

2011

C O M P R E H E N S I V E

A N N U A L

F I N A N C I A L

R E P O R T for the year ended December 31, 2011



A Rewarding Decade

OAKDALE IRRIGATION DISTRICT

Oakdale, California



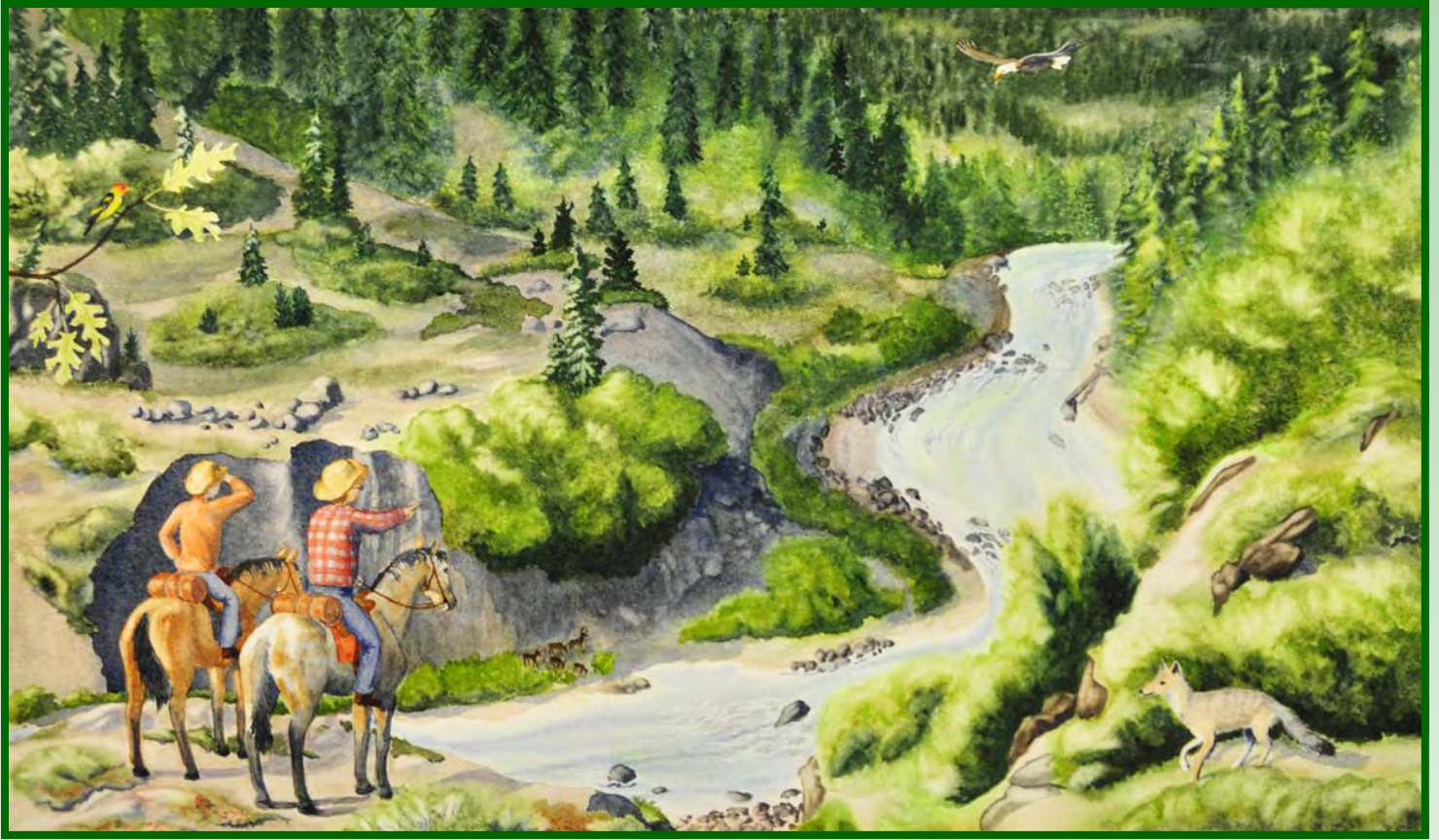


Photo by Kristie Wilde, February 2010

This painting is an imagined depiction of Oakdale Irrigation District's Chief Engineer Russell Hartley riding along the Stanislaus River looking for appropriate locations to construct the Oakdale Irrigation and South San Joaquin Irrigation District's dams that would be known as the Tri-Dam project.

2011
Comprehensive Annual Financial Report
For the year ended December 31, 2011

Prepared by the
Oakdale Irrigation District Finance Department



OID

From the **GENERAL MANAGER**

Last January marked my tenth year at the Oakdale Irrigation District. A most rewarding decade for the district and I have to say, for myself as well. I think the word “change” most appropriately describes this period of time.

Change in the sense that we have gone from a Board of Directors fraught with recalls and discourse to a Board serving without personal agendas, a Board that understands compromise, both internally and externally and understands that OID is an integral part of both the agricultural and non-agricultural community. A Board that understands that the strength of OID lies in vision; that being pro-active is far better than being reactive; that the financial strength they have built bodes well in these times of financial challenge; and that the district they are building today is well situated to meet the challenges of tomorrow.

Change in the sense that OID now has a management team that knows how to manage. They are well seasoned, intuitive and some of the best professionals you’ll find in their area of practice. They know how to manage projects, finances and people to maximize an output. They find ways to get a \$1.10 of value out of every \$1.00 they spend. They are unique and the backbone of the organization. They have positioned the OID well for being a leader in the agricultural water industry.

Change in the sense that the OID workforce now has direction and purpose and is responding to that challenge. While management may be the backbone of the organization, it is surely the employees who are the heart. OID has a safety culture that now protects workers; OID has implemented a work standard of prioritizing, scheduling and accountability that has improved the efficiency of its work output both in the area of maintenance and capital construction; automation changes and computerization of our water delivery systems have upped the standards for our water operations workforce; and in each case identified above, our employees have stepped up and met that challenge.

There is only one weak-link in the successes we have built over the last ten years and that is our work is not done. The water business is a business of “change.” It’s a business in which you are never “good enough.” While we can take some solace that together we have brought the OID to a good place we need to recognize we need to do better. The good news is, we have the mechanisms and people in place to do so. Our constituents should be proud of the organization that serves them. I know the Board and I are.

Steve R. Knell

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SECTION



June 1, 2012

OAKDALE IRRIGATION DISTRICT



To the Honorable President and Members of the Board of Directors,
Customers, and Interested Parties of the Oakdale Irrigation District:

We are pleased to submit to you the Oakdale Irrigation District's (District) Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2011. The *Government Code* requires that a complete set of financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent certified public accountant. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This report is published to provide the District's Board of Directors, staff, District citizens, and other readers with detailed information concerning the financial position and activities of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to fairly present the financial position of the operations of the District. The accompanying disclosures are necessary to enable the reader to gain the maximum understanding of the District's financial affairs.

Richardson and Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the District's financial statements for the year ended December 31, 2011. The independent auditor's report is located on page 2 of this report.

For a detailed analysis of the District's financial performance, it is recommended that the reader consult the Management's Discussion and Analysis section on page 3 of this report.

Profile of the District

The District was formed on November 1, 1909 as an irrigation district of the State of California formed pursuant to the provisions of Division 11 of the California Water Code (the "Act") for the purpose of delivering irrigation water to the agricultural lands within its boundaries. Geographically, the District encompasses parts of Stanislaus and San Joaquin Counties, about 12 miles northeast of Modesto and 30 miles southeast of Stockton. Urban areas in the District include the cities of Oakdale and Valley Home located in Stanislaus County. The District has one blended component unit, the Oakdale Irrigation District Financing Corporation ("Financing Corporation"). The Financing Corporation is a nonprofit public benefit corporation created in 1988 for the purpose of aiding the financing of projects for the District.

Water to supply the District comes principally from the Stanislaus River under well established water rights but also from water reclamation and drainage recovery systems and pumping from deep wells. The District's distribution systems include the Goodwin Diversion Dam on the Stanislaus River below the Tulloch Dam, at which point water is diverted into the District's main canal systems.

Currently the District operates and maintains over 330 miles of laterals, pipelines, and tunnels, 25 production wells, and 42 reclamation pumps to serve local customers. In general, the District's facilities, system operations, political organization, and administration have not changed significantly over the last several decades. The District provides surface irrigation (raw) water to over 2,800 connections, in addition to supplying domestic water to over 700 customers. The District does not presently operate a domestic water treatment plant or provide municipal or industrial water.

The District in 1955 issued Tri-Dam revenue bonds to finance its one-half share of the costs of constructing the Tri-Dam Project on the Stanislaus River. The project consisted of building the Donnells, Beardsley, and Tulloch Dams and Reservoirs, together with associated hydro-electric plants. The Tri-Dam Project is managed by the District and South San Joaquin Irrigation District through a joint board of directors comprised of the board of directors of each district. Power from generation is delivered via a transmission system owned by Pacific Gas and Electric Company (PG&E) with oversight by the California Independent System Operator (CalISO). All of the Tri-Dam Project's capacity and generation was under contract pursuant to an Energy Marketing Services Agreement, dated as of November 7, 2008 (the "Marketing Agreement"), amongst the District, South San Joaquin Irrigation District, and Shell Energy North America (US), L.P. ("Shell"). Shell has been designated as the executive marketer of power and renewable energy resources from the Tri-Dam Project. Recent California legislation requires utilities to obtain required renewable energy in its generation portfolio. It is expected that demand for all renewable energy will increase in the foreseeable future.

In 1982, the District and the South San Joaquin Irrigation District entered into a joint exercise of powers agreement in order to form the Tri-Dam Power Authority (Authority) for the purposes of exercising common powers in constructing, owning, operating, and maintaining facilities for the generation of electric power. In 1984, the Authority issued \$62 million in Sand Bar Project Hydroelectric Revenue Bonds. The bond proceeds were used to finance the construction of what is known as the Sand Bar Project, consisting of one hydroelectric turbine and generator installed in the vicinity of the Sand Bar Flat Diversion Dam, together with a related diversion facility, conveyance tunnel, transmission line, access roads, bridges, equipment, and other improvements. Additionally, all power generated by the Authority is delivered to PG&E under an agreement extended through 2016.

Governance

The District is governed by a 5-member Board of Directors who are elected by the residents of the District to staggered four-year terms. A list of the District's Board of Directors is provided on page viii of this report. To facilitate matters, most business coming before the District's Board is first considered by one of its committees. Each committee then reports to the full Board, which makes the final decision. There are eight standing committees which include: Domestic Water, Finance, Personnel, Planning and Public Relations, San Joaquin Food Control, San Joaquin River Group, Tri-Dam Project, and Water/Engineering.

Day-to-day operations of the District are managed by the General Manager who is appointed and reports directly to the Board of Directors. Reporting to the General Manager are five departments: Contracts/Special Projects, Engineering, Finance, Support Services Operations, and Water Operations. The District's Organizational Chart is provided on page vii of this report.

The District has a wide range of powers to finance, construct, and operate facilities for the transportation, and distribution of raw water, as well as hydroelectricity. It has the full authority to set rates for services without review of any governmental unit and it is accountable only to its electors.

Land and Land Use

The District encompasses an area of approximately 73,670 acres, with an additional approximately 85,000 acres within its sphere of influence. Urban areas in the District include the cities of Oakdale and Valley Home located in Stanislaus County. Lands are relatively level, with elevations from near sea level at the west end of the District to 250 feet above sea level at the east end.

Approximately 16,000 acres in the District were not farmed in Fiscal Year 2011. Nevertheless, the District is presently considered to be nearly fully developed even though the total cropped acreage may vary from year to year depending on the amount of fallowed ground.

The District predicts that the cropping pattern will evolve in future years, with irrigated pasture being converted to more profitable permanent crops.

Budget Process

The annual operating and capital improvement budget serve as the foundation for the District's financial planning and control. Budgets are adopted on a basis consistent with Governmental Generally Accepted Accounting Principles (GAAP). Budgetary controls are set at the department level and maintained to ensure compliance with the budget approved by the Board of Directors. Department managers have the discretion to transfer appropriations between activities within their departments. The General Manager has the ability to approve capital improvement plan (CIP) overall appropriations. Overall budget appropriation increases require Board approval through the budget amendment process.

Local Economy

Economic Growth

The District's service area encompasses a portion of both Stanislaus and San Joaquin Counties ("Counties"). These Counties are of the most agriculturally rich regions in California. Because of the agricultural heritage, the Counties offer vast areas of open space and easy access to a world of adventure with nature. Oakdale is the gateway to Yosemite National Park and the Sierra Nevada foothills. The Stanislaus River winds through the middle of the District's service area making about 60% of the District lying on the south side of the river and 40% lying on the north side. The river itself provides many opportunities for outdoor recreational sports including, fishing, camping, hiking, and hunting.

Agriculture and farming is the economic foundation of the area and one of the top industries in the Counties. The productive soils, low cost water, long growing seasons, and extensive transportation networks combined support a successful farming and business region.

Over the last four years, global, national, and local governments continue to face economic challenges. The District and its local community are not immune to this economic slowdown. Oakdale's local businesses and manufacturing activities have continued to slow down, scale back, reduce production, or in some cases, have completely closed their business. While Oakdale has the highest sales tax revenues per capita of all the cities in Stanislaus County it is taking steps to increase future retail opportunities. The District supports its community by purchasing locally whenever it is prudent to do so. The District has helped support and continues to support several community water safety and other safety programs for the City of Oakdale, Oakdale Fire Departments, and other local community groups for an overall contribution of \$505 thousand over the last three years.

The housing market decline has had a negative affect on property tax revenues for all cities, schools, and local governments, including the District. In addition, the State of California's (State) economic condition continues to have a significant impact on many counties, cities, schools, and special districts within the District's boundaries. The constitutional amendment, Proposition 1A, allowed the State to borrow up to 8% of local property tax and protected local government from future revenue reductions. The total amount of District property tax appropriations borrowed by the State for the fiscal years 2009-2010 and 2010-2011 was \$168 thousand. The Proposition requires that borrowed sums are to be repaid with interest by June 30, 2013.

Population and Employment

According to the California Employment Development Department the December 31, 2011 unemployment rate in Stanislaus County was 16.1% and San Joaquin County was 15.9% as compared to 10.9% for the State of California and 8.3% for the nation, as compared to December 31, 2010 unemployment rate in Stanislaus County of 16.4%, San Joaquin County of 18.1%, State of California of 12.3%, and 9.4% nation-wide.

In 2011 both Stanislaus and San Joaquin Counties experienced a decrease in population of 1.65% and .10%, respectively. In the 10-year period from 2002 to 2011, Stanislaus County's population has increased by 10.3% to 517,685 and San Joaquin County's population increased by 16.4% to 693,589, according to the Counties' 2011 annual financial reports.

Within the District's service area there are a variety of industries, including: government, agriculture, healthcare, education, and manufacturing. The largest employers in Stanislaus County are in the public service, and healthcare.

Long-Term Financial Planning

The District's use of unrestricted net assets is subject only to the limitations imposed by the nature of its business, its articles of incorporation, and the environment in which it operates.

Water Revenues

In accordance with California Law, the District reviews its fixed monthly system access fees, commodity charges, and other fees to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Such charges and fees are set by the District for the services provided by the District after a public hearing is held. The District sets its agricultural water rates prior to the beginning of the year at a level adequate to pay the costs associated to deliver water to the landowner. The District bills on an annual basis, separate from the property tax bill, with payments due in December and June.

In the fiscal year 2011 irrigation water rates in the District were subsidized by approximately 70% as a result of Tri-Dam Project and Power Authority cash distributions, and proceeds from water transfer sales, as compared to 40% in 2010. As a result the District has not increased its water rates since 1996.

Water Resources Plan

The District's Water Resources Plan (WRP), completed in November 2005, detailed how to rebuild and modernize its old and out-dated system. The WRP's goals were and continue to be to: Provide long-term protection of the District's water rights; address federal, state, and local challenges; rebuild/modernize an out-of date system to meet the changing customer needs; develop affordable ways to finance improvements; and to involve the public in the process. The WRP proposes that the District will undertake a program to fund approximately \$124 million in improvements to the irrigation delivery components of the Water System, and \$44 million in a Main Canals and Tunnel Improvements Program. The District began the implementation of the WRP in 2008 and has completed approximately \$33.5 million of improvements to date. The District will be updating the WRP sometime in 2012 to take into consideration the improvements and events that have taken place since its implementation.

The WRP proposed that the cost of these improvements be funded by revenues from water transfers, connection charges levied on approximately 4,250 acres of annexed land within the District's sphere of influence, borrowing, revenue from the sale of captured drain water, and rate increases. It is anticipated that increased efficiencies in the water system from these improvements will create additional supplies for the District, reducing estimated delivery losses from approximately 40% currently to 20%. The WRP determined that the ability to transfer water and supply annexed lands with water could be supported through increased water supplies made possible through a rehabilitated and modernized water delivery system.

Implementation and construction of specific elements of the WRP are subject to approval by the Board of Directors. The WRP, when fully completed over the next 20 years, will greatly enhance the District operations and service. It will continue the District's 100-year commitment to the region; "To protect and develop its water resources for the maximum benefit of the community it serves by providing excellent irrigation and domestic water service."

Major Initiatives

For multiple years the District has invested in a safety program called Target Zero which has repaid itself in many ways. This program's success is directly measured in the reduction of the District's workers' compensation expenses and in the reduction of days lost per year from lost time injury accidents. Over the last 7 years the District has been able to reduce its experience modification rate from 149% to 99%.

In the 2011 irrigation season, the District began full operations of an end-to-end pilot of Rubicon's Total Channel Control® (TCC®) automation system on two of the district's key canals, the Claribel Canal on the south side and the Cometa Canal on the north side of the Stanislaus River. Rubicon is an Australian company which has been marketing affordable automated gates in the United States for some time. New to the U.S. market is their integrated canal software called Total Channel Control®. TCC® provides a high level of water control by using a combination of sophisticated software and control engineering techniques along with wire-less communications technology to integrate large networks of remotely controlled, solar powered FlumeGates™.

