

# **OAKDALE IRRIGATION DISTRICT**

Oakdale, California

## **2013 Comprehensive Annual Financial Report**

For the Year Ending December 31, 2013

**Living with  
Drought**

and

thinking



2013  
Oakdale Irrigation District  
Comprehensive Annual Financial Report  
For the year ended  
December 31, 2013

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Prepared by the  
Finance Department  
of  
Oakdale Irrigation District

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1205 East F Street ▪ Oakdale, California 95361

[www.oakdaleirrigation.com](http://www.oakdaleirrigation.com)

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# INTRODUCTORY SECTION

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## A Message from the General Manager

### Living with Drought and Thinking Outside the Box

The 2012-13 water year marked the second of what we know now to be a three-year drought in California. Will the drought continue? There are hopes a rainy El Nino cycle may emerge next winter, but climatologists see it is a moderate opportunity and not a drought buster. The west side of the San Joaquin Valley has been told that an “average” 2014-15 winter will result in a continuation of a zero water allocation to federal contractors and a 5% allocation to state contractors south of the delta. This drought has shown that our State Water Resources Control Board is ill-prepared to address the challenges of managing California’s water resources. That’s not a great confidence builder for those who rely on and expect systematic order and efficiency from Sacramento. These are challenging times. Hopefully, when it is over, we can recognize “teaching moments” from this drought and improve upon our weaknesses.

A teaching moment that stands out for me, and gets very little press, is that in January 2014 the Metropolitan Water District (MWD) of Southern California informed the state that it would not need Northern California water to meet its water demands this year. In fact, MWD made it clear to the state that it won’t need water in 2015 either. So how can that be -- the driest part of the state needing no water in this drought while the wettest part of the state is withering under water shortages, curtailments and reallocations? The answer reflects a paradigm shift by MWD coupled with “out-of-the-box” solutions it has been implementing since the state’s last major drought, some 30 years ago. Obviously, MWD has been busy doing things not considered or implemented in Northern California.

MWD’s success was made possible by a \$4 billion investment in three principal areas: water storage, water supplies and conservation programs. Those investments have led to system improvements and reduced demand sufficient enough to avoid the heartaches and suffering that drought brings. An impressive story.

One of the reasons the south state officials shows success in meeting their water supply needs is in the relationships they have developed with the agricultural community. It’s not a kumbaya relationship but it is surely a business relationship. Each party has something the other party needs. MWD has money, but requires water to meet the needs of 19 million people. The irrigation districts have water, but need money to make costly conservation improvements to their systems. That synergy led to discussions and mutually beneficial agreements involving water transfers. It was a classic “win-win” solution for MWD and agriculture.

Oakdale Irrigation District has similarly been utilizing water transfers as its core funding mechanism to rebuild its aging infrastructure and to modernize its delivery system. By any measure, that strategy has been a success. In 2001, OID needed diversions of 259,000 acre feet to meet its crop water demand. In 2013, after \$45 million in system and conservation improvements funded by water transfers, OID can do the same job with 230,000 acre feet of water. OID has been in a transformation of going from inefficiency to efficiency. So where is this extra water being put to use?

In 2013, OID finished the annexation of 7,200 acres of high-value agricultural land into its district and began the process on another 880 acres. By next year, OID will have annexed 10,442 acres of new agriculture land since 2006. Those additions create local and regional stimulus to our economy. OID’s investments have improved the efficiency of its water delivery system and the services those systems provide to farmers. Farmers have additionally benefited by the enhanced reliability of the OID water supply and especially, during this drought. The most important benefit derived however, has been the enhancement of the water resources under OID’s control. By converting its inefficiencies to efficiencies, OID has been able to put more of its water to work benefiting the district, the farmers and the regional economy. It’s another “out-of-the-box” solution to problem solving that continues to move OID forward and protects the core of its business -- water.







June 11, 2014

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, 2013. 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, LLP, have issued an unqualified ("clean") opinion on the District's financial statements for the year ended December 31, 2013. 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 4 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 deep wells, and 48 lift 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 Donnell's, 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 (CAISO). 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 Hydro-electric 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 ix 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 viii 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 16,700 acres in the District were not farmed in Fiscal Year 2013. 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 and/or newly annexed lands.

June 11, 2014

The District predicts that the cropping pattern will continue to 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.

The District and its local communities continued to face economic challenges during 2013. While home foreclosures and high unemployment is slowing, Stanislaus and San Joaquin Counties continue to be higher than the Nation's rates. Stanislaus and San Joaquin Counties home values increased though most of 2013 even though the Cities of Stockton and Modesto continue to be two of the top ten cities for foreclosures in California (Stockton was number eight and Modesto was number nine.) Local employers include government, retail, and manufacturing with a heavy emphasis on agriculture. Stanislaus and San Joaquin Counties rank among the top ten California counties in terms of annual agriculture production values with leading commodities, being milk, almonds, and poultry.

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. In 2011, the City of Oakdale passed Measure O to increase Oakdale's sales tax by a half of a percent. This increase will continue into the year 2015 and may continue in subsequent years. 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 and other local community groups for an overall contribution of \$735 thousand over the last five years.

For the first time, the State of California's (State) gross domestic product topped \$2 trillion making it the 10th largest economy in the world. 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 State repaid the District in July 2013.

Letter of Transmittal - continued  
June 11, 2014

#### Population and Employment

According to the U.S. Department of Labor and California EDD the December 31, 2013 unemployment rate in Stanislaus County was 12.9% and San Joaquin County was 12.7% as compared to 8.9% for the State of California and 7.0% for the nation, as compared to December 31, 2011 unemployment rate in Stanislaus County of 13.9%, San Joaquin County of 14.7%, State of California of 9.8%, and 7.8% nation-wide.

In 2013, Stanislaus County experienced an increase in population of approximately 1.01%, while San Joaquin County experienced an increase in population of 1.17%. In the 10-year period from 2004 to 2013, Stanislaus County's estimated population has increased by 7.7% to 525,491 and San Joaquin County's population increased by 16.8% to 703,919, according to the San Joaquin 2013 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 Position 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.

One of the greatest challenges facing the District centers on finding new ways to meet increasing demands while minimizing the financial impacts to customers. The District's agricultural customers have benefited from low rates due to revenues from long-term water sales and wholesale power generation. However, as a result of the drought wholesale power generation and water available for transfers are impacted, and may impact these rates. As stewards of this natural resource, it is incumbent upon us to help communicate the value of this resource and assist our customers in using it wisely.

In the fiscal year 2013 irrigation water rates in the District were subsidized by approximately 69% as a result of Tri-Dam Project and Power Authority cash distributions, as compared to 70% in 2011. 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 outdated 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 Main Canals and Tunnel Improvements Program.

The District began the implementation of the WRP in 2008 and has completed approximately \$35.8 million of improvements to date. The District began updating the WRP in 2012 to take into consideration the improvements and events that have taken place since its implementation. Results from the update will be completed in 2013.

June 11, 2014

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. A total of 8,468 acres of land applied for annexation during 2012 and was approved by LAFCO in August 2013.

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 8 years the District has been able to reduce its experience modification rate from 149% to 99%.

Beginning 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 wireless communications technology to integrate large networks of remotely controlled, solar powered FlumeGates™.

The system continues to allow the District to better use its 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 continues to be evaluated to gain operational knowledge prior to expansion throughout the OID delivery system.

### **Bonding**

In 2009 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.

Letter of Transmittal - continued  
June 11, 2014

### **Awards and Acknowledgements**

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, 2012. This was the sixth 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**

The District is required by bond covenants and state statutes to obtain an annual audit of its financial statements by an independent certified public accountant. This year's annual audit of the District's financial statements was conducted by the accounting firm of Richardson and Company, LLP. 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, LLP conducted the audit and express our appreciation for their assistance.

We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance Department who have participated in the preparation of this report. We would also like to thank the Board of Directors for their continued interest and support in all aspects of the District's financial management.

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,

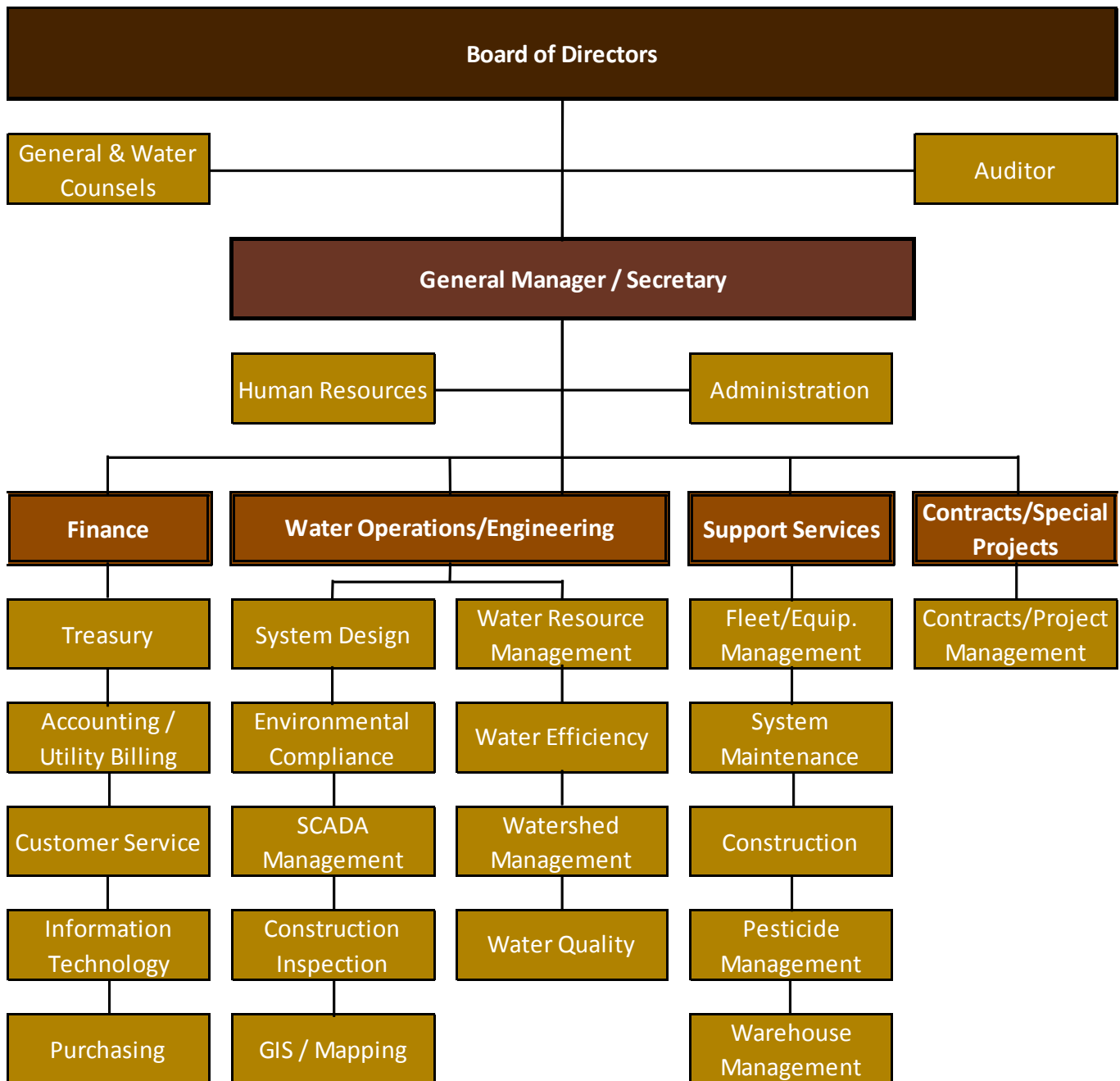
Steve R. Knell

Kathy Cook

General Manager

Chief Financial Officer

## Organizational Chart - Through December 31, 2013



# Principal Officials



## **Elected Officials** (left to right)

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

## **Appointed Official**

Steven R. Knell	- General Manager/Secretary (appointed)
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## **Department Managers**

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

## **Supervisors**

Lori Fitzwater-Presley	- Administrative Assistant
Glen Rathbun	- Field Operations Supervisor
Joe Kosakiewicz	- Field Operations Supervisor
Mike Hanf	- Ag Water Ops & Pest Control Supervisor
Don Prichard	- Ag Water Operations Supervisor
Robert Nielsen	- Water Utilities Supervisor



# Government Finance Officers Association Award



Government Finance Officers Association

## 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, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

# FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Oakdale Irrigation District  
Oakdale, California

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

We have audited the accompanying financial statements of the Oakdale Irrigation District (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2013 and the results of its operations and cash flows for the year then ended in accordance 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.

