OAKDALE IRRIGATION DISTRICT

Lessons Learned From Four Years Of Drought

Oakdale, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ending

December 31, 2015 and 2014

COOPERATION

2015

Oakdale Irrigation District

Comprehensive Annual Financial Report

For the Years ending

December 31, 2015 and 2014

Prepared by the Finance Department

of

Oakdale Irrigation District

1205 East F Street . Oakdale . California . 95361

www.oakdaleirrigation.com

Table of Contents

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

INTRODUCTORY SECTION

A **Message** from the **General Manager**

Lessons Learned from Four Years of Drought

As I put pen to paper on this subject for the General Manager's audit statement, I truly hope the drought is over and not just in abeyance for one-year. Recent news releases from the US Weather Service's Climate Prediction Center indicates a return to dry conditions in the fall. This is not promising news, but there is not much one can do but take what Mother Nature gives you and deal with it. That's exactly what OID has been doing for the last four years.

It hasn't been easy but OID was better prepared than most to deal with the drought's harsh realities. Back in 2007 the Board adopted a Water Resources Plan that provided a blueprint to sustainability, reliability and protection of its water resources. OID followed that Plan and invested in its future to provide those protection measures for its constituents. Over the course of 6 years (2007-2013) OID invested heavily in modernization and infrastructure replacement programs that reduced its annual water usage from 290,000 acre feet down to 240,000 acre feet through efficiency improvements.

So when inflows to New Melones went from;
1.0 MAF in 2010 to
2.1 MAF in 2011 to
607 TAF in 2012 to
559 TAF in 2013 to
346 TAF in 2014 to
333 TAF in 2015 and New Melones storage went from "brim full" in 2011 to just 267 TAF (11% of capacity) on September 30 of 2015, OID was prepared to adjust. Having reduced its annual water demand down to 240,000 AF over that 6-year period and with a drought allocation of just 225,000 AF in 2013 OID found it fairly painless to adjust and make up the 15,000 AF shortfall. Better than the 75,000 TAF shortfall it would have experienced had OID had not planned ahead for this drought.

Last year, in the fourth year of the drought, OID provided the highest water allocation (44 inches) found in all the Central Valley to its agricultural water users. This year OID has no restrictions on water use except that irrigators be "water smart" in their application and use of water. Again, few irrigation districts in the State can come close to the level of water service OID has been able to provide to its constituents and we are very proud of that fact.

OID is not in this position by luck or chance. It is in this position because of a Board of Directors that has worked hard and diligently to make strategic, prudent and fiscally minded decisions. It developed a Plan and it stuck to that Plan. Lesson 1 of this drought should be that preparedness and the vision to plan for the inevitable has paid off for both OID and its constituents.

Lesson 2 of this drought is also easy. Cooperation and a willingness to work together with State, Federal and wildlife groups, to meet the needs of fisheries, is essential for sustainability of those resources and the benefits they provide to our local community.

To be clear, there are many Masters when it comes to the water in the Stanislaus River.

- The Federal Bureau of Reclamation, which operates the reservoir and administers water allocations to the Districts under an agreement reached in 1988.
- The National Marine Fisheries Service's 2009 Biological Opinion that requires precise amounts of water at certain times of the year to be sent down the river to benefit fish in what are known as "pulse flows."
- The State Water Resources Control Board, the U.S. and California Environmental Protection Agencies, and other Federal and State fish and wildlife services also influence what can and can't be done with water.

A **Message** from the **General Manager**—***continued***

OID believes working cooperatively with all these agencies, in crafting a fair and equitable Operations Agreement, that protects our farmers and our historic water rights, and still meets the requirements for fish and river health is a smart move. We have succeeded in doing so in both 2014 and 2015, during the deepest part of the drought, and all parties seemed pleased with the outcomes that occurred. In fact, many of the leaders of those agencies hailed our cooperative accomplishments as an example of the kind of partnerships necessary to meet California's diverse water needs. OID tends to agree with this statement and will continue to assist whenever possible to balance resource needs for everyone's benefit.

Respectfully,

Steve Knell
General Manager

OAKDALE IRRIGATION DISTRICT

June 17, 2016

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, 2015. 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 Management's Discussion and Analysis (MD&A) and should be read in conjunction with it.

This report is published to provide the District's Board of Directors, District citizens, staff, 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 controls 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, 2015. The independent auditor's report is located on pages 2 and 3 of this report.

For a detailed analysis of the District's financial performance, it is recommended that the reader consult the MD&A section beginning 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.

1205 East F Street / Oakdale, CA 95361 / (209) 847-0341 / Fax (209) 847-3468
www.oakdaleirrigation.com

Water to supply the District comes principally from the Stanislaus River under well established adjudicated 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 changed over the last decade. The District provides surface irrigation (raw) water to over 2,900 connections, in addition to supplying domestic water to over 700 customers. The District does not presently operate a domestic water treatment plant or provide municipal or industrial water.

The District in 1955 issued Tri-Dam revenue bonds to finance its one-half share of the costs of constructing the Tri-Dam Project on the Stanislaus River. The project consisted of building the Donnells, Beardsley, and Tulloch Dams and Reservoirs, together with associated hydro-electric plants. The Tri-Dam Project is managed by the District and South San Joaquin Irrigation District ("the Districts") through a joint board of directors comprised of the board of directors of each district. Tri-Dam's power generation was pursuant to the terms and provisions of a five-year Master Power Purchase and Sale Agreement ("Agreement") between the Districts and SENA effective January 1, 2009. This agreement replaced a similar agreement with PG&E. However, effective January 1, 2014, the Districts entered into a new power purchase and sale agreement with the City of Santa Clara, California through its municipal electric utility, Silicon Valley Power. Under the agreement, the Districts agreed to sell the net electrical output and installed capacity of its power generating facilities to the City through December 31, 2023. Under the agreement, the Districts will receive a fixed contract price per megawatt hour (MWh) with scheduled increases ranging from 2.6% to 4.4% each year. 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. All power generated by the Authority is delivered to PG&E under an agreement extended through 2016. The Authority entered into a new power purchase and sale agreement with the City of Santa Clara, California through its municipal electric utility, Silicon Valley Power, which begins after the current contract with Pacific Gas and Electric ends on December 31, 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 xii 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 and/or provides a recommendation to the full Board, which makes the final decision. There are seven standing committees that include Domestic Water, Finance, Personnel, Planning and Public Relations, San Joaquin Tributary Authorities, 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 four departments: Engineering, Finance, Support Services Operations, and Water Operations. The District's Organizational Chart is provided on page xi 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 80,900 acres, with an additional approximately 77,700 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 9,400 acres in the District were not farmed in Fiscal Year 2014. 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.

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 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, rafting and hunting.

Agriculture and farming is the economic foundation of the Counties 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. According to the Stanislaus County Ag Commissioner's Crop Report, the value of agricultural commodities produced last year in Stanislaus County increased by 20% to $4,397,286,000 as compared to 2013 of $3,663,000,000. This increase was primarily attributed to a significant raise in the value of almond meats, cattle and calves, milk production, turkeys, silage, and walnuts. Additionally, more than 13,000 fewer acres harvested mainly due to forced fallowing brought on by a fourth year of drought.

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 almonds, milk, and cattle and calves.

While Oakdale has the highest sales tax revenues per capita of all the cities in Stanislaus County, it continues to take steps necessary to increase future retail opportunities. In 2014, the City of Oakdale passed Measure Y to continue an increase to Oakdale's sales tax by a half of a percent. This increase will continue into the year 2020. 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 $832 thousand over the last six years.

Population and Employment

According to the U.S. Department of Labor and California Employment Development Department (EDD), 2015's annual unemployment rate in Stanislaus County was 11.2%, San Joaquin County was 10.6%, the State of California was 7.5%, and 6.2% for the nation, as compared to 2014's annual unemployment rate in Stanislaus County of 12.9%, San Joaquin County of 12.7%, State of California of 8.9%, and 7.0% nation-wide.

In 2015, Stanislaus County experienced an increase in population of approximately .06%, while San Joaquin County experienced an increase in population of 1.5%. In the 10-year period from 2006 to 2015, Stanislaus County's estimated population has increased by 3.5% to $532,2397; and in a 9-year period from 2007 to 2015, San Joaquin County's population increased by 5.9% to 719,511, according to the San Joaquin 2015 annual financial reports.

Within the District's service area, there are a verity 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 Revenue

In accordance with California Law, the District reviews its fixed water user fees and 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 to pay the costs associated to deliver water to the landowner. The District bills it agricultural water users on an annual basis for a water delivery charge, separate from the property tax bill, with payments due in December and June. Additionally, agricultural water users are billed during the irrigation season for water used based off of volumetric measurement. The District's domestic water users are billed on a monthly basis.

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, because of the fourth year of drought, and the potential of the continuation of the drought, wholesale power generation and water available for sales are impacted, and may affect 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, 2015 irrigation water rates in the District were supported by approximately 48.5% (or $5.7 million) due to sale of water, and 36.9%, (or $4.4 million) due to Tri-Dam Project cash distributions. In 2014, the irrigation water rates were subsidized by approximately 54.6% (or $4.7 million), due to Tri-Dam Project and Power Authority cash distribution. As a result of the continuation of the reduction of these revenues, and the requirements of California's Senate Bill x7-7 ("SBx7-7) (Urban and Agriculture Water Conservation Act), the District went through the Prop 218 process in 2014 to increase its agricultural water users rates for 2015. The Board adopted the proposed rates in October 2014. The water rates were partially implemented in 2015 and then fully implemented in 2016.

Tri Dam distributions were significantly impacted due to the fourth year of the drought in both 2015 and 2014.

Water Resources Plan

The District's Water Resources Plan (WRP), completed in June 2007, 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 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 $52 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 updated WRP were completed and reviewed by the District in 2015.

The WRP proposed that the cost of these improvements be funded by revenues from water sales, 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 sell 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 8,344 acres of land applied for annexation during 2012. Local Agency Foundation Commission (LAFCO) approved 7,274 acres for annexation in 2013, and it is anticipated the remainder will be approved by LAFCO in October 2016.

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 to be 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

In 2014, the District, along with CH2M Hill, prepared a water rate study for two reasons: 1) to comply with the provisions of SBx7-7 and to incorporate the added operating costs this legislation requires; and 2) to correct a revenue shortfall in the District's budget due to a decline in wholesale power revenues and water transfers. In accordance with the provisions of Article XIII D, Section 6, of the California Constitution, the District on August 19, 2014 began the Prop 218 process of notifying agricultural water users of proposed increases in agricultural water rates. On October 21, 2014, the District held a hearing and approved to implement the proposed rates in 2015. The new rate structure includes a "Flat Rate" to be assessed on a per acre basis according to the counties' assessor parcel maps, a "Volumetric Charge" per acre-foot per acre used at the farm gate, and a "Drought Surcharge." Additionally, these rates are subject to a 3% escalator annually, at the District's discretion.

In 2011, 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. The systems 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.

TCC integrated canal software is relatively new to the U.S. market. 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 District applied for a state grant under the Agricultural Water Use Efficiency 2015 Grants—Proposition 1 to further its commit to future TCC projects. Funding results from the state is expected mid-summer 2016. Funding from the state would further the District's efforts in water conservation.

In 2015, the District updated its Ag Water Management Plan in accordance with the requirements of the Water Conservation Act of 2009 and the Governor's Executive Order B-29-15.

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. All this while conserving its cash reserves as a precautionary measure against a potential long-term drought, water right issues, environmental concerns, water quality issues, and regional/local groundwater management issues. On March 5, 2009 the District successfully issued Certificates of Participation bonds of $32,145,000 at a true interest cost of 5.397% at a 30-year term with the option to pre-pay (without penalties) after August 1, 2019.

Awards and Acknowledgements

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, 2014. This was the eighth 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.

The District received the Association of California Water Agencies Joint Powers Insurance Authority’s Award for Commitment to Excellence. This awards recognizes the District for its commitment to a program of excellence through the implementation of “best practices” in reducing the potential and frequency of vehicle losses, infrastructure and construction related losses, employment practice claims, and ergonomic and fall injuries.

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.

June 17, 2016

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

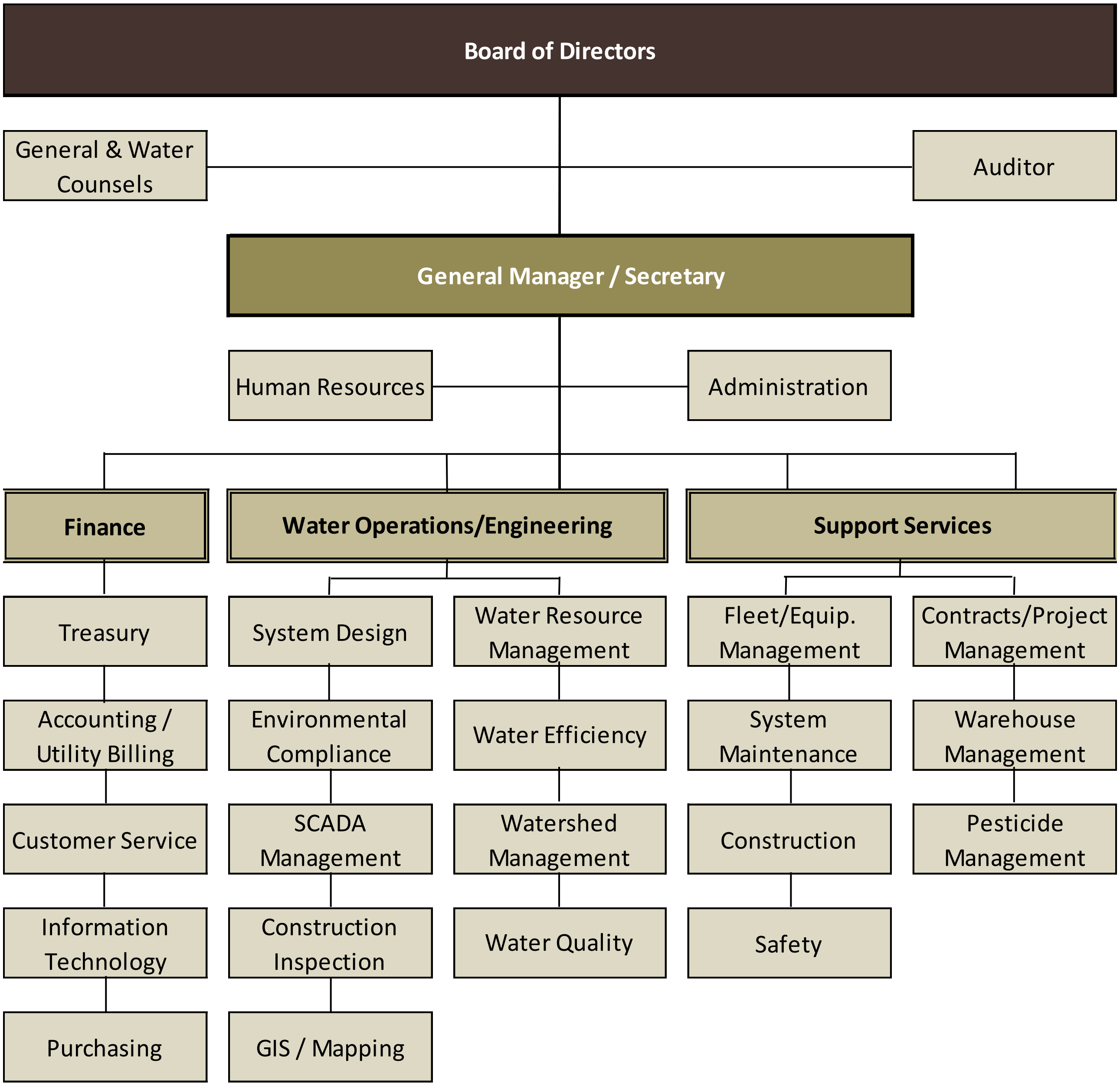
We would like to thank the Board of Directors for their continued interest, support, and direction in all aspects of the District's financial and water resource management. We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance Department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

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 the continuation of the drought, rigorous environmental issues, and a precarious economic environment.