The system has allowed the District to better use their water - improving distribution efficiency and enhancing service levels to farmers by providing a near on-demand supply. Farmers have also benefited from consistent flow rates, which the system is able to achieve by closely matching demand and supply. Efficiency improvements afforded by TCC® has enabled the District to further its ongoing efforts to conserve its water resources.

The system is being evaluated to gain operational knowledge prior to expansion throughout the OID delivery system.

Bonding

During the last quarter of 2008 the District made the decision to pursue accessing the capital markets as a source to finance several components of its WRP, specifically the construction of a north side regulating reservoir, a water reclamation project, and addressing high hazard locations on its main canal and tunnels.

The District received an “AA” rating from Standard and Poors by demonstrating its ability to accrue cash reserves sufficient to finance planned improvements without adversely impacting debt service coverage of 110%. All this while conserving its current cash reserves as a precautionary measure against a potential long-term drought, water right issues, environmental concerns, water quality issues, and regional/local groundwater management issues.

On March 5, 2009 the District successfully issued Certificates of Participation bonds of \$32,145,000 at a true interest cost of 5.397% at a 30-year term with the option to pre-pay (without penalties) after August 1, 2019.

Awards and Acknowledgements

In 2011, the District was a nominee for the Association of California Water Agencies Clair A. Hill Water Agency Award for Excellence for its Water Resources Plan.

The United States Committee on Irrigation and Drainage presented the District’s General Manager with an award for Recognition of Distinguished Service to the Irrigation Profession.

The Government Finance Officers Association of the United States and Canada (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oakdale Irrigation District for its comprehensive annual financial report for the year ended December 31, 2010. This was the fourth year that the District applied for and has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit 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 GFOA to determine its eligibility for another certificate.

Independent Audit

An annual audit of the District’s financial statements was conducted by the accounting firm of Richardson and Company. The Board of Directors appoints an accounting firm to perform the annual audit typically every four years. The auditor’s report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report.

We wish to acknowledge the professional manner in which Richardson and Company conducted the audit and express our appreciation for their assistance.

Letter of Transmittal—continued

June 1, 2012

The preparation of this report could not have been accomplished without the effort and professionalism demonstrated by the Finance and Administration Departments. We would like to express our appreciation to all District staff who contributed to the preparation of this report. We would also like to acknowledge each member of the Board of Directors for their progressive leadership and support of the District's goal of sound financial management.

As we look to the future, the District understands its role as an economic engine for the region through both the water it delivers, and the energy resources it develops with its partner, South San Joaquin Irrigation District, through the Tri-Dam. In recent years, the District has become more visible to the community so that its many stakeholders can have their voices heard and understand its role as an important regional asset.

Our challenge is to continue to lead with vision and be mindful that we are stewards of the landowners of the District in light of a precarious economic environment.

Respectfully submitted,

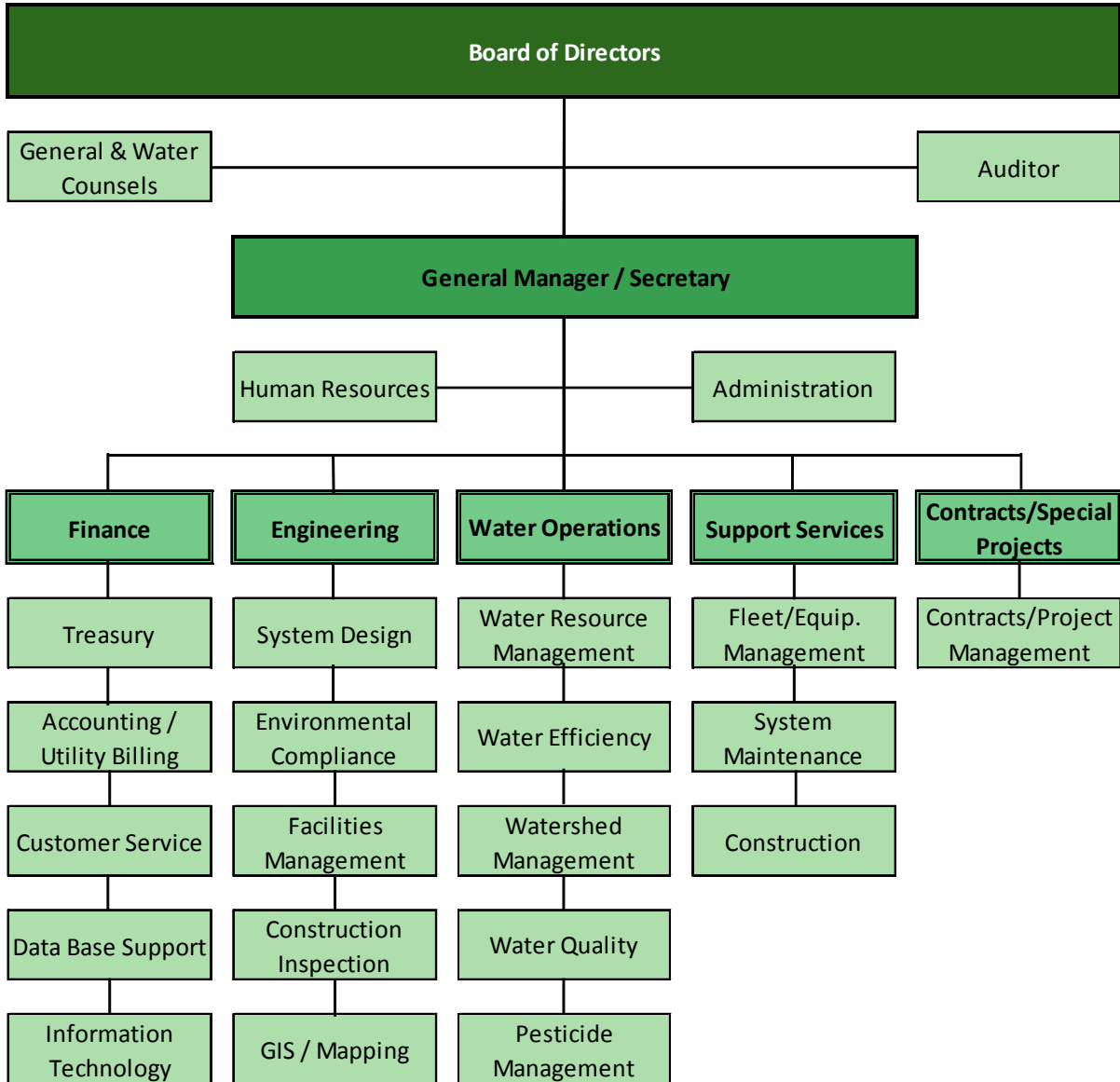
Steve R. Knell

General Manager

Kathy Cook

Chief Financial Officer

Oakdale Irrigation District
Organizational Chart
 Through December 31, 2011



Principle Officials



Elected Officials

Board of Directors (left to right)

Jack D. Alpers	- Director (Division 5)
Herman Doornenbal	- Director (Division 2)
Steven Webb	- Director (Division 3)
Frank B. Clark	- Vice President (Division 1)
Alfred Bairos, Jr.	- President (Division 4)

Appointed Official

Steven R. Knell	- General Manager and Secretary (appointed)
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Department Managers

Kathy Cook	- Chief Financial Officer and Treasurer (appointed)
Gary Jernigan	- Contracts and Special Projects Manager
John Davids	- District Engineer
Jason Jones	- Support Services Manager
Eric Thorburn	- Water Operations Manager

Supervisors

Lori Fitzwater-Presley	- Administrative Assistant
Glen Rathbun	- Field Operations Supervisor
Tom Laidlaw	- Ag Water Operations Supervisor
Mike Hanf	- Ag Water Operations Supervisor and Pest Control Coord.
Robert Nielsen	- Water Utilities Supervisor

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Oakdale Irrigation District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



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SECTION

Report of Independent Accountants

Richardson & Company

Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oakdale Irrigation District
Oakdale, California

We have audited the accompanying basic financial statements of the Oakdale Irrigation District (the District) as of December 31, 2011 and 2010 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

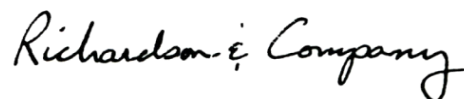
We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2011 and 2010 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, 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 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.

Our audit was conducted for the purpose of forming an opinion on the on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



June 1, 2012

Management's Discussion and Analysis

As management of the Oakdale Irrigation District, we offer readers of the District Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, the notes to the financial statements, and other additional information provided.

FINANCIAL HIGHLIGHTS

There are several key points that are important when reading the District's CAFR:

- The net assets of the District exceeded its liabilities at the close of 2011 by \$139.9 million (*net assets*). Of this amount, \$2.4 million is restricted for a specific purpose, \$50.6 million is invested in capital assets (*net of related debt*), and \$86.8 million is unrestricted net assets. Comparatively, at the close of 2010 net assets exceeded liabilities by \$136.4 million of which \$2.4 million was in restricted for a specific purpose, \$52 million was invested in capital assets (*net of related debt*), and \$82 million was in unrestricted net assets. Unrestricted net assets are available to meet the District's ongoing obligations. Of the \$86.8 million unrestricted net assets, \$35.6 million have been designated for specific projects and purposes;
- The District's total net assets increased by \$3.5 million in 2011. In the prior year, the comparable increase was \$3.5 million;
- Total non-current liabilities decreased by a net amount of \$496 thousand in 2011 as compared to a decrease of \$383 thousand in 2010. This decrease is primarily due to the retirement of \$537 thousand in bond debt and amortization of issuance costs, and an increase of \$39 thousand in employee compensated absences;
- Operating revenues decreased by \$884 thousand to \$3.6 million in 2011, as compared to a decrease of \$5.6 million in 2010;
- Non-operating revenues increased by \$981 thousand to \$11.8 million in 2011, as compared to an increase of \$3.1 million in 2010.
- Operating expenses, excluding depreciation, increased by \$55 thousand to \$9.7 million in 2011, as compared to a decrease of \$2.0 million in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. There are three components to the District's financial statements:

Introductory Section

This includes the table of contents, letter of transmittal, organization chart, list of Board of Directors and staff, and a GFOA Certificate of Achievement.

Financial Section

This section includes the auditor's report, management's discussion and analysis, basic financial statements, required supplementary and additional information. The District's basic financial statements are comprised of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows, and Notes to the Basic Financial Statements. The Statement of Net Assets present information on all assets and liabilities, with the difference between the two reported net assets. When evaluated over a period of time increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating. The State of Revenues, Expenses, and Changes in Net Assets reflect the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes provide in depth information that is vital to gaining a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 16.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Statistical Section

The statistical section provides additional information not contained in the financial section on District activities. The statistical section begins on page 37.

FINANCIAL ANALYSIS OF THE DISTRICT

As a government agency, unlike a private company, the District is not in business to make a profit. In contrast, the District has two major goals: recovering the cost of providing services to its constituents, and securing the financial resources needed to maintain and improve the capital facilities used in providing those services.

STATEMENT OF NET ASSETS

Net Assets

Table 1
Condensed Statement of Net Assets

	December 31,		
	2011	2010	2009
Assets			
Current, restricted and other assets	\$ 47,525,644	\$ 39,615,790	\$ 35,402,177
Noncurrent assets	51,325,795	58,152,475	65,362,698
Capital assets, net	<u>76,408,492</u>	<u>74,494,042</u>	<u>71,337,431</u>
Total assets	<u>175,259,931</u>	<u>172,262,307</u>	<u>172,102,306</u>
Liabilities			
Current liabilities	4,701,855	4,696,366	7,630,174
Long-term liabilities	<u>30,645,872</u>	<u>31,141,684</u>	<u>31,537,918</u>
Total liabilities	<u>35,347,727</u>	<u>35,838,050</u>	<u>39,168,092</u>
Net Assets			
Invested in capital assets, net of debt	50,633,121	51,969,687	62,942,193
Restricted for debt service	2,149,258	2,149,900	2,151,068
Restricted for remediation projects	288,824	283,870	279,001
Unrestricted	<u>86,841,001</u>	<u>82,020,800</u>	<u>67,561,952</u>
Total net assets	<u>\$ 139,912,204</u>	<u>\$ 136,424,257</u>	<u>\$ 132,934,214</u>

The District concluded the 2011 year having \$45.3 million in available unrestricted cash and investments in general and designated reserve fund accounts, an increase of \$8.2 million; as compared to \$37.1 million in 2010 or an increase of \$3.5 million in 2010 over 2009. Of the \$45.3 million of unrestricted funds on hand at December 31, 2011, approximately 93%, \$42.0 million was managed by Highmark Capital and held by Union Bank of California (as custodian). The balance which represents immediate cash flow requirements are managed by Oakdale Irrigation District management staff and held in Oak Valley Community Bank, and the State of California Local Agency Investment Fund.

Current assets increased by \$7.9 million in 2011, as compared to a \$4.2 million increase in 2010. The increase in 2011 current assets was primarily due to increased cash distributions from the Tri-Dam Project, off-set by decreased water transfer sales. Noncurrent assets decreased \$6.8 million due to approximately a \$3.0 million reduction in the District's investment in its Tri-Dam Project and the use of \$3.8 million in bond proceeds to finance capital projects.

Net Assets (continued)

In 2011, the District's liabilities decreased slightly by \$500 thousand primarily as a result of the retirement of debt, as compared to a decrease in 2010 of \$3.3 million.

Unrestricted net assets increased by \$4.8 million to \$86.8 million in 2011, as compared to an increase in 2010 of \$14.5 million to \$82.0 million. In 2011, the District's investment in capital assets, net of debt decreased by \$1.3 million, as compared to a decrease of \$11.0 million in 2010. This decrease of \$1.3 million was primarily due to the use of bond proceeds of \$3.8 million, a \$1.9 million increase in capital assets (net of depreciation) and the retirement of \$600 thousand of long-term debt. The overall increase of \$3.5 million in net assets indicates that the District's financial condition improved both in 2011 and 2010.

The District's total assets (cash, reserves, receivables, and net capital assets) increased by \$3.0 million to \$175.3 million, of which \$43.0 million is invested in the Tri-Dam Project and \$7.4 million in bond proceeds restricted for capital improvements and debt service payments. In 2010, the District's total assets increased by \$160 thousand to \$172.3 million.

The District's capital assets increased by \$4.0 million to \$102.5 million as a result of the continuation of the Water Resources Plan capital improvement program. In 2010, capital assets increased \$5.4 million to \$98.4 million. Capital assets, net of depreciation, increased \$1.9 million to \$76.4 million, as compared to an increase in 2010 of \$3.2 million to \$74.5 million.

Liabilities

The District's liabilities decreased by \$490 thousand to \$35.3 million primarily as a result of the retirement of long-term debt. Compared to a decrease of \$3.3 million to \$35.8 million in 2010 over 2009 primarily as a result the decreased payables at year-end due to a reduction in capital project activity.

**Chart 1
Condensed Statement of Net Assets**



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Net Assets shows assets, liabilities, and net assets at a specific point in time; whereas the Statement of Revenues, Expenses, and Changes in Net Assets show the results of operations for that year.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	December 31,		
	2011	2010	2009
Revenue, Expenses, and Changes in Net Assets			
Operating revenues			
Water sales	\$ 2,066,879	\$ 4,076,889	\$ 8,564,635
Agricultural water service fees	1,210,632	54,115	1,183,770
Connection fees	1,150	785	250
Other operating revenues	350,828	381,631	367,954
Total operating revenues	<u>3,629,489</u>	<u>4,513,420</u>	<u>10,116,609</u>
Nonoperating revenues			
Tri Dam Project distributions, net	9,868,617	9,050,556	5,401,641
Property taxes	1,925,629	1,946,205	2,100,740
Tri Dam Power Authority distributions	1,000,000	850,000	1,150,000
Other nonoperating revenues	312,926	161,408	304,318
Total nonoperating revenues	<u>13,107,172</u>	<u>12,008,169</u>	<u>8,956,699</u>
Total revenues	<u>16,736,661</u>	<u>16,521,589</u>	<u>19,073,308</u>
Operating expenses			
Operation and maintenance	4,057,837	4,403,284	3,833,008
General and administrative	3,680,603	3,277,323	5,934,548
Water operations	1,917,244	1,920,053	1,857,692
Depreciation	2,289,009	2,254,109	1,838,609
Total operating expenses	<u>11,944,693</u>	<u>11,854,769</u>	<u>13,463,857</u>
Nonoperating expenses			
Interest expense	1,285,552	1,178,660	1,351,703
Other nonoperating expenses	20,284	9,399	20,497
Total nonoperating expenses	<u>1,305,836</u>	<u>1,188,059</u>	<u>1,372,200</u>
Net income before contributions	3,486,132	3,478,761	4,237,251
Capital contributions	1,815	11,282	435,867
Change in net assets	3,487,947	3,490,043	4,673,118
Net assets-beginning of year	<u>136,424,257</u>	<u>132,934,214</u>	<u>128,261,096</u>
Net assets-end of year	<u>\$ 139,912,204</u>	<u>\$ 136,424,257</u>	<u>\$ 132,934,214</u>

Revenues

Total revenues increased by \$215 thousand to \$16.7 million in 2011 primarily as a net result of:

- Tri-Dam Project's 2011 cash distributions increased by \$11.3 million. This increase was primarily a result of the reimbursement received from the insurance company for the emergency replacement of the Donnell's power generator. In 2010, cash disbursements decreased by \$4.8 million;
- Tri-Dam Project's 2011 equity in undistributed net earnings decreased by \$10.4 million as a result of distributions made, the cost of construction for the third generator at Tulloch Dam and the continuation of low prices in the wholesale power market. In 2010, the growth in undistributed net earnings was \$7.3 million;

Revenues (continued)

- The Tri-Dam Power Authority's cash distributions increased by \$150 thousand in 2011 as a result of an increase in power generation revenue. In 2010, distributions decreased \$300 thousand mainly due to increased expenses to replace a transformer;
- Agricultural water revenues increased by \$1.2 million to its normal level as the rebate to the farmers and users of the District in celebration of its 100th anniversary in 2010 was a one-time occurrence;
- Water transfer sales decreased by \$2.0 million as a result of the final year of the agreement for the acquisition of water between the District and the United States Bureau of Reclamation, as compared to a \$4.5 million decrease in 2010 as a result of a one-time water transfer sales agreement in 2009 with the San Luis Delta Mendota Water Authority of \$5.0 million that did not occur in 2010;
- Interest revenues decreased minimally by \$7 thousand due to lower yields as a result of the District investments in short-term U.S. Treasury bills in reaction to the continued uncertainty of the safety of the investment markets, as compared to a decrease in the prior year of \$244 thousand.