To the Board of Directors  
Oakdale Irrigation District

### **Emphasis-of-Matter**

As discussed in Note 12 to the basic financial statements, in 2013 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Deferred charges (deferred debt issuance costs) were removed from the balance sheet due to the implementation of this statement. Our opinion is not modified with respect to this matter.

### **Other Matters**

The financial statements of the District as of December 31, 2012, were audited by other auditors whose report dated May 24, 2013, expressed an unmodified opinion on those statements. The other auditors reported on the financial statements before the restatement due to the implementation of GASB Statement No. 65 described above.

### *Required Supplementary Information*

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 and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Richardson & Company*

June 10, 2014

## 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, 2013. 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**

The District's financial operations remained sound during 2013. Sources of revenues were sufficient to cover combined operating and non-operating costs.

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

- The Net Position of the District exceeded its liabilities at the close of 2013 by \$156.1 million (*net position*). Of this amount, \$2.3 million is restricted for a specific purpose, \$50.6 million is invested in capital assets (*net of related debt*), and \$103.2 million is unrestricted net position. Comparatively, at the close of 2012 net position exceeded liabilities by \$136.2 million of which \$2.3 million was in restricted for a specific purpose, \$51.1 million was invested in capital assets (*net of related debt*), and \$82.8 million was in unrestricted net position. Unrestricted net position is available to meet the District's ongoing obligations. Of the \$103.2 million unrestricted net position, \$35.7 million have been designated for specific projects and purposes;
- The District's total net position increased by \$19.9 million in 2013, as compared to a decrease of \$3.7 million in the prior year;
- Total non-current liabilities decreased by a net amount of \$586 thousand in 2013 as compared to a decrease of \$503 thousand in 2012. This decrease is primarily due to the retirement of \$582 thousand in bond debt and amortization of issuance costs;
- Operating revenues increased by \$4.3 million to \$5.9 million in 2013, as compared to a decrease of \$2.0 million in 2012;
- Non-operating revenues increased by \$19.0 million to \$28.2 million in 2013, as compared to a decrease of \$4.0 million in 2012;
- Operating expenses, excluding depreciation, increased by \$101 thousand to \$10.4 million in 2013, as compared to an increase of \$615 thousand in 2012;
- Non-operating expenses decreased by \$55 thousand to \$1.5 million, as compared to an increase of \$227 thousand in 2012.

### **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, organizational chart, list of Board of Directors and staff, and a GFOA Certificate of Achievement.

## Management's Discussion and Analysis– *continued*

### **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

#### **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 Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and Notes to the Basic Financial Statements. The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. When evaluated over a period of time increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position 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.

#### **Statistical Section**

The statistical section provides additional information not contained in the financial section on District activities. The statistical section begins on page 39.

### **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 POSITION**

Net Position is the difference between total assets and liabilities.

#### **Net Position**

**Table 1**  
**Condensed Statement of Net Position**

	2013	December 31, 2012 (as restated)	2011 (as restated)
<b>TOTAL ASSETS</b>			
<b>Assets</b>			
Current and other assets	\$ 48,166,656	\$ 43,775,925	\$ 46,985,760
Noncurrent assets	65,244,688	49,966,778	51,499,382
Capital assets, net	77,674,698	77,514,014	76,408,492
Total assets	<u>191,086,042</u>	<u>171,256,717</u>	<u>174,893,634</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>			
<b>Liabilities</b>			
Current liabilities	5,424,344	4,924,187	4,701,855
Long-term liabilities	29,556,375	30,142,649	30,645,872
Total liabilities	<u>34,980,719</u>	<u>35,066,836</u>	<u>35,347,727</u>
<b>NET POSITION</b>			
Net investment in capital assets	50,566,062	51,077,784	50,633,121
Restricted for debt service	2,149,190	2,149,241	2,149,258
Restricted for remediation projects	157,691	185,941	288,824
Unrestricted	103,232,380	82,776,915	86,474,704
Total net position	<u>\$ 156,105,323</u>	<u>\$ 136,189,881</u>	<u>\$ 139,545,907</u>

## Management's Discussion and Analysis— *continued*

### **STATEMENT OF NET POSITION (continued)**

#### **Net Position (continued)**

The District concluded the 2013 year having \$44.8 million in available unrestricted cash and investments in general and designated reserve fund accounts, an increase of \$3.3 million; as compared to \$41.5 million in 2012 or a decrease of \$3.8 million in 2012 over 2011. Of the \$44.8 million of unrestricted funds on hand at December 31, 2013, approximately 91%, \$40.7 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 \$4.4 million in 2013, as compared to a \$3.1 million decrease in 2012. The increase in 2013 current assets was primarily due to an increase in fees and water charges related to newly annexed agricultural lands. Noncurrent assets increased by \$15.3 million primarily as a result of a long-term note held by the District for fees related to newly annexed agricultural lands.

In 2013, the District's liabilities decreased slightly by \$86 thousand primarily as a result of a \$582 thousand decrease in debt retirement, a decrease of \$40 thousand in accrued salaries and related benefits, an increase of \$158 thousand accounts payable, an increase \$144 thousand of restricted assets due to improvement districts, an increase of \$101 thousand of unearned revenue, and an increase of \$93 thousand of customer deposits held; as compared to a decrease in 2012 of \$281 thousand.

Unrestricted net position increased by \$20.5 million to \$103.2 million in 2013, as compared to a decrease in 2012 of \$3.7 million to \$82.8 million. In 2013, the District's net investment in capital assets decreased by \$512 thousand, as compared to an increase of \$445 thousand in 2012. This decrease of \$512 thousand was primarily due to the use of bond proceeds of \$1.3 million, a \$161 thousand increase in capital assets (net of depreciation) and the retirement of \$582 thousand of long-term debt (net of amortization).

The District's total assets (cash, reserves, receivables, and net capital assets) increased by \$19.7 million to \$191.1 million, of which \$42.4 million is invested in the Tri-Dam Project and \$4.8 million in bond proceeds restricted for capital improvements and debt service payments. In 2012, the District's total assets decreased by \$3.6 million to \$171.3 million.

The District's gross capital assets increased by \$2.4 million to \$108.3 million as a result of the continuation of the Water Resources Plan capital improvement program. In 2012, gross capital assets increased \$3.4 million to \$105.9 million. Capital assets, net of depreciation, increased \$161 thousand to \$77.7 million, as compared to an increase in 2012 of \$1.1 million to \$77.5 million.

#### **Liabilities**

The District's liabilities decreased by \$106 thousand to \$35.0 million primarily as a net result of the retirement of long-term debt of \$582 thousand; and increased accounts payable, unearned revenue, and customer deposits held at year-end. Compared to a decrease of \$281 thousand to \$35.1 million in 2012 over 2011 primarily as a result the decreased payables at year-end due to the retirement of long-term debt.

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

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



## Management's Discussion and Analysis— *continued*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)**

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
For the year ended December 31,

	2013	2012 (as restated)	2011 (as restated)
<b>Revenue, Expenses, and Changes in Net Position</b>			
<b>Operating revenues</b>			
Agricultural water service fees	\$ 1,516,917	\$ 1,240,838	\$ 1,210,632
Other operating revenues	389,677	391,252	350,828
Connection fees	1,200	1,250	1,150
Water sales	4,000,000	-	2,066,879
Total operating revenues	<u>5,907,794</u>	<u>1,633,340</u>	<u>3,629,489</u>
<b>Nonoperating revenues</b>			
Tri Dam Project distributions, net	6,305,314	6,066,296	9,868,617
Property taxes	1,893,770	1,893,079	1,925,629
Tri Dam Power Authority distributions	750,000	1,000,000	1,000,000
Other nonoperating revenues	<u>19,204,643</u>	<u>152,101</u>	<u>312,926</u>
Total nonoperating revenues	<u>28,153,727</u>	<u>9,111,476</u>	<u>13,107,172</u>
Total revenues	<u>34,061,521</u>	<u>10,744,816</u>	<u>16,736,661</u>
<b>Operating expenses</b>			
Operation and maintenance	4,608,808	4,165,511	4,057,837
General and administrative	3,549,500	3,806,305	3,680,603
Water operations	2,213,645	2,298,764	1,917,244
Depreciation	<u>2,415,604</u>	<u>2,419,575</u>	<u>2,289,009</u>
Total operating expenses	<u>12,787,557</u>	<u>12,690,155</u>	<u>11,944,693</u>
<b>Nonoperating expenses</b>			
Interest expense	1,477,080	1,511,488	1,272,272
Other nonoperating expenses	<u>-</u>	<u>7,953</u>	<u>20,284</u>
Total nonoperating expenses	<u>1,477,080</u>	<u>1,519,441</u>	<u>1,292,556</u>
Total expenses	<u>14,264,637</u>	<u>14,209,596</u>	<u>13,237,249</u>
Net income (loss) before contributions	19,796,884	(3,464,780)	3,499,412
Capital contributions	<u>118,558</u>	<u>108,754</u>	<u>1,815</u>
Change in net position	19,915,442	(3,356,026)	3,501,227
Net position-beginning of year	136,189,881	139,545,907	136,424,257
Restatement	<u>-</u>	<u>-</u>	<u>(379,577)</u>
Net position-beginning of year-as restated	<u>136,189,881</u>	<u>139,545,907</u>	<u>136,044,680</u>
Net position-end of year - as restated	<u>\$ 156,105,323</u>	<u>\$ 136,189,881</u>	<u>\$ 139,545,907</u>

#### **Revenues**

Total revenues increased by \$23.3 million to \$34.1 million in 2013 primarily as a net result of:

- A one-time annexation fee of agricultural lands into the District in the amount of \$18.9 million;
- A one-time water transfer sales of \$4.0 million with San Luis & Delta Mendota Water Authority and the California Department of Water Resources to augment flows to benefit migratory Fish in the Stanislaus and San Joaquin Rivers;
- Tri-Dam Project's cash distributions increased slightly by \$248 thousands as a result of improved wholesale power prices. In 2012, cash disbursements decreased by \$6.6 million;
- Tri-Dam Project's equity in undistributed net earnings decreased slightly by \$9 thousand as a result of distributions made to the District.

## Management's Discussion and Analysis— *continued*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)**

#### **Revenues (continued)**

- The Tri-Dam Power Authority's cash distributions decreased by \$250 thousand in 2013 as a result of continued low prices in wholesale power market.
- Agricultural water revenues increased by \$276 thousand due to the irrigation of newly annexed lands,
- A decrease in interest earned on investment of \$64 thousand.

In 2012, total revenues decreased by \$6.0 million to \$10.7 million in 2012 primarily as a net result of:

- Tri-Dam Project's 2012 cash distributions decreased by \$6.6 million. This decrease was primarily a result of a one-time reimbursement received in 2011 from the insurance company for the emergency replacement of the Donnell's power generator. In 2011, cash disbursements increased by \$11.3 million;
- Tri-Dam Project's 2012 equity in undistributed net earnings increased by \$2.8 million as a result of reduction in distributions made, and the continuation of low prices in the wholesale power market.
- Water transfer sales decreased in 2012 by \$2.1 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 in 2011, as compared to a \$2.0 million decrease in 2011;
- Interest revenues increased by \$98 thousand as a result of the District investing in slightly higher yields in short-term commercial paper, government bonds, and corporate bonds. In 2011, investment earnings decreased by \$7 thousand as a result of the District investments in short-term U.S. Treasury bills in reaction to the uncertainty of the safety of the investment markets.

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.

Property taxes had no significant increase in 2013 as property value reassessment made by the Stanislaus and San Joaquin Counties in previous years have smoothed out, as compared to a decrease of \$33 thousand in 2012.

#### **Total Expenses**

Total Expenses in 2013 increased slightly by \$35 thousand to \$14.2 million primarily as a net result of:

- A decrease of \$364 thousand in engineering costs;
- A decrease of \$154 thousand in labor and related benefits;
- A decrease of \$125 thousand in administrative costs;
- A decrease of \$38 thousand in equipment fuel costs;
- A decrease of \$34 thousand in bond interest expense;
- An increase of \$571 thousand in outside contractor costs;
- An increase of \$88 thousand in power costs associated with pumping water; and
- An increase of \$81 thousand in community outreach donations.