Respectfully submitted,

Steve R. Knell	*Kathy Cook*
General Manager	Chief Financial Officer

Organization Chart—through December 2015



Principal **Officials**

Steven Webb

Board President
(Division 2)

Herman Doornenbal

Board Vice-President
(Division 3)

Linda Santos

Director
(Division 4)

Gary Osmundson

Director
(Division 5)

Gail Altieri

Director
(Division 1)

Appointed Official	-	Steven R. Knell, General Manager / Secretary
Department Managers	-	Kathy Cook, Chief Financial Officer / Treasurer
	-	Jason Jones, Support Services Manager
	-	Eric Thorburn, Water Operations Manager / Engineer
Supervisors	-	A. J. Borba, Assistant Water Operations Manager
	-	Lori Fitzwater-Presley, Administrative Assistant
	-	Glen Rathbun, Field Operations Supervisor
	-	Joe Kosakiewicz, Field Operations Supervisor
	-	Mike Hanf, Ag Water Operations Supervisor
	-	Don Prichard, Ag Water Operations 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, 2014

Executive Director/CEO

FINANCIAL SECTION

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2015 and 2014 and the results of its operations and cash flows for the years 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, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended December 31, 2015. Due to the implementation of these Statements, the District recognized deferred outflows of resources and a pension liability for its cost-sharing pension plan as of January 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we 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 17, 2016 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, LLP

June 17, 2016

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, 2015. 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.

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.

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 four components, 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:

- Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over 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 Net Position can be found on pages 12 and 13.
- Statement of Revenues, Expenses, and Changes in Net Position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs, regardless of the timing of the related cash flow. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user charges, and other charges. The Statement of Revenues, Expenses, and Changes in Net can be found on page 14.
- Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. The statement reports cash activity in three categories: operating; capital and related financing; and investing. The statement differs from the Statement of Revenues, Expenses, and Changes in Net Position in that it accounts only for transactions that result from cash receipts and disbursements. As in the past, the statement of cash flows continues to reconcile the reason why cash from operating activities differ from operating income. The Statement of Cash Flows can be found on pages 15 and 16.
- Notes to the Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by *Generally Accepted Accounting Principles (GAAP)* that are not otherwise present in the financial statements. 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 19.

Statistical Section

The statistical section provides additional information not contained in the financial section on District activities. The statistical section begins on page 51.

FINANCIAL HIGHLIGHTS

The District's financial operations continues to remain strong during 2015.

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 2015 by $147.2 million *(net position).* Of this amount, $2.3 million is restricted for a specific purpose, $51.6 million is invested in capital assets *(net of related debt)*, and $93.3 million is in unrestricted net position. Comparatively, as restated, at the close of 2014 net position exceeded liabilities by $146.1 million of which $2.3 million was in restricted for a specific purpose, $50.9 million was invested in capital assets *(net of related debt)*, and $92.9 million was in unrestricted net position, as restated. Unrestricted net position is available to meet the District's ongoing obligations. Of the $93.3 million unrestricted net position, $33.1 million has been designated for specific projects and purposes;
- The District's total net position increased by $1.1 million in 2015 to $147.2 million,
- Total non-current liabilities declined by a net amount of $1.1 million in 2015. This decrease is primarily due to the retirement of $665 thousand in bond debt and amortization of issue discount; and a $395 thousand in net pension liabilities.
- Operating revenues increased by $6.7 million to $8.5 million in 2015, as compared to a decrease of $4.1 million in 2014. This increase is primarily due to $5.7 million in sales of water and $963 thousand increase in users charges;
- Non-operating revenues increased by $370 thousand to $5.2 million in 2015, as compared to a decrease of $23.4 million in 2014. This is primarily due the net of an increase in the District's equity in its Tri-Dam Project of $650 thousand; an increase of $193 thousand in property taxes; a decrease of $283 thousand in Tri-Dam Project distributions, a decrease of $137 thousand in the sale of capital assets, and a decrease of $53 thousand in interest earnings.
- Operating expenses, excluding depreciation, decreased by $648 thousand to $8.7 million in 2015, as compared to a decrease of $2.2 million to $11.5 million in 2014, primarily from the change in the District's pension liability;
- Non-operating expenses decreased slightly by $22 thousand to $1.5 million, as compared to an increase of $55 thousand in 2014.

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.

STATEMENTS OF NET POSITION

Net Position is the difference between total assets and liabilities. The table following on page 6 illustrates the District's consolidated Net Position for the years ended December 31, 2015 and 2014. For comparative purposes, the year ending December 31, 2013 is included.

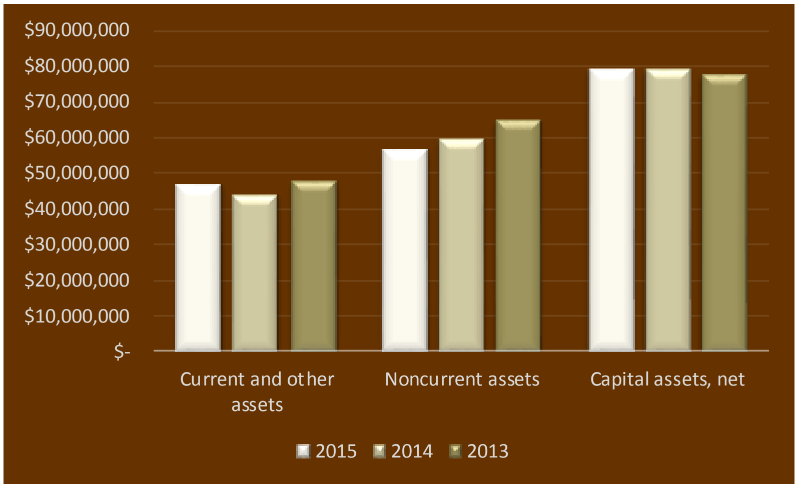
STATEMENTS OF NET POSITION-continued

Net Position-continued

Table 1
Condensed Statements of Net Position

	2015	2014 (As restated)	December 31, Increase (Decrease)	2013 (As restated)	Increase (Decrease)
TOTAL ASSETS					
Assets					
Current and other assets	$ 46,938,859	$ 44,283,511	$ 2,655,348	$ 48,166,656	$ (3,883,145)
Noncurrent assets	56,963,027	59,611,666	(2,648,639)	65,244,688	(5,633,022)
Capital assets, net	79,268,629	79,216,586	52,043	77,674,698	1,541,888
Deferred outflows	573,848	283,781	290,067	316,314	(32,533)
Total assets and deferred outflows	183,744,363	183,395,544	348,819	191,402,356	(8,006,812)
TOTAL LIABILITIES AND NET POSITION					
Liabilities					
Current liabilities	5,051,887	4,635,985	415,902	5,424,344	(788,359)
Long-term liabilities	30,523,546	31,646,570	(1,123,024)	33,235,261	(1,588,691)
Deferred inflows	948,385	1,021,999	(73,614)	-	1,021,999
Total liabilities and deferred inflows	36,523,818	37,304,554	(780,736)	38,659,605	(1,355,051)
NET POSITION					
Net investment in capital assets	51,589,942	50,885,465	704,477	50,566,062	319,403
Restricted for debt service	2,149,260	2,149,347	(87)	2,149,190	157
Restricted for remediation projects	160,114	158,957	1,157	157,691	1,266
Unrestricted	93,321,229	92,897,221	424,008	99,869,808	(6,972,587)
Total net position	$ 147,220,545	$ 146,090,990	$ 1,129,555	$ 152,742,751	$ (6,651,761)

Chart 1
Assets Compared



STATEMENTS OF NET POSITION-continued

Net Position-continued

The District concluded the 2015 year having $41.6 million in available unrestricted cash and investments in general and designated reserve fund accounts, an increase of $1.2 million; as compared to a decrease of $4.4 million in 2014. Of the $41.6 million of unrestricted funds on hand at December 31, 2015, approximately 87% or $36.2 million was managed by Highmark Capital and held by Union Bank of California (as custodian). The balance that 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 $2.7 million in 2015, as compared to a $3.8 million decrease in 2014. The increase in 2015 current assets was primarily due to the net of an increase in cash and investments of $1.2 million, an increase of $740 thousand in receivables due from other governmental agencies; and an increase of $718 thousand in ag and domestic water charges receivables.

Noncurrent assets decreased by $2.6 million primarily as a net result a decrease of $2.0 million in investments in Tri-Dam Project; a decrease of $746 thousand in annexation fees receivables; a decrease of $13 thousand in long-term accounts receivables; an increase of $122 thousand in restricted cash; and an increase of $52 thousand in capital assets, net of depreciation.

The District's gross capital assets increased by $2.4 million to $114.5 million as a result of the continuation of the Water Resources Plan capital improvement program. In 2014, gross capital assets increased $3.8 million to $112.1 million. Capital assets, net of depreciation, increased $52 thousand to $79.3 million, as compared to an increase in 2014 of $1.5 million to $79.2 million.

In 2015, the District's net investment in capital assets increased by $704 thousand, as compared to an increase of $319 thousand in 2014. This increase of $704 thousand was primarily due the net of a $52 thousand increase in capital assets (net of depreciation) and the retirement of $652 million of long-term debt (net of amortization).

The District's total assets and deferred outflows of resources (cash, reserves, receivables, and net capital assets, deferred outflow of resources) increased by $349 thousand to $183.7 million. In 2014, the District's total assets and deferred outflows decreased by $8.0 million to $183.4 million. This decline is primarily due to $1.2 million increase in cash and cash equivalents; an increase of $1.5 million in receivables; an increase of $290 thousand in deferred outflows of resources from pension contributions; a decrease of $2.0 million in Tri-Dam Project's investment and distributions; and a decrease of $747 thousand in annexation fees receivables

Deferred outflows of resources represent various adjustments related to the District's net pension liability. These adjustments are primarily due to pension contributions made by the District subsequent to the measurement date of June 30, 2015 (valuation date of June 30, 2014), and increased $290 thousand from the prior year, as restated.

Liabilities

Current liabilities increased in 2015 by $415 thousand to $5.1 million, primarily due to the net of an increase of $288 thousand in unearned revenue; an increase of $121 thousand of improvement district restricted assets held; an increase of $72 thousand in long-term liabilities due within one-year; and a decrease of $62 thousand in year-end payables as compared to a decrease of $788 thousand to $4.6 million in 2014.

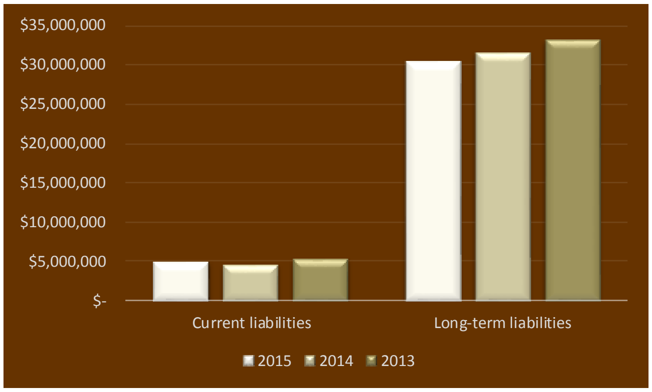
Non-current liabilities decreased by $1.1 million as a result of a $655 thousand decrease in debt retirement; and a $395 thousand decrease in pension liability (as restated).

Deferred inflows of resources represent various adjustments related to the District's net pension liability. These adjustments are primarily due to changes in CalPERS' methodologies and assumptions in calculating the net pension liability, including differences between projected and actual earnings on pension plan investments, and changes in the District's proportionate share of the entire pension liability of all California government agencies participating in the same risk pool. For 2015, deferred inflows totaled $948 thousand, a decrease of $74 thousand from the prior year.