In 2010, total revenues decreased by \$2.6 million to \$16.5 million primarily as a net result of:

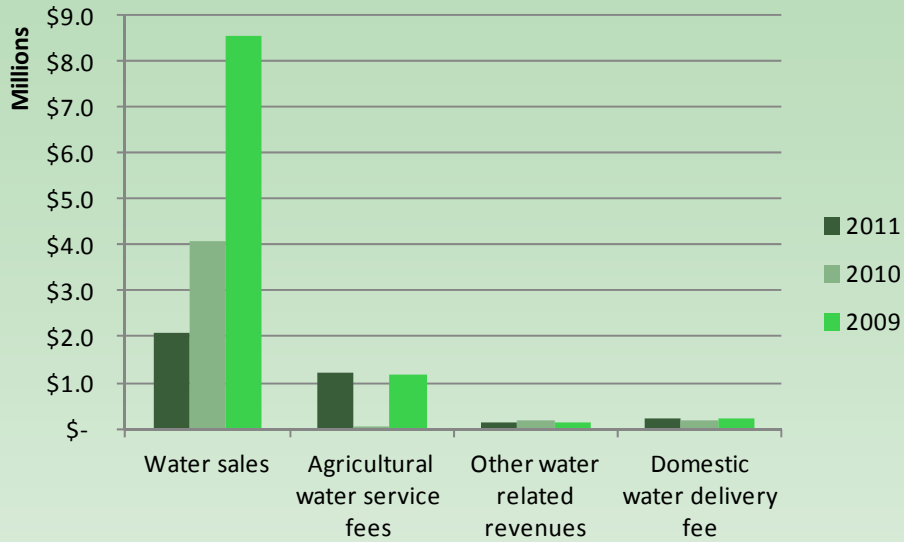
- Tri-Dam Project's 2010 cash distributions decreased by \$4.8 million. This decrease was primarily a result of the emergency replacement of the Donnell's power generator and the installation of a third power generator at its Tulloch facility. In 2009, cash disbursements decreased by \$2.9 million;
- Tri-Dam Project's 2010 equity in undistributed net earnings increased to \$7.3 million, as compared to a decrease in 2009 of \$3.8 million due to Tri-Dam Project retaining earnings for the Tulloch 3rd Generator Project;
- The Tri-Dam Power Authority's cash distributions decreased by \$300 thousand in 2010, as compared to a decrease of \$650 thousand in 2009, mainly due to increased expenses to replace a transformer;
- Agricultural water revenues decreased by \$1.1 million as a result of a one-time rebate to the farmers and users of the District in celebration of its 100th anniversary;
- Water transfer sales decreased by \$4.5 million as a result of a one-time water transfer sales agreement in 2009 with the San Luis Delta Mendota Water Authority of \$5.0 million that did not occur in 2010; and
- Interest revenues decreased by \$244 thousand due to lower yields as a result of the District investments in short-term U.S. Treasury bills in reaction to the continued uncertainty of the safety of the investment markets, as compared to a decrease in the prior year of \$316 thousand.

Revenues are primarily derived from Tri-Dam Project and Tri-Dam Power Authority cash distributions, water transfer sales, irrigation water sales, and county property tax allocations. The District's 2011 irrigation water rates were subsidized 100% as a result of Tri-Dam cash distributions and water transfer sales.

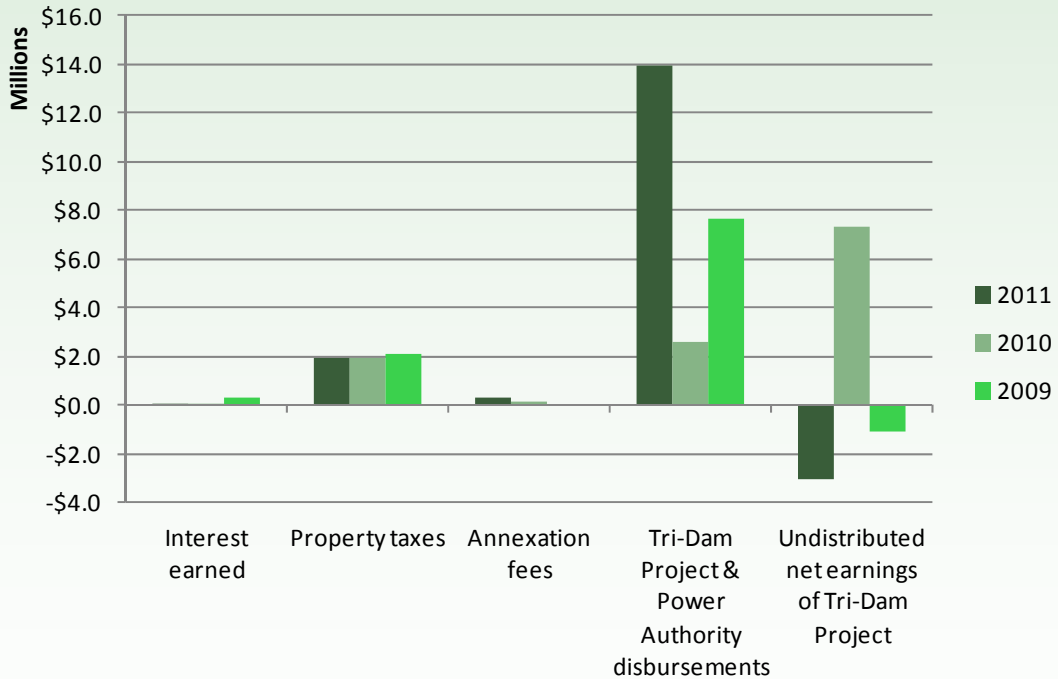
Property taxes decreased slightly by \$21 thousand in 2011, as compared to a decrease of \$155 thousand in 2010 primarily due to the State of California borrowing from local government property tax allocations under Prop 1A.

Revenues (continued)

**Chart 2
Comparative Operating Revenues**



**Chart 3
Comparative Non-operating Revenues**



Operating Expenses

Operating Expenses in 2011, before depreciation, increased by approximately \$55 thousand to \$9.7 million primarily as a net result of:

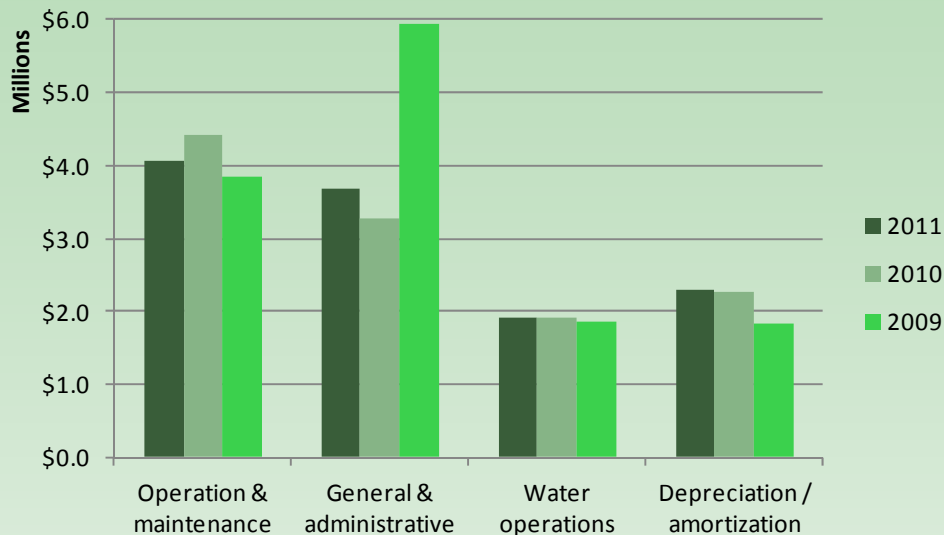
- A decrease on \$194 thousand in maintenance materials as a result of a more assertive effort in using the District's work force on capital projects rather than outside contractors;
- A decrease of \$126 thousand in outside consulting and engineering costs;
- A decrease of \$120 thousand in judgment and damages, uncollectible accounts, and prior year expenses;
- A decrease of \$110 thousand in power costs associated with pumping water;
- A decrease of \$66 thousand in community involvement contributions;
- A decrease of \$50 thousand in outside dirt hauling costs;
- An increase of \$218 thousand in legal costs as a result of increased litigation costs associated with two lawsuits;
- An increase of \$215 thousand in liability insurance premiums due to a one-time retrospective refund received in 2010 that the District did not receive in 2011;
- An increase of \$182 thousand due to increased pay scales and related benefits; and
- An increase of \$107 thousand in bond interest expense due to the capitalization of interest.

Operating Expenses in 2010, before depreciation, decreased by approximately \$2.0 million to \$9.6 million primarily as a net result of:

- A decrease of \$1.7 million in employee benefits primarily the result of a one-time lump sum payment made to CalPERS in 2009 for the District's unfunded side-fund liability;
- A decrease of \$590 thousand in outside engineering costs;
- A decrease of \$197 thousand in power costs associated with pumping water;
- A decrease of \$173 thousand in bond interest expense due to the capitalization of interest;
- An increase of \$153 thousand due to increased pay scales; and
- An increase of \$72 thousand in the District's proportionate amount of funds associated with the San Joaquin River Group Authority.

Operating Expenses (continued)

**Chart 4
Comparative Operating Expenses**



Changes in Net Assets

Overall the District's net assets increased \$3.5 million, or 2.6%, during the current calendar year; as compared to the prior year of \$3.5 million, or 2.6% as explained above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) amounted to \$76.4 million as of December 31, 2011, an increase of \$1.9 million. In 2010, capital assets increased \$3.2 million to \$74.5 million. The broad range capital assets includes land, structures and improvements, furniture, machinery and equipment, main canal and tunnels systems, distribution pipelines and canals, and other assets such as vehicles, equipment, office equipment, and furniture. A significant portion of the \$1.9 million the District invested in its capital assets in 2011 went to address modernization of the District's delivery system.

The District's 2005 Water Resource Plan (WRP) concluded that many of its conveyance systems are in poor condition and must be replaced or modified to meet water delivery service needs. The WRP anticipates over the next 20 years to invest \$168 million on rehabilitation and improved service projects such as:

- Additional flow-control and measurement structures;
- Additional groundwater wells;
- A north-side regulating reservoir;
- Accelerated irrigation service turn-out replacements;
- Drain water reclamation projects; and
- Main canal and tunnel major improvements.

Capital Assets (continued)

Additional information of capital assets may be found in Note 3 of the Notes to the Basic Financial Statements on pages 26-27.

Long-term Debt

At December 31, 2011, the District had total long-term debt outstanding of \$31.1 million compared to \$31.6 million as of December 31, 2010. The decrease of \$550 thousand is due to annual debt service payments. The District's Certificates of Participation rating is an "AA" from Standard & Poor's Corporation. Additional information on the District's long-term debt can be found in Note 4 located on pages 27-29 of this report.

Economic Factors and Next Year's Budgets and Rates

The local and national economy in 2011 continued to experience economic difficulties; and continued to be a challenge. Factors that the District focused on and considered when preparing the 2012 budget were as follows:

- Continuation of a drought and the impacts to the District's surface water irrigation customers;
- State and Federal Regulatory requirements and the impacts to the District's pre-1914 water rights;
- Tri-Dam Project and Power Authority wholesale power generation and power rates;
- Uncertainty of the State of California's budget and its continued propensity to balance its budget on the backs of local government;
- Increases in personnel-related costs, including full-time salaries, overtime, health insurance premiums, retirement contributions, and workers' compensation. Additionally, increases in fuel prices and the cost of goods and services all affect the budget's bottom line;
- Preservation of its designated reserve funds; and
- Continue to maintain a balanced budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contained in this Comprehensive Annual Financial Report contact either the District's General Manager/Secretary or the Chief Financial Officer/Treasurer, 1205 East F Street, Oakdale, California 95361, (209) 847-0341.

Statements of Net Assets

	At December 31,	
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,470,240	\$ 5,988,735
Investments	14,784,752	31,142,265
Receivables		
Agricultural water fees	458,777	505,149
Due from other governmental agencies	112,397	272,891
Miscellaneous	26,701	11,854
Domestic water fees	23,512	7,188
Inventory of materials and supplies	661,894	713,372
Prepaid expenses	387,834	425,041
Due from Improvement Districts	59,653	61,863
Restricted Improvement Districts cash and cash equivalents	539,884	487,432
Total current assets	47,525,644	39,615,790
Noncurrent assets:		
Accounts receivable - delinquencies	17,608	10,691
Due from other governmental agencies-Prop 1A	237,946	167,609
Long term residential connection fees	335,000	355,000
Restricted cash and cash equivalents	7,381,142	11,165,299
Investments in Tri-Dam Project	42,987,802	46,074,299
Deferred charges	366,297	379,577
Capital assets:		
Not being depreciated	3,493,003	16,322,075
Being depreciated, net	72,915,489	58,171,967
Total noncurrent assets	127,734,287	132,646,517
Total assets	175,259,931	172,262,307
LIABILITIES		
Current liabilities:		
Payable from nonrestricted assets		
Accounts payable	539,657	585,829
Due to other governmental agencies	48,547	17,164
Accrued salaries, wages and related benefits	278,673	246,848
Deferred revenue	1,568,962	1,612,099
Deposits payable	18,599	18,772
Due to Improvement Districts	165,908	170,028
Claims payable	68,467	71,618
Interest expense payable	656,128	665,295
Improvement Districts' deposits payable from restricted assets	539,884	487,432
Long-term liabilities, due within one-year	817,030	821,281
Total current liabilities	4,701,855	4,696,366
Noncurrent liabilities:		
Long-term liabilities, due in more than one-year	30,645,872	31,141,684
Total noncurrent liabilities	30,645,872	31,141,684
Total liabilities	35,347,727	35,838,050
Net Assets		
Invested in capital assets, net of related debt	50,633,121	51,969,687
Restricted for debt service	2,149,258	2,149,900
Restricted for remediation projects	288,824	283,870
Unrestricted	86,841,001	82,020,800
Total net assets	\$ 139,912,204	\$ 136,424,257

The accompanying notes to the financial statements are an integral part of this statement.

Statements of Revenues, Expenses, and Changes in Net Assets

	For the Year Ended December 31,	
	2011	2010
Operating revenues:		
Water sales	\$ 2,066,879	\$ 4,076,889
Agricultural water service fees	1,210,632	54,115
Domestic water delivery fee	205,949	190,533
Other water related revenues	144,879	191,098
Connection fees	1,150	785
Total operating revenues	3,629,489	4,513,420
Operating expenses:		
Operation and maintenance	4,057,837	4,403,284
General and administrative	3,680,603	3,277,323
Water operations	1,917,244	1,920,053
Depreciation / amortization	2,289,009	2,254,109
Total operating expenses	11,944,693	11,854,769
Operating loss	(8,315,204)	(7,341,349)
Nonoperating revenues (expenses):		
Interest earned	53,758	60,580
Property taxes	1,925,629	1,946,205
Annexation fees	259,168	100,828
Tri-Dam Power Authority distributions	1,000,000	850,000
Tri-Dam Project distributions	12,955,114	1,700,000
Equity in undistributed net earnings of Tri-Dam Project	(3,086,497)	7,350,556
Debt service interest	(1,285,552)	(1,178,660)
Gain (loss) on sale of capital assets	(20,284)	(9,399)
Total non-operating revenues (expenses)	11,801,336	10,820,110
Net income before contributions	3,486,132	3,478,761
Capital contributions	1,815	11,282
Change in net assets	3,487,947	3,490,043
Net assets - beginning of year	136,424,257	132,934,214
Net assets - end of year	\$ 139,912,204	\$ 136,424,257

The accompanying notes to the financial statements are an integral part of this statement.

Statements of Cash Flows

	For the Year Ended December 31,	
	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 3,748,544	\$ 4,781,946
Cash payments to suppliers for goods and services	(3,105,277)	(7,137,668)
Cash payments from improvement districts	(1,910)	(89,169)
Cash payments to employees	(6,380,563)	(6,097,759)
Cash payments for claims	(3,151)	32,268
Net cash (used) by operating activities	(5,742,357)	(8,510,382)
Cash flows from noncapital financing activities:		
Annexation fees	259,168	146,003
Property taxes	1,945,767	1,769,094
Total cash provided by noncapital financing activities	2,204,935	1,915,097
Cash flows from capital and related financing activities:		
Purchases of capital assets	(4,275,877)	(5,456,845)
Debt interest paid	(1,268,875)	(1,165,636)
Debt principal payments	(551,248)	(581,248)
Proceeds from sales of capital assets	28,448	48,008
Net cash (used) by capital and related financing activities	(6,067,552)	(7,155,721)
Cash flow from investing activities:		
Interest received on investments	42,355	95,045
Purchases of securities	(270,472,474)	(293,199,910)
Proceeds from calls and maturities	286,829,779	282,074,115
Tri-Dam Project cash distributions	12,955,114	1,700,000
Tri-Dam Power Authority cash distributions	1,000,000	850,000
Net cash provided (used) by investing activities	30,354,774	(8,480,750)
Net increase (decrease) in cash and cash equivalents	20,749,800	(22,231,756)
Cash and cash equivalents at beginning of year	17,641,466	39,873,222
Cash and cash equivalents at end of year	\$ 38,391,266	\$ 17,641,466
	For the Year Ended December 31,	
	2011	2010
Reconciliation of cash and cash equivalents to Statement of Net Assets:		
Cash and cash equivalents	\$ 30,470,240	\$ 5,988,735
Restricted Improvement Districts cash and cash equivalents	539,884	487,432
Restricted cash and cash equivalents	7,381,142	11,165,299
Total cash and cash equivalents	\$ 38,391,266	\$ 17,641,466

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Cash Flows (continued)

	For the Year Ended December 31,	
	2011	2010
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (8,315,204)	\$ (7,341,349)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,289,009	2,254,109
Changes in assets and liabilities:		
Decrease (increase) in receivables	89,913	(334,710)
Decrease (increase) in inventory	76,980	(140,395)
Decrease (increase) in prepaid expenses	37,207	(199,268)
Decrease (increase) in due from Improvement Districts	2,210	3,757
Increase (decrease) in long term connection fees	20,000	
Increase (decrease) in accounts payable	(46,172)	(3,448,009)
Increase (decrease) in due to other agencies	31,383	(11,627)
Increase (decrease) in accrued salaries, wages, and related benefits	31,825	39,404
Increase (decrease) in deferred revenue	(43,137)	645,345
Increase (decrease) in deposits payable	(173)	(20,366)
Increase (decrease) in due to Improvement Districts	48,332	(114,669)
Increase (decrease) in claims payable	(3,151)	32,268
Increase (decrease) in compensated absences	38,621	125,128
Net cash (used) by operating activities	\$ (5,742,357)	\$ (8,510,382)
Supplemental disclosures of non-cash activities:		
Receipts of contributed assets	\$ 1,815	\$ 11,282
(Decrease) increase in fair value of investments	(208)	(33,480)
Change in undistributed investment in Tri-Dam Project	(3,086,497)	7,350,556

The accompanying notes to the financial statements are an integral part of this statement.