Total Expenses in 2012 increased by approximately \$972 thousand to \$14.2 million primarily as a net result of:

- A decrease of \$106 thousand due to decreased labor and related benefits;
- An increase of \$360 thousand in engineering costs;
- An increase of \$239 thousand in bond interest expense due to the capitalization of interest;
- An increase of \$216 thousand in outside contractor costs;
- An increase of \$144 thousand in power costs associated with pumping water; and
- An increase of \$131 thousand in fixed asset depreciation.

## Management's Discussion and Analysis– *continued*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)**

#### **Changes in Net Position**

Overall the District's net position decreased \$19.8 million to \$155.9 million during the current calendar year; as compared to the prior year of a \$3.4 million increase to \$136.1 million.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The District's investment in capital assets (net of accumulated depreciation) amounted to \$77.7 million as of December 31, 2013, an increase of \$161 thousand. In 2012, capital assets (net of accumulated depreciation) increased \$1.1 million to \$77.5 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 \$161 thousand the District invested in its capital assets in 2013 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.

In 2012, the District began the process of updating its 2005 WRP and anticipates completing it sometime mid-year 2014. Additional information of capital assets may be found in Note 3 of the Notes to the Basic Financial Statements on pages 27-28.

#### **Long-term Debt**

At December 31, 2013, the District had total long-term debt outstanding of \$29.9 million compared to \$30.5 million as of December 31, 2012. The decrease of \$595 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 28-30 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

In 2013 and 2012, the District continued to work on the many projects that comprise the WRP improvement program. The WRP's goals 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 local and national economy in 2013 experienced a slow economic recovery. The local and regional areas showed a marginal improvement in the housing and job market sectors.

## Management's Discussion and Analysis– *continued*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)**

#### **Economic Factors and Next Year's Budgets and Rates (continued)**

Factors that the District focused on and considered when preparing the 2014 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;
- The effect of a drought on Tri-Dam Project and Power Authority power generation;
- Tri-Dam Project's new wholesale power contract rates are now fixed;
- Continued 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; and
- Preservation of its designated reserve funds.

#### **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.

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## Statement of Net Position

	At December 31,	
	2013	2012 (as restated)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,957,115	\$ 6,745,100
Investments	36,875,893	34,737,218
Receivables		
Annexation fees	703,863	-
Agricultural water fees	550,301	438,235
Due from other governmental agencies	272,043	291,027
Miscellaneous	303,178	83,651
Domestic water fees	12,335	15,544
Inventory of materials and supplies	761,455	1,010,735
Prepaid expenses	574,747	385,580
Due from Improvement Districts	155,726	68,835
<b>Total current assets</b>	<b>48,166,656</b>	<b>43,775,925</b>
<b>Noncurrent assets:</b>		
Accounts receivable - delinquencies	12,067	16,422
Due from other governmental agencies-Prop 1A	101,475	253,265
Long term residential connection fees	150,000	275,000
Restricted cash and cash equivalents	4,776,803	6,059,945
Restricted Improvement Districts' cash and cash equivalents	785,972	642,049
Annexation fees receivable	16,974,960	-
Investments in Tri-Dam Project	42,443,411	42,720,097
Capital assets:		
Not being depreciated	5,074,921	5,297,430
Being depreciated, net	72,599,777	72,216,584
<b>Total noncurrent assets</b>	<b>142,919,386</b>	<b>127,480,792</b>
<b>TOTAL ASSETS</b>	<b>191,086,042</b>	<b>171,256,717</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Payable from nonrestricted assets		
Accounts payable	615,077	456,610
Due to other governmental agencies	27,250	11,372
Accrued salaries, wages and related benefits	283,766	303,600
Unearned revenue	1,697,269	1,596,633
Deposits payable	370,050	276,853
Due to Improvement Districts	153,060	144,654
Claims payable	-	6,000
Interest expense payable	636,711	646,628
Improvement Districts' deposits payable from restricted assets	785,972	642,049
Long-term liabilities, due within one-year	855,189	839,788
<b>Total current liabilities</b>	<b>5,424,344</b>	<b>4,924,187</b>
<b>Noncurrent liabilities:</b>		
Long-term liabilities, due in more than one-year	29,556,375	30,142,649
<b>Total noncurrent liabilities</b>	<b>29,556,375</b>	<b>30,142,649</b>
<b>TOTAL LIABILITIES</b>	<b>34,980,719</b>	<b>35,066,836</b>
<b>Net Position</b>		
Net investment in capital assets	50,566,062	51,077,784
Restricted for debt service	2,149,190	2,149,241
Restricted for remediation projects	157,691	185,941
Unrestricted	103,232,380	82,776,915
<b>TOTAL NET POSITION</b>	<b>\$156,105,323</b>	<b>\$ 136,189,881</b>

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

## Statement of Revenues, Expenses, and Changes in Net Position

	For the Year Ended December 31,	
	2013	2012 (as restated)
<b>Operating revenues:</b>		
Agricultural water service fees	\$ 1,516,917	\$ 1,240,838
Domestic water delivery fee	215,111	202,134
Other water related revenues	174,566	189,118
Connection fees	1,200	1,250
Water sales	4,000,000	-
<b>Total operating revenues</b>	<b>5,907,794</b>	<b>1,633,340</b>
<b>Operating expenses:</b>		
Operation and maintenance	4,608,808	4,165,511
General and administrative	3,549,500	3,806,305
Water operations	2,213,645	2,298,764
Depreciation / amortization	2,415,604	2,419,575
<b>Total operating expenses</b>	<b>12,787,557</b>	<b>12,690,155</b>
<b>Operating loss</b>	<b>(6,879,763)</b>	<b>(11,056,815)</b>
<b>Nonoperating revenues (expenses):</b>		
Interest earned	274,814	152,101
Property taxes	1,893,770	1,893,079
Annexation fees	18,913,050	-
Tri-Dam Power Authority distributions	750,000	1,000,000
Tri-Dam Project distributions	6,582,000	6,334,000
Equity in undistributed net earnings of Tri-Dam Project	(276,686)	(267,704)
Debt service interest	(1,477,080)	(1,511,488)
Gain (loss) on sale of capital assets	16,779	(7,953)
<b>Total non-operating revenues (expenses)</b>	<b>26,676,647</b>	<b>7,592,035</b>
<b>Net income (loss) before contributions</b>	<b>19,796,884</b>	<b>(3,464,780)</b>
Capital contributions	118,558	108,754
<b>Change in net position</b>	<b>19,915,442</b>	<b>(3,356,026)</b>
<b>Net position - beginning of year - as previously reported</b>	<b>136,189,881</b>	<b>139,912,204</b>
Restatement	-	(366,297)
<b>Net position - beginning of year - as restated</b>	<b>136,189,881</b>	<b>139,545,907</b>
<b>Net position - end of year</b>	<b>\$ 156,105,323</b>	<b>\$ 136,189,881</b>

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



## Statement of Cash Flows

	For the Year Ended December 31,	
	2013	2012 (as restated)
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 6,361,002	\$ 1,943,280
Cash payments to suppliers for goods and services	(3,718,485)	(4,184,388)
Cash payments from Improvement Districts	(78,485)	(30,436)
Cash payments to employees	(6,427,282)	(6,450,407)
Cash payments for claims	(6,000)	(62,467)
<b>Net cash (used) by operating activities</b>	<b>(3,869,250)</b>	<b>(8,784,418)</b>
<b>Cash flows from noncapital financing activities:</b>		
Annexation fees	1,234,227	-
Property taxes	1,978,280	1,843,817
<b>Total cash provided by noncapital financing activities</b>	<b>3,212,507</b>	<b>1,843,817</b>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(2,505,987)	(3,802,323)
Debt interest paid	(1,474,431)	(1,508,424)
Debt principal payments	(595,000)	(570,696)
Proceeds from sales of capital assets	65,036	378,028
<b>Net cash (used) by capital and related financing activities</b>	<b>(4,510,382)</b>	<b>(5,503,415)</b>
<b>Cash flow from investing activities:</b>		
Interest received on investments	255,636	214,052
Purchases of securities	(484,072,928)	(389,063,403)
Proceeds from sales, calls and maturities	481,725,213	369,015,196
Tri-Dam Project cash distributions	6,582,000	6,334,000
Tri-Dam Power Authority cash distributions	750,000	1,000,000
<b>Net cash (used) provided by investing activities</b>	<b>5,239,921</b>	<b>(12,500,155)</b>
Net (decrease) increase in cash and cash equivalents	72,796	(24,944,171)
Cash and cash equivalents at beginning of year	13,447,094	38,391,265
<b>Cash and cash equivalents at end of year</b>	<b>\$ 13,519,890</b>	<b>\$ 13,447,094</b>
<b>Reconciliation of cash and cash equivalents to Statement of Net Position:</b>		
Cash and cash equivalents	\$ 7,957,115	\$ 6,745,100
Restricted cash and cash equivalents	785,972	6,059,945
Restricted Improvement Districts cash and cash equivalents	4,776,803	642,049
<b>Total cash and cash equivalents</b>	<b>\$ 13,519,890</b>	<b>\$ 13,447,094</b>

*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,	
	2013	2012 (as restated)
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating loss	\$ (6,879,763)	\$ (11,056,815)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,415,604	2,419,575
Changes in assets and liabilities:		
Decrease (increase) in receivables	(9,548)	(138,150)
Decrease (increase) in inventory	249,280	(348,841)
Decrease (increase) in prepaid expenses	(189,167)	2,254
Decrease (increase) in due from Improvement Districts	(86,891)	(9,182)
Increase (decrease) in long term connection fees	125,000	60,000
Increase (decrease) in accounts payable	158,467	(83,047)
Increase (decrease) in due to other agencies	15,878	(37,175)
Increase (decrease) in accrued salaries, wages, and related benefits	(19,834)	24,927
Increase (decrease) in unearned revenue	100,636	27,671
Increase (decrease) in deposits payable	93,197	258,254
Increase (decrease) in due to Improvement Districts	152,329	80,911
Increase (decrease) in claims payable	(6,000)	(62,467)
Increase (decrease) in compensated absences	11,562	77,667
<b>Net cash (used) by operating activities</b>	<b>\$ (3,869,250)</b>	<b>\$ (8,784,418)</b>
<b>Supplemental disclosures of non-cash activities:</b>		
Receipts of contributed assets	\$ 118,558	\$ 108,754
(Decrease) increase in fair value of investments	(209,040)	(95,741)
Change in undistributed investment in Tri-Dam Project	(276,686)	(267,705)
Capitalized interest	77,476	66,283

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 2,872 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, the fact that the Financing Corporation is fiscally dependent on the District 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 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 Position. 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 ("Districts") entered into a joint cooperation agreement on January 21, 1948 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 marketed its power through a consultant, Shell Energy North America (US); L.P. through December 2013 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning January 1, 2014. 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 position 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 position under GASB Statements No. 14 and 61. Each year the investment in Tri-Dam Project is adjusted to 50% of the net position of the Project, with distributions and undistributed income of the Project recorded as nonoperating revenues and expenses. Separate financial statements are issued by the Project, which are available at P.O. Box 1158, Pinecrest, California 95364-0158 or at [www.tridamproject.com](http://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 agreement will remain in effect until January 1, 2034. 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 through May 2016 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning June 1, 2016. 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 position of the Authority belong solely to the Authority as a separate legal entity. Should the Authority become insolvent, the District would not 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 Position according to GASB Statements No. 14 and 61. 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, Pinecrest, California 95364-0158 or at [www.tridamproject.com](http://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 position according to GASB Statements No. 14 and 61. 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, \$225,000 (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)

#### Joint Ventures (continued)

**The San Joaquin Tributaries Authority.** The San Joaquin Tributaries Authority (SJTA) was created in November, 2012 under a joint powers agreement between the District, Merced Irrigation District, Modesto Irrigation District, South San Joaquin Irrigation District, Turlock Irrigation District and the City and County of San Francisco to develop and facilitate an environment in which the Parties are able to provide water in an efficient manner at a reasonable cost, ensure long-term reliability of the systems, and work with other governmental and public agencies to promote the common welfare of the landowner and water users served by SJTA members. Since the District has only a residual equity interest in the SJTA, it is not recorded as an equity investment on the District's statement of net position according to GASB Statements No. 14 and 61. The SJTA does not issue separate financial statements.