STATEMENTS OF NET POSITION-continued

Liabilities—continued

Chart 2
Liabilities Compared



STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following tables illustrates the District's consolidated statements of revenues, expenses, and changes in net position for the 2015, 2014, and 2013 year:

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	For the year ended December 31,				
	2015	2014 (As restated)	Increase (Decrease)	2013 (As restated)	Increase (Decrease)
Revenue, Expenses, and Changes in Net Position					
Operating revenues					
Agricultural water service fees	$ 2,341,654	$ 1,378,393	$ 963,261	$ 1,516,917	$ (138,524)
Other operating revenues	415,582	426,872	(11,290)	389,677	37,195
Connection fees	19,726	1,810	17,916	1,200	610
Water sales	5,750,000	-	5,750,000	4,000,000	(4,000,000)
Total operating revenues	8,526,962	1,807,075	6,719,887	5,907,794	(4,100,719)
Nonoperating revenues					
Tri Dam Project distributions, net	2,369,339	2,001,707	367,632	6,406,205	(4,404,498)
Property taxes	2,230,344	2,037,400	192,944	1,893,770	143,630
Tri Dam Power Authority distributions	-	-	-	750,000	(750,000)
Other nonoperating revenues	615,733	806,775	(191,042)	19,204,643	(18,397,868)
Total nonoperating revenues	5,215,416	4,845,882	369,534	28,254,618	(23,408,736)
Total revenues	13,742,378	6,652,957	7,089,421	34,162,412	(27,509,455)
Operating expenses					
Operation and maintenance	3,845,339	3,751,234	94,105	5,019,045	(1,267,811)
General and administrative	2,734,946	3,347,853	(612,907)	3,839,314	(491,461)
Water operations	2,082,555	2,212,021	(129,466)	2,632,570	(420,549)
Depreciation	2,440,541	2,464,433	(23,892)	2,415,604	48,829
Total operating expenses	11,103,381	11,775,541	(672,160)	13,906,533	(2,130,992)
Nonoperating expenses					
Interest expense	1,510,785	1,532,664	(21,879)	1,477,080	55,584
Total nonoperating expenses	1,510,785	1,532,664	(21,879)	1,477,080	55,584
Total expenses	12,614,166	13,308,205	(694,039)	15,383,613	(2,075,408)
Net income (loss) before contributions	1,128,212	(6,655,248)	7,783,460	18,778,799	(25,434,047)
Capital contributions	1,343	3,487	(2,144)	118,558	(115,071)
Change in net position	1,129,555	(6,651,761)	7,781,316	18,897,357	(25,549,118)
Net position-beginning of year as previously reported	146,090,990	152,742,751	(6,651,761)	136,189,881	16,552,870
Restatement	-	-	-	(2,344,487)	2,344,487
Net position-beginning of year-as restated	146,090,990	152,742,751	(6,651,761)	133,845,394	18,897,357
Net position-end of year	$ 147,220,545	$ 146,090,990	$ 1,129,555	$ 152,742,751	$ (6,651,761)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-continued

The January 1, 2013 balances of the Condensed Statements of Revenues, Expenses, and Changes in Net Position as shown on Table 2 on the previous page are not reported in accordance with GASB Statement No. 68 because CalPERS did not re-compute the pension liability in the June 30, 2012 pension plan valuation using methods and assumptions that comply with GASB Statement No. 68. The restatement as of January 1, 2013 represents the contributions made from July 1, 2012 to December 31, 2012, less the pension liability computed in the June 30, 2012 valuation using methods and assumptions that do not comply with GASB Statement No. 68.

Revenues

In 2015, total revenues increased by $7.1 million to $13.7 million primarily as a net result of:

- A one-time water sale of $5.7 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 in 2015;
- An increase of $963 thousand in ag water service fees;
- An increase in Tri-Dam Project's equity in undistributed net earnings of $650 thousand;
- An increase in property taxes of $193 thousand;
- Tri-Dam Project's cash distributions decreased by $283 thousand as a result of the 4th year of drought;
- A decrease of $137 thousand in gains on the sale of capital assets; and
- A decrease of $53 thousand in interest earnings.

In 2014, total revenues decreased by $27.5 million to $6.7 million in 2014 primarily as a net result of:

- A one-time annexation fee of agricultural lands into the District in the amount of $18.9 million in 2013;
- 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 in 2013;
- Tri-Dam Project's cash distributions decreased by $1.9 million as a result of the 4th year of drought. In 2013, cash disbursements increased by $248 thousand;
- Tri-Dam Project's equity in undistributed net earnings decreased by $500 thousand as a result of distributions made to the District;
- The Tri-Dam Power Authority's cash distributions decreased by $750 thousand in 2014 as a result of a 4th year of drought; and
- An increase in interest earned on investments of $401 thousand.

Total Expenses

In 2015, total expenses decreased by $694 thousand to $12.6 million primarily as a net result of:

- An increase of $225 thousand in labor and related benefits, and materials and supplies;
- A decrease of $758 thousand in non-cash pension expense due to the implementation of GASB 68;
- A decrease of $187 thousand in power costs associated with pumping water; and
- A decrease of $22 thousand in bond interest expense.

Total Expenses in 2014 decreased by $2.1 million to $13.3 million primarily as a net result of:

- A decrease of a $1.1 million pension expense adjustment in 2013 as compared to $68 thousand in 2014;
- A decrease of $595 thousand in outside contractor and equipment rental costs;
- A decrease of $386 thousand in labor and related benefits;
- A decrease of $73 thousand in property and liability insurance costs;
- A decrease of $71 thousand in the District's share of repairs to its Joint Main canal;
- A decrease of $65 thousand in engineering costs;
- A decrease of $58 thousand in community outreach donations;
- An increase of $202 thousand in power costs associated with pumping water;
- An increase of $99 thousand in legal costs; and
- An increase of $56 thousand in bond interest expense.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-continued

Changes in Net Position

Overall, the District's total net position increased by $1.1 million to $147.2 million during the current calendar year; as compared to the prior year of $146.1 million, as restated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table illustrates the District's capital assets as of December 31, 2015, 2014, and 2013.

Table 3

Capital Assets

	2015	2014	Increase (Decrease)	2013	Increase (Decrease)
Land	$ 2,751,847	$ 2,686,958	$ 64,889	$ 2,585,165	$ 101,793
Construction in progress	1,913,853	4,282,672	(2,368,819)	2,489,756	1,792,916
Buildings	942,633	944,493	(1,860)	944,493	-
Dams and reservoirs	9,912,899	9,439,398	473,501	9,437,959	1,439
Distribution systems	89,571,473	85,410,721	4,160,752	83,721,365	1,689,356
Domestic water system	3,606,922	3,606,922	-	3,606,922	-
Other equipment	5,798,144	5,711,518	86,626	5,538,294	173,224
Total capital assets	114,497,771	112,082,682	2,415,089	108,323,954	3,758,728
Less: accumulated depreciation	(35,229,142)	(32,866,096)	(2,363,046)	(30,649,256)	(2,216,840)
Total capital assets being depreciated, net	$ 79,268,629	$ 79,216,586	$ 52,043	$ 77,674,698	$ 1,541,888

As of December 31, 2015, the District had $79.3 million in capital assets net of $35.2 million of accumulated depreciation. This represents a net increase in capital assets of $52 thousand over the prior year. Total capital assets were $114.5 million in 2015, and $112.1 million in 2014, an increase of $2.4 million. As compared to an increase of $3.8 million in 2014 over 2013. The District invested a significant portion of the $2.4 million in its capital assets in 2015 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 District will continue implementing its WRP over the next 20 years investing in 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.

Additional information on capital assets may be found in Note 3 of the Notes to the Basic Financial Statements on pages 29 and 30.

Long-term Debt

At December 31, 2015, the District had total long-term debt outstanding of $28.0 million compared to $28.6 million as of December 31, 2014. The decrease of $600 thousand is due to annual debt service payments, and the defeasance of its 2015 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 30 through 32 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION—continued

Defined Benefit Pension Plans

The *Governmental Accounting Standards Board (GASB)* issued a new standard that made significant changes to how state and local governments account for the cost of pension benefits in their financial statements. This new standard, as detailed in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27,* required state and local governments to adopt this new standard beginning in the fiscal year 2014-2015. Among the many changes that this pronouncement required; two impacts of GASB 68 on the presentation of the financial statements for the years ended December 31, 2015 and 2014 were the amount that an employer reports as a liability in its financial statements and changes to the liability the employer reports as pension expense. As a result, the District is now required to record the net pension (unfunded) liability for its defined benefit plan as a liability on its statement of net position. Additionally, the pension expense the District records is no longer equal to the annual required contribution that the District pays to the California Public Employees Retirement System (CalPERS). The District's pension expense now includes the impact of annual fluctuations in the market value of the assets of the plan itself.

Additional information on Pensions may be found in Note 6 of the Notes to the Basic Financial Statements on pages 33 through 38.

Economic Factors and Next Year's Budgets and Rates

Regional and statewide water supply issues continue to threaten the District's water rights and ultimately its long-term water supply reliability. As a result of the drought and the potential of the continuation of the drought, the District has challenging times ahead with managing its water supply and financial resources.

A significant portion of the District's costs are fixed, such as debt service on bonds, maintenance, system operations, labor, benefits, and administrative costs. The District has, and will continue to provide the best possible service and manage these costs to the betterment of its District customers.

When preparing the 2016 budget, the District continued to focus on issues that may have an impact on its operations.

- The impacts of a 4-year drought, and the continuation of the drought, and its impact 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;
- Continued uncertainty of the State of California's budget and its continued propensity to balance its budget on the backs of local government;
- Deferment of modernization capital projects;
- Increases in personnel-related costs, including full-time salaries, health insurance premiums, retirement contributions, and workers' compensation. Additionally, increases in pumping costs, fuel prices and the cost of goods and services all affect the budget's bottom line; and
- Preservation of its designated reserve funds.

In August 2014, the District mailed out Prop 218 agricultural water user notices for a proposed rate increase. In October 2014, the proposed water rate increases were adopted and implemented in 2015 and will increase agricultural water revenues by approximately 50%.

In 2015 for the first time in the District's history, agricultural water users were limited to irrigation water deliveries of 44 inches per acre. Farmer to Farmer intra-district water transfers were allowed to help ease the impact of the continued drought.

Requests for Information

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

Statements of **Net Position**

	At December 31,	
	2015	2014 (As restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,825,963	$ 5,133,309
Investments	31,731,207	35,229,450
Receivables		
Annexation fees	746,728	724,978
Agricultural water fees	1,283,509	655,642
Due from other governmental agencies	886,624	146,871
Miscellaneous	240,148	282,477
Domestic water fees	6,773	8,522
Inventory of materials and supplies	872,289	784,216
Prepaid expenses	1,266,761	1,236,722
Due from Improvement Districts	78,857	81,324
Total current assets	46,938,859	44,283,511
Noncurrent assets:		
Accounts receivable - delinquencies	14,333	26,350
Due from other governmental agencies-Prop 1A	101,647	103,360
Restricted Improvement Districts' cash and cash equivalents	959,980	839,068
Restricted cash and cash equivalents	2,309,374	2,308,306
Annexation fees receivable	15,503,254	16,249,982
Investments in Tri-Dam Project	38,074,439	40,084,600
Capital assets:		
Not being depreciated	4,665,700	6,969,630
Being depreciated, net	74,602,929	72,246,956
Total noncurrent assets	136,231,656	138,828,252
Total assets	183,170,515	183,111,763
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	573,848	283,781
Total deferred outflows of resources	573,848	283,781
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 183,744,363	$ 183,395,544

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

Statements of **Net Position**—continued

	At December 31, 2015	At December 31, 2014 (As restated)
LIABILITIES		
Current liabilities:		
Payable from nonrestricted assets		
Accounts payable	$ 394,668	$ 199,844
Due to other governmental agencies	41,362	51,871
Accrued salaries, wages and related benefits	155,137	277,509
Unearned revenue	3,075,180	2,787,586
Deposits payable	12,200	15,500
Due to Improvement Districts	69,831	163,084
Claims payable	3,750	34,100
Improvement Districts' deposits payable from restricted assets	959,980	839,068
Long-term liabilities, due within one-year	339,779	267,423
Total current liabilities	5,051,887	4,635,985
Noncurrent liabilities:		
Long-term liabilities, due in more than one-year	28,225,881	28,954,098
Pensions	2,297,665	2,692,472
Total noncurrent liabilities	30,523,546	31,646,570
Total liabilities	35,575,433	36,282,555
DEFERRED INFLOWS OF RESOURCES		
Pensions	948,385	1,021,999
Total deferred inflows of resources	948,385	1,021,999
Net Position		
Net investment in capital assets	51,589,942	50,885,465
Restricted for debt service	2,149,260	2,149,347
Restricted for remediation projects	160,114	158,957
Unrestricted	93,321,229	92,897,221
TOTAL NET POSITION	$ 147,220,545	$ 146,090,990

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

Statements of **Revenues, Expenses,** and Changes in **Net Position**

	For the Year Ended December 31	
	2015	2014 (As restated)
Operating revenues:		
Agricultural water service fees	$ 2,341,654	$ 1,378,393
Domestic water delivery fee	194,386	213,932
Other water related revenues	221,196	212,940
Connection fees	19,726	1,810
Water sales	5,750,000	-
Total operating revenues	8,526,962	1,807,075
Operating expenses:		
Operation and maintenance	3,845,339	3,751,234
General and administrative	2,734,946	3,347,853
Water operations	2,082,555	2,212,021
Depreciation / amortization	2,440,541	2,464,433
Total operating expenses	11,103,381	11,775,541
Operating loss	(2,576,419)	(9,968,466)
Nonoperating revenues (expenses):		
Interest earned	622,378	675,681
Property taxes	2,230,344	2,037,400
Tri-Dam Project distributions	4,379,500	4,662,000
Equity in undistributed net earnings of Tri-Dam Project	(2,010,161)	(2,660,293)
Debt service interest	(1,510,785)	(1,532,664)
Gain (loss) on sale of capital assets	(6,645)	131,094
Total non-operating revenues (expenses)	3,704,631	3,313,218
Net income (loss) before contributions	1,128,212	(6,655,248)
Capital contributions	1,343	3,487
Change in net position	1,129,555	(6,651,761)
Net position - beginning of year - as previously reported	146,090,990	156,105,323
Restatement	-	(3,362,572)
Net position - beginning of year as restated	146,090,990	152,742,751
Net position - end of year	$ 147,220,545	$ 146,090,990

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

Statements of **Cash Flows**

	For the Year Ended December 31	
	2015	2014 (As restated)
Cash flows from operating activities:		
Cash received from customers	$ 8,061,976	$ 2,730,684
Cash payments to suppliers for goods and services	(1,383,290)	(3,375,323)
Cash payments from Improvement Districts	(90,786)	84,426
Cash payments to employees	(7,259,717)	(6,011,693)
Cash payments for claims	(30,350)	34,100
Net cash (used) by operating activities	(702,167)	(6,537,806)
Cash flows from noncapital financing activities:		
Annexation fees	724,978	703,863
Interest on annexation agreement	502,520	523,692
Property taxes	1,739,626	2,088,349
Total cash provided by noncapital financing activities	2,967,124	3,315,904
Cash flows from capital and related financing activities:		
Purchases of capital assets	(2,497,886)	(4,036,845)
Debt interest paid	(2,363,472)	(3,036,995)
Debt principal payments	(759,158)	(1,260,000)
Proceeds from sales of capital assets	121,494	165,105
Net cash (used) by capital and related financing activities	(5,499,022)	(8,168,735)
Cash flow from investing activities:		
Interest received on investments	288,514	355,503
Purchases of securities	(59,677,251)	(37,584,222)
Proceeds from sale of securities	1,750,000	549,432
Proceeds from calls and maturities	61,307,936	38,470,199
Capital Contribution to Tri-Dam Project	-	(301,482)
Tri-Dam Project cash distributions	4,379,500	4,662,000
Net cash (used) provided by investing activities	8,048,699	6,151,430
Net (decrease) increase in cash and cash equivalents	4,814,634	(5,239,207)
Cash and cash equivalents at beginning of year	8,280,683	13,519,890
Cash and cash equivalents at end of year	$ 13,095,317	$ 8,280,683