Notes to the Basic **Financial** Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oakdale Irrigation District (“District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In addition, the District applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District’s accounting policies are described below.

Reporting Entity

Oakdale Irrigation District. The District was formed November 1, 1909, pursuant to provisions of the *California Water Code*. Geographically, the District encompasses parts of San Joaquin and Stanislaus Counties. The Oakdale Irrigation District is a special district governed by an elected five-member Board of Directors. As required by accounting principles generally accepted in the United States of America, these financial statements represent the District and its component unit.

The District’s distribution system includes the Goodwin Diversion Dam (Goodwin Dam) on the Stanislaus River below the New Melones Dam, at which water is diverted into the District’s main canals, laterals, and pipelines. In addition to such surface water facilities, the District owns and operates deep well and water reclamation pumps and provides domestic water service. The District provides irrigation water to approximately 2,944 customers and domestic water to 762 customers (inclusive of improvement district customers). In addition, the District sells water and hydro-power on the wholesale market.

Oakdale Irrigation District Financing Corporation. The Oakdale Irrigation District Financing Corporation (the Financing Corporation) was organized in 1988 under Nonprofit Public Benefit Corporation Law, commencing with Section 5110 of the *California Corporations Code* for the purpose of aiding the financing of projects for the District. The proceeds of the debt were used to repay a USBR loan. The debt issued by the Financing Corporation was repaid. The Financing Corporation is included in the District’s reporting entity as a blended component unit due to the Board of Directors of the District serving as the Board of Directors of the Financing Corporation and the ability of the District to impose its will on the Financing Corporation. The Financing Corporation does not issue separate financial statements.

On March 5, 2010, Certificates of Participation (Certificates) were executed and delivered pursuant to the provisions of a Trust Agreement, dated as of February 1, 2010, amongst the District, the Financing Corporation, and Union Bank, N.A. to finance certain improvements to the District’s water system. The Certificates evidence undivided proportionate interests in installment payments, between the District and the Financing Corporation.

Improvement Districts. The District serves as administrator for 20 improvement districts (“Improvement Districts”) organized and operated within the District’s boundaries. The Improvement Districts were organized under Provision Part 7, Division 11 of the *Water Code* of the State of California by two-thirds of the landowners in the Improvement District petitioning the District’s Board to establish an improvement district to finance operations, maintenance, and repair work within the improvement districts. The District’s Board of Directors establishes an improvement district with a board resolution that is filed with the County Recorder’s Office. The District administers the Improvement Districts on behalf of the property owners, including the annual assessment levied upon the property owners, investing surplus cash, and paying all expenses of the Improvement Districts from assessments collected. The Improvement Districts have no separate Board of Directors, no staff or other separate activities not administered by the District. The Improvement Districts are blended with the operations of the District since the District’s Board of Directors may impose its will on the Improvement Districts and holds the corporate powers exercised on behalf of the Improvement Districts. The Improvement Districts are essentially part of the District’s operations and should be reported in a separate enterprise fund. However, due to the immateriality of the Improvement Districts’ balances, the activities of the Improvement Districts are reported as restricted cash, due to/from Improvement Districts’ and Improvement Districts’ deposits payable from restricted assets on the District’s Statements of Net Assets. Separate financial statements are issued for the Improvement Districts on a combined basis, which are available from the District’s Finance Department.



Notes to the Basic Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures

Tri-Dam Project. The District and South San Joaquin Irrigation District entered into a joint cooperation agreement in 1952 called the Tri-Dam Project ("Project"), which consists of a series of irrigation and power dams along the Stanislaus River built and operated by the Project. The Project presently includes Donnell's Dam, Tunnel, and Power Plant; Beardsley Dam, Afterbay, and Power Plant; Tulloch Dam, Afterbay, and Power Plant; and the Goodwin Dam and related facilities. The Project's principal activities are the storage and delivery of water to each District and the hydraulic generation of power. As of January 1, 2010, the Project markets its power through a consultant, Shell Energy North America (US). L.P. The Project is managed by both Districts through a joint Board of Directors comprised of the five members of each District's Board of Directors. The Districts share the cost of the Project, except for Goodwin Dam and related facilities, which was financed by the issuance of bonds. Each District is responsible for the operations and net assets of the Project. Should the Project become insolvent, each District would be legally required to contribute funds to the Project to satisfy Project creditors. The District considers the individual assets of the Project to be 50% owned by each District. As a result, the District has an equity interest in the Project that is recorded as an investment in Tri-Dam Project on the District's statement of net assets under GASB Statement No. 14. Each year the investment in Tri-Dam Project is adjusted to 50% of the net assets of the Project, with distributions and undistributed income of the Project recorded as non-operating revenues and expenses. Separate financial statements are issued by the Project, which are available at P.O. Box 1158, Pincrest, California 95364-0158 or at www.tridamproject.com.

Tri-Dam Power Authority. Under a joint exercise of powers agreement dated October 14, 1982 between the District and South San Joaquin Irrigation District, the Tri-Dam Power Authority ("the Authority") was formed as a separate legal entity. The Authority was formed for the purpose of exercising common powers in constructing, operating, and maintaining facilities for the generation of electric energy. The Authority has constructed and operates a hydroelectric power facility on the Stanislaus River with the proceeds of a \$62,000,000 bond issue. The debt was refinanced in 2010 for \$16,400,000 at interest rates ranging from 2% to 4% per annum and payable through November 2016. Pacific Gas and Electric has contracted to purchase all of the power produced by this facility, called the Sand Bar Project. The Sand Bar Project power facility became fully operational in May 1986. The Authority is governed through a Board of Commissioners comprised of the members of each of the District's Board of Directors. However, the operations and net assets of the Authority belong solely to the Authority as a separate legal entity. Should the Authority become insolvent, neither District would be liable for the Authority debts. Accordingly, the Authority has been excluded from the District's financial statements. Upon termination of the Joint Exercise of Powers Agreement, all bonds of the Authority will be transferred to the members as tenants in common. All other assets of the Authority will be distributed to the members in proportion to their respective 50% contribution. Since the District has only a residual equity interest in the Authority, it is not recorded as an equity investment on the District's Statement of Net Assets according to GASB Statement No. 14. Only distributions received from the Authority are recorded as non-operating revenues. The Authority issues separate financial statements, which are available at P.O. Box 1158, Pincrest, California 95364-0158 or at www.tridamproject.com.

The San Joaquin River Group Authority. The San Joaquin River Group Authority (SJRG) was created in September, 1996 under a joint exercise of powers agreement between the District, Modesto Irrigation District, South San Joaquin Irrigation District, Turlock Irrigation District, Friant Water Users Authority, and San Joaquin River Exchange Contractors Water Authority ("the Parties") to represent the Parties as necessary in proceedings relating to the investigation, monitoring, planning, control, mitigation of water flow and non-flow issues, and to enhance the environmental conditions in the Delta which impact the Parties. The SJRG is governed by a seven member commission made up of one member of the Governing Board of each Party. The agreement terminates in December 2036, unless extended or terminated by the Parties. Upon termination of the Agreement, all of the SJRG assets will be returned to the respective Parties in proportion to the contribution the Party made. Since the District has only a residual equity interest in the SJRG, it is not recorded as an equity investment on the District's statement of net assets according to GASB Statement No. 14. Equipment, furniture or furnishings will be returned to the contributing Party. Any other property shall be converted to cash and distributed equally among the Parties. The District is responsible under the agreement to provide the SJRG a proportionate amount of funds, \$230,317 (approximately 12.5%), for the SJRG's operating expenses. The SJRG does not issue separate financial statements.



Notes to the Basic **Financial** Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or 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 policies. Net assets represent the amounts available for future operations.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the balance sheet. Net assets are segregated into amounts invested in capital assets, net of related debt, amounts restricted, and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Water sales are recognized when the water is delivered. When such funds are received they are recorded as deferred revenues until earned. Earned, but unbilled, water services are accrued as revenue. Domestic water systems are constructed by private developers and then dedicated to the District, which is responsible for their future maintenance. These systems are recorded as capital contributions when they pass inspection and are accepted by the District and the estimated costs are capitalized. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources (if any) first, then unrestricted resources as they are needed.

Budget Principles

The District adopts an annual budget typically in December each year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. All budget addition appropriations are approved by the Board. Budget integration is employed as a management control device.

Restricted Assets

Restricted assets at December 31, 2011 and 2010 represent assessments restricted for Improvement District's operation and maintenance expenses, a certificate of deposit restricted for environmental mitigation expenses, debt service reserve funds, and unspent debt proceeds restricted to certain capital projects by the related debt covenants.

Accounts Receivable

Accounts receivable arise from billings to customers for irrigation and domestic water usage and other related charges. Uncollectible amounts from individual customers are not significant. The District uses the direct write-off method of accounting for uncollectible accounts. Water and other water-related charges not paid when due become delinquent. The District forwards all delinquent water and other water-related charges to both the Stanislaus and San Joaquin Counties to be added as direct assessments to the property tax rolls annually in August.



Notes to the Basic **Financial** Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from Other Governmental Agencies

Amounts due from other governmental agencies at December 31, 2011 consisted mainly of \$95,898 of county property tax appropriations, and \$16,499 from State of California mandated costs claims program. Non-current amounts due from other governments consist of property taxes of \$167,609 due under Proposition 1A that are expected to be collected after July 1, 2012, and \$70,337 from State of California mandated costs claims program. At December 31, 2010, amounts due from other governments consisted of \$186,373 of property taxes, \$86,518 from State of California mandated costs claims program and non-current due from other governments consisted of \$167,609 due under Proposition 1A.

Long-term Residential Connection Fees Receivable

Long-term residential connection fees receivable represent imposed nonexchange revenue earned when the District has a legally enforceable right to payment, which is at the time the development was accepted by the District. The amounts are collected when the related lots are developed and sold, and are secured by a lien on the related lots.

Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Contributed capital assets are recorded at their estimated fair value at the date of contribution. The District's policy assigns capitalization thresholds as listed below:

<u>Class</u>	<u>Capitalization Threshold</u>
Land	None
Land improvements	\$10,000
Buildings	10,000
Building improvements	10,000
Infrastructure	10,000
Infrastructure improvements, new or major repairs	10,000
Leasehold improvements	10,000
Intangible assets	5,000
Furniture, tools, small, etc.	1,000
Heavy equipment, vehicles, and attachments	1,000
Capital leases	1,000
Gates, valves, and turnout structure, new or major repairs	None

Donated assets are recorded at their estimated fair value on the date donated and accepted by the Board. Maintenance and repairs are charged to operations when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss included in the operating statement. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets.

The District has assigned the useful lives listed below to capital assets.

	<u>Useful Life</u>
Dams and reservoirs	50 - 100 years
Distribution systems	50 - 100 years
Buildings and improvements	50 years
Pumping plants	20 years
Automotive and equipment	3 - 10 years
Office equipment	5 years



Notes to the Basic **Financial** Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories of supplies and expendable equipment are stated at cost and are expensed using the consumption method of accounting. Cost is determined on a first-in, first-out basis.

Cash Equivalents

The District maintains a cash and investment pool for use by all accounts. Each account's portion of the pool is reflected in the statement of net assets as cash and investments. Deposits and investments of Improvement District funds are not part of the pool and are held separately from other District funds. For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with maturity of three (3) months or less when purchased to be cash equivalents, including the District's investment in the California Local Agency Investment Fund (LAIF) and money market mutual funds. Investments are stated at fair value in accordance with GASB Statement No. 31.

Long-term Liabilities

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

Compensated Absences

District employees have a vested interest in accrued vacation time. All vacation hours will eventually be either used or paid to the employee by the District. Employees accrue vacation on a monthly basis. The normal situation is that the employees earn and use their current vacation hours with a small portion being accrued or unused each year; as this occurs, the District acquires a future obligation to pay for these unused hours and accrues the liability for such accumulated and unpaid vacation.

Union bargaining employees, upon retirement, are entitled to be paid for unused sick leave at a rate equal to twenty-five percent (25%) of the full value of the first ninety (90) days and thereafter, fifty percent (50%) of unused leave. Exempt management employees, upon retirement or termination, are entitled to be paid for unused sick leave at a rate equal to fifty percent (50%) of the full value. All other employees, upon retirement or termination, are entitled to be paid for unused sick leave at a rate equal to twenty-five percent (25%) of the full value of the first sixty (60) days and thereafter, fifty percent (50%) of unused leave. The District accrues a liability for such amounts based upon its estimate of future retirements.

Operation employees, excluding clerical and technical employees, are allowed to accumulate overtime as comp-time for use on inclement weather days. All remaining overtime comp-time accruals are paid to these employees by the first pay period in April following year-end. Clerical and technical employees are allowed to accumulate overtime as comp-time for use as desired and are paid for all remaining accruals by the first pay period in April following year-end. Confidential employees are allowed to accumulate overtime as comp-time for use as desired on a calendar year basis; all unused comp-time accruals are paid to these employees on December 31st of each year.

As of December 31, 2011 and 2010, the total estimated current and long-term liabilities for all compensated absences were \$743,777, and \$705,156, respectively. The liability for vacation, sick leave, and overtime comp-time accruals are reported in the statement of net assets.



Notes to the Basic **Financial** Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the Financial Accounting Standards Board (FASB), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

The District participates in the “Teeter Plan” method of property tax distribution in Stanislaus and San Joaquin Counties, and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The Counties, in return, receive all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the Counties remit property taxes to the District based on assessments, not collections, according to the following: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

The District experienced a reduction in its property tax revenue as a result of the State of California’s Education Revenue Augmentation Fund (ERAF) during the years ended December 31, 2004 and 2005 of approximately \$2.2 million. In November 2004, California voters approved Proposition 1A which prohibits the State from reducing the share of property tax revenues going to cities, county, and special districts and shifting those shares to the schools or any other non-local government. However, under specific conditions, the State may suspend the protection provisions of Proposition 1A. Beginning fiscal years 2009 and 2010, the State suspended the protection of provisions of Proposition 1A and “borrowed” 8% of total property tax revenues. The State borrowed \$167,609 from the District for the fiscal years 2009-2010 and 2010-2011. The State may not enact such a suspension more than twice in any ten year period and may do so if: (1) the State’s fiscal year VLF Backfill Gap Loan has been repaid; or (2) any previous borrowing has been paid. If the State’s current economic crisis continues there is likelihood that the District’s property taxes will continue to be reduced in the future.

Water Revenue

Water delivery fees were set at rates from \$19.50 per acre for parcels greater than 10 acres to \$30 for parcels one-acre or less in unincorporated areas. In 2010, as appreciation and recognition to the farmers and water users of the District for their 100 years of support during its Centennial Anniversary Year, the District provided a one-time full rebate of the water charges for the 2010 irrigation season. This rebate was made possible by the continued investment and wise management of the District’s water and power resources.

Reclassifications

Certain reclassifications have been made to 2010 amounts to conform to the current presentation. The reclassifications had no effect on the change in net assets for the year ended December 31, 2010.



Notes to the Basic **Financial** Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The District will reassess its accounting and financial reporting for interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the District to reassess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred, which will affect the accounting for these items related to the District's debt agreement. The provisions of this Statement are effective for periods beginning after December 15, 2012.

The District will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

NOTE 2: CASH AND INVESTMENTS

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the statement of net assets and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Cash and investments are classified in the financial statements as shown on the following page at December 31, 2011 and 2010.