#### 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 Position represents 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. Net Position is segregated into the net investment in capital assets, amounts restricted, and amounts unrestricted. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 unearned 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 to take effect January 1 the following 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, 2013 and 2012 represent assessments restricted for Improvement Districts' operations 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.

## Notes to the Basic Financial Statements-continued

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Due from Other Governmental Agencies

Amounts due from other governmental agencies at December 31, 2013 of \$272 thousand consisted mainly of \$197 thousand property tax appropriations due, \$41 thousand due from South San Joaquin Irrigation District for reimbursement of water rights fees, and \$34 thousand from Tri-Dam Project for reimbursement of OID staff time. Non-current amounts due from other governments at December 31, 2013 of \$101 thousand from State of California mandated costs claims program. At December 31, 2012, amounts due from other governments consisted of \$272 thousand of property taxes, \$30 thousand due from South San Joaquin Irrigation District for reimbursement of water rights fees, and \$16 thousand from State of California mandated costs claims program. Non-current due from other governments consisted of \$168 thousand due under Proposition 1A and \$68 thousand from State of California mandated costs claims program.

#### 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.

#### Annexation Fees Receivable

The District accepted the annexation of 7,274.25 acres of land into the District in August 2013. The annexation fee of \$24,684,585 will be paid in equal installments of \$1,234,227 per year at 3% per annum from September 2013 through September 2032. The principal amount under the annexation agreements ("agreements") are reported as the land annexed is organized under nine separate limited liability companies (LLC). The District is not required to deliver water to the annexed land and may terminate the agreements if annexation fees become delinquent as defined in the agreements. Future payments to be received under the agreements are as follows at December 31, 2013.

Trinitas Annexation Agreements				
	Principal	Interest	Total	
For the year ending December 31,				
2014	\$ 703,863	\$ 530,364	\$	1,234,227
2015	724,978	509,249		1,234,227
2016	746,728	487,499		1,234,227
2017	769,130	465,097		1,234,227
2018	792,203	442,024		1,234,227
2019-2023	4,332,094	1,839,042		6,171,136
2024-2028	5,022,083	1,149,053		6,171,136
2029-2032	4,587,744	349,166		4,936,910
	<u>\$ 17,678,823</u>	<u>\$ 5,771,494</u>	<u>\$</u>	<u>23,450,317</u>

## Notes to the Basic Financial Statements-continued

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 equipment, computers, 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

#### 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.



## Notes to the Basic Financial Statements-continued

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 position 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 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 expensed as incurred.

#### **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, 2013 and 2012, the total estimated current and long-term liabilities for all compensated absences were \$833 thousand, and \$821 thousand, respectively. The liability for vacation, sick leave, and overtime comp-time accruals are reported in the statement of net position.

#### **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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

## Notes to the Basic Financial Statements-continued

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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, counties, 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 provisions of Proposition 1A and "borrowed" 8% of total property tax revenues. In 2013, the State repaid the \$168 thousand it borrowed from the District during 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. The District is currently preparing a rate study to be reviewed by the Board sometime in the Fall of 2014.

#### **Reclassifications**

For the year ended December 31, 2013, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform to the current presentation. Reclassifications had no effect on previously reported assets, liabilities, net position, or changes in net position.

#### **New Pronouncements**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.

## Notes to the Basic Financial Statements-continued

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New Pronouncements (continued)

In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date (measurement date) no earlier than the end of its prior fiscal year. This Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. This Statement is required to be implemented simultaneously with Statement No. 69.

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 position 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 below at December 31, 2013 and 2012:

	2013	2012
Cash and cash equivalents		
Cash on hand	\$ 420	\$ 420
Deposits with financial institutions	3,950,240	4,598,029
Money market mutual fund	3,847,642	1,988,143
Deposits in Local Agency Investment Fund (LAIF)	158,813	158,508
Total unrestricted cash and cash equivalents	<u>7,957,115</u>	<u>6,745,100</u>
Restricted Improvement Districts' cash and cash equivalents		
Deposits with financial institutions	785,972	642,049
Restricted cash and cash equivalents		
Deposits with financial institutions	157,691	185,941
Money market mutual fund	4,619,112	5,874,004
Total restricted cash and cash equivalents	<u>4,776,803</u>	<u>6,059,945</u>
Total cash and cash equivalents	<u>13,519,890</u>	<u>13,447,094</u>
Investments		
Investments held by Union Bank	36,875,893	34,737,218
Total investments	<u>36,875,893</u>	<u>34,737,218</u>
Total cash and investments	<u>\$ 50,395,783</u>	<u>\$ 48,184,312</u>

Cash and investments as of December 31, 2013 and 2012 consisted of the following for disclosure under GASB Statement No. 40:

Cash and deposits		
Cash on hand	\$ 420	\$ 420
Deposits with financial institutions	4,893,903	5,426,019
Total cash and deposits	<u>4,894,323</u>	<u>5,426,439</u>
U.S. Agency Securities	17,589,453	18,560,370
Commerical paper	10,144,811	9,135,668
Medium term corporate notes	9,141,629	7,041,180
Money market mutual fund	8,466,754	7,862,147
Local Agency Investment Fund (LAIF)	158,813	158,508
Total investments	<u>45,501,460</u>	<u>42,757,873</u>
Total cash and investments	<u>\$ 50,395,783</u>	<u>\$ 48,184,312</u>

## Notes to the Basic Financial Statements-continued

### NOTE 2: CASH AND INVESTMENTS (continued)

#### 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.

During the year ended December 31, 2013, 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	25%	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 *CGC* 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.

## Notes to the Basic Financial Statements-continued

### NOTE 2: CASH AND INVESTMENTS (continued)

#### 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	25-60 Months
U.S. agency securities	\$ 17,589,453	\$ 8,554,739	\$ 8,785,012	\$ 249,702
Commercial paper	10,144,811	10,144,811	-	-
Medium term corporate notes	9,141,629	3,052,320	6,089,309	-
Money market mutual fund	8,466,754	8,466,754	-	-
Local Agency Investment Fund	158,813	158,813	-	-
Total	<u>\$ 45,501,460</u>	<u>\$ 30,377,437</u>	<u>\$ 14,874,321</u>	<u>\$ 249,702</u>

#### 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	\$ 17,589,453	\$ -	\$ 17,589,453	\$ -	\$ -
Commercial paper	A1+	10,144,811	-	-	10,144,811	-
Medium term corporate notes	A	9,141,629	-	3,041,565	6,100,064	-
Money market mutual fund	AAA	8,466,754	8,466,754	-	-	-
Local Agency Investment Fund	N/A	158,813	-	-	-	158,813
Total		<u>\$ 45,501,460</u>	<u>\$ 8,466,754</u>	<u>\$ 20,631,018</u>	<u>\$ 16,244,875</u>	<u>\$ 158,813</u>

## Notes to the Basic Financial Statements-continued

### NOTE 2: CASH AND INVESTMENTS (continued)

#### **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 issue, 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, 2013 included investments in the Federal Home Loan Mortgage Corporation in the amount of \$10,301,756 and the Federal National Mortgage Association of \$5,787,712. Investments with one issuer exceeding 5% of total investments at December 31, 2012 included investments in Federal Home Loan Banks in the amount of \$18,560,370, or 43% of total investments.

#### **Custodial Credit Risk**

Custodial Credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The *California Government Code* and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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, 2013 and 2012, the carrying amount of the District's deposits was \$4,893,903 and \$5,426,019; and the balance in financial institutions was \$5,118,659 and \$4,908,638, respectively. Of the balance in financial institutions at December 31, 2013 and 2012, \$1,157,361 and \$2,104,944, respectively, was covered by federal depository insurance and \$3,961,298 and \$80,767, 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, 2013, 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.

#### **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 \$57,717,422,981 managed by the State Treasurer. Of that amount, 97.8% is invested in non-derivative financial products, and 2.2% in structured notes and medium-term asset backed securities. 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 209 and 256 days at December 31, 2013 and 2012, respectively.

## Notes to the Basic Financial Statements-continued

### NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	Balance January 1, 2013	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2013
Capital assets not being depreciated					
Land	\$ 2,464,636	\$ 121,068	\$ (539)	\$ -	\$ 2,585,165
Construction in progress	2,832,794	2,179,994	-	(2,523,032)	2,489,756
Total capital assets not being depreciated	5,297,430	2,301,062	(539)	(2,523,032)	5,074,921
Capital assets being depreciated					
Buildings	903,413	-	-	41,080	944,493
Dams and reservoirs	9,437,959	-	-	-	9,437,959
Distribution systems	81,226,098	13,315	-	2,481,952	83,721,365
Automotive and equipment	4,649,599	303,207	(179,636)	-	4,773,170
Office equipment	765,038	6,961	(6,875)	-	765,124
Domestic water systems	3,606,922	-	-	-	3,606,922
Total capital assets being depreciated	100,589,029	323,483	(186,511)	2,523,032	103,249,033
Less accumulated depreciation					
Buildings	(458,324)	(27,735)	-	-	(486,059)
Dams and reservoirs	(901,219)	(184,437)	-	-	(1,085,656)
Distribution systems	(22,032,854)	(1,665,812)	-	-	(23,698,666)
Automotive and equipment	(2,961,646)	(341,128)	132,318	-	(3,170,456)
Office equipment	(498,613)	(107,142)	6,475	-	(599,280)
Domestic water systems	(1,519,789)	(89,350)	-	-	(1,609,139)
Total accumulated depreciation	(28,372,445)	(2,415,604)	138,793	-	(30,649,256)
Total capital assets being depreciated, net	72,216,584	(2,092,121)	(47,718)	2,523,032	72,599,777
Capital assets, net	\$ 77,514,014	\$ 208,941	\$ (48,257)	\$ -	\$ 77,674,698



## Notes to the Basic Financial Statements-continued

### NOTE 3: CAPITAL ASSETS (continued)

Capital asset activity for the year ended December 31, 2012 consisted of the following:

	Balance January 1, 2012	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2012
Capital assets not being depreciated					
Land	\$ 1,481,442	\$ 1,336,119	\$ (352,925)	\$ -	\$ 2,464,636
Construction in progress	2,011,561	2,243,811	-	(1,422,578)	2,832,794
Total capital assets not being depreciated	3,493,003	3,579,930	(352,925)	(1,422,578)	5,297,430
Capital assets being depreciated					
Buildings	861,089	-	-	42,324	903,413
Dams and reservoirs	9,437,959	-	-	-	9,437,959
Distribution systems	79,877,721	-	-	1,348,377	81,226,098
Automotive and equipment	4,506,408	268,943	(125,752)	-	4,649,599
Office equipment	705,847	62,204	(3,013)	-	765,038
Domestic water systems	3,575,045	-	-	31,877	3,606,922
Total capital assets being depreciated	98,964,069	331,147	(128,765)	1,422,578	100,589,029
Less accumulated depreciation					
Buildings	(432,472)	(25,852)	-	-	(458,324)
Dams and reservoirs	(716,245)	(184,972)	-	(2)	(901,219)
Distribution systems	(20,427,195)	(1,605,660)	-	1	(22,032,854)
Automotive and equipment	(2,647,734)	(407,148)	93,236	-	(2,961,646)
Office equipment	(394,690)	(106,398)	2,475	-	(498,613)
Domestic water systems	(1,430,245)	(89,545)	-	1	(1,519,789)
Total accumulated depreciation	(26,048,581)	(2,419,575)	95,711	-	(28,372,445)
Total capital assets being depreciated, net	72,915,488	(2,088,428)	(33,054)	1,422,578	72,216,584
Capital assets, net	\$ 76,408,491	\$ 1,491,502	\$ (385,979)	\$ -	\$ 77,514,014

### NOTE 4: LONG-TERM LIABILITIES

#### Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013 and 2012 consisted of the following:

	Maturity Dates	Range of Interest Rates	Balance January 1, 2013	Incurred	Retired	Balance December 31, 2013	Due Within One Year
Certificates of participation - Series 2009	2039	3.10% - 5.50%	\$ 30,495,000	\$ -	\$ (595,000)	\$ 29,900,000	\$ 620,000
Less unamortized issue discount			(334,007)	-	12,565	(321,442)	
Total certificates of participation			30,160,993	-	(582,435)	29,578,558	620,000
Compensated absences			821,444	302,989	(291,427)	833,006	235,189
Total long-term liabilities			\$ 30,982,437	\$ 302,989	\$ (873,862)	\$ 30,411,564	\$ 855,189
			Balance January 1, 2012	Incurred	Retired	Balance December 31, 2012	Due Within One Year
Certificates of participation - Series 2009	2039	3.10% - 5.50%	\$ 31,065,000	\$ -	\$ (570,000)	\$ 30,495,000	\$ 595,000
Less unamortized issue discount			(346,571)	-	12,564	(334,007)	
Total certificates of participation			30,718,429	-	(557,436)	30,160,993	595,000
Note payable			696	-	(696)	-	-
Compensated absences			743,777	300,620	(222,953)	821,444	244,788
Total long-term liabilities			\$ 31,462,902	\$ 300,620	\$ (781,085)	\$ 30,982,437	\$ 839,788



## Notes to the Basic Financial Statements-continued

### NOTE 4: LONG-TERM LIABILITIES (continued)

#### Long-Term Liabilities (continued)

##### Oakdale Irrigation District Certificates of Participation (Water Facilities Project) Series 2009

On March 5, 2009, the District issued the Certificates of Participation (Water Facilities Project) Series 2009 ("Certificates") 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%.