	For the Year Ended December 31,	
	2015	2014 (As restated)
Reconciliation of cash and cash equivalents to Statement of Net Position:		
Cash and cash equivalents	$ 9,825,963	$ 5,133,309
Restricted Improvement District's cash and cash equivalents	959,980	839,068
Restricted cash and cash equivalents	2,309,374	2,308,306
Total cash and cash equivalents	$ 13,095,317	$ 8,280,683

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

Statements of **Cash Flows**—*continued*

	For the Year Ended December 31, 2015	2014 (As restated)
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss	$ (2,576,419)	$ (9,968,466)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,440,541	2,464,433
Changes in assets and liabilities:		
Decrease (increase) in receivables	(870,192)	(15,252)
Decrease (increase) in inventory	(88,073)	(22,761)
Decrease (increase) in prepaid expenses	835,212	218,210
Decrease (increase) in deferred outflows/inflows of resources - pensions	(758,488)	68,118
Decrease (increase) in due from Improvement Districts	2,467	74,402
Increase (decrease) in long-term connection fees	-	150,000
Increase (decrease) in accounts payable	194,824	(415,233)
Increase (decrease) in due to other agencies	(10,509)	24,621
Increase (decrease) in accrued salaries, wages and related benefits	(122,372)	27,570
Increase (decrease) in unearned revenue	287,594	736,567
Increase (decrease) in deposits payable	(3,300)	(800)
Increase (decrease) in due to Improvement Districts	27,659	63,120
Increase (decrease) in claims payable	(30,350)	34,100
Increase (decrease) in compensated absences	(30,761)	23,565
Net cash (used) by operating activities	$ (702,167)	$ (6,537,806)
Supplemental disclosures of non-cash activities:		
Receipts of contributed assets	$ 1,343	$ 118,558
(Decrease) increase in fair value of investments	(117,558)	(209,040)
Change in undistributed investment in Tri-Dam Project	(2,010,161)	(276,686)
Capitalized interest	-	77,477

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

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

Note 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. 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 2,940 customers and domestic water to 762 customers (inclusive of Improvement Districts' customers). In addition, the District sells water and hydropower on the wholesale market.

The District, along with South San Joaquin Irrigation, ("the Districts") have an operations agreement with the United States Bureau of Reclamation (USBR) that recognizes and confirms the Districts water rights and requires USBR to make available to the Districts the first 600,000 acre feet of inflow to New Melones Reservoir each year.

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 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.

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 Donnells 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. The Project marketed its power through a consultant, Shell Energy North America (US) L.P. through December 2014 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning January 1, 2015. The Project is managed by both Districts through a joint Board of Directors comprised of the five members of each Districts' 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.

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 December 2016 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning January 1, 2017. The Sand Bar Project power facility became operational in May 1986. The Authority is governed through a Board of Commissioners comprised of the members of each of the Districts' 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.

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 SJRGA, 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 District is responsible under this agreement to provide the SJTA a proportionate amount of funds for operating expenses, $240,000 or approximately 7%. The SJTA does not issue separate financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net 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. The Board approves all budget addition appropriations. Budget integration is employed as a management control device.

Restricted Assets

Restricted assets at December 31, 2015 and 2014 represent assessments restricted for Improvement Districts' operations and maintenance expenses, a certificate of deposit restricted for environmental mitigation expenses, and debt service reserve funds.

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 that are 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 each year.

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 shown on the following page at December 31, 2015:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Annexation Fees Receivable—continued

	Trinitas Annexation Agreements		
	Principal	Interest	Total
For the year ending December 31,			
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	815,970	418,258	1,234,228
2020	840,449	393,778	1,234,227
2019-2025	4,595,917	1,575,218	6,171,135
2026-2030	5,327,929	843,207	6,171,136
2031-2032	2,361,656	106,800	2,468,456
	$ 16,249,982	$ 4,731,881	$ 20,981,863

Due from Other Governmental Agencies

Amounts due from other governmental agencies at December 31, 2015 of $887 thousand consisted mainly of $637 thousand property tax appropriations due, $245 thousand from San Luis Delta Mendota for a water release, $4 thousand from City of Oakdale for services provided, and $1 thousand from the State Board of Equalization for diesel fuel tax refunds. Non-current amounts due from other governments at December 31, 2015 was $102 thousand due from the State of California for reimbursement of the mandated costs claims program. Amounts due from other governmental agencies at December 31, 2014 of $147 thousand consisted mainly of $144 thousand property tax appropriations due, and $3 thousand from the State Board of Equalization for diesel fuel tax refunds. Non-current amounts due from other governments at December 31, 2014 was $103 thousand of which $101 thousand due from the State of California for reimbursement of the mandated costs claims program, and $2 thousand from the State Board of Equalization for diesel fuel tax refunds.

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:

Class	Capitalization Threshold
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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Capital Assets—continued

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.

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

Cash and 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.

Unearned Revenue

Unearned revenues consisted of subsequent years service fees billed in the current year and customer deposits held at year-end for annexation and other charges not earned at year-end.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Compensated Absences—continued

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 31 of each year.

As of December 31, 2015 and 2014, the total estimated current and long-term liabilities for all compensated absences were $860 thousand, and $890 thousand, respectively. The liability for vacation, sick leave, and overtime comp-time accruals are reported in the statement of net position.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts are not recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB Statement No. 68 as described in Note 6.

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.

Property Taxes

The District participates in the "Teeter Plan" method of property tax distribution in Stanislaus and San Joaquin Counties ("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

A water delivery fee rate study was prepared in 2014 to comply with 2009 State Senate Bill X7-7 that requires that an irrigation water be priced, at least, in part by the volume used. In October 2014, the District adopted a rate structure inclusive of volumetric measurement for the first time in its history. The District begin charging irrigation customers, in addition to the $27.81 flat per-acre rate, a $3.24 per acre-foot, per acre charge beginning in 2016. For more information of historical rates refer page 58 of the Supplementary Information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Pensions

For purpose of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees Retirement System (CalPERS) Plans and additional to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassification

Certain unearned revenues classified as customer deposits at December 31, 2014 were reclassified as unearned revenue to conform with the current presentation. This reclassification had no effect on total liabilities or net position.

Implementation of 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 was implemented for reporting periods December 31, 2015 and 2014.

New Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements, and will require additional disclosures about assets and liabilities measured at fair value. This statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* This Statement replaced the requirements of GASB Statement No. 45 and requires governments responsible for OPEB liabilities related to their own employees to report a net OPEB liability on the face of the financial statements. Governments that participate in cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equip to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes GASB Statement No. 55. The hierarchy of generally accepted accounting principles (GAAP) prioritizes the guidance state and local governments follow when preparing financial statements in accordance with GAAP. The new standard is intended to improve the usefulness of financial statements for decision-making and enhance the comparability of financial statement information among governments. The provisions of this Statement are effective for periods beginning after June 15, 2015, and should be applied retroactively.

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.

NOTE 2: CASH AND INVESTMENTS-continued

Cash and investments are classified in the financial statements as shown below at December 31, 2015 and 2014:

	2015	2014
Cash and cash equivalents		
Cash on hand	$ 420	$ 420
Deposits with financial institutions	7,468,482	2,392,673
Money market mutual fund	2,197,601	2,581,075
Deposits in Local Agency Investment Fund (LAIF)	159,460	159,141
Total unrestricted cash and cash equivalents	9,825,963	5,133,309
Restricted Improvement Districts' cash and cash equivalents		
Deposits with financial institutions	959,980	839,068
Restricted cash and cash equivalents		
Deposits with financial institutions	160,114	158,957
Money market mutual fund	2,149,260	2,149,349
Total restricted cash and cash equivalents	2,309,374	2,308,306
Total cash and cash equivalents	13,095,317	8,280,683
Investments		
Investments held by Union Bank	31,731,207	35,229,450
Total investments	31,731,207	35,229,450
Total cash and investments	$ 44,826,524	$ 43,510,133

Cash and investments as of December 31, 2015 and 2014 consisted of the following for disclosure under GASB Statement No. 40:

Cash and deposits	2015	2014
Cash on hand	$ 420	$ 420
Deposits with financial institutions	8,588,576	3,390,698
Total cash and deposits	8,588,996	3,391,118
U.S. Agency Securities	18,994,953	16,934,199
Commerical paper	8,457,687	9,418,617
Medium term corporate notes	4,278,567	8,876,634
Money market mutual fund	4,346,861	4,730,424
Local Agency Investment Fund (LAIF)	159,460	159,141
Total investments	36,237,528	40,119,015
Total cash and investments	$ 44,826,524	$ 43,510,133

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 CGC 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.

NOTE 2: CASH AND INVESTMENTS-continued

Investments Authorized by the District's Investment Policy—continued

During the year ended December 31, 2015, 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	A-1/P-1/F1	40%	30%
Commercial paper	270 days	A-1/P-1/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.

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 provision limiting interest rate risk other than what is specified in the CGC. 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
U.S. agency securities	$ 18,994,953	$ 18,994,953
Commercial paper	8,457,687	8,457,687
Medium term corporate notes	4,278,567	4,278,567
Money market mutual fund	4,346,861	4,346,861
Local Agency Investment Fund	159,460	159,460
Total	$ 36,237,528	$ 36,237,528

NOTE 2: CASH AND INVESTMENTS-continued

Credit Risk

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

			Rating as of Year End			
Investment Type	Minimum Legal Rating	Total	AAA	A-1+ / AA+	A1 / A-1 / A	Unrated
U.S. agency securities	N/A	$ 18,994,953	$ -	$ 18,994,953	$ -	$ -
Commercial paper	A-1+	8,457,687	-	5,567,906	2,889,781	-
Medium term corporate notes	A	4,278,567	-	-	4,278,567	-
Money market mutual fund	AAA	4,346,861	4,346,861	-	-	-
Local Agency Investment Fund	N/A	159,460	-	-	-	159,460
Total		$ 36,237,528	$ 4,346,861	$ 24,562,859	$ 7,168,348	$ 159,460

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 CGC. The CGC 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, 2015 included investments in the Federal Home Loan Banks in the amount of $15,994,713, the Federal Home Loan Mortgage Corporation in the amount of $3,000,240, and the Bank of Nova Scotia in the amount of $1,870,294. Investments with one issuer exceeding 5% of total investments at December 31, 2014 included investments in Federal Home Loan Mortgage Association in the amount of $7,827,015, the Federal Home Loan Banks in the amount of $5,854,609, and the Federal National Mortgage Corporation in the amount of $3,252,575.

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 CGC 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 CGC 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, 2015 and 2014, the carrying amount of the District's deposits was $8,588,576 and $3,390,698; and the balance in financial institutions was $8,718,231 and $3,527,330, respectively. Of the balance in financial institutions at December 31, 2015 and 2014, $1,160,114 and $1,158,957, respectively, was covered by federal depository insurance, and $7,558,117 and $2,368,374, respectively, was collateralized as required by State Law (CGC 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, 2015 and 2014, 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.

Foreign Currency Risk

Foreign current risk is the risk that changes in exchange rate that may adversely affect the fair value of an investment. Medium term corporate notes include $1,503,630, in U.S. dollars, of short-term Canadian Corporate notes that will be repaid in Canadian Dollars.

Note to the Basic **Financial Statements*—continued***

NOTE 2: CASH AND INVESTMENTS-continued

Investment in State Investment Pool

LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $65,538,152,425 managed by the State Treasurer. Of that amount, 98.2% is invested in non-derivative financial products, and 1.8% 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 Statue. 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 179 and 200 days at December 31, 2015 and 2014, respectively.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 consisted of the following:

	Balance January 1, 2015	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2015
Capital assets not being depreciated					
Land	$ 2,686,958	$ 64,889	$ -	$ -	$ 2,751,847
Construction in progress	4,282,672	2,264,684	-	(4,633,503)	1,913,853
Total capital assets not being depreciated	6,969,630	2,329,573	-	(4,633,503)	4,665,700
Capital assets being depreciated					
Buildings	944,493	-	(1,860)	-	942,633
Dams and reservoirs	9,439,398	-	-	473,501	9,912,899
Distribution systems	85,410,721	750	-	4,160,002	89,571,473
Automotive and equipment	4,973,952	138,021	(12,961)	-	5,099,012
Office equipment	737,566	31,379	(69,813)	-	699,132
Domestic water systems	3,606,922	-	-	-	3,606,922
Total capital assets being depreciated	105,113,052	170,150	(84,634)	4,633,503	109,832,071
Less accumulated depreciation					
Buildings	(514,393)	(25,437)	1,605	-	(538,225)
Dams and reservoirs	(1,270,229)	(188,526)	-	-	(1,458,755)
Distribution systems	(25,420,364)	(1,765,291)	(495)	-	(27,186,150)
Automotive and equipment	(3,318,124)	(345,687)	11,806	-	(3,652,005)
Office equipment	(646,510)	(34,531)	64,579	-	(616,462)
Domestic water systems	(1,696,476)	(81,069)	-	-	(1,777,545)
Total accumulated depreciation	(32,866,096)	(2,440,541)	77,495	-	(35,229,142)
Total capital assets being depreciated, net	72,246,956	(2,270,391)	(7,139)	4,633,503	74,602,929
Capital assets, net	$ 79,216,586	$ 59,182	$ (7,139)	$ -	$ 79,268,629