Notes to the Basic Financial Statements (continued)

NOTE 2: CASH AND INVESTMENTS (continued)

Cash and investments are classified in the financial statements as shown below at December 31, 2011 and 2010:

	2011	2010
Cash and cash equivalents		
Cash on hand	\$ 420	\$ 420
Deposits with financial institutions	3,055,936	2,729,065
Money market mutual fund	27,255,875	3,101,987
Deposits in Local Agency Investment Fund (LAIF)	158,009	157,263
Total unrestricted cash and cash equivalents	<u>30,470,240</u>	<u>5,988,735</u>
Restricted Improvement District's cash and cash equivalents		
Deposits with financial institutions	539,884	487,432
Restricted cash and cash equivalents		
Deposits with financial institutions	288,824	283,870
Money market mutual fund	7,092,318	10,881,429
Total restricted cash and cash equivalents	<u>7,381,142</u>	<u>11,165,299</u>
Total cash and cash equivalents	<u>38,391,266</u>	<u>17,641,466</u>
Investments		
Investments held by Union Bank	14,784,752	31,142,265
Total investments	<u>14,784,752</u>	<u>31,142,265</u>
Total cash and investments	<u>\$ 53,176,018</u>	<u>\$ 48,783,731</u>

Cash and investments as of December 31, 2011 and 2010 consisted of the following for disclosure under GASB Statement No. 40:

Cash and deposits			
Cash on hand	\$ 420	\$ 420	
Deposits with financial institutions	3,884,644	3,500,367	
Total cash and deposits	3,885,064	3,500,787	
U.S. Treasury Securities	-	31,142,265	
U.S. Agency Securities	2,965,131	-	
Commerical paper	6,298,750	-	
Medium term corporate notes	5,520,871	-	
Money market mutual fund	34,348,193	13,983,416	
Local Agency Investment Fund (LAIF)	158,009	157,263	
Total investments	<u>49,290,954</u>	<u>45,282,944</u>	
Total cash and investments	<u>\$ 53,176,018</u>	<u>\$ 48,783,731</u>	\$ 4,392,287

Investments Authorized by the District's Investment Policy

Investments are reported at fair value. The District annually adopts its investment policy in accordance with the guidelines stated by *California Government Code* (CGC) Section 53600, et. seq. The District's investment policy only authorizes selection of investments based on safety, liquidity, and yield, authorizing investments in the Local Agency Investment Fund (LAIF) administered by the State of California. Except for *Government Code* section 53601 prohibiting investments in "inverse floaters," "range notes," and "interest only strips," the District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. All funds are invested by the District's management as directed by its Finance Committee and in accordance with its Investment Policy. The following table identifies the investment types that are authorized for the District by the CGC (or the District's Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.



Notes to the Basic Financial Statements (continued)

NOTE 2: CASH AND INVESTMENTS (continued)

Investments Authorized by the District's Investment Policy (continued)

During the year ended December 31, 2011, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Minimum Rating	Maximum % of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities	5 years	N/A	None	None
California Local Agency Debt	5 years	N/A	None	None
Banker's Acceptances	180 days	A1/P1/F1	40%	30%
Commercial Paper	270 days	A1/P1/F1	15%	10%
Negotiable Certificates and Time Deposits	5 years	N/A	30%	None
Repurchase Agreements	92 days	N/A	10%	\$500K
Medium Term Corporate Notes	5 years	A	30%	None
Money Market Mutual Funds	N/A	AAA/Aaa	20%	10%
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None

Investments authorized by the District's debt agreement includes any investment specified in the table above as well as investment agreements, guaranteed investment contracts (GIC), forward purchase agreements, and reserve fund agreements. However, the District's debt agreement requires local agency bonds to have an initial minimum rating in one of the two highest categories assigned by a national rating agency, requires medium term corporate notes to have an initial minimum rating of AAA, and allows a maximum maturity of 30 days for repurchase agreements.

The District complied with the provisions of the *California Government Code* pertaining to the types of investments held, the institutions in which deposits were made and the security requirements, with the exception of the investment in the Highmark Treasury Plus money market mutual fund exceeding the 10% maximum investment in one issuer and 20% maximum percentage of the portfolio limits above. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Typically, the longer the maturity of the investment the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy does not contain any provisions limiting interest rate risk other than what is specified in the *California Government Code*.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the below table that shows the maturity date of each investment.

Type of Investment	Total	Maturities	
		12 Months or Less	13-24 Months
U.S. Agency Securities	\$ 2,965,131	\$ 2,965,131	-
Commercial paper	6,298,750	6,298,750	-
Medium term corporate notes	5,520,871	-	\$ 5,520,871
Money market mutual fund	34,348,193	34,348,193	-
Local Agency Investment Fund (LAIF)	158,009	158,009	-
Total	\$ 49,290,954	\$ 43,770,083	\$ 5,520,871



Notes to the Basic Financial Statements (continued)

NOTE 2: CASH AND INVESTMENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the *California Government Code* or the District's Investment Policy, and the actual ratings as of yearend for each investment type.

Investment Type	Minimum Legal Rating	Rating as of Year End				
		Total	AAA	A1+ / AA+ / AA / AA-	A+ / A / A-	Unrated
U.S. Agency Securities	N/A	\$ 2,965,131		\$ 2,965,131		
Commercial paper	A1+	6,298,750		3,299,967	\$ 2,998,783	
Medium term corporate notes	A	5,520,871		4,517,081	1,003,790	
Money market mutual fund	AAA	34,348,193	\$ 34,348,193			
LAIF	N/A	158,009				\$ 158,009
Total		\$ 49,290,954	\$ 34,348,193	\$ 10,782,179	\$ 4,002,573	\$ 158,009

Concentration of Credit Risk

The District's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulation by the *California Government Code*. The *California Government Code* limits the amount that may be invested in any one issuer, with the exception of the U.S. Treasury obligations, mutual funds, and external investments pools. Investments with one issuer exceeding 5% of total investments at December 31, 2011 included investments in Federal Home Loan Banks in the amount of \$2,965,131, or 6% of total investments. There were no concentrations of investments at December 31, 2010.

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, other than the following provision for deposits: The *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes that have a value of 150% of the secured public deposits.

At December 31, 2011 and 2010, the carrying amount of the District's deposits was \$3,884,644 and \$3,500,367; and the balance in financial institutions was \$3,957,611 and \$3,608,561, respectively. Of the balance in financial institutions at December 31, 2011 and 2010, \$3,876,844 and \$3,374,450, respectively, was covered by federal depository insurance and \$80,767 and \$234,114, respectively, was collateralized as required by State Law (*Government Code* Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

As of December 31, 2011, all of the District's U.S. Agency securities, commercial paper and medium term corporate notes were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.



Notes to the Basic Financial Statements (continued)

NOTE 2: CASH AND INVESTMENTS (continued)

Credit Risk (continued)

Investment in State Investment Pool

LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$68,042,332,414 managed by the State Treasurer. Of that amount, 97.0% is invested in non-derivative financial products, 2.40% in structured notes and medium-term asset backed securities, and .60% in short-term asset-backed commercial paper. The Local Agency Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 256 days at December 31, 2011.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 consisted of the following:

	Balance January 1, 2011	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2011
Capital assets not being depreciated					
Land	\$ 1,198,211	\$ 255,797	\$ (323)	\$ 27,757	\$ 1,481,442
Construction in progress	15,123,864	3,983,195	-	(17,095,498)	2,011,561
Total capital assets not being depreciated	<u>16,322,075</u>	<u>4,238,992</u>	<u>(323)</u>	<u>(17,067,741)</u>	<u>3,493,003</u>
Capital assets being depreciated					
Buildings	856,067	-	-	5,023	861,090
Dams and reservoirs	3,449,789	-	-	5,988,170	9,437,959
Distribution systems	68,838,588	-	(35,415)	11,074,548	79,877,721
Automotive and equipment	4,669,821	26,964	(190,377)	-	4,506,408
Office equipment	695,145	12,967	(2,265)	-	705,847
Domestic water systems	3,575,045	-	-	-	3,575,045
Total capital assets being depreciated	<u>82,084,455</u>	<u>39,931</u>	<u>(228,057)</u>	<u>17,067,741</u>	<u>98,964,070</u>
Less accumulated depreciation					
Buildings	(400,208)	(32,264)	-	-	(432,472)
Dams and reservoirs	(566,891)	(138,850)	-	(10,504)	(716,245)
Distribution systems	(18,984,283)	(1,453,416)	-	10,504	(20,427,195)
Automotive and equipment	(2,349,034)	(449,458)	150,758	-	(2,647,734)
Office equipment	(288,034)	(108,814)	2,158	-	(394,690)
Domestic water systems	(1,324,038)	(106,207)	-	-	(1,430,245)
Total accumulated depreciation	<u>(23,912,488)</u>	<u>(2,289,009)</u>	<u>152,916</u>	<u>-</u>	<u>(26,048,581)</u>
Total capital assets being depreciated, net	<u>58,171,967</u>	<u>(2,249,078)</u>	<u>(75,141)</u>	<u>17,067,741</u>	<u>72,915,489</u>
Capital assets, net	<u>\$ 74,494,042</u>	<u>\$ 1,989,914</u>	<u>\$ (75,464)</u>	<u>\$ -</u>	<u>\$ 76,408,492</u>



Notes to the Basic Financial Statements (continued)

NOTE 3: CAPITAL ASSETS—(continued)

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance January 1, 2010	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2010
Capital assets not being depreciated					
Land	\$ 1,198,043	\$ 168	\$ -	\$ -	\$ 1,198,211
Construction in progress	11,860,891	4,894,885	-	(1,631,912)	15,123,864
Total capital assets not being depreciated	13,058,934	4,895,053	-	(1,631,912)	16,322,075
Capital assets being depreciated					
Buildings	839,860	16,207	-	-	856,067
Dams and reservoirs	3,449,790	-	(1)	-	3,449,789
Distribution systems	67,175,326	31,350	-	1,631,912	68,838,588
Automotive and equipment	4,397,079	447,585	(174,843)	-	4,669,821
Office equipment	618,238	76,907	-	-	695,145
Domestic water systems	3,574,020	1,025	-	-	3,575,045
Total capital assets being depreciated	80,054,313	573,074	(174,844)	1,631,912	82,084,455
Less accumulated depreciation					
Buildings	(351,562)	(48,646)	-	-	(400,208)
Dams and reservoirs	(501,984)	(64,907)	-	-	(566,891)
Distribution systems	(17,529,590)	(1,454,693)	-	-	(18,984,283)
Automotive and equipment	(2,018,837)	(447,634)	117,437	-	(2,349,034)
Office equipment	(155,631)	(132,403)	-	-	(288,034)
Domestic water systems	(1,218,212)	(105,826)	-	-	(1,324,038)
Total accumulated depreciation	(21,775,816)	(2,254,109)	117,437	-	(23,912,488)
Total capital assets being depreciated, net	58,278,497	(1,681,035)	(57,407)	1,631,912	58,171,967
Capital assets, net	\$ 71,337,431	\$ 3,214,018	\$ (57,407)	\$ -	\$ 74,494,042

NOTE 4: LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 and 2010 consisted of the following:

	Maturity Dates	Range of Interest Rates	Balance January 1, 2011	Incurred	Retired	Balance December 31, 2011	Due Within One Year
Certificates of participation - Series 2009	2039	3.10% - 5.50%	\$ 31,615,000	\$ -	\$ (550,000)	\$ 31,065,000	\$ 570,000
Less unamortized issue discount			(359,135)	-	12,564	(346,571)	
Total certificates of participation			31,255,865	-	(537,436)	30,718,429	570,000
Note payable			1,944	-	(1,248)	696	696
Compensated absences			705,156	266,213	(227,592)	743,777	246,334
Total long-term liabilities			\$ 31,962,965	\$ 266,213	\$ (766,276)	\$ 31,462,902	\$ 817,030
			Balance January 1, 2010	Incurred	Retired	Balance December 31, 2010	Due Within One Year
Certificates of participation - Series 2009	2039	3.10% - 5.50%	\$ 32,145,000	\$ -	\$ (530,000)	\$ 31,615,000	\$ 550,000
Less unamortized issue discount			(371,700)	-	12,565	(359,135)	
Total certificates of participation			31,773,300	-	(517,435)	31,255,865	550,000
Note payable			3,192	-	(1,248)	1,944	1,248
Borrow site purchase agreement			50,000	-	(50,000)	-	-
Compensated absences			593,623	302,720	(191,187)	705,156	270,033
Total long-term liabilities			\$ 32,420,115	\$ 302,720	\$ (759,870)	\$ 31,962,965	\$ 821,281



Notes to the Basic **Financial** Statements (continued)

NOTE 4: LONG-TERM LIABILITIES (continued)

Oakdale Irrigation District Certificates of Participation (Water Facilities Project) Series 2010

On March 5, 2009, the District issued the Certificates of Participation (Water Facilities Project) Series 2010 in the amount of \$32,145,000. The proceeds are being used to finance acquisition and construction of certain water system improvements and repairs to the District's existing facilities as described in the debt agreement. The Certificates are secured by a lien on the net revenues of the District. The District is required to collect net revenues equal to 110% of the debt service payments on this issuance and all other parity debt payable from the District's net revenues. Annual principal payments ranging from \$530,000 to \$2,035,000 began on August 1, 2010 and will continue through August 1, 2039. Semi-annual interest payments ranging from \$55,963 to \$808,954 are due on February 1 and August 1 through August 1, 2039. Interest rates range from 3.1% to 5.5%.

Note payable and purchase agreement

In 2009, the District purchased eight (8) personal lockers from its uniform vendor under a 36-month note payable agreement. Additionally, the District entered into a 2-year purchase agreement to excavate, store, and use an estimated 100,000 cubic yards of borrow material located on a property within its boundaries. There are two-installments of \$50,000 due under the terms of this agreement. The first installment was due on the project start date, August 10, 2009, and the second installment was due on August 10, 2010.

Financing Corporation Loans Payable

The Financing Corporation entered into agreements to accept proceeds of loans in the amounts of \$475,000 from the United States Department of Agriculture and \$475,000 from a local bank to finance certain improvements within Improvement District No. 52. The loans are payable solely from the revenues of Improvement District No. 52. Neither the District nor the Financing Corporation is liable for the repayment of these loans and are only acting as agents for Improvement District No. 52. Consequently, the loans are not recorded on the District's statement of net assets.

The annual requirements to amortize the outstanding business-type activities debt as of December 31, 2011 are as follows:

Year ending December 31,	Certificates of Participation - Series 2010		
	Principal	Interest	Total
2012	\$ 570,000	\$ 1,574,708	\$ 2,144,708
2013	595,000	1,551,908	2,146,908
2014	620,000	1,528,108	2,148,108
2015	640,000	1,508,888	2,148,888
2016	665,000	1,483,288	2,148,288
2017-2021	3,735,000	6,994,702	10,729,702
2022-2026	4,650,000	6,085,750	10,735,750
2027-2031	5,990,000	4,744,562	10,734,562
2032-2036	7,805,000	2,927,374	10,732,374
2037-2039	5,795,000	648,722	6,443,722
	<u>\$ 31,065,000</u>	<u>\$ 29,048,010</u>	<u>\$ 60,113,010</u>

Pledged Revenues

The District has pledged future net revenue of the District to repay its Series 2010 Certificates of Participation in the original amount of \$32,145,000. Proceeds of the Certificates were used to fund improvements to the water system. The Certificates are payable from the net revenues of the District and are payable through August 2039. Annual principal and interest payments on the Certificates are expected to require approximately 25% of net revenues. Total principal and interest remaining to be paid on the Certificates was \$60,113,010 and \$62,259,718 at December 31, 2011 and 2010, respectively. Total interest paid on the Certificates in 2011 was \$1,596,708 and \$1,617,908 in 2010, and total net revenues were \$7,080,977 and \$6,920,929 at December 31, 2011 and 2010, respectively.



Notes to the Basic **Financial** Statements (continued)

NOTE 4: LONG-TERM LIABILITIES (continued)

Pledged Revenues (continued)

The Certificates of Participation above contain the requirement to collect rates and charges from its water system that will be sufficient to yield net revenues equal to a minimum ratio under one separate debt covenant. The net revenues (as defined) are required to be at least 1.10 times the sum of the installment payments of interest and principal on the outstanding Certificates and any parity debt.

The following is a calculation of the required coverage ratio as of December 31, 2011:

	<u>2011</u>	<u>2010</u>
Revenues	\$ 16,736,661	\$ 16,521,589
Less: Maintenance and operation expenses (as defined)	<u>9,655,684</u>	<u>9,600,660</u>
Net revenues	7,080,977	6,920,929
Interest and principal payments (as defined)	<u>2,146,708</u>	<u>2,139,074</u>
Coverage ratio computed	<u>330%</u>	<u>324%</u>
Required rate	<u>110%</u>	<u>110%</u>

Capital contributions, except for noncash capital contributions, are included in revenues and therefore, capitalized interest was added back to interest payments for purposes of this calculation.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to the bond holders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The District performed calculations of excess investments earnings on various investments and financings and determined there was no arbitrage liability at December 31, 2011 or 2010.

NOTE 5: NET ASSETS

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debts are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors.

In the financial statements, fund net assets are reported in the three categories as follows:

- Invested in capital assets, net of related debt – This category of net assets reports the net book value of capital assets used in District operations, including construction-in-progress, and all net of related accumulated depreciation. The District has no debt used to acquire or construct these assets;
- Restricted net assets—This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of the restriction is reported on the face of the statement of net assets; and
- Unrestricted net assets – Unrestricted net assets represents all other assets net of related liabilities available for use by the District. This category also includes the assets related to the District’s investment in the Tri-Dam project.

Designations of unrestricted net assets are imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Board action.



Notes to the Basic Financial Statements (continued)

NOTE 5: NET ASSETS (continued)

Net Assets (continued)

At December 31, 2011 and 2010, designations included:

	2011	2010
Capital Replacement / Improvement Reserve Fund	\$ 19,475,000	\$ 18,000,000
Main Canal / Tunnel Improvement Reserve	8,064,000	4,064,000
Operating Reserve Fund	3,738,000	3,015,000
Rate-Stabilization Reserve Fund	2,988,000	2,265,000
Rural Water Replacement / Improvement Reserve Fund	725,414	724,474
Vehicle and Equipment Replacement Reserve Fund	456,465	229,465
Employee Compensated Absences Reserve Fund	179,084	67,084
Total	\$ 35,625,963	\$ 28,365,023

NOTE 6: EMPLOYEES' RETIREMENT PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS benefits vesting is after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor, based on years of service, times their highest average monthly salary over thirty-six consecutive months of employment. PERS requires plans with less than 100 active participants in at least one valuation since June 30, 2003 to participate in risk pools. The District participates in the Miscellaneous 2% at 60 Risk Pool. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. The District makes 100% of the contributions required of the District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the rate for July 1, 2011 to December 2011 was 7.733%, the rate from July 1, 2010 to June 30, 2011 was 6.755%, and the rate from January 1, 2010 to June 30, 2010 was 6.425%. The contribution requirements of plan members and the District are established and may be amended by PERS. The District's contributions for the years ended December 31, 2011, 2010, and 2009 were \$625,392, \$571,430, and \$639,654, respectively, which are equal to the required contribution for each year.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District is a founding member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). The ACWA JPIA is a risk-pooling self-insurance authority, created under the provisions of the *California Government Code* Sections 6500 et. seq. The purpose of the ACWA JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.