##### 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 position.

The annual requirements to amortize the outstanding business-type activities debt as of December 31, 2013 are as follows:

Year ending December 31,	Certificates of Participation - Series 2009		
	Principal	Interest	Total
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	690,000	1,456,688	2,146,688
2018	715,000	1,429,088	2,144,088
2019-2023	4,055,000	6,675,526	10,730,526
2024-2028	5,140,000	5,600,298	10,740,298
2029-2033	6,650,000	4,082,414	10,732,414
2034-2038	8,690,000	2,045,172	10,735,172
2039	2,035,000	111,924	2,146,924
Total	<u>\$ 29,900,000</u>	<u>\$ 25,921,394</u>	<u>\$ 55,821,394</u>

##### Pledged Revenues

The District has pledged future net revenue of the District to repay its Certificates 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 \$55,821,394 and \$57,968,302 at December 31, 2013 and 2012, respectively. Total principal and interest paid on the Certificates in 2013 and 2012 was \$2,146,908 and \$2,144,708, respectively, and total net revenues were \$2,144,708 and \$474,236 at December 31, 2013 and 2012, respectively.

The Certificates 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.

## Notes to the Basic Financial Statements-continued

### NOTE 4: LONG-TERM LIABILITIES (continued)

#### Pledged Revenues (continued)

The following is a calculation of the required coverage ratio as of December 31, 2013 and 2012:

	2013	2012
Revenues	\$ 34,061,521	\$ 10,744,816
Less: Maintenance and operation expenses (as defined)	10,371,953	10,270,580
Net revenues	23,689,568	474,236
Interest and principal payments (as defined)	2,146,908	2,144,708
Coverage ratio computed	1103%	22%
Required rate	110%	110%

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, 2013 or 2012.

### NOTE 5: NET POSITION

#### Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net investment in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net Position is 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 position is reported in the three categories as follows:

- Net investment in capital assets – This category of net position reports the net book value of capital assets used in District operations, including construction-in-progress, net of related accumulated depreciation and debt used to acquire or construct these assets;
- Restricted net position - 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 position; and
- Unrestricted net position – Unrestricted net position 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.

## Notes to the Basic Financial Statements-continued

### NOTE 5: NET POSITION (continued)

#### Net Position (continued)

Designations of unrestricted net position 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.

At December 31, 2013 and 2012, designations included:

	2013	2012
Capital Replacement / Improvement Reserve Fund	\$ 19,475,000	\$ 19,475,000
Main Canal / Tunnel Improvement Reserve	8,064,000	8,064,000
Operating Reserve Fund	3,738,000	3,738,000
Rate-Stabilization Reserve Fund	2,988,000	2,988,000
Rural Water Replacement / Improvement Reserve Fund	736,443	730,687
Vehicle and Equipment Replacement Reserve Fund	486,966	459,866
Employee Compensated Absences Reserve Fund	179,084	179,084
Total	<u>\$ 35,667,493</u>	<u>\$ 35,634,637</u>

### 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's employees hired prior to January 1, 2013, in addition to employees hired that are members of PERS, participate in the Miscellaneous 2% at 60 Risk Pool, and employees hired on or after January 1, 2013 participate in the Miscellaneous 2.0% @ 62 Risk Pool due to the implementation of the Public Employee's Pension Reform Act. 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. As of January 1, 2013 as specified by each bargaining units Memorandum of Understanding, the District contributes 6.5% of the contributions required of the District employees on their behalf and for their account, and the employee contributes .5%. The District is required to contribute at an actuarially determined rate; the rate for July 1, 2013 to December 2013 was 8.049%, the rate from July 1, 2012 to June 30, 2013 was 7.846%, and the rate from January 1, 2012 to June 30, 2012 was 7.733%. 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, 2013, 2012, and 2011 were \$607,848, \$649,351, and \$625,392, respectively, which are equal to the required contribution for each year.

## Notes to the Basic Financial Statements-continued

### 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.

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	75,000	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,	
	2013	2012
Claims payable, January 1	\$ 6,000	\$ 68,467
Incurred claims; provision for event of current year	-	6,000
Claims paid	(6,000)	(68,467)
Claims payable, December 31	\$ -	\$ 6,000

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](http://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](http://www.sdrma.org).

## Notes to the Basic Financial Statements-continued

### 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.

### 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, 2013.

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 fish 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 Environment 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 court acknowledged that OI had water rights superior to those of the United States and qualified its holding by stating that, in any event, USBR could not operate New Melones in a manner that would harm the Districts' water rights. On January 19, 2012, the District and other defendant-intervenors filed an appeal. All briefing was completed in 2013 with oral argument scheduled for September 2014. The District will continue to defend its water rights.

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. A motion for summary judgment filed by the District was denied by the court on March 15, 2013. This matter was brought to trial on March 4, 2014 in which a summary judgment was rendered in favor of the District.

#### Regulatory

In prior years, 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, or will be filing, an opposition to each petition. There were either no active petitions or the petitioners settled with District.

## Notes to the Basic Financial Statements-continued

### NOTE 9: COMMITMENTS AND CONTINGENCIES (continued)

#### Effect of Drought

The 2013/2014 water year has been one of the worst on record, with an average precipitation expected to be approximately fifty-seven percent (57%) of the historical average, according to the California Department of Water Resources. The District has taken the following actions to make enough water available for the irrigation season to assure growers a successful crop.

- Delay of the start of the water season by approximately two (2) weeks,
- Extend length of irrigation runs,
- Use of deep wells whenever possible to boost surface water supply, and
- Use approximately 70,000 acre feet of its conservation water in New Melones.

The District's Tri-Dam Project power generation capacity is further subject to water conservation efforts which may have an effect on minimizing water releases from its reservoirs. The first quarter of 2014 power generation has been significantly lower and will likely continue to at levels below its historical average until conditions approve. 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.

The District has analyzed, and continues to analyze, the impact of the drought to its 2014 budget. Management is scrutinizing all expenditures in an effort to minimize the need to use reserve funds.

#### Contract Commitments

District had the following capital project commitments outstanding as of December 31, 2013:

Project Name	Contract Amount	Remaining Amount Committed
Two Mile Bar Tunnel Engineering	\$ 762,307	\$ 78,465
Morrison Pipeline Delivery System	109,000	3,683
Northside Regulating Reservoir Deep Well	25,000	923
Wills Lateral Headgate Automation Project	14,000	755
	<u>\$ 910,307</u>	<u>\$ 83,826</u>

#### Operating Lease Commitments

The District has one lease commitment:

- A three (3) year commercial lease for additional office space. This lease with GGD Oakdale LLC expired on March 31, 2014. However, the District renewed its contract for an additional 5-year term until March 31, 2019. 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:	
2014	<u>\$ 27,900</u>
Total payments	<u>\$ 27,900</u>

Rental expense relating to the leases was \$27,900 in 2013 and \$41,925 in 2012.

## Notes to the Basic Financial Statements-continued

### 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.

#### Tri-Dam Project Balance Sheet

	December 31,	
	2013	2012
Assets and deferred outflows		
Cash and investments	\$ 15,522,815	\$ 20,285,228
Other current assets	4,226,457	3,253,906
Total current assets	19,749,272	23,539,134
Property and equipment, net	59,230,494	60,443,538
Total assets	78,979,766	83,982,672
Deferred outflows of resources		
Federal Energy Regulatory Commission relicensing costs	7,941,235	3,323,989
Accumulated amortization	(747,462)	(581,700)
Total assets and deferred outflows of resources	\$ 86,173,539	\$ 86,724,961
Liabilities and net position		
Current liabilities	\$ 1,046,439	\$ 1,093,274
Long-term liabilities	240,278	191,492
Total liabilities	1,286,717	1,284,766
Net Position		
Net investment in capital assets	59,230,494	60,443,538
Unrestricted	25,656,328	24,996,657
Total net position	84,886,822	85,440,195
Total liabilities and net position	\$ 86,173,539	\$ 86,724,961

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

	For the Year Ended December 31,	
	2013	2012
Operating revenues	\$ 22,500,866	\$ 20,489,380
Operating expenses		
Expenses	8,475,056	6,124,814
Depreciation	1,889,625	1,658,328
Total operating expenses	10,364,681	7,783,142
Net income from operations	12,136,185	12,706,238
Nonoperating revenues (expenses)	474,442	(573,647)
Change in net position	12,610,627	12,132,591
Net position - beginning of year	85,440,195	85,975,604
Less: Distributions to member districts	(13,164,000)	(12,668,000)
Net position - end of year	\$ 84,886,822	\$ 85,440,195

## Notes to the Basic Financial Statements-continued

### NOTE 11: SUBSEQUENT EVENTS

The District is in the process of a rate study to comply with SBX7-7, California's Water Conservation Act of 2009, which requires agricultural water measurement and volumetric billing. Additionally the District is updating its 2005 Water Resources Plan and anticipates its completion in mid-year 2014.

In January 2014 the District received a cash distribution from its Tri-Dam Project of \$2.6 million.

Management has reviewed subsequent events through May 23, 2014.

### NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the implementation of this Statement, deferred debt issuance costs were eliminated from the statement of net position. Total assets and net position decreased by \$379,577 as of January 1, 2012 and the change in net position increased by \$13,280, due to the implementation of this Statement.



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# STATISTICAL SECTION

## Table of Contents

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.

