b>		<b>Gross Revenues<sup>(2)</sup></b>		<b>Less: Operating Expenses<sup>(3)</sup></b>	<b>Net Revenue Available for Debt Service</b>		
2014 <sup>(4)</sup>	\$	10,924,679	\$	698,161	\$	11,622,840	\$	12,151,833	\$	(528,993)
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

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.
  - (4) Principal & Interest figures in 2014 are shown net of refinance.

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

<b>Yuima &amp; IDA Combined</b>					
<b>DEBT SERVICE REQUIREMENTS</b>					<b>Pledged</b>
<b>Principal</b>	<b>Interest</b>	<b>Total<sup>(4)</sup></b>	<b>Coverage</b>	<b>Factor</b>	<b>Revenue</b>
					<b>Debt Limit</b>
\$ 203,680	\$ 62,776	\$ 266,456	-199%		115%
223,600	81,215	304,815	366%		225%
214,787	80,765	295,552	650%		225%
206,325	89,222	295,547	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.
  - (4) Principal & Interest figures in 2014 are shown net of refinance.

**Yuima Municipal Water District  
Computation of Direct and Overlapping Debt  
June 30, 2014**

2013-14 Assessed Valuation: \$ 334,720,970

	Total Debt		District's Share of
	6/30/14	% Applicable <sup>(1)</sup>	Debt 6/30/14
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 132,275,000	0.015%	\$ 19,841
Palomar Community College District	312,768,901	0.359%	1,122,840
Palomar Pomerado Hospital District	474,823,578	0.521%	2,473,831
<b>Yuima Municipal Water District</b>	<b>0</b>	<b>100.00%</b>	<b>0</b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 3,616,512
<b><u>OVERLAPPING GENERAL FUND DEBT</u></b>			
San Diego County General Fund Obligations	\$ 379,835,000	0.085%	\$ 322,860
San Diego County Pension Obligations	720,855,256	0.085%	612,727
San Diego County Superintendent of Schools Certificates of Participation	16,125,000	0.085%	13,706
Palomar Community College District General Fund Obligation	4,855,000	0.359%	17,429
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 966,722
<b>TOTAL DIRECT DEBT</b>			<b>\$ -</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 4,583,234</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 4,583,234</b> <sup>(2)</sup>

- (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 overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

<b>Direct Debt</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.08%
Combined Total Debt	1.37%

Source: California Municipal Statistics, Inc.



**Yuima Municipal Water District**  
**San Diego County Demographic and Economic Statistics <sup>(1)</sup>**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Population</b>	<b>Per Capita</b>		<b>School Enrollment</b>	<b>Unemployment Rate</b>
		<b>Personal Income (in thousands)</b>	<b>Personal Income (in dollars)</b>		
2014	3,194,362	\$ 170,300,000	\$ 53,313	503,096	6.1%
2013	3,150,178	156,600,000	49,711	499,850	7.8%
2012	3,128,734	155,500,000	49,701	498,263	9.3%
2011	3,115,810	151,539,000	48,635	498,243	10.5%
2010	3,224,432	137,525,000	42,651	496,995	10.6%
2009	3,185,462	134,696,000	42,285	496,702	10.0%
2008	3,146,274	143,873,000	45,728	494,016	5.9%
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%

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2014.

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<sup>(1)</sup>**  
**Fiscal Year 2014 and 2005**

	<b>2014</b>		<b>2005</b>	
	<b>Employment at June 2014</b>	<b>% of Total Employment</b>	<b>Employment at June 2005</b>	<b>% of Total Employment</b>
Agriculture	10,500	1%	11,300	1%
Natural Resources & Mining	400	0%	400	0%
Construction	67,300	5%	92,700	7%
Manufacturing	96,600	7%	104,800	8%
Wholesale Trade	47,000	3%	43,700	3%
Retail Trade	140,700	10%	144,800	11%
Transportation				
Warehousing & Utilities	27,400	2%	28,200	2%
Information	24,200	2%	32,700	2%
Finance Activities	71,200	5%	83,200	6%
Professional & Business Services	227,900	17%	216,900	17%
Educational & Health Services	183,100	13%	131,900	10%
Leisure & Hospitality	177,400	13%	152,200	12%
Other Services				
Repair, Religious, Professional	51,400	4%	49,400	4%
Federal Government	45,700	3%	39,500	3%
State Government	43,200	3%	39,000	3%
Local Government	146,900	11%	140,600	11%
Total, All Industries	<u>1,360,900</u>	<u>100%</u>	<u>1,311,300</u>	<u>100%</u>
Civilian Employment	1,491,600	93.9%	1,427,400	95.5%
Civilian Unemployment	96,900	6.1%	67,400	4.5%
Total Civilian Labor Force	<u>1,588,500</u>	<u>100%</u>	<u>1,494,800</u>	<u>100%</u>