NOTE 3: CAPITAL ASSETS—continued

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	Balance January 1, 2014	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2014
Capital assets not being depreciated					
Land	$ 2,585,165	$ 102,523	$ (730)	$ -	$ 2,686,958
Construction in progress	2,489,756	3,425,467	-	(1,632,551)	4,282,672
Total capital assets not being depreciated	5,074,921	3,527,990	(730)	(1,632,551)	6,969,630
Capital assets being depreciated					
Buildings	944,493	-	-	-	944,493
Dams and reservoirs	9,437,959	-	-	1,439	9,439,398
Distribution systems	83,721,365	59,139	(895)	1,631,112	85,410,721
Automotive and equipment	4,773,170	435,435	(234,653)	-	4,973,952
Office equipment	765,124	17,768	(45,326)	-	737,566
Domestic water systems	3,606,922	-	-	-	3,606,922
Total capital assets being depreciated	103,249,033	512,342	(280,874)	1,632,551	105,113,052
Less accumulated depreciation					
Buildings	(486,059)	(28,334)	-	-	(514,393)
Dams and reservoirs	(1,085,656)	(184,573)	-	-	(1,270,229)
Distribution systems	(23,698,666)	(1,722,593)	895	-	(25,420,364)
Automotive and equipment	(3,170,456)	(367,321)	219,653	-	(3,318,124)
Office equipment	(599,280)	(74,275)	27,045	-	(646,510)
Domestic water systems	(1,609,139)	(87,337)	-	-	(1,696,476)
Total accumulated depreciation	(30,649,256)	(2,464,433)	247,593	-	(32,866,096)
Total capital assets being depreciated, net	72,599,777	(1,952,091)	(33,281)	1,632,551	72,246,956
Capital assets, net	$ 77,674,698	$ 1,575,899	$ (34,011)	$ -	$ 79,216,586

NOTE 4: LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015 and 2014 consisted of the following:

	Maturity Dates	Range of Interest Rates	Balance January 1, 2015	Incurred	Retired	Balance December 31, 2015	Due Within One Year
Certificates of participation - Series 2009	2039	3.10%-5.50%	$ 28,640,000	$ -	$ (665,000)	$ 27,975,000	$ -
Less unamortized issue discount			(308,877)	-	12,564	(296,313)	-
Total certificates of participation			28,331,123	-	(652,436)	27,678,687	-
Borrow site purchase agreement			-	121,494	(94,158)	27,336	27,336
Compensated absences			890,398	284,728	(315,489)	859,637	312,443
Total long-term liabilities			$ 29,221,521	$ 406,222	$ (1,062,083)	$ 28,565,660	$ 339,779

	Maturity Dates	Range of Interest Rates	Balance January 1, 2014	Incurred	Retired	Balance December 31, 2014	Due Within One Year
Certificates of participation - Series 2009	2039	3.10%-5.50%	$ 29,900,000	$ -	$ (1,260,000)	$ 28,640,000	$ -
Less unamortized issue discount			(321,442)	-	12,565	(308,877)	-
Total certificates of participation			29,578,558	-	(1,247,435)	28,331,123	-
Compensated absences			866,833	276,239	(252,674)	890,398	267,423
Total long-term liabilities			$ 30,445,391	$ 276,239	$ (1,500,109)	$ 29,221,521	$ 267,423

NOTE 4: 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, 2015 are as follows:

	Certificates of Participation - Series 2009		
Year ending December 31,	Principal	Interest	Total
2016	$ -	$ -	$ -
2017	690,000	1,456,688	2,146,688
2018	715,000	1,429,088	2,144,088
2019	745,000	1,400,488	2,145,488
2020	775,000	1,370,688	2,145,688
2021-2025	4,435,000	6,300,762	10,735,762
2026-2030	5,690,000	5,046,424	10,736,424
2031-2035	7,395,000	3,334,100	10,729,100
2036-2039	7,530,000	1,062,872	8,592,872
Total	$ 27,975,000	$ 21,401,110	$ 49,376,110

Defeasance of Debt

In December 2015 and 2014, the District defeased $665,000 and $640,000, respectively, of the Certificates of Participation (Water Facilities Project) Series 2009 by creating a separate irrevocable trust to prepay a portion of the subsequent year debt service payment. This was done, in the event, to help meet the debt service coverage ratio for the Certificates. Amounts were placed in an escrow account from which principal and interest will be used to make scheduled principal and interest payments on the refunded Certificates. For financial reporting purpose, the prepaid portion of the Certificates are considered defeased and have been removed from the District's financial statements.

As December 31, 2015 and 2014, $2,148,288 and $2,148,888, respectively, was held in escrow (including interest earned on the payment) for the defeasance for the payment of outstanding Certificates.

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 $49,376,110 and $51,524,398 at December 31, 2015 and 2014, respectively. Total principal and interest paid on the Certificates (including defeased amounts described on the next page) in 2015 and 2014 was $2,148,288 and $4,296,995, respectively. At December 31, 2015, total net revenues were $2,436,885, while net revenues at December 31, 2014 were $894,131.

NOTE 4: LONG-TERM LIABILITIES—continued

Pledged Revenues-continued

The Certificates on page 31 contain the requirement to collect rates and charges from its water system that will be sufficient to yield net revenues equal to a minimum ratio under one separate debt covenant. The net revenues (as defined) are required to be at least 1.10 times the sum of the installment payments of interest and principal on the outstanding Certificates and any parity debt.

The following is a calculation of the required coverage ratio as of December 31, 2015 and 2014:

	2015	2014
Revenues	$ 13,742,378	$ 6,652,957
Add: Use of rate-stabilization reserve fund	-	1,600,000
Less: Maintenance and operation expenses (as defined)	9,421,328	9,242,990
Net revenues	4,321,050	(990,033)
Interest and principal payments (as defined)	2,148,288	2,148,888
Coverage ratio computed	201%	-46%
Required rate	110%	110%

The Installment Purchase Contract ("Contract") allows a rate stabilization fund to be established by Resolution by the Board and release of funds by Resolution of the Board and considered "revenues" in the required coverage ratio calculation. The above table includes the District's February and August 2016, and February and August 2015 payment obligations of $2,148,288 and $2,148,888, respectively. These amounts were placed into an escrow account from which the principal and interest was used to make the scheduled principal and interest payment on the refunded Certificates. The table above shows that the District would not have met its required coverage ratio in 2014 without the defeasance of the payment and use of rate stabilization funds. The Contract provides that the District may defease the payment of all or a portion of Installment Payments (as defined in the Contract) by a deposit with the Trustee, under an escrow agreement, of cash in an amount that is sufficient to pay such unpaid Installment Payments, including the principal and interest components.

The defeased payments, as allowed by the Contract, are excluded from payments in the below calculations. The District met its coverage ratio in 2015 and 2014 as shown in the following calculation of the required coverage ratio as of December 31, 2015 and 2014:

	2015	2014
Revenues	$ 13,742,378	$ 6,652,957
Add: Use of rate-stabilization reserve fund	-	1,600,000
Less: Maintenance and operation expenses (as defined)	9,421,328	9,242,990
Net revenues	4,321,050	(990,033)
Interest and principal payments (as defined)	-	764,054
Coverage ratio computed	NA	-130%
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.

Rate Stabilization Fund

The District's debt agreement allows amounts withdrawn from its rate stabilization fund to be included as revenues for the purpose of the debt service coverage ratio in the year withdrawn. In 2014, the District withdrew $1.6 million from the rate stabilization fund.

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, 2015 or 2014.

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.

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, 2015 and 2014, designations included:

	2015	2014
Capital Replacement / Improvement Reserve Fund	$ 18,000,000	$ 18,000,000
Main Canal / Tunnel Improvement Reserve	8,064,000	8,064,000
Operating Reserve Fund	3,738,000	3,738,000
Rate-Stabilization Reserve Fund	1,388,000	1,388,000
Rural Water Replacement / Improvement Reserve Fund	747,194	742,566
Vehicle and Equipment Replacement Reserve Fund	486,966	486,966
Building and Facilities Reserve Fund	475,000	475,000
Employee Compensated Absences Reserve Fund	179,084	179,084
Total	$ 33,078,244	$ 33,073,616

NOTE 6: PENSION PLAN

Plan Description

All qualified permanent and probationary employee's are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan (the Plan) which is administered by the California Public Employees Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool, which is comprised of individual employer miscellaneous rate plans and sponsors more than one miscellaneous rate plan. The District participates in the Miscellaneous and PEPRA Miscellaneous rate plans in CalPERS' Miscellaneous Risk Pool.

The benefit provisions for the Plan employees are established by statue and Board resolution. A full description regarding number of employees covered, benefit provisions, and assumption information can be found on the CalPERS website at www.calpers.ca.gov.

NOTE 6: PENSION PLAN—continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public 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 CalPERS. Under CalPERS 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. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. CalPERS 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 CalPERS, participate in the Miscellaneous 2.0% at 60 rate plan, and employees hired on or after January 1, 2013 participate in the PEPRA Miscellaneous 2.0% at 62 rate plan due to the implementation of the Public Employee's Pension Reform Act. Copies of the CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

The following are the rate plan provisions and benefits in effect for the years ended December 31, 2015 and 2014:

	2015		2014	
Hire Date	Miscellaneous Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)	Miscellaneous Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
Benefits formula (at full retirement)	2% @ 60	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 year service	5 year service	5 year service	5 year service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092%-2.418%	1.0% - 2.5%	1.092%-2.418%	1.0% - 2.5%
Required employee contribution rates:				
July 1, to December 31	7.00%	6.237%	7.00%	6.250%
January 1 to June 30	7.00%	6.250%	7.00%	6.250%
Required employer contribution rates:				
July 1, to December 31	6.709%	6.237%	8.005%	6.250%
January 1 to June 30	8.005%	6.250%	8.049%	6.250%

This Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions

Section 20814(c) of the California Public Employee's Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the June 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

NOTE 6: PENSION PLAN—continued

Contributions—continued

Active plan members in the 2.0% at 60 rate plan are required to contribute 7% of their annual covered salary. For the 2.0% at 60 rate plan, as specified by the bargaining units Memorandum of Understanding, the District contributes 5.0% and 6.0% of the contributions required of the District employees on their behalf and for their account, and the employee contributes 2.0% and 1.0%, during 2015 and 2014, respectively. Active plan members in the 2.0% at 62 rate plan are required to contribute one half of the normal cost or 6.2% of their annual covered salary. The District does not make any contributions required of the employees for the 2.0% at 62 rate plan. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

The following are the contributions for the years ended December 31, 2015 and 2014:

	2015			2014		
Contributions	Miscellaneous Plan	PEPRA Miscellaneous Plan	Total	Miscellaneous Plan	PEPRA Miscellaneous Plan	Total
Employer	$ 308,374	$ 51,879	$ 360,253	$ 311,828	$ 22,915	$ 334,743
Employee paid by employer	183,899	-	183,899	231,200	-	$ 231,200
Total	$ 492,273	$ 51,879	$ 544,152	$ 543,028	$ 22,915	$ 565,943

The above schedule includes a $38,500 lump sum prepayment made by the District in July 2015.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The District reported the following net pension liability for its proportionate share of the net pension liability of the Plan as of December 31, 2015 and 2014:

	2015 Proportionate Share of Net Pension Liability	2014 Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 2,297,665	$ 2,692,472
Total Net Pension Liability	$ 2,297,665	$ 2,692,472

The net pension liability of the PEPRA Miscellaneous Plan was immaterial as of the June 30, 2015 and 2014 measurement dates and was not recorded by the District.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan as of December 31, 2015 and 2014 is measured as of June 30, 2015 and 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 rolled forward to June 30, 2015 and 2014, respectively, using standard update procedures as required by GASB Statement No. 68. The District's proportion of the net pension liability was based on a projection of the Project's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plans as of June 30, 2015 and 2014 are indicated as follows:

	2015 Miscellaneous Plan	2014 Miscellaneous Plan
Proportion - June 30, 2014	0.108941%	
Proportion - June 30, 2015	0.083750%	
Change - Increase (Decrease)	-0.025191%	
Proportion - June 30, 2013		0.112275%
Proportion - June 30, 2014		0.108941%
Change - Increase (Decrease)		-0.003334%

NOTE 6: PENSION PLAN—continued

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions– continued

For the years ended December 31, 2015 and 2014 the District recognized pension expense of ($214,336) and $634,061 for all rate plans combined, respectively, At December 31, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined as shown below:

	2015		2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 256,040	-	$ 283,781	-
Differences between actual and expected experience	19,040	-	-	-
Changes in assumptions	-	$ (180,137)	-	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(17,402)	-	$ (29,797)
Change in employer's proportion	298,768	-	-	(87,407)
Net differences between projected and actual earnings on plan investments	-	(750,846)	-	(904,795)
Total	$ 573,848	$ (948,385)	$ 283,781	$ (1,021,999)

The reported deferred outflows of resources related to contributions subsequent to the measurement date at December 31, 2015 and 2014 of $286,011 and $283,781 will be recognized as a reduction of the net pension liability in the years ended December 31, 2016 and 2015, respectively. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as of December 31 as indicated below:

Year Ended December 31	2015	2014
2015		$ (268,059)
2016	$ (216,258)	(268,059)
2017	(207,885)	(259,687)
2018	(188,372)	(226,193)
2019	(18,062)	-
Total	$ (630,577)	$ (1,021,999)

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 and 2013 actuarial valuations for the Plan were determined using the following actuarial assumptions:

	2015	2014
Valuation Date	June 30, 2014	June 30, 3013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.65%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.2% - 12.3% (1)	3.2% - 14.2% (1)
Investment Rate of Return	7.65%	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

NOTE 6: PENSION PLAN—continued

Actuarial Assumptions—continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rates used by CalPERS to measure the total pension liability were 7.65% and 7.5% in the June 30, 2014 and 2013 valuations for the rate plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan. CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans are projected to run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in the June 30, 2014 valuation was corrected by CalPERS to no longer be reduced for administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65% in the June 30, 2013 valuation. Using this lower discount rate resulted in a slightly higher Total Pension Liability and Net Pension Liability in the June 30, 2014 valuation. CalPERS assessed the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset/Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected rate that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one-percent.

The table below reflects the long-term expected rate of return by asset class for each of the Plans as of the measurement dates of June 30, 2015 and 2014. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

	2015			2014		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return 11+(b)
Global Equity	51.0%	5.25%	5.71%	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%	12.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%	11.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%	2.0%	-0.55%	-1.05%
Total	100.0%			100.0%		

(a) An expected inflation of 2.5% used for this period. (b) An expected inflation of 3.0% used for this period.

NOTE 6: PENSION PLAN—continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or higher than the current rate:

	2015 Miscellaneous Plan	2014 Miscellaneous Plan
1% Decrease	6.65%	6.50%
Net Pension Liability	$3,853,344	$4,797,153
Current Discount Rate	7.65%	7.50%
Net Pension Liability	$2,297,665	$2,692,472
1% Increase	8.65%	8.50%
Net Pension Liability	$1,013,271	$945,787

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At December 31, 2015 and 2014, the District reported payables for the outstanding amount of contributions to the pension plan required as follows, including employee withholdings:

	2015	2014
Miscellaneous Plan	$43,017	$37,062
PEPRA Miscellaneous Plan	9,270	2,865
	$52,287	$39,927

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.