<b>CONTENTS</b>	<b>Page</b>
<b>Financial Trends Data</b> These schedules contain financial trend information for assessing the District's financial performance and well-being over time.	40
<b>Revenue Capacity Data</b> 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.	44
<b>Debt Capacity Data</b> 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.	48
<b>Demographic and Economic Information</b> These schedules provide information on the demographic and economic environment in which the District conducts business.	50
<b>Operating Information</b> 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.	52

### **Sources**

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

## Financial Trend Data

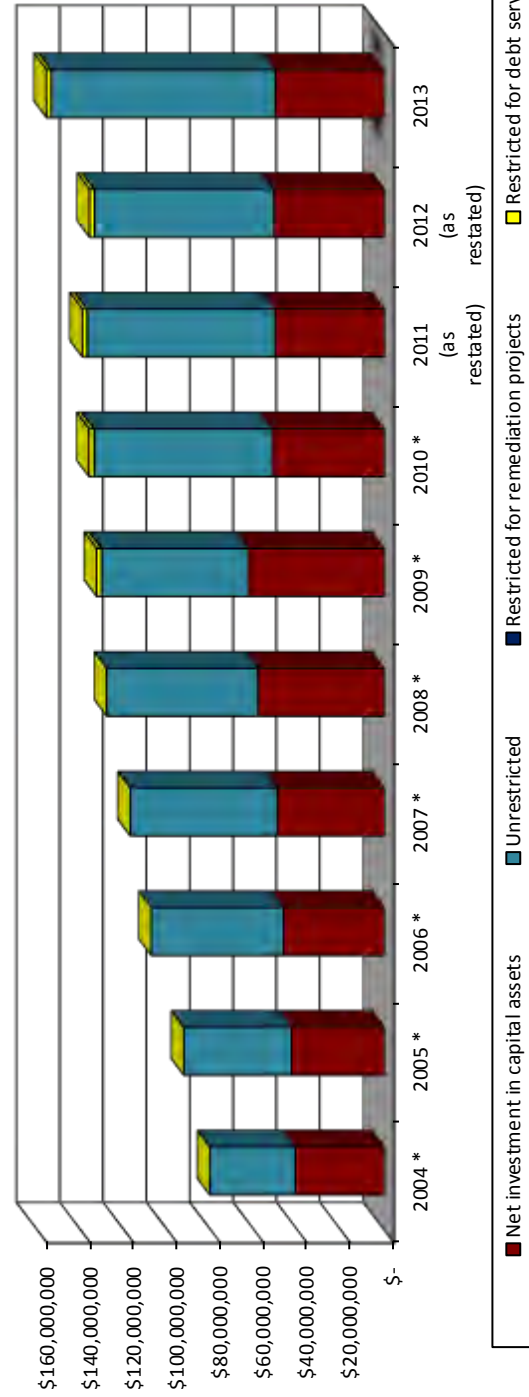
**Table 1**  
Net Position by Component  
Last Ten Years

	2004 *	2005 *	2006 *	2007 *	2008 *	2009 *	2010 *	2011 (as restated)	2012 (as restated)	2013
Net investment in capital assets	\$ 41,142,259	\$ 43,126,570	\$ 46,812,926	\$ 49,683,718	\$ 58,456,036	\$ 62,942,193	\$ 51,969,687	\$ 50,633,121	\$ 51,077,784	\$ 50,566,062
Restricted for debt service	-	-	-	-	-	2,151,068	2,149,900	2,149,258	2,149,241	2,149,190
Restricted for remediation projects	-	-	-	-	-	279,001	283,870	288,824	185,941	157,691
Unrestricted	39,582,119	49,593,511	60,918,784	67,764,975	69,805,060	67,561,952	82,020,800	86,474,704	82,776,915	103,232,380
Total net position	\$ 80,724,378	\$ 92,720,081	\$ 107,731,710	\$ 117,448,693	\$ 128,261,096	\$ 132,934,214	\$ 136,424,257	\$ 139,545,907	\$ 136,189,881	\$ 156,105,323

Note: The District's assets consist primarily of distribution canals and pipelines.

\* Information was not available to restate these years for the implementation of GASB Statement No. 65.

**Chart 1**



## Financial Trend Data

**Table 2**  
Changes in Net Position  
Last Ten Years

	2004 *	2005 *	2006 *	2007 *	2008 *	2009 *	2010 *	2011 (as restated)	2012 (as restated)	2013
<b>Operating revenues:</b>										
Agricultural water service fees	\$ 1,443,721	\$ 1,174,793	\$ 1,161,018	\$ 1,159,509	\$ 1,163,464	\$ 1,183,770	\$ 54,115	\$ 1,210,632	\$ 1,240,838	\$ 1,516,917
Connection fees	16,442	500	200	45,526	215,073	250	785	1,150	1,250	1,200
Other water related revenues	133,898	126,993	136,559	145,011	299,100	148,674	191,098	144,879	189,118	174,566
Domestic water delivery fees	172,569	174,450	178,864	193,066	840,550	219,280	190,533	205,949	202,134	215,111
Water sales	2,477,992	2,946,896	2,990,422	5,405,251	2,643,571	8,564,635	4,076,889	2,066,879	-	4,000,000
<b>Total operating revenues</b>	<b>4,244,622</b>	<b>4,423,632</b>	<b>4,467,063</b>	<b>6,948,363</b>	<b>5,161,758</b>	<b>10,116,609</b>	<b>4,513,420</b>	<b>3,629,489</b>	<b>1,633,340</b>	<b>5,907,794</b>
<b>Operating expenses</b>										
Operation and maintenance	3,601,805	4,043,814	3,164,238	3,245,097	3,189,791	3,833,008	4,403,284	4,057,837	4,239,858	4,608,808
General and administrative	1,687,361	3,378,456	3,992,475	4,007,385	4,953,672	5,934,548	3,277,323	3,680,603	3,731,958	3,549,500
Water operations	1,609,526	1,510,529	1,486,731	1,729,017	1,757,106	1,857,692	1,920,053	1,917,244	2,298,764	2,213,645
Depreciation	1,160,784	1,326,588	1,412,576	1,495,333	1,740,468	1,838,609	2,254,109	2,289,009	2,419,575	2,415,604
<b>Total operating expenses</b>	<b>8,059,476</b>	<b>10,259,387</b>	<b>10,056,020</b>	<b>10,476,832</b>	<b>11,641,037</b>	<b>13,463,857</b>	<b>11,854,769</b>	<b>11,944,693</b>	<b>12,690,155</b>	<b>12,787,557</b>
<b>Operating income (loss)</b>	<b>(3,814,854)</b>	<b>(5,835,755)</b>	<b>(5,588,957)</b>	<b>(3,528,469)</b>	<b>(6,479,279)</b>	<b>(3,347,248)</b>	<b>(7,341,349)</b>	<b>(8,315,204)</b>	<b>(11,056,815)</b>	<b>(6,879,763)</b>
<b>Non-operating revenues (expenses)</b>										
Interest earned	130,582	385,665	879,845	1,440,337	620,396	304,318	60,580	53,758	152,101	274,814
Property taxes	729,630	501,887	1,784,976	1,827,806	2,258,958	2,100,740	1,946,205	1,925,629	1,893,079	1,893,770
Joint ventures	2,048,760	16,915,168	17,621,410	10,148,895	13,911,473	6,551,641	9,900,556	10,868,617	7,066,296	7,055,314
Debt service interest	-	-	-	-	-	(1,351,703)	(1,178,660)	(1,272,272)	(1,511,488)	(1,477,080)
Gain (loss) on sale of assets	3,072	17,900	(6,929)	(172,043)	(32,845)	(20,497)	(9,399)	(20,284)	(7,953)	16,779
Annexation fees	-	-	305,448	-	-	-	100,828	259,168	-	18,913,050
<b>Total non-operating revenues (expenses)</b>	<b>2,912,044</b>	<b>17,820,620</b>	<b>20,584,750</b>	<b>13,244,995</b>	<b>16,757,982</b>	<b>7,584,499</b>	<b>10,820,110</b>	<b>11,814,616</b>	<b>7,592,035</b>	<b>26,676,647</b>
<b>Net income before contributions</b>	<b>(902,810)</b>	<b>11,984,865</b>	<b>14,995,793</b>	<b>9,716,526</b>	<b>10,278,703</b>	<b>4,237,251</b>	<b>3,478,761</b>	<b>3,499,412</b>	<b>(3,464,780)</b>	<b>19,796,884</b>
Capital contributions	6,000	10,838	15,836	457	533,700	435,867	11,282	1,815	108,754	118,558
<b>Change in net position</b>	<b>(896,810)</b>	<b>11,995,703</b>	<b>15,011,629</b>	<b>9,716,983</b>	<b>10,812,403</b>	<b>4,673,118</b>	<b>3,490,043</b>	<b>3,501,227</b>	<b>(3,356,026)</b>	<b>19,915,442</b>
<b>Net position - beginning of year</b>	<b>81,621,188</b>	<b>80,724,378</b>	<b>92,720,081</b>	<b>107,731,710</b>	<b>117,448,693</b>	<b>128,261,096</b>	<b>132,934,214</b>	<b>136,424,257</b>	<b>139,545,907</b>	<b>136,189,881</b>
Restatement	-	-	-	-	-	-	-	(379,577)	-	-
<b>Net position - beginning of year-as restated</b>	<b>81,621,188</b>	<b>80,724,378</b>	<b>92,720,081</b>	<b>107,731,710</b>	<b>117,448,693</b>	<b>128,261,096</b>	<b>132,934,214</b>	<b>136,044,680</b>	<b>139,545,907</b>	<b>136,189,881</b>
<b>Net position - end of year</b>	<b>\$ 80,724,378</b>	<b>\$ 92,720,081</b>	<b>\$ 107,731,710</b>	<b>\$ 117,448,693</b>	<b>\$ 128,261,096</b>	<b>\$ 132,934,214</b>	<b>\$ 136,424,257</b>	<b>\$ 139,545,907</b>	<b>\$ 136,189,881</b>	<b>\$ 156,105,323</b>

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 that expired in 2011.

4. The District issued debt in the form of certificates of deposits in March 2009.

5. The District annexed 8,468 acres of land in August 2013.

\* Information was not available to restate these years for the implementation of GASB Statement No. 65.

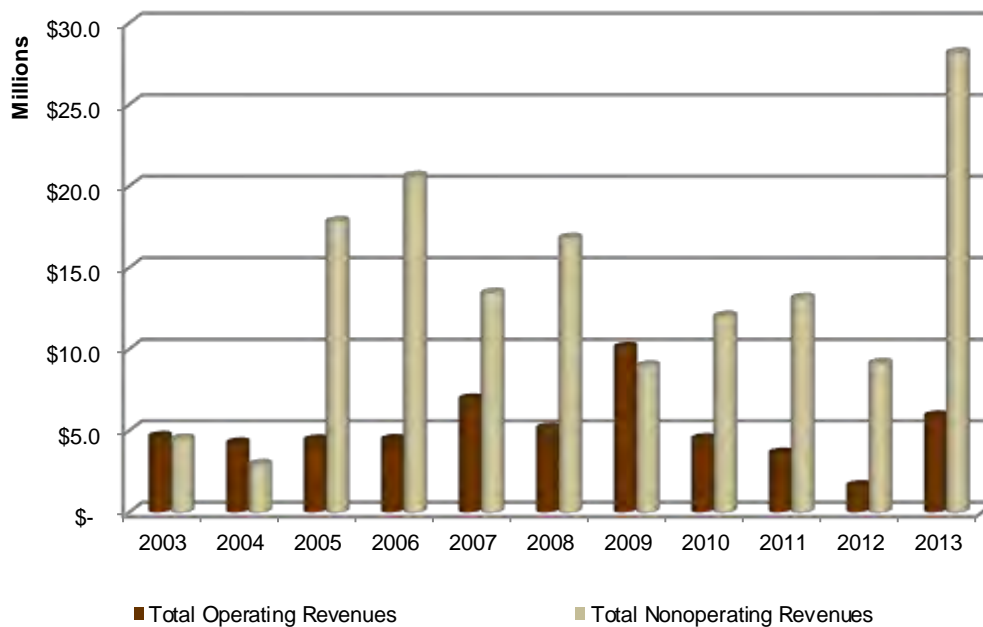
Source: Oakdale Irrigation District - Finance Dept.

## Financial Trend Data

**Table 3**  
Revenues by Source  
Last Ten Years

Year	Operating Revenues				Nonoperating Revenues					Total Revenues
	Water Charges	Domestic Water Charges	Other Operating Income	Water Transfer Sales	Interest Income	Property Taxes	Tri-Dam Project and Power Authority Distributions	Undistributed Earnings of Tri-Dam Project	Annexation and Other Nonoperating Income	
2004	\$ 1,443,721	\$ 172,569	\$ 156,340	\$ 2,477,992	\$ 130,582	\$ 729,630	\$ 4,191,800	\$ (2,143,040)	\$ -	\$ 7,159,594
2005	1,174,793	174,450	138,331	2,946,896	385,665	501,887	8,700,000	8,215,168	-	22,237,190
2006	1,161,018	178,864	136,759	2,990,422	879,845	1,784,976	16,600,000	1,021,410	305,448	25,058,742
2007	1,159,509	193,066	190,537	5,405,251	1,440,337	1,827,806	12,100,000	(1,951,105)	-	20,365,401
2008	1,163,464	215,073	1,139,650	2,643,571	620,396	2,258,958	11,200,000	2,711,473	-	21,952,585
2009	1,183,770	219,280	148,924	8,564,635	304,318	2,100,740	7,650,000	(1,098,359)	-	19,073,308
2010	54,115	190,533	191,883	4,076,889	60,580	1,946,205	2,550,000	7,350,556	100,828	16,521,589
2011	1,210,632	205,949	146,029	2,066,879	53,758	1,925,629	13,955,114	(3,086,497)	259,168	16,736,661
2012	1,240,838	202,134	190,368	-	152,101	1,893,079	7,334,000	(267,704)	-	10,744,816
2013	1,516,917	215,111	175,766	4,000,000	274,814	1,893,770	7,332,000	(276,686)	18,929,829	34,061,521

**Chart 2**  
Operating and Non-operating Revenues  
2004—2013



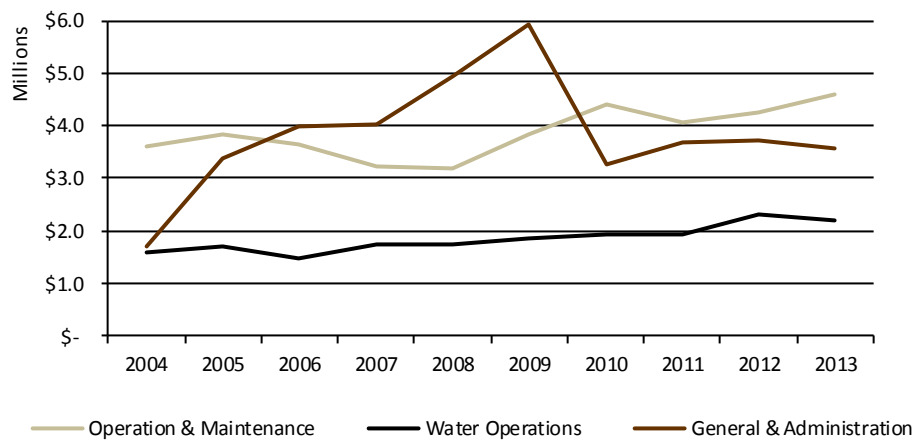
Source: Oakdale Irrigation District - Finance Dept.