Notes to the Basic **Financial** Statements (continued)

NOTE 7: RISK MANAGEMENT (continued)

The District pays an annual premium to ACWA JPIA for its general liability and auto, and property insurance coverage. The ACWA JPIA purchases specific occurrence excess insurance from commercial excess, reinsurance carriers, or other pooling agencies for the ACWA JPIA’s liability, and property programs. The arrangement with ACWA JPIA is in substance a transfer of pooling (sharing) of risks among the participants in the ACWA JPIA’s programs.

For ACWA JPIA’s public liability premiums for coverage are based upon the experience of participating members. District liabilities for claims not covered by ACWA JPIA programs are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on complex factors such as changes in legal doctrines, damage awards, and other factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such uncovered claim liabilities are re-evaluated periodically to take into account recently settled claims, claim frequency, and other economic and social factors. Settled claims have not exceeded insurance coverage in the past three years and there have been no reductions in insurance coverage during the year.

The District’s self-insured retention and coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Self-Insured Retention
General and auto liability (includes public official liability)	\$ 2,000,000	\$ 58,000,000	\$ 25,000
Property damage	50,000	100,000,000	1,000
Fidelity	100,000	1,000,000	1,000

The District accrues a liability for deductibles on incurred claims under GASB Statement No. 10. The District considers incurred but not reported claims to be immaterial and does not accrue an estimate of such claims payable. The majority of the District’s claims liability represents short-term deductibles payable, resulting in the claims liability being presented as a current liability.

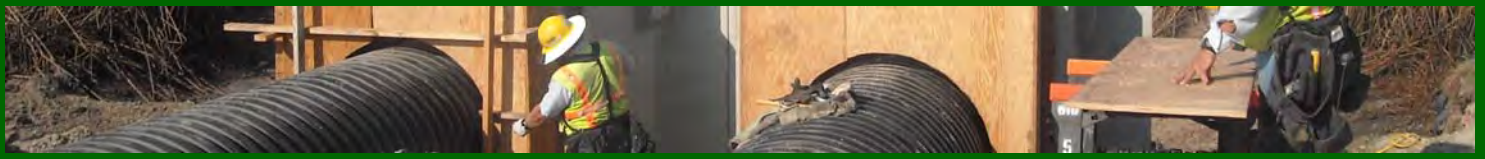
Changes to the claims payable liabilities were:

	For the Year Ended December 31,	
	2011	2010
Claims payable, January 1	\$ 71,618	\$ 39,350
Incurred claims; provision for event of current year	16,742	65,250
Claims paid	(19,893)	(32,982)
Claims payable, December 31	\$ 68,467	\$ 71,618

The District contracts up to the statutory workers’ compensation limits and \$5 million of employers’ liability with Special District’s Risk Management Authority (SDRMA), which has no self-insured retention obligation. Complete separate audited financial statements for the ACWA JPIA may be obtained at 5620 Birdcage Street, Suite 200, Citrus Heights, California 95610-7632 or www.acwajpia.com. Complete separate audited financial statements for the SDRMA may be obtained at 1112 I Street, Suite 300, Sacramento, California 95814-2865 or www.sdrma.org.

NOTE 8: RELATED PARTY TRANSACTIONS

The District’s Board selected Oak Valley Community Bank for its day-to-day banking activities in 1996. The District has two directors that were elected in November 2005 that own stock in this bank.



Notes to the Basic **Financial** Statements (continued)

NOTE 9: COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in a number of lawsuits, which have arisen, in the normal course of business. The outcome of the lawsuits cannot be determined at this time. The following lawsuits were outstanding at December 31, 2011.

On June 4, 2009, the National Marine Fisheries Service (NMFS) issued a final biological opinion (“Biological Opinion”) and conference opinion for the proposed long-term operations of the Central Valley Project and State Water Project, and its effects on listed anadromous fishes and marine mammal species. Also, pursuant to the ESA, it included a Reasonable and Prudent Alternative (“RPA”) dictating operating requirements necessary to prevent jeopardy to the listed threatened and endangered species. The listed species include steelhead trout, spring/fall/winter run Chinook Salmon and Southern Resident Orca. The RPA would significantly change the operation of the New Melones Project on the Stanislaus River and drastically affect the environment of the Stanislaus River and in the San Joaquin County. NMFS’ directive to the USBR to meet the flow requirements is expressly predicated upon reducing the amount of water the District and SSJID are entitled to use and divert from the Stanislaus River, even though the Biological Opinion expressly states that Reclamation “does not have authority to alter water rights...on the Stanislaus River.” Multiple plaintiffs, including the District have sued the NMFS and the USBR; subsequently these cases were consolidated. The District and SSJID filed a joint complaint alleging that NMFS violated the National Environmental Protection Act by not conducting the necessary environmental review, failing to use the best available scientific and commercial data, as required by law, and as it requires the USBR to cut water deliveries to which the District and SSJID have rights under a settlement agreement with the USBR. The USBR has stated that it will operate pursuant to the Biological Opinion. The court acknowledged that OID had water rights superior to those of the United States. The RPA requires such large water releases that the USBR cannot comply with it while respecting such rights. OID and other defendant-intervenors filed an appeal on January 19, 2012. Briefing is expected to be completed by June 2012.

In 2007, several landowners living in Knights Ferry, California brought suit against the District alleging that the District violated their right to receive water and are seeking a declaration that the District is required to provide a perpetual and continuous flow as they interpret a 1926 decision made in the case of *Brooks, et al vs. OID*. The District filed a cross-complaint. The Court issued its modified intended statement of decision on October 30, 2010. The final judgment indicated that OID would be required to deliver a constant flow of 4 cfs to plaintiffs during the irrigation season. This judgement has no financial damages or loss attributable to OID. The defendants appealed and OID cross-appealed. The appellate court ruled in OID’s favor and denied a re-hearing for the defendants in January 2012.

In July 2010, a complaint was filed against the District on behalf of forty-eight landowners within a domestic water improvement district of which the District is its administrator. The Plaintiffs seek damages for rescission of their votes that they and their fellow residents cast in favor of the improvement work and assessment of which the District serves as the administrator. The Plaintiffs have not specified the amount of damages they seek. This matter is currently scheduled for a case management conference in June 2012.

Regulatory

The State Water Resources Control Board (SWRCB) continues to periodically conduct hearings relating to the development and implementation of a water quality control plan(s) for the San Francisco Bay and Sacramento/San Joaquin Delta. If implemented, these plans could, among other measures, affect the amount and timing of water to be released into the Delta by water rights holders such as Oakdale Irrigation District and South San Joaquin Irrigation District. The implementation of these plans could also negatively impact the Project’s power generating activities on the Stanislaus River. The Districts are actively involved in these and other regulatory proceedings and litigation related to water rights and water supply. It is not possible to determine the potential cost or financial impact of the plan(s) to the District.



Notes to the Basic **Financial** Statements (continued)

NOTE 9: COMMITMENTS AND CONTINGENCIES (continued)

A variety of petitions for water from the Stanislaus River, the District's primary source of water, have been filed with the SWRCB. Each petition seeks to obtain water rights that, if granted, may have the affect of limiting, reducing, or affecting, either in amount or timing, the existing water rights held by the District. The District has filed an opposition to each petition. The petitions currently pending are filed by Stockton East Water District, Calaveras County Water District, and Lake Alpine Water Company. There were either no active petitions or the petitioners settled with OID.

Contract Commitments

District had the following capital project commitments outstanding as of December 31, 2011:

Project Name	Contract Amount	Remaining Amount Committed
Union Slough Water Quality Project	\$ 352,122	\$ 47,858
Burnett / River Road Diversion Project	16,700	15,860
	\$ 368,822	\$ 63,718

Operating Lease Commitments

The District has three lease commitments:

- A 36-month lease agreement for a wide format printer which contains an option to purchase the copier at the fair market value at the end of the lease. The monthly lease payment, including sales and use tax, is \$615;
- A 36-month lease agreement for GPS Fleet Tracking System which contains an option to purchase the equipment for \$1 at the end of the lease. The monthly lease payment, including sales and use tax, is \$1,706, and
- A three (3) year commercial lease for additional office space. This lease with GGD Oakdale LLC expired on December 31, 2010. However, the District exercised its option to renew for an additional 3-year term until December 31, 2012. The monthly lease payment, including sales and use tax, is \$2,325.

The following table summarizes future minimum commitments under these lease agreements:

Year ended December:	
2012	<u>\$ 41,925</u>
Total payments	<u>\$ 41,925</u>

Rental expense relating to the leases was \$55,750 in 2011 and \$71,907 in 2010.

Tri-Dam Project and Tri-Dam Power Authority

The District receives a substantial amount of revenue from the Tri-Dam Project and Tri-Dam Power Authority. The loss of this revenue source would have a significant impact on the District's operations.

NOTE 10: INVESTMENT IN TRI-DAM PROJECT

As discussed in the preceding notes, the District's financial statements include its equity in the undistributed net earnings in the Tri-Dam Project ("Project") since its inception. The summary of financial information on the "Project" can be found on the following page. Complete financial statements for the "Project" can be obtained at the Project's administrative offices located at 31885 Old Strawberry Road, Strawberry, California 95375.



Notes to the Basic **Financial** Statements (continued)

NOTE 10: INVESTMENTS IN TRI-DAM PROJECT (continued)

Tri-Dam Project Statement of Net Assets

	December 31,	
	2011	2010
Assets		
Cash and investments	\$ 22,913,438	\$ 34,522,967
Other current assets	3,386,183	4,335,946
Total current assets	26,299,621	38,858,913
Property and equipment, net	58,658,721	52,473,923
Other assets, net	2,825,389	2,908,489
Total assets	<u>87,783,731</u>	<u>94,241,325</u>
Liabilities		
Current liabilities	1,627,290	2,047,233
Long-term liabilities	180,837	45,494
Total liabilities	<u>1,808,127</u>	<u>2,092,727</u>
Net assets		
Investment in capital assets, net of related debt	58,658,721	52,473,923
Restricted and unrestricted	27,316,883	39,674,675
Total net assets	<u>85,975,604</u>	<u>92,148,598</u>
Total liabilities and net assets	<u>\$ 87,783,731</u>	<u>\$ 94,241,325</u>

Tri-Dam Project Statement of Revenues, Expenses, and Change in Net Assets

	December 31,	
	2011	2010
Operating revenues	\$ 24,900,195	\$ 19,322,875
Operating expenses		
Expenses	7,427,522	7,239,728
Depreciation	1,285,404	1,237,392
Total operating expenses	<u>8,712,926</u>	<u>8,477,120</u>
Net income from operations	16,187,269	10,845,755
Nonoperating revenues	439,965	615,961
Extraordinary item - business interruption insurance proceeds	3,110,000	6,639,395
Change in net assets	<u>19,737,234</u>	<u>18,101,111</u>
Net assets - beginning of year	92,148,598	77,447,487
Less: Distributions to member districts	<u>(25,910,228)</u>	<u>(3,400,000)</u>
Net assets - end of year	<u>\$ 85,975,604</u>	<u>\$ 92,148,598</u>

NOTE 11: SUBSEQUENT EVENTS

The District is in the process of acquiring land to relocate their existing headquarters. The District completed the purchase of one parcel in February, 2012 for \$250,000 and expects to complete the purchase of two more parcels totaling \$700,000 in May and June of 2012.



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SECTION

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This part of the Oakdale Irrigation District's 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.

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Financial Trends Data These schedules contain financial trend information for assessing the District's financial performance and well-being over time.	37
Revenue Capacity Data These schedules present revenue capacity information to assess the District's ability to generate revenues. Water sales and service fees, wholesale power sales, and property taxes are the District's most significant revenue sources.	41
Debt Capacity Data These schedules present information to assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt. Additionally, provided are schedules regarding legal debt margin, direct and overlapping bonded debt in the county in which the District conducts 90% of its business.	45
Demographic and Economic Information These schedules provide information on the demographic and economic environment in which the District conducts business.	47
Operating Information These schedules provide information on the District's service infrastructure to assist the reader in the understanding of how the information in the District's financial report relates to the services the District provides and the activities it performs.	49

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports of the relevant years.

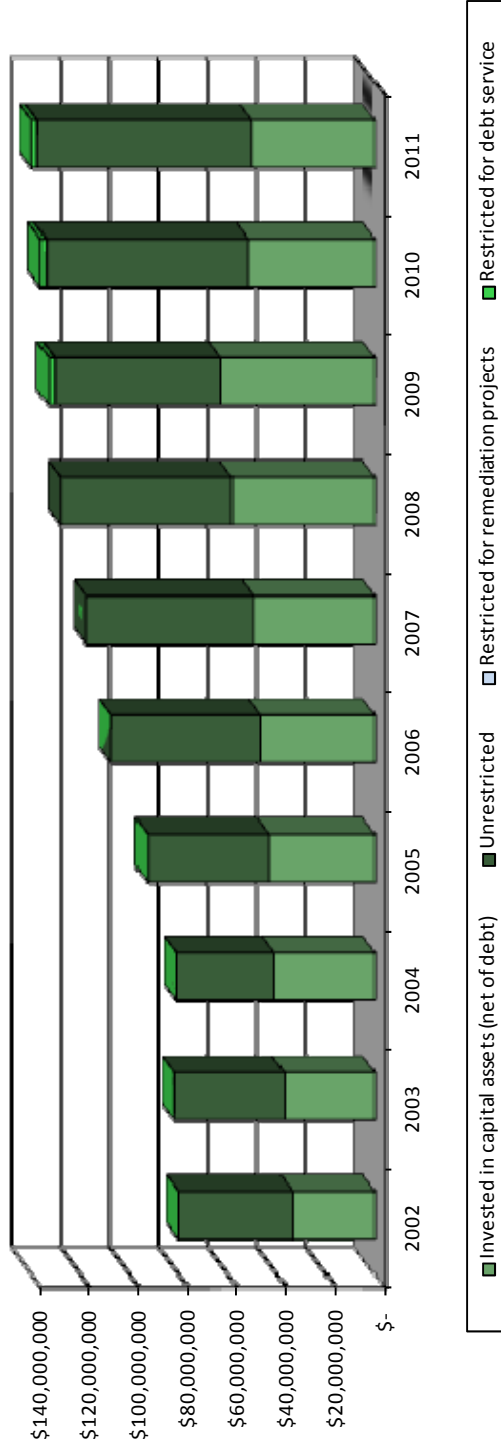
Financial Trends Data

Table 1
Net Assets by Component
Last Ten Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Invested in capital assets (net of debt)	\$ 33,754,794	\$ 37,058,083	\$ 41,142,259	\$ 43,126,570	\$ 46,812,926	\$ 49,683,718	\$ 58,456,036	\$ 62,942,193	\$ 51,969,687	\$ 50,633,121
Restricted for debt service	-	-	-	-	-	-	-	2,151,068	2,149,900	2,149,258
Restricted for remediation projects	-	-	-	-	-	-	-	-	283,870	288,824
Unrestricted	46,076,592	44,563,105	39,582,119	49,593,511	60,918,784	67,764,975	69,805,060	67,561,952	82,020,800	86,841,001
Total net assets	\$ 79,831,386	\$ 81,621,188	\$ 80,724,378	\$ 92,720,081	\$ 107,731,710	\$ 117,448,693	\$ 128,261,096	\$ 132,934,214	\$ 136,424,257	\$ 139,912,204

Notes:
The District's assets consist primarily of distribution canal and pipelines.

Chart 1



Financial Trends Data

Table 2
Changes in Net Assets
Last Ten Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:										
Water sales	\$ 2,614,664	\$ 2,577,074	\$ 2,477,992	\$ 2,946,896	\$ 2,990,422	\$ 5,405,251	\$ 2,643,571	\$ 8,564,635	\$ 4,076,889	\$ 2,066,879
Agricultural water service fees	1,620,698	1,432,059	1,443,721	1,174,793	1,161,018	1,159,509	1,163,464	1,183,770	54,115	1,210,632
Connection fees	65,651	391,760	16,442	500	200	45,526	215,073	250	785	1,150
Other water related revenues	516,323	70,991	133,898	126,993	136,559	145,011	299,100	148,674	191,098	144,879
Domestic water delivery fees	145,636	165,779	172,569	174,450	178,864	193,066	840,550	219,280	190,533	205,949
Total operating revenues	4,962,972	4,637,663	4,244,622	4,423,632	4,467,063	6,948,363	5,161,758	10,116,609	4,513,420	3,629,489
Operating expenses										
Operation and maintenance	3,131,977	2,855,754	3,601,805	4,043,814	3,164,238	3,245,097	3,189,791	3,833,008	4,403,284	4,057,837
General and administrative	1,136,237	1,745,466	1,687,361	3,378,456	3,992,475	4,007,385	4,953,672	5,934,548	3,277,323	3,680,603
Water operations	1,135,856	1,706,587	1,609,526	1,510,529	1,486,731	1,729,017	1,757,106	1,857,692	1,920,053	1,917,244
Depreciation	1,212,164	1,092,777	1,160,784	1,326,588	1,412,576	1,495,333	1,740,468	1,838,609	2,254,109	2,289,009
Total operating expenses	6,616,234	7,400,584	8,059,476	10,259,387	10,056,020	10,476,832	11,641,037	13,463,857	11,854,769	11,944,693
Operating income (loss)	(1,653,262)	(2,762,921)	(3,814,854)	(5,835,755)	(5,588,957)	(3,528,469)	(6,479,279)	(3,347,248)	(7,341,349)	(8,315,204)
Non-operating revenues (expenses)										
Interest earned	580,340	205,944	130,582	385,665	879,845	1,440,337	620,396	304,318	60,580	53,758
Property taxes	1,090,763	1,289,755	729,630	501,887	1,784,976	1,827,806	2,258,958	2,100,740	1,946,205	1,925,629
Joint ventures	3,734,547	3,110,050	2,048,760	16,915,168	17,621,410	10,148,895	13,911,473	6,551,641	9,900,556	10,868,617
Debt service interest	(39,277)	-	-	-	-	-	-	(1,351,703)	(1,178,660)	(1,285,552)
Gain (loss) on sale of assets	(76,038)	(11,149)	3,072	17,900	(6,929)	(172,043)	(32,845)	(20,497)	(9,399)	(20,284)
Other revenues	-	-	-	-	305,448	-	-	-	100,828	259,168
Total non-operating revenues (expenses)	5,290,335	4,594,600	2,912,044	17,820,620	20,584,750	13,244,995	16,757,982	7,584,499	10,820,110	11,801,336
Net income before contributions	3,637,073	1,831,679	(902,810)	11,984,865	14,995,793	9,716,526	10,278,703	4,237,251	3,478,761	3,486,132
Capital contributions	(92,002)	(41,877)	6,000	10,838	15,836	457	533,700	435,867	11,282	1,815
Change in net assets	3,545,071	1,789,802	(896,810)	11,995,703	15,011,629	9,716,983	10,812,403	4,673,118	3,490,043	3,487,947
Net assets - beginning of year	79,595,310	83,140,381	81,621,188	80,724,378	92,720,081	107,731,710	117,448,693	128,261,096	132,934,214	136,424,257
Net assets - end of year	\$ 83,140,381	\$ 84,930,183	\$ 80,724,378	\$ 92,720,081	\$ 107,731,710	\$ 117,448,693	\$ 128,261,096	\$ 132,934,214	\$ 136,424,257	\$ 139,912,204

- Notes:
1. The District largest source of revenues comes from the cash distributions from its Joint Ventures.
 2. Water Sales are the District's second largest source of revenue.
 3. The District entered into its first long-term water sales agreement in 1999.
 4. The District issued debt in the form of certificates of deposits in March 2009.