NOTE 7: RISK MANAGEMENT-continued

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	150,000,000	1,000
Fidelity	100,000	1,000,000	1,000

Coverage	SDRMA
Workers Compensation	Statutory

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, 2015	2014
Claims payable, January 1	$ 34,100	$ -
Incurred claims; provision for event of current year	3,750	34,100
Claims paid	(34,100)	-
Claims payable, December 31	$ 3,750	$ 34,100

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

NOTE 8: RELATED PARTY TRANSACTIONS

The District's Board selected Oak Valley Community Bank for its day-to-day banking activities in 1996. The District had two directors that were elected in November 2005 that own stock in this bank. These two directors no longer serve on the Board as of December 7, 2015.

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, 2015.

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. In addition, pursuant to the Environmental Species Act, 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.

NOTE 9: COMMITMENTS AND CONTINGENCIES-continued

Litigation-continued

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 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 OID 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. If circumstances arose in which the USBR were required, pursuant to the RPA, to operate New Melones in a manner harmful to OID's water rights, it would be required to seek re-consultation with NMFS.

On January 19, 2012, the District and other defendant-interveners filed an appeal. All briefing was completed in 2013 and oral argument was conducted before the 9th Circuit Court ("9th Circuit") of Appeals on September 15, 2014. On December 22, 2014, the 9th Circuit issued its ruling, which reversed the District court's decision. The 9th Circuit's decision did not affect or overturn the District's determination that the USBR was prohibited from operating New Melones reservoir in a manner that harmed OID's water rights. The ruling was made final in 2015. Once made final, the USBR has completed NEPA and a Record of Decision has been filed. This matter is now closed.

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. The Court granted the District's request for other costs, but not those for attorney fees. The District has filed an appeal in the later part of 2014 for attorney fees. No judgment has been determined as of this report.

The Oakdale Groundwater Alliance, Louis F. Brichetto, and Robert N. Frobose, filed a Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief and an amended version of the same in the Superior Court for the State of California for the County of Stanislaus against the District. A case management conference has been scheduled for August 15, 2016.

Regulatory

In prior years, varieties of petitions for water from the Stanislaus River, the District's primary source of water, have been filed with the State Water Resources Control Board ("SWRCB"). Each petition seeks to obtain water rights that, if granted, may have the effect 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. This year however, there were either no active petitions or the petitioners settled with the District. Calaveras County Water District has filed petitions with the SWRCB to extend the time period to prefer their permits. The Petitions have not yet been noticed by the SWRCB on the District's water rights. The SWRCB is aggressively seeking to expand its authority to curtail water rights and divert water to enhance flows to protect endangered fish and recharge groundwater supplies. The ultimate outcome of the SWRCB' efforts to expand its power is unknown but could have an impact on the District's water rights.

Effect of Drought

The District's Tri-Dam Project power generation capacity at its hydroelectric facilities was subject to water conservation efforts in 2015 have an effect on minimizing water releases from its reservoirs. The California drought significantly impacted the last four years of power generation revenues. The District receives a substantial amount of revenue from the Tri-Dam Project and Tri-Dam Power Authority. Slightly better than average rain and snowfall during the 2015/2016 winter have resulted in improved generation so far in 2016. Expectations are that total generation for 2016 will exceed historical averages.

NOTE 9: COMMITMENTS AND CONTINGENCIES-continued

Contract Commitments

District had the following capital project commitments outstanding as of December 31, 2015:

Project Name	Contract Amount	Remaining Amount Committed
Two Mile Bar Tunnel Engineering	$ 762,307	$ 75,091
	$ 762,307	$ 75,091

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:	
2016	$ 28,519
2017	28,878
2018	29,247
2019	7,334
Total payments	$ 93,978

Rental expense relating to the lease was $27,900 in 2015 and $27,900 in 2014.

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 below. 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

	At December 31, 2015	At December 31, 2014 (As restated)
Assets and deferred outflows of resources		
Cash and investments	$ 15,517,902	$ 16,783,111
Other current assets	2,059,206	2,561,579
Total current assets	17,577,108	19,344,690
Property and equipment, net	64,830,835	65,609,741
Total assets	82,407,943	84,954,431
Deferred outflows of resources		
Pensions	280,212	237,494
Total assets and deferred outflows of resources	$ 82,688,155	$ 85,191,925
Liabilities deferred inflows of resources, and net position		
Current liabilities	$ 846,020	$ 718,754
Long-term liabilities	4,244,947	3,256,485
Total liabilities	5,090,967	3,975,239
Deferred inflows of resources		
Pensions	1,448,310	1,047,486
Net Position		
Net investment in capital assets	64,830,835	65,609,741
Unrestricted	11,318,043	14,559,459
Total net position	76,148,878	80,169,200
Total liabilities, deferred inflows of resources, and net position	$ 82,688,155	$ 85,191,925

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

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014 (As restated)
Operating revenues	$ 15,302,362	$ 15,460,554
Operating expenses		
Expenses	7,645,241	5,163,671
Depreciation	1,923,981	1,918,103
Total operating expenses	9,569,222	7,081,774
Net income from operations	5,733,140	8,378,780
Nonoperating revenues (expenses)	(994,462)	(556,574)
Change in net positon	4,738,678	7,822,206
Net position - beginning of year as previously reported	80,169,200	84,886,822
Restatement	-	(3,818,791)
Net position, beginning of year as restated	80,169,200	81,068,031
Add: contribution of land by member districts	-	602,963
Less: Distributions to member districts	(8,759,000)	(9,324,000)
Net position - end of year	$ 76,148,878	$ 80,169,200

The restatement was due to implementing GASB Statement No. 68.

NOTE 11: SUBSEQUENT EVENTS

The District increased its water user rates in 2015 in accordance with its newly adopted rate structure. This rate structure was adopted in October 2014 to comply with 2009 State Senate Bill x7-7 that requires the irrigation water be priced, at least, in part by volume used. In 2015, the District began measurement of irrigation water use and sent out “mock” bills to customer so that they could make preparations to their land in anticipation for a fully implemented volumetric water rate in 2016.

In 2016, the District updated its Ag Water Management Plan in accordance with the requirements of the Water Conservation Act of 2009 and the Governor’s Executive Order B-29-15.

During the first quarter of 2015, the Districts’ Tri-Dam Project and Authority’s power generation was reduced significantly. The 2014/2015 water year was one of the driest in recorded history in the Stanislaus River watershed. The impact of this resulted in reduced distributions to the District in 2015. In January 2016, the District received a cash distribution from Tri-Dam Project of $1.85 million as compared to $2.49 million in January 2015.

In an effort to work cooperatively with the United States Bureau of Reclamation (Bureau), the District and South San Joaquin Irrigation District released 75,000 acre-feet of water to assist the Bureau in meeting its 2016 Spring Pulse Flows for fish. This release resulted in a one-time revenue to the District of $13.5 million.

NOTE 12: CHANGES IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements required the District to recognize in its financial statements the proportional share of the net pension liability, deferred outflows of resources and deferred inflows of resources for the District’s cost-sharing pension plan. These Statements also required contributions made after the measurement date used in the actuarial valuations for the pension plans to be reported as deferred outflows of resources.

Due to the implementation of these Statements, total deferred outflows of resources increased by $316,314, total liabilities increased by $3,678,886 and total net position decreased by $3,362,572, as of January 1, 2014. Operating expenses for the year ended December 31, 2014 increased by $68,118, while net income from operations and change in net position decreased by $68,118 from what was originally reported on the Statements of Revenues, Expenses and Changes in Net Position.

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

REQUIRED SUPPLEMENTARY INFORMATION SECTION

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

Required Supplementary Information

SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 years

	2015	2014
Proportion of the net pension liability	0.083750%	0.108941%
Proportionate share of the net pension liability	$ 2,297,665	$ 2,692,472
Covered - employee payroll	$ 4,758,823	$ 4,737,570
Proportionate share of the net pension liability as a percentage of covered payroll	136.31%	165.43%
Plan fiduciary net pension	$ 10,896,036,068	$ 10,639,461,174
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%

Notes to Schedule:
Change in Benefit Terms: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 20, 2014 (for 2015) and 2013 (for 2014) as they have minimal cost impact.

Changes in assumptions: None

Omitted years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. No information was available prior to this date.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 years

	2015	2014
Contractually required contribution (actuarially determined)	$ 321,753	$ 334,743
Contributions in relation to the actuarially determined contributions	(321,753)	(334,743)
Contribution deficiency (excess)	$ (643,506)	$ -
Covered - employee payroll	$ 4,758,823	$ 4,737,570
Contributions as a percentage of covered - employee payroll	19.09%	20.57%

Notes to Schedule:

Valuation date: June 30, 2014 (for 2015) and June 30, 2013 (for 2014)

Methods and assumptions used to determine contribution rates:

Actuarial Method	Entry Age Normal Cost Method
Amortization Method	Difference Between Projected and Actual Earnings is Amortized Straight-line Over 5 Years. All Other Amounts are Amortized Straight-line Over Average Remaining Life of Participants.
Remaining Amortization Period	Note Stated
Inflation	2.75%
	3.20% to 12.2% (2015) 3.30% to 14.20% (2014) Depending on Entry Age and Service.
Salary Increases	
Investment Rate of Return	7.65% (2015) and 7.50% Net of Administrative Expenses (2014); Including Inflation.
Retirement Age	50-67 Years. Probabilities of Retirement are Based on the 2010 CalPERS Experience. Study for the Period 1997 to 2007.
Mortality	CalPERS Specific Data from January 2014 Actuarial Experience Study for the Period 1997 to 2011 that Uses 20 year of Mortality Improvements Using Society of Actuaries Scale BB.

Omitted years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. No information was available prior to this date.

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

STATISTICAL SECTION

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

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.

CONTENTS **Page**

Sources

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

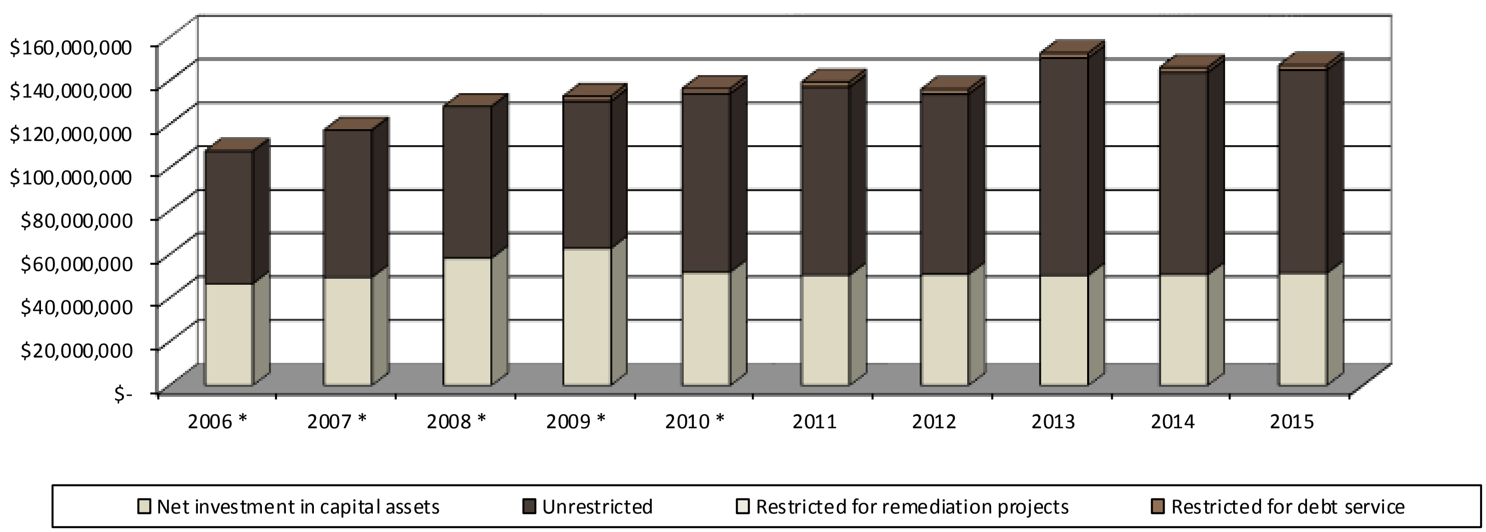
Financial Trend Data

Table 1
Net Position by Component
Last Ten Years

	2006 *	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014	2015
Net investment in capital assets	$ 46,812,926	$ 49,683,718	$ 58,456,036	$ 62,942,193	$ 51,969,687	$ 50,633,121	$ 51,077,784	$ 50,566,062	$ 50,885,465	$ 51,589,942
Restricted for debt service	-	-	-	2,151,068	2,149,900	2,149,258	2,149,241	2,149,190	2,149,347	2,149,260
Restricted for remediation projects	-	-	-	279,001	283,870	288,824	185,941	157,691	158,957	160,114
Unrestricted	60,918,784	67,764,975	69,805,060	67,561,952	82,020,800	86,474,704	82,776,915	99,869,808	92,897,221	93,321,229
Total net position	$ 107,731,710	$ 117,448,693	$ 128,261,096	$ 132,934,214	$ 136,424,257	$ 139,545,907	$ 136,189,881	$ 152,742,751	$ 146,090,990	$ 147,220,545