## Financial Trend Data

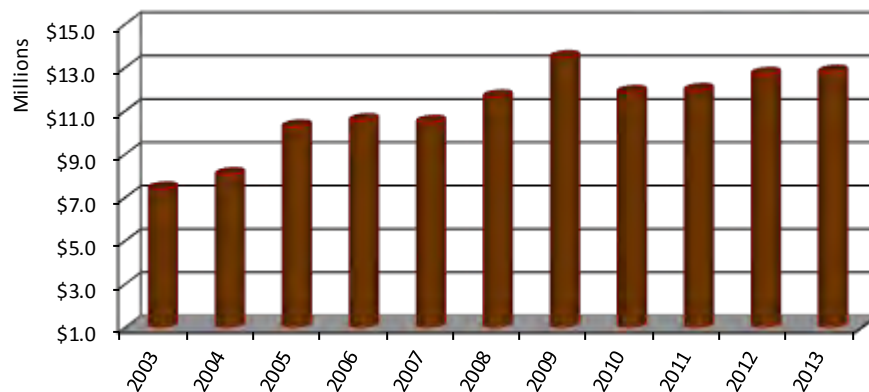
**Table 4**  
**Operating Expenses by Source**  
**Last Ten Years**

	Operation & Maintenance	General & Administration	Water Operations	Depreciation	Total Operating Expenses
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
2012	4,239,858	3,731,958	2,298,764	2,419,575	12,690,155
2013	4,608,808	3,549,500	2,213,645	2,415,604	12,787,557

**Chart 3**  
**Operating Expenses by Source**



**Chart 4**  
**Total Operating Expenses**



Source: Oakdale Irrigation District - Finance Dept.

## Revenue Capacity Data

**Table 5**  
Property Tax Levy and Collections  
Last Ten Fiscal Years

### COUNTY OF STANISLAUS

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
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%
2012	426,313,135	416,034,209	97.59%	1,546,634	0.36%
2013	427,774,039	417,419,791	97.58%	1,540,527	0.36%

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

Taxpayer	2012 / 2013			2003 / 2004		
	Property Taxes	Rank	Percentage of Total Property Taxes	Property Taxes	Rank	Percentage of Total Property Taxes
World International	\$ 2,948,417	1	0.6892%			
Gallo Glass Co.	2,533,100	2	0.5922%	\$ 1,803,071	2	0.6257%
Pacific Gas and Electric	2,470,443	3	0.5775%	1,158,779	6	0.4021%
Gallo Winery	2,401,686	4	0.5614%	1,477,747	3	0.5128%
WW Grainger, Inc.	1,304,330	5	0.3049%			
Hunt Wesson Foods, Inc.	1,292,151	6	0.3021%	1,024,762	10	0.3556%
Bronco Winery Company	1,280,300	7	0.2993%			
AT&T California	1,264,252	8	0.2955%			
Frito Lay, Inc.	1,255,979	9	0.2936%			
Doctor's Medical Center	1,228,161	10	0.2871%	1,257,340	5	0.4363%
Diablo Grande, LTD				3,693,257	1	1.2816%
Signature Fruit				1,444,050	4	0.5011%
SBC California				1,127,668	7	0.3913%
Beard Land Improvement Co.				1,095,446	8	0.3801%
Foster Dairy Farms				1,028,028	9	0.3567%
Total	\$ 17,978,819		4.2028%	\$ 15,110,148		5.2433%

Source: County of Stanislaus Auditor/Controller's Office

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

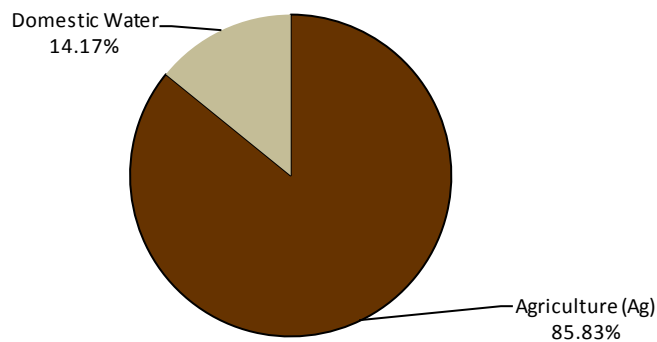


## Revenue Capacity Data

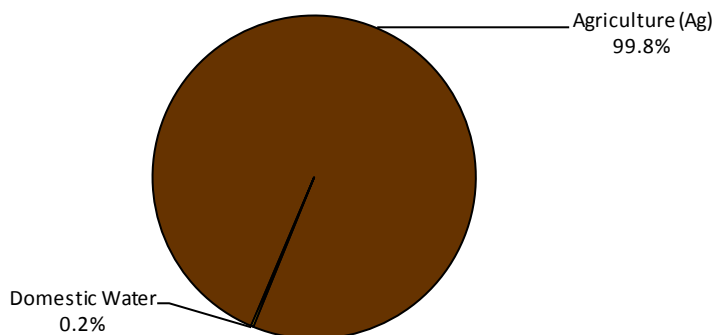
**Table 7**  
Water Customer Accounts  
Year Ended December 31, 2013

Category	Water Accounts	% of Total Water Accounts	Water Consumption (acre feet)	% of Total Consumption	Sales Revenues (in dollars)	% of Total Revenues
Agriculture (Ag)	2,872	85.83%	256,669	99.76%	\$ 1,516,917	87.58%
Domestic Water	474	14.17%	606	0.24%	215,111	12.43%
<b>TOTAL</b>	<b>3,346</b>	<b>100.00%</b>	<b>257,275</b>	<b>100.00%</b>	<b>\$ 1,732,028</b>	<b>330.94%</b>

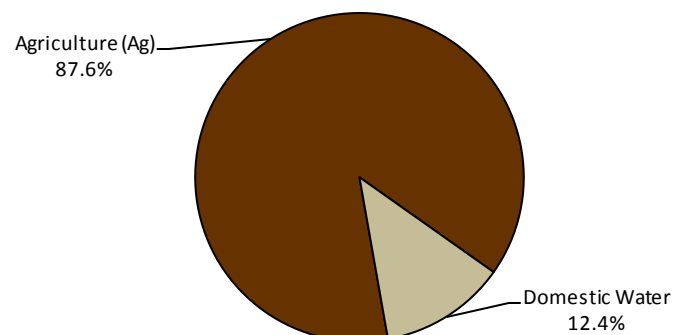
**Chart 5**  
Percentage of Total Water Accounts



**Chart 6**  
Percentage of Total Consumption



**Chart 7**  
Percentage of Total Revenues



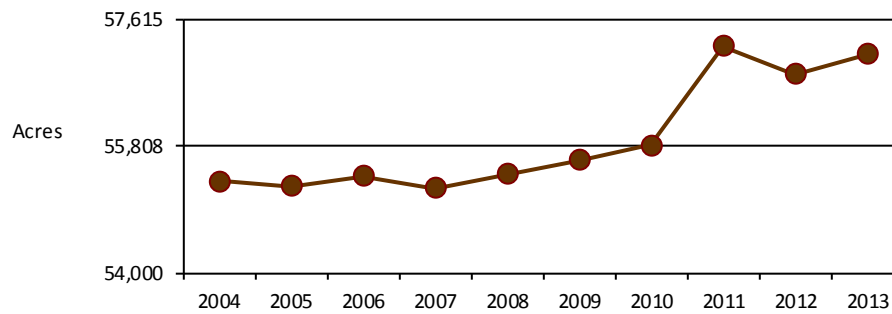
Source: Oakdale Irrigation District - Finance Dept.

## Revenue Capacity Data

**Table 8**  
Irrigated Acres  
Last Ten Fiscal Years

Water Year	Irrigated Acres
2004	55,313
2005	55,237
2006	55,385
2007	55,217
2008	55,411
2009	55,610
2010	55,824
2011	57,246
2012	56,836
2013	57,121

**Chart 8**  
Irrigated Acres



Water Year	Water Charges (per acre)									
	City			County						
	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	
2004	\$ 6.50	\$ 35.00	\$ 35.00	\$ 35.00	\$ 33.00	\$ 31.00	\$ 29.00	\$ 27.00	\$ 24.50	
2005	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2006	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2007	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2008	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2009	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2010	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2011	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2012	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	
2013	N/A	N/A	30.00	30.00	28.00	26.00	24.00	22.00	19.50	

Source: Oakdale Irrigation District - Finance Dept.

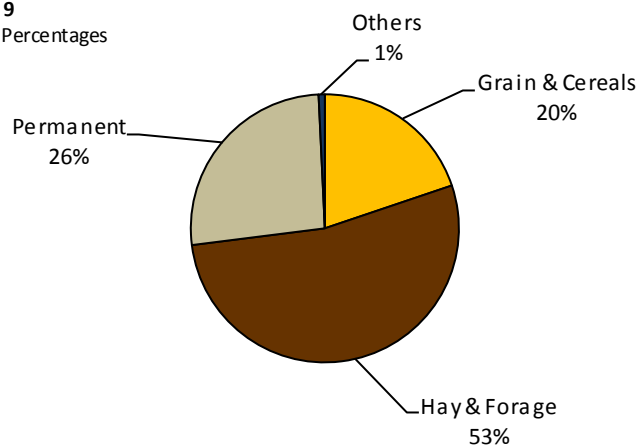
## Revenue Capacity Data

**Table 10**

Crops

Categories	2013
Grain & Cereals	11,147
Hay & Forage	29,903
Permanent	14,755
Others	422
Fallow	894
Total	57,121

**Chart 9**  
Crop Categories Percentages



**Table 11**

Ten Largest Water Users - 2013

Landowner	No. of Irrigable Acres	Percent of Total (1)	Water Revenue	Percent of Total (2)
John Brichetto Trust	1,649.09	2.89%	\$ 32,157	2.12%
V.A. Rodden	1,626.18	2.85%	31,711	2.09%
Elizabeth Brichetto	1,339.54	2.35%	26,121	1.72%
Sharon Naraghi	959.72	1.68%	18,715	1.23%
Stueve Properties	772.11	1.35%	15,056	0.99%
Montpelier Farms Corp.	686.80	1.20%	13,393	0.88%
Elsie B. Martin	633.42	1.11%	12,352	0.81%
David W. Boersma	613.83	1.07%	11,970	0.79%
Pete & Tamara Postma	599.97	1.05%	11,699	0.77%
Postma Dairies	555.81	0.97%	10,838	0.71%
TOTALS	9,436.47	16.52%	\$ 184,011	12.13%

(1) Based on the total 2013 irrigable acres of 57,121.

(2) Based on the total 2013 water revenue of \$1,516,917.