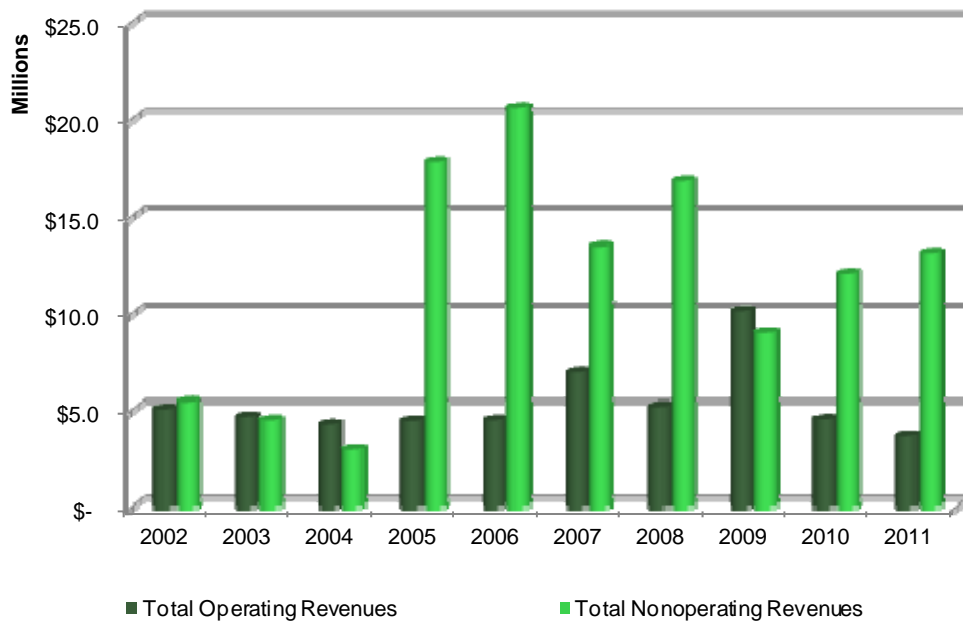
Source: Oakdale Irrigation District - Finance Department

Financial Trends Data

Table 3
Revenues by Source
Last Ten Years

Year	Operating Revenues				Nonoperating Revenues					Total Revenues
	Water Transfer Sales	Water Charges	Domestic Water Charges	Other Operating Income	Interest Income	Property Taxes	Tri-Dam Project and Power Authority Distributions	Undistributed Earnings of Tri-Dam Project	Annexation and Other Nonoperating Income	
2002	\$ 2,614,664	\$ 1,620,698	\$ 145,636	\$ 658,012	\$ 580,340	\$ 1,090,763	\$ 2,767,000	\$ 967,547	\$ -	\$ 10,444,660
2003	2,577,074	1,432,059	165,779	473,900	72,065	1,289,755	2,772,000	338,050	-	9,120,682
2004	2,477,992	1,443,721	172,569	156,340	130,582	729,630	4,191,800	(2,143,040)	-	7,159,594
2005	2,946,896	1,174,793	174,450	138,331	385,665	501,887	8,700,000	8,215,168	-	22,237,190
2006	2,990,422	1,161,018	178,864	136,759	879,845	1,784,976	16,600,000	1,021,410	305,448	25,058,742
2007	5,405,251	1,159,509	193,066	190,537	1,440,337	1,827,806	12,100,000	(1,951,105)	-	20,365,401
2008	2,643,571	1,163,464	215,073	1,139,650	620,396	2,258,958	11,200,000	2,711,473	-	21,952,585
2009	8,564,635	1,183,770	219,280	148,924	304,318	2,100,740	7,650,000	(1,098,359)	-	19,073,308
2010	4,076,889	54,115	190,533	191,883	60,580	1,946,205	2,550,000	7,350,556	100,828	16,521,589
2011	2,066,879	1,210,632	205,949	146,029	53,758	1,925,629	13,955,114	(3,086,497)	259,168	16,736,661

Chart 2
Operating and Non-operating Revenues
2002—2011



Financial Trends Data

Table 4
Operating Expenses by Source
Last Ten Years

	Operation & Maintenance	General & Administration	Water Operations	Depreciation	Total Operating Expenses
2002	\$ 3,131,977	\$ 1,136,237	\$ 1,135,856	\$ 1,212,164	\$ 6,616,234
2003	2,855,754	1,745,466	1,706,587	1,092,777	7,400,584
2004	3,601,805	1,687,361	1,609,526	1,160,784	8,059,476
2005	3,842,202	3,378,456	1,712,141	1,326,588	10,259,387
2006	3,657,594	3,992,475	1,486,731	1,412,576	10,549,376
2007	3,245,097	4,007,385	1,729,017	1,495,333	10,476,832
2008	3,189,791	4,953,672	1,757,106	1,740,468	11,641,037
2009	3,833,008	5,934,548	1,857,692	1,838,609	13,463,857
2010	4,403,284	3,277,323	1,920,053	2,254,109	11,854,769
2011	4,057,837	3,680,603	1,917,244	2,289,009	11,944,693

Chart 3
Operating Expenses by Source

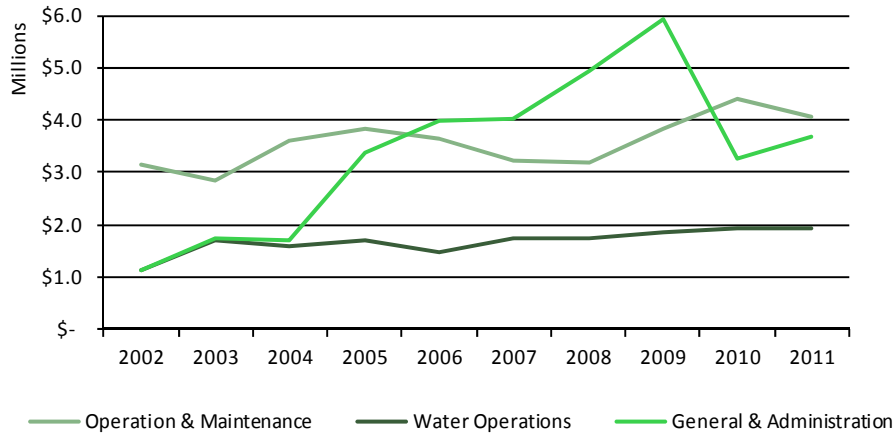
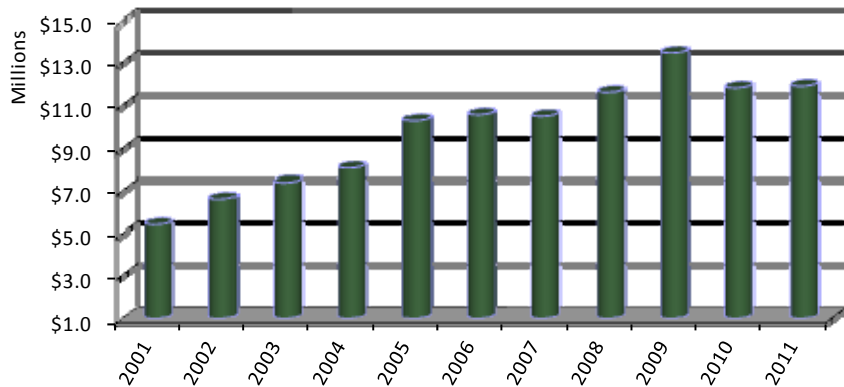


Chart 4
Total Operating Expenses



Revenue Capacity Data

Table 5
Property Tax Levy and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		District's	
		Amount	Percent of Levy	Share of 1% Property Tax	% of County Levy
2002	\$ 251,556,329	\$ 245,881,788	97.74%	not available	
2003	270,047,250	270,047,250	100.00%	\$ 1,020,044	0.38%
2004	295,829,739	295,829,739	100.00%	1,099,289	0.37%
2005	326,003,357	326,003,357	100.00%	1,233,436	0.38%
2006	396,734,408	383,041,323	96.55%	1,430,178	0.36%
2007	461,085,798	431,482,886	93.58%	1,660,949	0.36%
2008	505,125,278	464,689,972	91.99%	1,795,616	0.36%
2009	474,286,882	451,524,927	95.20%	1,737,418	0.37%
2010	446,704,648	430,564,452	96.39%	1,579,084	0.35%
2011	436,493,485	424,593,296	97.27%	1,593,599	0.37%

Table 6
COUNTY OF STANISLAUS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010-2011			2001-2002		
	Property Taxes	Rank	Percentage of Total Property Taxes	Property Taxes	Rank	Percentage of Total Property Taxes
World International	\$ 3,020,643	1	0.6920%			
Gallo Glass Co.	2,584,394	2	0.5921%	\$ 1,528,212	2	0.6443%
Gallo Winery	2,240,563	3	0.5133%	1,370,828	3	0.5780%
Pacific Gas and Electric	2,078,329	4	0.4761%	1,106,629	6	0.4666%
AT&T California	1,423,905	5	0.3262%			
Doctor's Medical Center	1,326,157	6	0.3038%	1,265,622	5	0.5336%
Hunt Wesson Foods, Inc	1,276,895	7	0.2925%	1,083,894	7	0.4570%
Recot Inc (Frito Lay)	1,206,904	8	0.2765%			
Fresno Farming, LLC	1,184,262	9	0.2713%			
Foster Farms	1,182,842	10	0.2710%			
Pacific Bell				1,754,175	1	0.7396%
Signature Foods				1,274,687	4	0.5374%
Beard Industrial District				965,682	8	0.4072%
Del Monte Foods				908,328	9	0.3830%
Macerich Vintage Faire Ltd.				834,253	10	0.3517%
Total	\$ 17,524,894		4.0148%	\$ 12,092,310		5.0984%

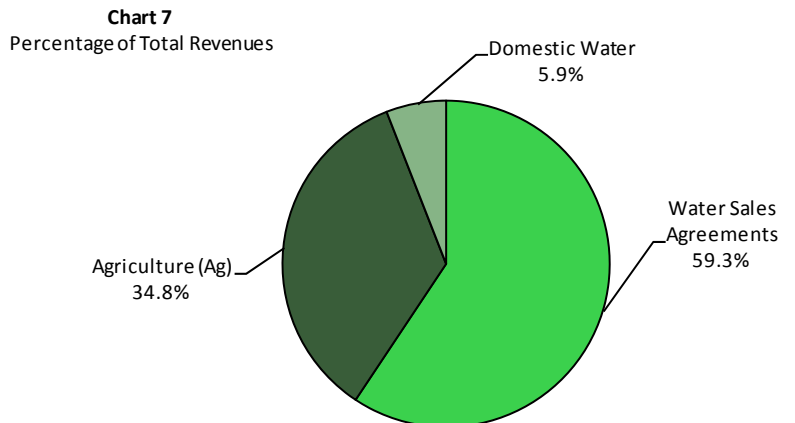
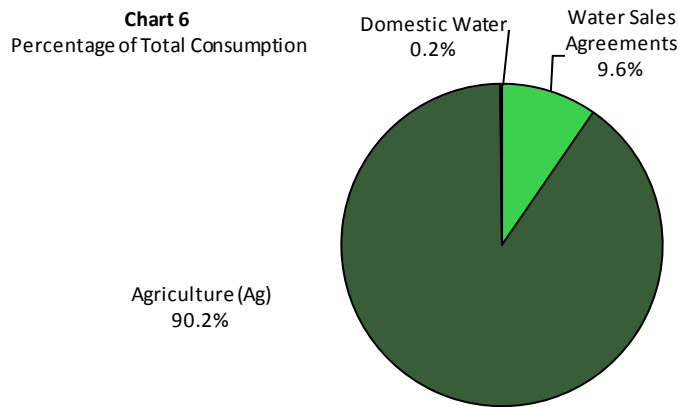
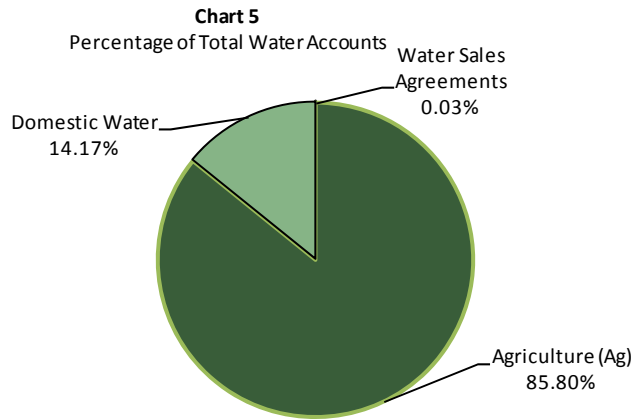
Source: County of Stanislaus Auditor/Controller's Office

Note: County of San Joaquin –information not available at publication of this report

Revenue Capacity Data

Table 7
Water Customer Accounts
Year Ended December 31, 2011

Category	Water Accounts	% of Total Water Accounts	Water Consumption (acre feet)	% of Total Consumption	Sales Revenues (in dollars)	% of Total Revenues
Water Sales Agreements	1	0.03%	26,000	9.57%	\$ 2,066,879	59.33%
Agriculture (Ag)	2,871	85.80%	245,055	90.25%	1,210,632	34.75%
Domestic Water	474	14.17%	487	0.18%	205,949	5.92%
TOTAL	3,346	100.00%	271,542	100.00%	\$ 3,483,460	100.00%



Revenue Capacity Data

Table 8
Irrigated Acres
Last Ten Fiscal Years

Water Year	Irrigated Acres
2002	55,955
2003	55,612
2004	55,313
2005	55,237
2006	55,385
2007	55,217
2008	55,411
2009	55,610
2010	55,824
2011	57,246

Chart 8
Irrigated Acres

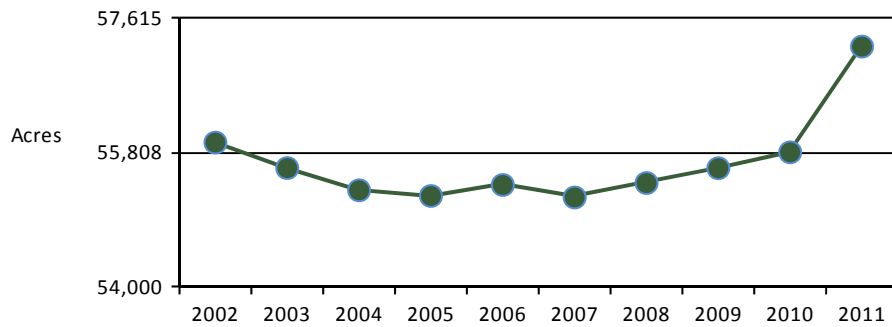


Table 9
Irrigation Water Charges
Last Ten Fiscal Years

Water Year	Water Charges (per acre)										
	City		County								Parcel fee
	Less than 1 acre	1.0 acre & above	Min. per acre	1.01 - 2.00	2.01 - 4.00	4.01 - 6.00	6.01 - 8.00	8.01 - 10.00	10.01 & above		
2002	\$ 6.50	\$ 6.50	\$ 35.00	\$ 35.00	\$ 33.00	\$ 31.00	\$ 29.00	\$ 27.00	\$ 24.50	\$ 60.00	
2003	6.50	35.00	35.00	35.00	33.00	31.00	29.00	27.00	24.50	N/A	
2004	6.50	35.00	35.00	35.00	33.00	31.00	29.00	27.00	24.50	N/A	
2005	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2006	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2007	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2008	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2009	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2010	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	
2011	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	N/A	

Source: Oakdale Irrigation District—Finance Department

Revenue Capacity Data

Table 10
Crops

Categories	2011
Grain & Cereals	11,311
Hay & Forage	31,220
Permanent	12,471
Others	431
Fallow	1,813
Total	57,246

Chart 9
Crop Categories Percentages

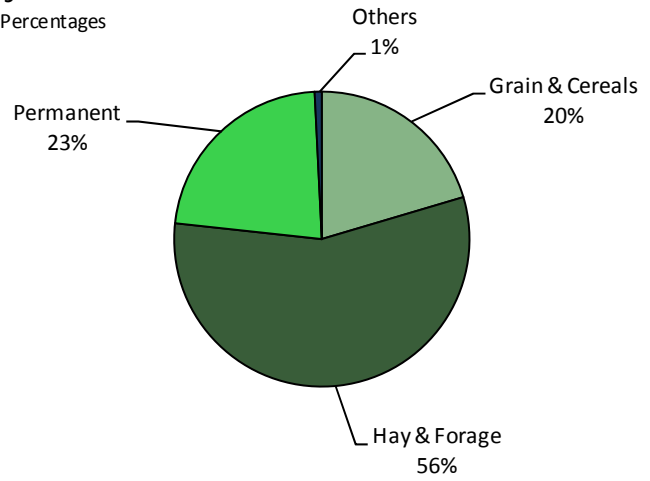


Table 11
Ten Largest Water Users - 2011

Landowner	No. of Irrigable Acres	Percent of Total (1)	Water Revenue	Percent of Total (2)
Elizabeth Brichetto	1,339.54	2.34%	\$ 26,121	2.16%
V.A. Rodden	1,325.78	2.32%	25,853	2.14%
John Brichetto	1,302.25	2.27%	25,394	2.10%
Sharon Naraghi	959.72	1.68%	18,715	1.55%
Stueve Properties	772.11	1.35%	15,056	1.24%
Montpelier Farms Corp.	686.80	1.20%	13,393	1.11%
Elsie B. Martin	633.42	1.11%	12,352	1.02%
Pete & Tamara Postma	623.94	1.09%	12,167	1.00%
David W. Boersma	613.83	1.07%	11,970	0.99%
Postma Dairies	558.81	0.98%	10,897	0.90%
TOTALS	8,816.20	15.40%	\$ 171,916	14.20%

(1) Based on the total 2011 irrigable acres of 57,246.