**Civilian Unemployment Rate**

**6.1%**

**4.5%**

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<sup>(1)</sup>  
Current Year and Nine Years Ago**

	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of California	40,100	1	2.69%	38,800	2	2.72%
University of California, San Diego	28,341	2	1.90%	27,200	3	1.91%
County of San Diego	16,627	3	1.11%	16,837	5	1.18%
Sharp HealthCare	16,477	4	1.10%	13,377	6	0.94%
Scripps Health	13,717	5	0.92%	10,932	8	0.77%
Qualcomm Inc.	13,700	6	0.92%			
City of San Diego	10,584	7	0.71%	11,777	7	0.83%
UC San Diego Health System	7,726	8	0.52%			
Kaiser Permanente	7,549	9	0.51%	7,432	9	0.52%
General Atomics (and affiliated companies)	6,714	10	0.45%			
Federal Government				39,100	1	2.74%
San Diego Unified School District				19,777	4	1.39%
U.S. Postal Service, San Diego District				6,937	10	0.49%
<b>Total</b>	<b>161,535</b>		<b>10.83%</b>	<b>192,169</b>		<b>13.49%</b>

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2014.

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<sup>(1)</sup>  
Last Ten Fiscal Years**

**District Employees**

<b>Fiscal Year Ended</b>	<b>Management</b>	<b>Field Operations</b>	<b>Administrative Services</b>	<b>Total Employees<sup>(2)</sup></b>	<b>Average Years of Service</b>
2014	3	4	2	9	15.40
2013	3	4	2	9	14.40
2012	3	4	2	9	13.40
2011	3	4	2	9	12.40
2010 <sup>(3)</sup>	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

**Operational Information**

**Water System - Yuima & IDA Combined**

Service Area.....	13,460 acres
Miles of Water Main.....	44.12 miles
Number of Ag Only Open Reservoirs.....	2
Number of Treated Water Tanks.....	10
Total Treated Storage Capacity.....	58.0 ac.ft.
Number of Producing Wells.....	27
Daily Production Peak <sup>(4)</sup> .....	13.5 mgd
Average Daily Production <sup>(4)</sup> .....	7.1 mgd
Number of Service Connections.....	334

Source: Yuima Municipal Water District

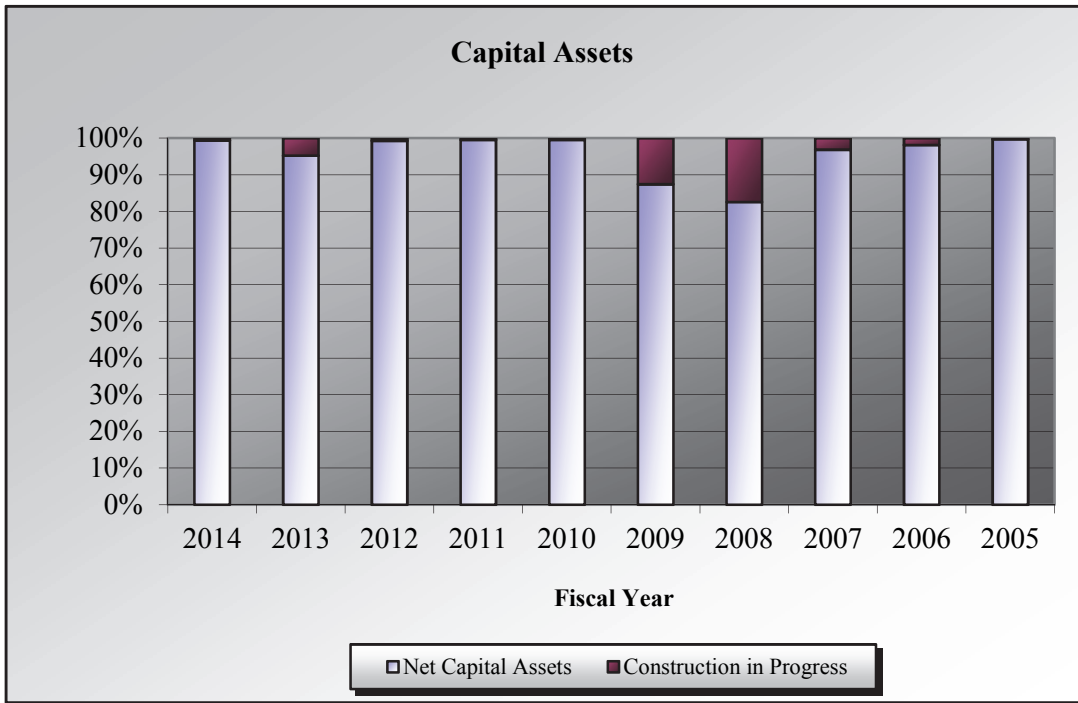
- Notes:
- (1) Yuima is an established water district which is reflected in the relatively small changes in employees over this ten year period.
  - (2) The employee count represents the head count for the employees in each department.
  - (3) 2010 Data represents the first 11 months of the fiscal year. 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
  - (4) Peak and average daily productions based on imported and local water supplies for the first 10 months of the calendar year.