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



Source: Oakdale Irrigation District

Table 2
Changes in Net Position
Last Ten Years

	2006 *	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014	2015
Operating revenues:										
Agricultural water service fees	$ 1,161,018	$ 1,159,509	$ 1,163,464	$ 1,183,770	$ 54,115	$ 1,210,632	$ 1,240,838	$ 1,516,917	$ 1,378,393	$ 2,341,654
Domestic water delivery fees	178,864	193,066	840,550	219,280	190,533	205,949	202,134	215,111	213,932	194,386
Other water related revenues	136,559	145,011	299,100	148,674	191,098	144,879	189,118	174,566	212,940	221,196
Connection fees	200	45,526	215,073	250	785	1,150	1,250	1,200	1,810	19,726
Water sales	2,990,422	5,405,251	2,643,571	8,564,635	4,076,889	2,066,879	-	4,000,000	-	5,750,000
Total operating revenues	4,467,063	6,948,363	5,161,758	10,116,609	4,513,420	3,629,489	1,633,340	5,907,794	1,807,075	8,526,962
Operating expenses										
Operation and maintenance	3,164,238	3,245,097	3,189,791	3,833,008	4,403,284	4,057,837	4,165,511	5,019,045	3,751,234	3,845,339
General and administrative	3,992,475	4,007,385	4,953,672	5,934,548	3,277,323	3,680,603	3,806,305	3,839,314	3,347,853	2,734,946
Water operations	1,486,731	1,729,017	1,757,106	1,857,692	1,920,053	1,917,244	2,298,764	2,632,570	2,212,021	2,082,555
Depreciation	1,412,576	1,495,333	1,740,468	1,838,609	2,254,109	2,289,009	2,419,575	2,415,604	2,464,433	2,440,541
Total operating expenses	10,056,020	10,476,832	11,641,037	13,463,857	11,854,769	11,944,693	12,690,155	13,906,533	11,775,541	11,103,381
Operating income (loss)	(5,588,957)	(3,528,469)	(6,479,279)	(3,347,248)	(7,341,349)	(8,315,204)	(11,056,815)	(7,998,739)	(9,968,466)	(2,576,419)
Non-operating revenues (expenses)										
Interest earned	879,845	1,440,337	620,396	304,318	60,580	53,758	152,101	274,814	675,681	622,378
Property taxes	1,784,976	1,827,806	2,258,958	2,100,740	1,946,205	1,925,629	1,893,079	1,893,770	2,037,400	2,230,344
Joint ventures	17,621,410	10,148,895	13,911,473	6,551,641	9,900,556	10,868,617	7,066,296	7,156,205	2,001,707	2,369,339
Debt service interest	-	-	-	(1,351,703)	(1,178,660)	(1,272,272)	(1,511,488)	(1,477,080)	(1,532,664)	(1,510,785)
Gain (loss) on sale of assets	(6,929)	(172,043)	(32,845)	(20,497)	(9,399)	(20,284)	(7,953)	16,779	131,094	(6,645)
Annexation fees	305,448	-	-	-	100,828	259,168	-	18,913,050	-	-
Total non-operating revenues (expenses)	20,584,750	13,244,995	16,757,982	7,584,499	10,820,110	11,814,616	7,592,035	26,777,538	3,313,218	3,704,631
Net income before contributions	14,995,793	9,716,526	10,278,703	4,237,251	3,478,761	3,499,412	(3,464,780)	18,778,799	(6,655,248)	1,128,212
Capital contributions	15,836	457	533,700	435,867	11,282	1,815	108,754	118,558	3,487	1,343
Change in net position	15,011,629	9,716,983	10,812,403	4,673,118	3,490,043	3,501,227	(3,356,026)	18,897,357	(6,651,761)	1,129,555
Net position - beginning of year	92,720,081	107,731,710	117,448,693	128,261,096	132,934,214	136,424,257	139,545,907	136,189,881	152,742,751	146,090,990
Restatement	-	-	-	-	-	(379,577)	-	(2,344,487)	-	-
Net position - beginning of year	92,720,081	107,731,710	117,448,693	128,261,096	132,934,214	136,044,680	139,545,907	133,845,394	152,742,751	146,090,990
Net position - end of year	$ 107,731,710	$ 117,448,693	$ 128,261,096	$ 132,934,214	$ 136,424,257	$ 139,545,907	$ 136,189,881	$ 152,742,751	$ 146,090,990	$ 147,220,545

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.

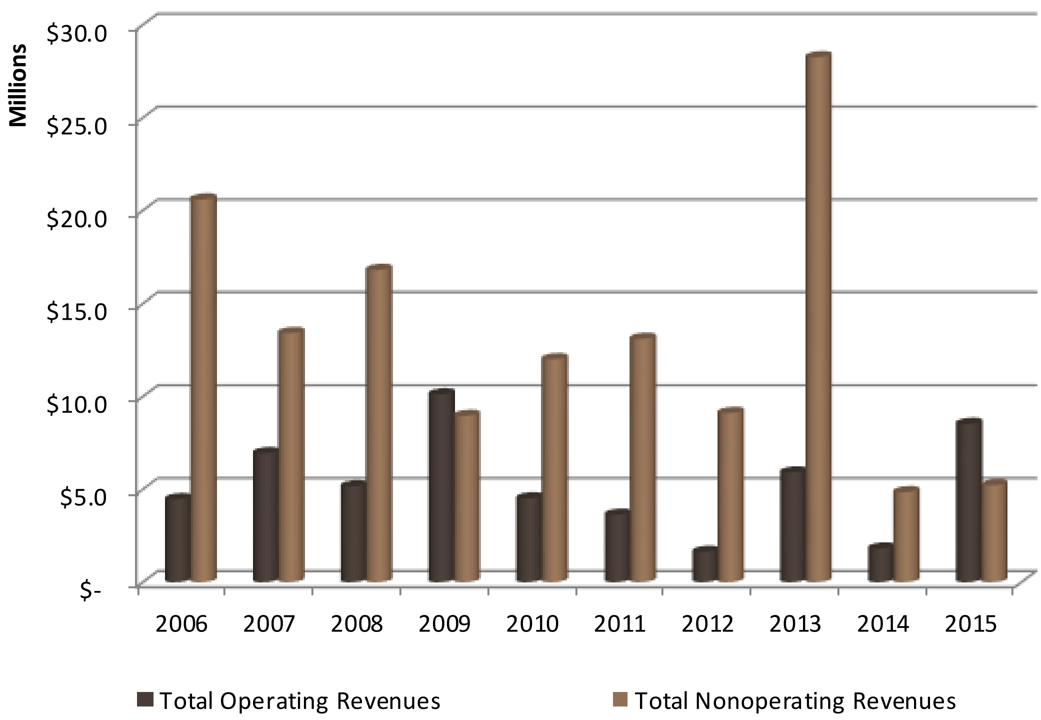
* Information was not available to restate these years for the implementation of GASB Statement No. 65.

Source: Oakdale Irrigation District

Table 3
Revenues by Source
Last Ten Years

	Operating Revenues			Nonoperating Revenues					
Year	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	Total Revenues
2006	$ 1,161,018	$ 315,623	$ 2,990,422	$ 879,845	$ 1,784,976	$ 16,600,000	$ 1,021,410	$ 305,448	$ 25,058,742
2007	1,159,509	383,603	5,405,251	1,440,337	1,827,806	12,100,000	(1,951,105)	-	20,365,401
2008	1,163,464	1,354,723	2,643,571	620,396	2,258,958	11,200,000	2,711,473	-	21,952,585
2009	1,183,770	368,204	8,564,635	304,318	2,100,740	7,650,000	(1,098,359)	-	19,073,308
2010	54,115	382,416	4,076,889	60,580	1,946,205	2,550,000	7,350,556	100,828	16,521,589
2011	1,210,632	351,978	2,066,879	53,758	1,925,629	13,955,114	(3,086,497)	259,168	16,736,661
2012	1,240,838	392,502	-	152,101	1,893,079	7,334,000	(267,704)	-	10,744,816
2013	1,516,917	390,877	4,000,000	274,814	1,893,770	7,332,000	(175,795)	18,929,829	34,162,412
2014	1,378,393	428,682	-	675,681	2,037,400	4,662,000	(2,660,293)	131,094	6,652,957
2015	2,341,654	435,308	5,750,000	622,378	2,230,344	4,379,500	(2,010,161)	(6,645)	13,742,378

Chart 2
Operating and Nonoperating Revenues
Last Ten years



Source: Oakdale Irrigation District

Table 4
Operating Expenses by Source
Last Ten Years

	Operation & Maintenance	General & Administration	Water Operations	Depreciation	Total Operating Expenses
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	4,165,511	3,806,305	2,298,764	2,419,575	12,690,155
2013	5,019,045	3,839,314	2,632,570	2,415,604	13,906,533
2014	3,751,234	3,347,853	2,212,021	2,464,433	11,775,541
2015	3,845,339	2,734,946	2,082,555	2,440,541	11,103,381

Chart 3
Operating Expenses by Source

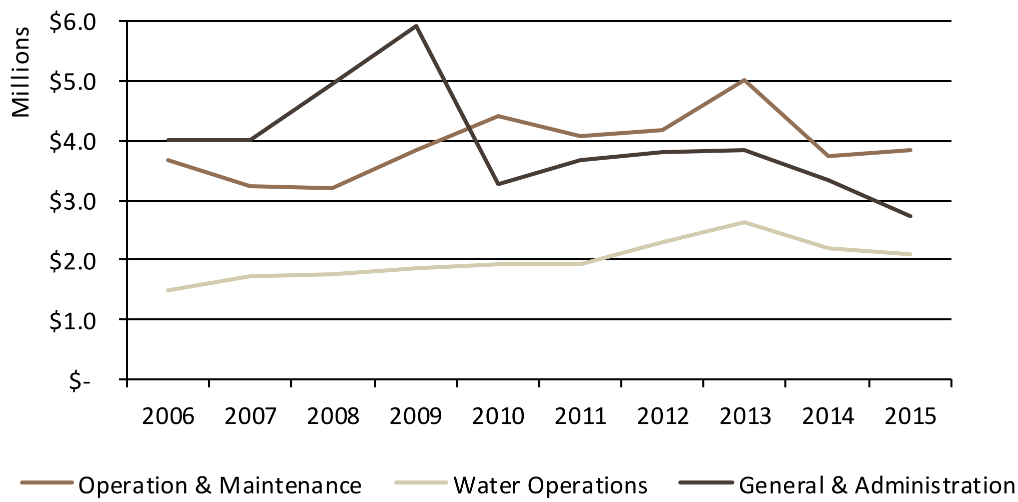
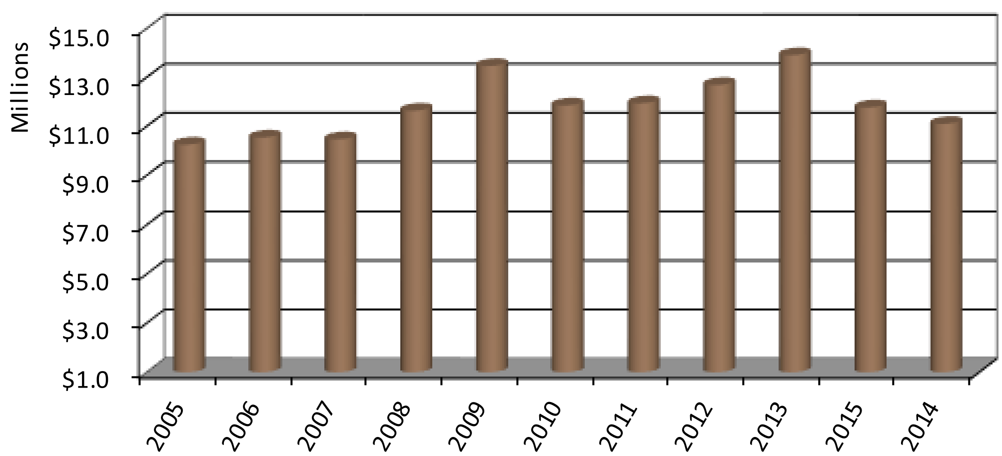


Chart 4
Total Operating Expenses



Source: Oakdale Irrigation District

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: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	District's: Share of 1% Property Tax	District's: % of County Levy
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%
2014	448,139,124	438,298,281	97.80%	1,571,080	0.35%
2015	491,947,597	482,999,011	98.18%	1,754,109	0.36%

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

Taxpayer	Type of Business	2014 / 2015 Property Taxes	2014 / 2015 Rank	2014 / 2015 Percentage of Total Property Taxes	2005 / 2006 Property Taxes	2005 / 2006 Rank	2005 / 2006 Percentage of Total Property Taxes
Gallo Winery	Manufacturing	$ 3,868,685	1	0.7864%	$ 1,278,949	5	0.3224%
Pacific Gas and Electric	Utility	3,586,671	2	0.7291%	1,534,284	3	0.3867%
World International, LLC	Nonclassified	3,223,497	3	0.6553%	-		-
Doctor's Medical Center	Medical	3,096,264	4	0.6294%	1,199,568	6	0.3024%
Gallo Glass Co.	Commercial	3,020,996	5	0.6141%	1,606,426	2	0.4049%
Bronco Winery Company	Manufacturing	1,601,003	6	0.3254%	941,297	10	0.2373%
Hunt Wesson Foods, Inc.	Manufacturing	1,311,590	7	0.2666%	978,020	9	0.2465%
WW Grainger, Inc.	Commercial	1,293,242	8	0.2629%	-		-
Fresno Farming LLC	Utility	1,225,381	9	0.2491%	-		-
Pacific Telephone Company	Utility	1,153,212	10	0.2344%	-		-
Diablo Grande, LTD	Services	-		-	3,831,060	1	0.9656%
Signature Fruit	Manufacturing	-		-	1,357,821	4	0.3422%
Hershey's Chocolate, Inc.	Manufacturing	-		-	1,128,228	7	0.2844%
Foster Dairy Farms	Manufacturing	-		-	1,020,492	8	0.2572%
Total		$ 23,380,541		4.7527%	$14,876,145		3.7496%

Source: County of Stanislaus Auditor/Controller's Officer
County of San Joaquin not available at publication of this report.