(2) Based on the total 2011 water revenue of \$1,210,632.

Debt Capacity Data

Table 12
LEGAL DEBT MARGIN INFORMATION

COUNTY OF STANISLAUS						
Last Ten Fiscal Years						
Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2002	\$ 24,289,534,754	1.25%	\$ 303,619,184	-	\$ 303,619,184	0%
2003	26,535,421,401	1.25%	331,692,768	-	331,692,768	0%
2004	29,160,150,955	1.25%	364,501,887	-	364,501,887	0%
2005	33,476,100,273	1.25%	418,451,253	-	418,451,253	0%
2006	39,155,801,284	1.25%	489,447,516	-	489,447,516	0%
2007	42,974,745,064	1.25%	537,184,313	-	537,184,313	0%
2008	40,026,418,777	1.25%	500,330,235	-	500,330,235	0%
2009	37,297,148,953	1.25%	466,214,362	-	466,214,362	0%
2010	35,558,908,063	1.25%	444,486,351	-	444,486,351	0%
2011	34,775,090,795	1.25%	434,688,635	-	434,688,635	0%

The legal debt limit percentage is set by statute. Debt includes only general obligation bonded debt supported by property taxes.

COUNTY OF SAN JOAQUIN						
Last Nine Fiscal Years						
Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2002	Not available	1.25%	\$ 398,527,000	-	\$ 398,527,000	0%
2003	Not available	1.25%	398,527,288	-	398,527,288	0%
2004	Not available	1.25%	440,925,627	-	440,925,627	0%
2005	Not available	1.25%	497,461,589	-	497,461,589	0%
2006	Not available	1.25%	576,919,493	-	576,919,493	0%
2007	Not available	1.25%	681,583,871	-	681,583,871	0%
2008	Not available	1.25%	746,277,606	-	746,277,606	0%
2009	Not available	1.25%	730,992,679	-	730,992,679	0%
2010	Not available	1.25%	647,943,721	-	647,943,721	0%
2011	Not available	1.25%	685,383,938	-	685,383,938	0%

Government Code Section 25371 limits the County's ability to raise resources through the issuance of debt to finance acquisitions or construction of County facilities.

Table 13
RATIOS OF OUTSTANDING DEBT BY TYPE

OAKDALE IRRIGATION DISTRICT						
Last Ten Years						
Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	
	Certificate of Participation	Notes Payable	Bond Site Agreement		Income ¹	Per Capita ¹
2009	\$ 32,145,000	\$ 3,192	\$ 100,000	\$ 32,248,192	0.20%	\$ 61.26
2010	31,615,000	1,944	50,000	31,666,944	not available	65.75
2011	31,065,000	696	-	31,065,696	not available	63.15

Note: The District had no significant debt outstanding prior to 2009.

¹Refer to the Schedule of Demographic and Economic Statistics on page 48 for personal income and population data as information is not available for the District's service area only.

Debt Capacity Data

Table 14
Estimated Direct Overlapping Bonded Debt
COUNTY OF STANISLAUS
(as of January 1, 2011)

2010-11 Assessed Valuation:	\$ 35,558,908,063	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	<u>3,181,248,344</u>	
Adjusted Assessed Valuation:	<u>\$ 32,377,659,719</u>	
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
	<u>% Applicable (1)</u>	<u>Debt 1/1/11</u>
Yosemite Community College District	69.890 %	\$ 215,847,570
Modesto High School District	100.000	56,048,450
Turlock Joint Union High School District	98.208	31,686,811
Ceres Unified School District	100.000	66,829,101
Newman-Crows Landing Unified School District	100.000	25,329,807
Oakdale Joint Unified School District	98.000	16,880,500
Patterson Joint Unified School District	98.832	32,545,229
Riverbank Unified School District	100.000	14,689,207
Other Unified School Districts	Various	43,423,191
Modesto City School District	100.000	14,842,782
Stanislaus School District	100.000	12,525,000
Sylvan School District	100.000	38,521,169
Other School Districts	Various	25,286,591
Oak Valley Hospital District	100.000	36,120,000
Newman Drainage District	100.000	225,000
Empire Union School District Community Facilities District No. 87-1	100.000	13,596,582
City Community Facilities Districts	100.000	120,150,000
Salida Area Community Facilities District No. 1988-1	100.000	33,235,000
Western Hills Water District Community Facilities District No. 1	100.000	50,250,000
City 1915 Act Bonds (estimate)	100.000	<u>11,241,659</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 859,273,649
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Stanislaus County Certificates of Participation	100 %	\$79,970,000
Stanislaus County Pension Obligations	100	30,875,000
Stanislaus County Office of Education Certificates of Participation	100	4,490,000
Modesto High School and City School District Certificates of Participation	100	21,790,000
Ceres Unified School District Certificates of Participation	100	9,850,000
Newman-Crows Landing Unified School District	100	12,530,000
Salida Union School District Certificates of Participation	100	7,830,000
Other School Districts Certificates of Participation	Various	26,647,203
City of Modesto General Funds Obligation	100	84,955,000
City of Newman Certificates of Participation	100	1,800,000
Other City Certificates of Participation	100	4,453,296
Keyes Fire Protection District Certificates of Participation	100	<u>139,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 285,329,499
Less: City of Newman Wastewater Certificates of Participation (100% self-supporting)		<u>1,800,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 283,529,499
GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		\$ 1,144,603,148 (1)
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		\$ 1,142,803,148
(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.		
<u>Ratios to 2010-11 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt.....	2.42%	
<u>Ratios to Adjusted Assessed Valuation:</u>		
Combined Direct Debt (\$110,845,000).....	0.34%	
Gross Combined Total Debt	3.54%	
Net Combined Total Debt.....	3.53%	
<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0</u>		

Source: County of Stanislaus Auditor/Controller's Office
Note: County of San Joaquin – information not available at publication of this report

Demographic and Economic Information

Table 15
Principal Employers
Current Year and Nine Years Ago
COUNTY OF STANISLAUS

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Stanislaus	3,746	1	1.77%	4,800	1	2.26%
E & J Gallo	3,181	2	1.51%	2,339	4	1.10%
Memorial Medical Center	3,051	3	1.45%	2,300	5	1.08%
Modesto City Schools	3,025	4	1.43%	3,100	2	1.46%
Seneca Foods	2,100	5	0.99%			
Doctors Medical Center	1,962	6	0.93%	2,400	3	1.13%
Kaiser Permanente	1,759	7	0.83%			
Del Monte Foods	1,700	8	0.81%			
Save Mart Supermarkets	1,661	9	0.79%			
Foster Farms	1,632	10	0.77%	2,300	6	1.08%
Modesto Junior College				1,627	7	0.77%
Signature Foods				1,300	8	0.61%
Emanuel Medical Center				1,200	9	0.57%
City of Modesto				1,188	10	0.56%
Total	23,817		11.28%	22,554		10.62%

Demographic and Economic Information

Table 16
Population
Last Ten Calendar Years

COUNTY OF STANISLAUS

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2002	469,512	5.04%	\$ 11,460,836	\$ 23,871	10.8%
2003	481,604	2.58%	11,944,709	24,337	11.2%
2004	491,900	2.14%	12,880,334	25,885	10.9%
2005	504,482	2.56%	13,472,415	26,995	9.9%
2006	514,370	1.96%	14,076,261	27,811	8.4%
2007	521,497	1.39%	14,755,527	28,985	8.5%
2008	525,903	0.84%	15,977,182	31,485	10.5%
2009	526,383	0.94%	15,948,738	31,248	15.3%
2010	530,584	0.89%	not available	not available	16.4%
2011	517,685	-1.65%	not available	not available	15.1%

COUNTY OF SAN JOAQUIN

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2002	595,985	2.74%	not available	not available	8.9%
2003	613,490	2.94%	not available	not available	9.2%
2004	630,577	2.79%	not available	not available	8.8%
2005	648,422	2.83%	not available	not available	7.9%
2006	668,265	3.06%	not available	not available	7.4%
2007	679,687	1.71%	not available	not available	8.1%
2008	685,660	0.88%	not available	not available	10.3%
2009	689,480	0.56%	not available	not available	15.4%
2010	694,293	0.70%	not available	not available	18.1%
2011	693,589	-0.10%	not available	not available	15.9%

Chart 10
Counties of San Joaquin and Stanislaus Population

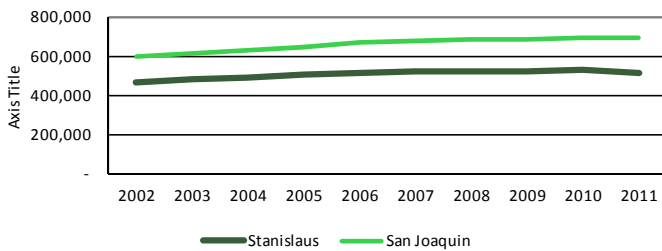
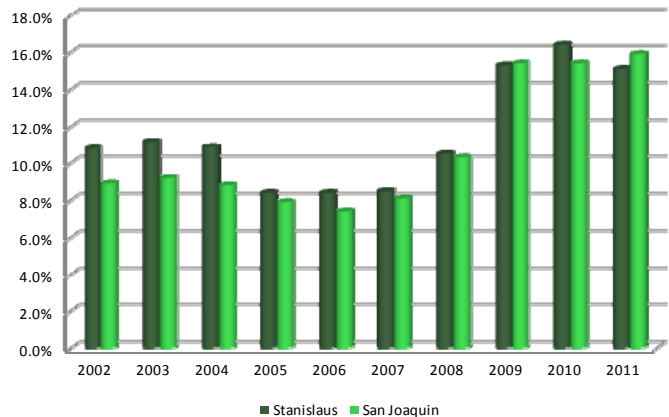


Chart 11
Counties of San Joaquin and Stanislaus Unemployment Rates



Source: County of Stanislaus and San Joaquin Auditor/Controller's Office
Employment Development Department

Operating Information

Table 17
Full-time District Employees by Function

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Water Operations	30	28	28	32	31	32	30	29	29	31
Operations and Maintenance	24	23	23	22	22	19	21	23	25	23
Finance	4	4	4	4	4	5	4	4	5	5
Engineering	2	2	3	3	3	3	4	4	4	4
Administration	3	4	4	3	4	4	4	4	4	4
Contract's Management	0	0	0	0	0	2	3	3	3	2
Total	63	61	62	64	64	65	66	67	70	69

Table 18
Capital Asset Statistics by Function

	2006	2007	2008	2009	2010	2011
Ag Water						
Miles of laterals and tunnels	230	230	230	230	230	230
Miles of pipelines	100	100	100	100	100	100
Number of production wells	25	24	24	24	24	25
Number of reclamation pumps	44	44	44	44	44	44
Number of river pumps	4	4	4	4	4	4
Number of regulating reservoirs	2	2	2	2	3	3
Number of dams	2	2	2	2	2	2
Domestic Water						
Miles of distribution pipelines	4.83	4.83	6.59	6.59	6.59	6.59
Number of deep wells	7	7	8	8	8	8
Number of fire hydrants	63	63	84	84	84	84

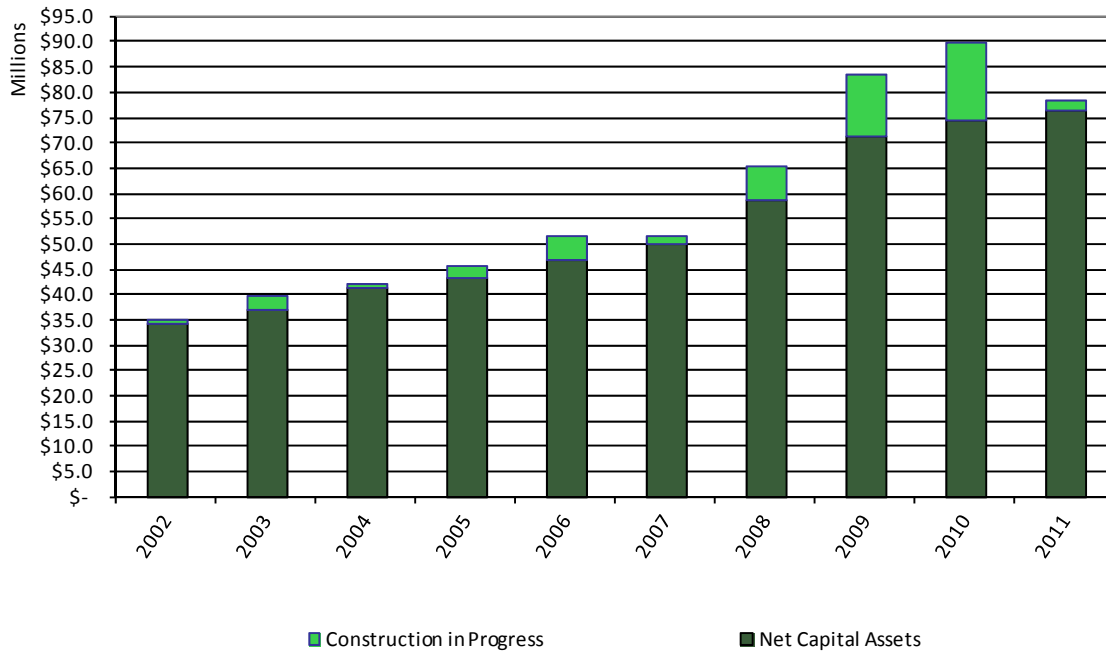
Source: Oakdale Irrigation District—various departments
Note: Capital assets information prior to 2006 is not available.

Operating Information

Table 19
Capital Assets
Last Ten Years

<u>Year</u>	<u>Total Assets (excluding CIP)</u>	<u>Construction in Progress</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
2002	\$ 46,962,153	\$ 542,082	\$ (13,278,854)	\$ 34,225,381
2003	48,637,655	2,546,446	(14,126,018)	37,058,083
2004	55,292,051	954,256	(15,104,049)	41,142,258
2005	57,027,871	2,307,600	(16,208,901)	43,126,570
2006	59,721,832	4,438,033	(17,346,939)	46,812,926
2007	66,320,797	1,854,133	(18,491,212)	49,683,718
2008	71,790,914	6,741,165	(20,076,043)	58,456,036
2009	81,252,356	11,860,591	(21,775,816)	71,337,131
2010	83,282,666	15,123,864	(23,912,488)	74,494,042
2011	100,445,512	2,011,561	(26,048,581)	76,408,492

Chart 12
Capital Assets





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REPORT

Compliance Report

Richardson & Company

Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Oakdale Irrigation District
Oakdale, California

We have audited the financial statements of the Oakdale Irrigation District (the District) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

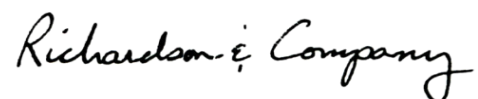
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

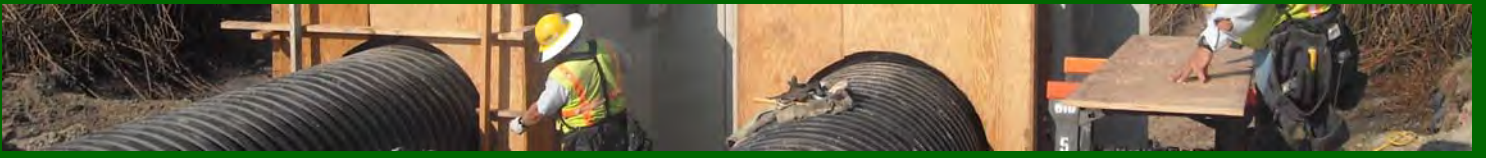
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated June 1, 2012.

This report is intended solely for the information and use of management, the Board of Directors and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.



June 1, 2012



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2011



Union Slough Wetlands and Water Quality Enhancement Project

By temporarily detaining irrigation runoff in an existing wetland, coliform bacteria, nitrate-nitrogen and phosphorus is removed from Union Slough before it enters Dry Creek which is a tributary to the Tuolumne River. Wildlife habitat will also be enhanced by planting native species in the wetlands and establishing a riparian buffer of willows, cottonwoods and native shrubs. Total project cost: \$932K





Union Slough Wetlands and Water Quality Enhancement Project — continued





Union Slough Wetlands and Water Quality Enhancement Project — continued





Burnett-River Road Diversion Structure Automation Project

This project included installation of a new control structure with two (2) Rubicon flumegates for upstream water level control and downstream flow measurement. Total project cost: \$159K





Southwest Pipeline Replacement Project

This project included installation of a new control structure and 2,400 feet of 27" PVC pipe. Total project cost: \$254K





Miller Pipeline Structure Replacement Project

This project included installation of a new control structure . Total project cost: \$36K





Stevenot Lateral Structure Replacement Project

This project included installation of a new control structure. Total project cost: \$42K





Furtado Groundwater Deep Well Project

This project included drilling and installing a 16' perforated casing 600' deep; a 150 hp. VFD, 1,800 rpm pump, and electrical service. Total project cost: \$262K



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