## 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
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%
2012	34,775,090,759	1.25%	434,688,634	-	434,688,634	0%
2013	33,924,599,417	1.25%	424,057,493	-	424,057,493	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 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
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%
2012	Not available	1.25%	659,802,311	-	659,802,311	0%
2013	Not available	1.25%	659,393,352	-	659,393,352	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						
Business-Type Activities						
Year	Certificate of Participation	Notes Payable	Borrow Site Agreement	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
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	59.68
2011	31,065,000	696	-	31,065,696	not available	60.01
2012	30,495,000	-	-	30,495,000	not available	58.82
2013	29,900,000	-	-	29,900,000	not available	57.17

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

<sup>1</sup>Refer 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.

Source: Counties of Stanislaus and San Joaquin Auditor/Controller's Office  
Oakdale Irrigation District—Finance Department

## Debt Capacity Data

**Table 14**  
Estimated Direct Overlapping Bonded Debt  
COUNTY OF STANISLAUS  
(as of December 16, 2013)

2013-14 Assessed Valuation: \$ 35,600,228,524 (includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 12/16/13</u>
Yosemite Community College District	71.487 %	\$ 215,652,673
Modesto High School District	100.000	45,286,787
Turlock Joint Union High School District	98.249	26,989,000
Ceres Unified School District	100.000	67,670,446
Newman-Crows Landing Unified School District	100.000	23,562,330
Oakdale Joint Unified School District	98.447	14,998,400
Patterson Joint Unified School District	98.642	28,971,750
Riverbank Unified School District	100.000	13,275,180
Other Unified School Districts	Various	40,347,315
Modesto City School District	100.000	11,638,389
Stanislaus School District	100.000	17,980,532
Sylvan School District	100.000	35,121,169
Other School Districts	Various	23,329,221
Oak Valley Hospital District	100.000	34,950,000
Newman Drainage District	100.000	175,000
Empire Union School District Community Facilities District No. 87-1	100.000	10,041,495
City Community Facilities Districts	100.000	119,300,000
Schools Infrastructure Financing Agency Mello-Roos Act Bonds	100.000	37,070,000
Salida Area Community Facilities District No. 1988-1	100.000	27,420,000
Western Hills Water District Community Facilities District No. 1	100.000	46,290,000
1915 Act Bonds (estimate)	100.000	7,660,832
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 847,730,519</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Stanislaus County Certificates of Participation	100.000 %	\$ 56,600,000
Stanislaus County Office of Education Certificates of Participation	100.000	3,680,000
Modesto High School and City School District Certificates of Participation	100.000	18,255,000
Ceres Unified School District Certificates of Participation	100.000	11,265,000
Newman-Crows Landing Unified School District	100.000	11,965,000
Salida Union School District Certificates of Participation	100.000	12,050,000
Other School Districts Certificates of Participation	Various	22,256,178
City of Modesto General Funds Obligation	100.000	76,890,000
City of Newman Certificates of Participation	100.000	1,210,000
Other City Certificates of Participation	100.000	4,269,880
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 218,441,058</b>
Less: City of Newman Wastewater Certificates of Participation (100% supported)		1,210,000
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 217,231,058</b>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
County Redevelopment Agencies		\$ 17,090,000
Ceres Redevelopment Agencies		45,395,000
Turlock Redevelopment Agencies		40,570,000
Other Redevelopment Agencies		39,862,240
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$ 142,917,240</b>
<b>GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT</b>		<b>\$ 1,209,088,817 (1)</b>
<b>NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT</b>		<b>\$ 1,207,878,817</b>

(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.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 2.38%

Ratios to Redevelopment Incremental Valuation (\$3,081,686,794):

Overlapping Tax Increment Debt..... 4.64%

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$56,600,000)..... 0.16%

Gross Combined Total Debt ..... 3.40%

Net Combined Total Debt..... 3.39%

Source: Stanislaus County Auditor/Controller's Office  
San Joaquin County information is not available.

## Demographic and Economic Information

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Stanislaus	3,890	1	1.92%	4,747	1	2.33%
E & J Gallo	3,181	2	1.57%	3,425	4	1.68%
Modesto City Schools	3,002	3	1.48%	4,000	3	1.96%
Memorial Medical Center	2,959	4	1.46%	2,600	6	1.28%
Seneca Foods	2,200	5	1.08%			
Doctors Medical Center	2,085	6	1.03%	2,300	7	1.13%
Stanislaus Food Products	1,922	7	0.95%	2,000	8	0.98%
Kaiser Permanente	1,759	8	0.87%			
Foster Farms	1,722	9	0.85%			
Del Monte Foods	1,700	10	0.84%	2,600	5	1.28%
Save Mart Supermarkets						
Signature Foods				4,100	2	2.01%
Modesto Junior College				1,866	9	0.92%
Turlock School District				1,851	10	0.91%
Total	24,420		12.05%	29,489		14.48%

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

## Demographic and Economic Information

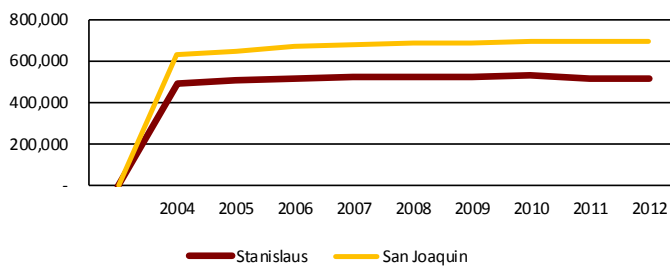
**Table 16**  
Population  
Last Ten Calendar Years  
COUNTY OF STANISLAUS

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
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%
2012	518,461	-1.50%	not available	not available	13.9%
2012	523,038	-1.42%	not available	not available	13.0%
2013	526,042	1.61%	not available	not available	13.0%

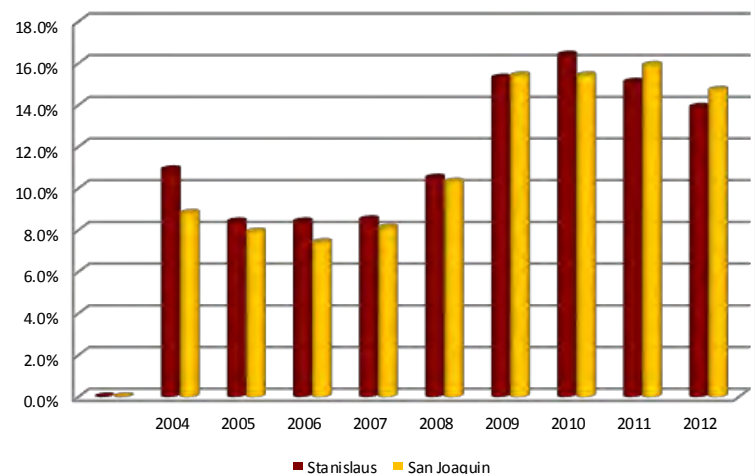
### COUNTY OF SAN JOAQUIN

Calendar	Population	% of	Personal Income	Per Capita Personal Income	Unemployment
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%
2012	695,750	0.31%	not available	not available	14.7%
2013	710,731	2.15%	not available	not available	12.8%

**Chart 10**  
Counties of San Joaquin and Stanislaus Population



**Chart 11**  
Counties of San Joaquin and Stanislaus Unemployment Rates



Source: California Department of Finance  
California Employment Development Department

## Operating Information

**Table 17**  
Full-time District Employees by Function

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water Operations	28	32	31	32	30	29	29	31	31	29
Operations and Maintenance	23	22	22	19	21	23	25	23	20	23
Finance	4	4	4	5	4	4	5	5	5	5
Engineering	3	3	3	3	4	4	4	4	4	1
Administration	4	3	4	4	4	4	4	4	4	4
Contract's Management	0	0	0	2	3	3	3	2	2	1
Total	62	64	64	65	66	67	70	69	66	63

**Table 18**  
Capital Asset Statistics by Function

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Ag Water</b>								
Miles of laterals and tunnels	230	230	230	230	230	230	230	230
Miles of pipelines	100	100	100	100	100	100	100	100
Number of production wells	25	24	24	24	24	25	25	25
Number of reclamation pumps	44	44	44	44	44	44	44	44
Number of river pumps	4	4	4	4	4	4	4	4
Number of regulating reservoirs	2	2	2	2	3	3	3	3
Number of dams	2	2	2	2	2	2	2	2
<b>Domestic Water</b>								
Miles of distribution pipelines	4.83	4.83	6.59	6.59	6.59	6.59	6.59	6.59
Number of deep wells	7	7	8	8	8	8	8	8
Number of fire hydrants	63	63	84	84	84	84	84	84

Note: Capital asset Information prior to 2006 is not available.

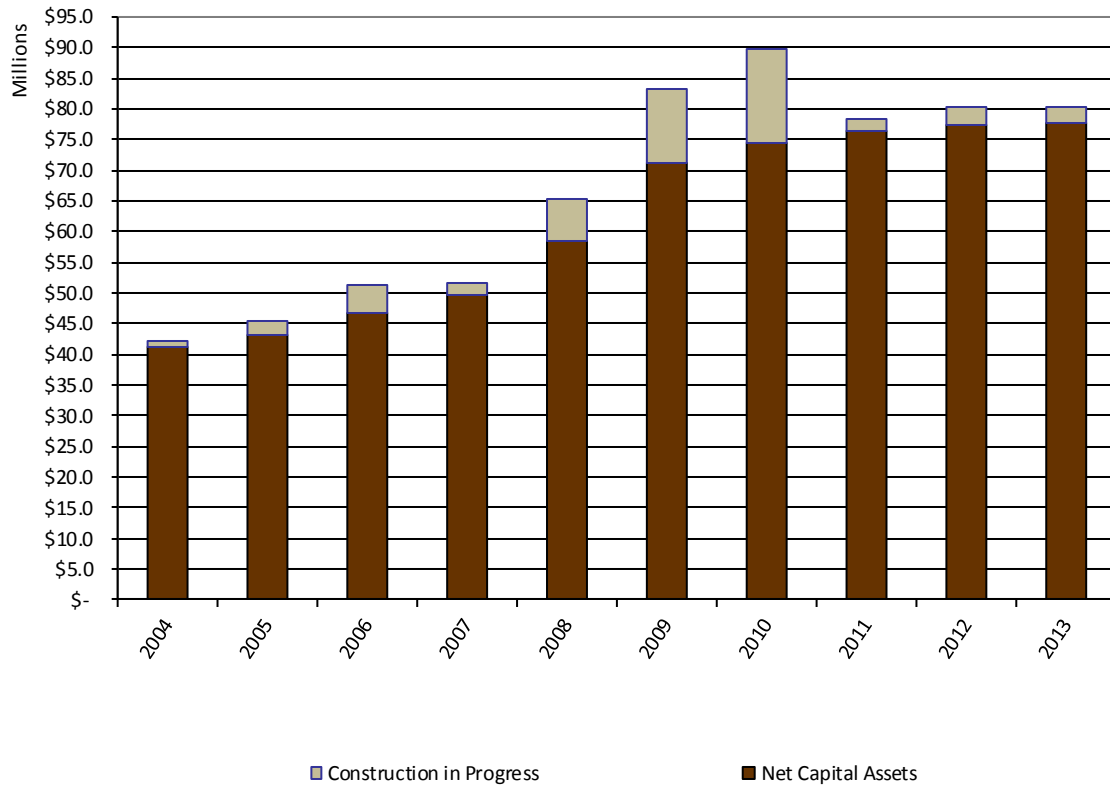


## Operating Information

**Table 19**  
Capital Assets  
Last Ten Years

Year	Total Assets (excluding CIP)	Construction in Progress	Accumulated Depreciation	Net Capital Assets
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	100,445,511	2,011,561	(26,048,581)	76,408,491
2012	103,053,665	2,832,794	(28,372,445)	77,514,014
2013	105,834,198	2,489,756	(30,649,256)	77,674,698

**Chart 12**  
Capital Assets



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# COMPLIANCE SECTION

# 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, 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, the financial statements of the Oakdale Irrigation District (the District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 10, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Oakdale Irrigation District

### **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 10, 2014

*Richardson & Company*

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## READER NOTES

## **OAKDALE IRRIGATION DISTRICT**

1205 East F Street

Oakdale, California 95361

Phone: (209) 847-0341

Fax: (209) 847-3468

Website: [www.oakdaleirrigation.com](http://www.oakdaleirrigation.com)