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

*Page 1 of 2*

**Yuima & IDA Combined**

<b>Fiscal Year Ended</b>	<b>Annexation Fees</b>	<b>Land</b>	<b>Source of Supply</b>	<b>Pumping Plant</b>	<b>Water Treatment Plant</b>
2014	\$ 944,872	\$ 355,835	\$ 8,679,136	\$ 3,487,526	\$ 144,273
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



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**

<b>Fiscal Year Ended</b>	<b>Transmission &amp; Distribution</b>	<b>General Plant</b>	<b>Accumulated Depreciation</b>	<b>Net Capital Assets</b>	<b>Construction in Progress</b>
2014	\$ 8,070,469	\$ 1,628,177	\$ (9,119,567)	14,190,721	\$ 89,117
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

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

*Page 1 of 2*

	Fiscal Year				
	2014	2013	2012	2011	2010
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	8.18	13.51	17.20	25.72	23.97
Miles of Water Main (6"+)	42.18	42.26	41.57	41.57	40.47
Number of Treated Water Tanks	10	10	10	10	10
Capacity of Water Tanks (acre feet)	58.0	55.0	55.0	55.0	55.0
Number of Open Reservoirs	-	-	-	-	1
Capacity of Open Reservoirs (acre feet)	-	-	-	-	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	27	24	24	22	21
Maximum gallons per minute Flows (1)	2,901	3,577	3,240	3,090	3,130
Number of Pump Stations	9	10	10	10	10
Number of Pumps	28	28	29	31	31
Pump Capacity (horsepower)	4,800	4,785	4,820	4,930	4,930
Number of Service Connections (2)	334	337	340	342	342
Production Peak (mgd) (3)(4)	10.20	9.04	6.10	5.90	5.00
Average Annual Production (mgd)	6.91	4.52	4.60	4.45	4.60
Number of Mainline Repairs	-	-	1	1	1

Source: Yuima Municipal Water District

Notes: (1) Yuima and IDA local wells production including leased wells.

(2) Yuima connections = 102; IDA connections = 232

(3) Peak production month - September 2013.

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

*Page 2 of 2*

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Service Area	13,460	13,460	13,460	13,460	13,460
Total Rainfall (inches)	15.71	22.51	9.27	16.47	41.47
Miles of Water Main (8"+)	40.43	40.4	39.5	36.0	36.0
Number of Treated Water Tanks	10	10	9	9	9
Capacity of Water Tanks (acre feet)	57.5	57.5	52.3	52.3	52.3
Number of Open Reservoirs	1	1	2	2	2
Capacity of Open Reservoirs (acre feet)	2.1	2.1	4.7	4.7	4.7
Number of Ag Only Open Reservoirs	2	2	2	2	2
Capacity of Ag Only Open Reservoirs (acre feet)	11.7	11.7	11.7	11.7	11.7
Number of Producing Wells	21	17	17	17	16
Maximum gallons per minute Flows	3,130	2,650	2,650	2,650	2,200
Number of Pump Stations	10	9	9	9	9
Number of Pumps	30	27	31	31	31
Pump Capacity (horsepower)	4,480	3,955	3,850	3,850	3,850
Number of Service Connections	342	337	336	332	332
Production Peak (mgd)	5.35	5.2	5.2	5.2	3.6
Average Production (mgd)	4.55	4.3	4.3	4.3	3.0
Number of Mainline Repairs	3	-	-	-	1

Source: Yuima Municipal Water District





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## **Yuima Municipal Water District**

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