Revenue Capacity Data

Table 7
Water Customer Accounts
Year Ended December 31, 2015

Category	Water Accounts	% of Total Water Accounts	Water Consumption (acre feet)	% of Total Consumption	Sales Revenues (in dollars)	% of Total Revenues
Agriculture (Ag)	2,952	86.16%	181,297	99.74%	$ 2,341,654	92.34%
Domestic Water	474	13.84%	470	0.26%	194,386	7.66%
TOTAL	3,426	100.00%	181,767	100.00%	$ 2,536,040	100.00%

Chart 5
Percentage of Total Water Accounts

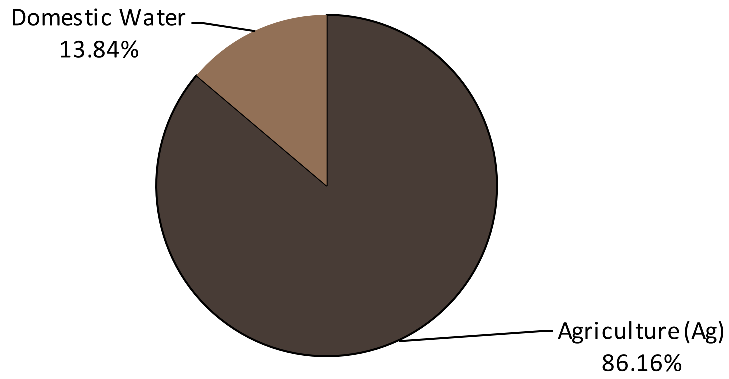


Chart 6
Percentage of Total Consumption

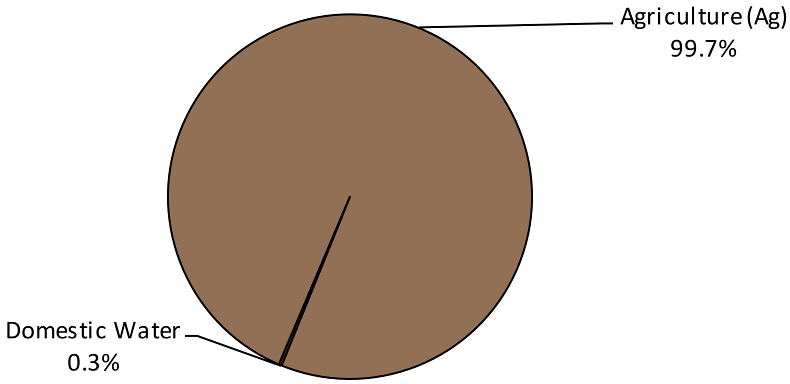
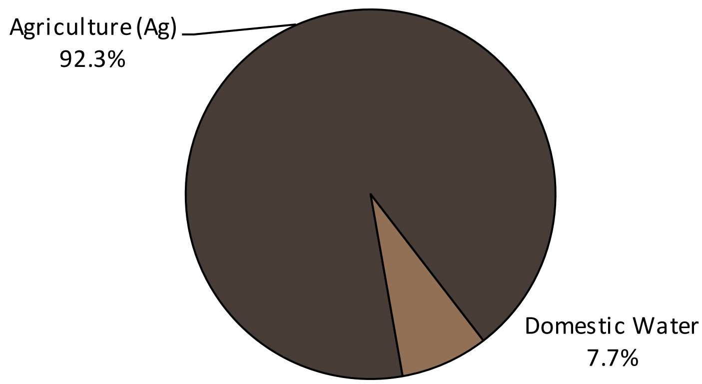


Chart 7
Percentage of Total Revenues



Source: Oakdale Irrigation District—Finance and Water Departments

Table 8
Irrigated Acres
Last Ten Years

Water Year	Irrigated Acres
2006	55,385
2007	55,217
2008	55,411
2009	55,610
2010	55,824
2011	57,246
2012	56,836
2013	57,121
2014	64,724
2015	64,780

Chart 8
Irrigated Acres

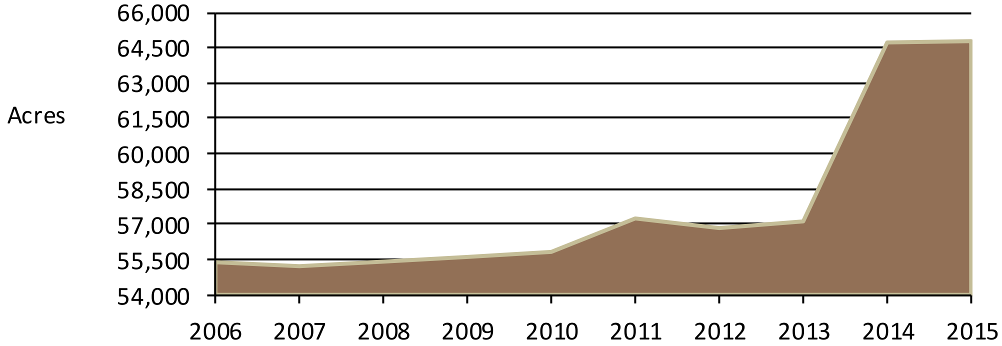


Table 9
Irrigation Water Charges
Last Ten Fiscal Years

Water Year	Water Charges (per acre) 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
2006	$30.00	$30.00	$28.00	$26.00	$24.00	$22.00	$19.50
2007	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2008	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2009	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2010	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2011	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2012	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2013	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2014	30.00	30.00	28.00	26.00	24.00	22.00	19.50
	Minimum						
2015	54.00	54.00	27.00	27.00	27.00	27.00	27.00

Source: Oakdale Irrigation District—Finance and Water Departments

Table 10
Crops

Categories	2015
Grain & Cereals	11,288
Hay & Forage	28,480
Permanent	23,681
Others	467
Fallow	864
Total	64,780

Chart 9
Crop Categories Percentages

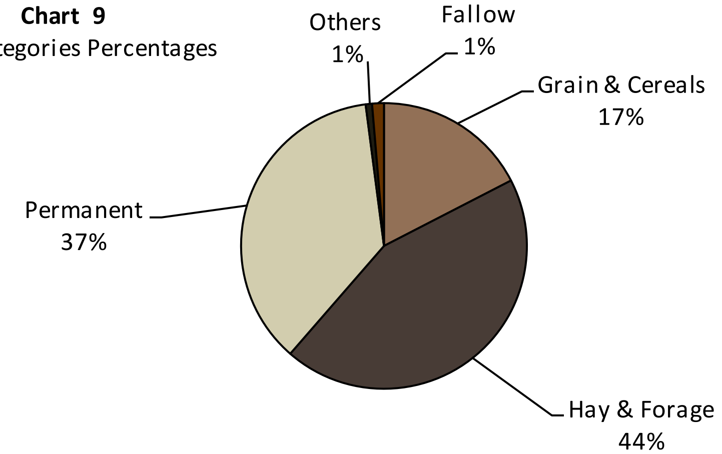


Table 11
Ten Largest Water Users - 2015

Landowner	No. of Irrigable Acres	Percent of Total (1)	Water Revenue	Percent of Total
Trinitas LLCs	7,271.26	11.23%	$141,790	6.06%
John Brichetto Trust	1,939.45	3.00%	37,819	1.62%
V.A. Rodden	1,626.18	2.51%	31,711	1.35%
Elizabeth Brichetto	1,339.54	2.07%	26,121	1.12%
Sharon Naraghi	959.72	1.48%	18,715	0.80%
Stueve Properties	772.11	1.19%	15,056	0.64%
Montpelier Farms Corp.	686.80	1.06%	13,393	0.57%
David W. Boersma	613.83	0.95%	11,970	0.51%
Pete & Tamara Postma	599.97	0.93%	11,699	0.50%
G3 Enterprises	523.27	0.81%	10,204	0.44%
TOTALS	16,332.13	25.23%	$318,477	13.60%

(1) Based on the total 2015 irrigable acres of 64,780.
(2) Based on the total 2015 water revenue of $2,341,654.

Source: Oakdale Irrigation District—Finance and Water Departments

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
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%
2014	35,600,228,524	1.25%	445,002,857	-	445,002,857	0%
2015	39,675,277,121	1.25%	495,940,964	-	495,940,964	0%

The legal debt limit percentage is set by statue. 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
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%
2014	Not available	1.25%	692,834,021	-	692,834,021	0%
2015	Not available	1.25%	754,692,239	-	754,692,239	0%

Government Code Section 29909 and *Revenue and Tax Code* Section 135 limit 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[1]	Per Capita[1]
2009	$ 31,773,330	$ 3,192	$ 100,000	$ 31,876,522	0.20%	$ 60.56
2010	31,225,865	1,944	50,000	31,277,809	not available	58.95
2011	30,718,429	696	-	30,719,125	not available	59.34
2012	30,160,993	-	-	30,160,993	not available	57.71
2013	28,578,558	-	-	28,578,558	not available	54.33
2014	28,331,123	-	-	28,331,123	not available	53.25
2015	27,678,687	-	-	27,678,687	not available	52.00

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

[1]Refer to the Schedule of Demographic and Economic Statistics on page 63 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

Table 14
Estimated Direct Overlapping Bonded Debt
COUNTY OF STANISLAUS
(as of December 1, 2014)

2014-15 Assessed Valuation: $39,675,227,121 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 12/1/14
Yosemite Community College District	72.724 %	$ 216,753,554
Modesto High School District	100.000	41,768,885
Turlock Joint Union High School District	98.315	25,296,450
Ceres Unified School District	100.000	65,917,188
Newman-Crows Landing Unified School District	100.000	22,727,973
Oakdale Joint Unified School District	98.566	14,306,855
Patterson Joint Unified School District	98.652	27,554,041
Riverbank Unified School District	100.000	12,741,011
Other Unified School Districts	Various	39,039,339
Modesto City School District	100.000	10,630,274
Stanislaus Union School District	100.000	17,685,532
Sylvan School District	100.000	34,031,169
Other School Districts	Various	22,449,837
Oak Valley Hospital District	100.000	32,690,000
Newman Drainage District	100.000	140,000
Empire Union School District Community Facilities District No. 87-1	100.000	9,100,724
City Community Facilities Districts	100.000	117,265,000
Schools Infrastructure Financing Agency Mello-Roos Act Bonds	100.000	24,040,000
Salida Area Community Facilities District No. 1988-1	100.000	26,035,000
Western Hills Water District Community Facilities District No. 1	100.000	45,825,000
1915 Act Bonds (estimate)	100.000	6,845,462
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 812,843,294
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Stanislaus County Certificates of Participation	100.000 %	$ 49,270,000
Stanislaus County Office of Education Certificates of Participation	100.000	3,395,000
Modesto High School and City School District Certificates of Participation	100.000	16,420,000
Ceres Unified School District Certificates of Participation	100.000	11,025,000
Newman-Crows Landing Unified School District	100.000	11,755,000
Salida Union School District Certificates of Participation	100.000	11,835,000
Other School Districts Certificates of Participation	Various	21,200,987
City of Modesto General Funds Obligation	100.000	73,790,000
City of Newman Certificates of Participation	100.000	2,375,000
Other City Certificates of Participation	100.000	2,672,473
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 203,738,460
Less: City of Newman Wastewater Certificates of Participation (100% supported)		990,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 202,748,460
OVERLAPPING TAX INCREMENT DEBT:		
County Redevelopment Agencies		$ 16,435,000
Ceres Redevelopment Agencies		44,190,000
Turlock Redevelopment Agencies		39,675,000
Other Redevelopment Agencies		38,796,379
TOTAL OVERLAPPING TAX INCREMENT DEBT		$ 139,096,379
GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		$ 1,155,678,133 (1)
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		$ 1,154,688,133

(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 2014-15 Assessed Valuation:
Total Overlapping Tax and Assessment Debt............... 2.05%

Ratios to Redevelopment Incremental Valuation ($3,664,760,136):
Overlapping Tax Increment Debt................................ 3.80%

Ratios to Adjusted Assessed Valuation:
Total Direct Debt ($49,270,000)................................ 0.12%
Gross Combined Total Debt 2.91%
Net Combined Total Debt.. 2.91%

Source: Stanislaus County Auditor/Controller's Office (table not updated for 2015)
San Joaquin County information is not available.

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

	2015			2006		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Stanislaus	3,745	1	1.75%	4,764	1	2.31%
Modesto City Schools	3,345	2	1.56%	3,345	2	1.62%
E & J Gallo Winery	3,300	3	1.54%	3,311	3	1.60%
Memorial Medical Center	2,600	4	1.21%	2,700	4	1.31%
Doctors Medical Center	2,452	5	1.14%	1,967	9	0.95%
Seneca (Signature) Foods	2,275	6	1.06%	2,321	7	1.12%
Del Monte Foods	2,200	7	1.03%	2,600	5	1.26%
Turlock School District	2,192	8	1.02%	1,703	10	0.83%
Stanislaus Food Products	1,850	9	0.86%	2,300	8	1.11%
Save Mart Supermarkets	1,661	10	0.77%	-	-	-
Modesto Junior College				2,550	6	1.24%
Total	25,620		11.94%	27,561		13.35%

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

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
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	0.09%	15,948,738	31,248	15.3%
2010	530,584	0.80%	not available	not available	16.4%
2011	517,685	-2.43%	not available	not available	15.1%
2012	522,651	0.96%	not available	not available	13.9%
2013	526,042	0.65%	not available	not available	13.0%
2014	531,997	1.13%	not available	not available	11.2%
2015	532,297	0.06%	not available	not available	9.5%

COUNTY OF SAN JOAQUIN

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Capita Personal Income	Unemployment Rate
2006	not available	not available	not available	not available	not available
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	703,919	1.17%	not available	not available	12.8%
2014	710,731	0.97%	not available	not available	10.6%
2015	719,511	1.24%	not available	not available	8.9%

Chart 10
Counties of San Joaquin and Stanislaus Population

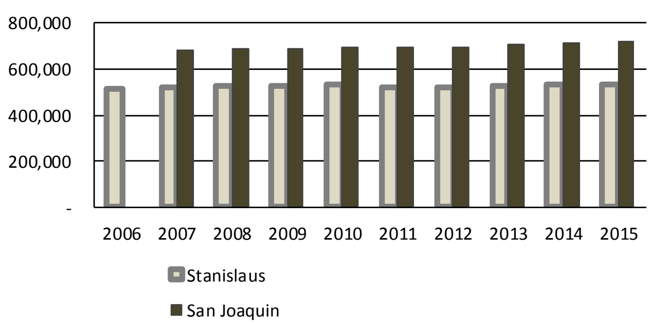
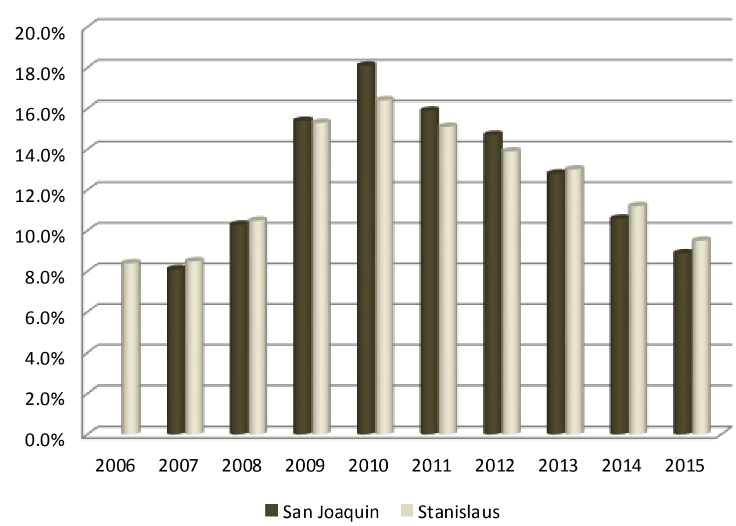


Chart 11
Counties of San Joaquin and Stanislaus Unemployment Rates



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

Table 17
Full-time District Employees by Function

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Operations	31	32	30	29	29	31	31	29	28	28
Operations and Maintenance	22	19	21	23	25	23	20	23	25	25
Finance	4	5	4	4	5	5	5	5	5	5
Engineering	3	3	4	4	4	4	4	1	2	2
Administration	4	4	4	4	4	4	4	4	4	3
Contract's Management	0	2	3	3	3	2	2	1	1	-
Total	64	65	66	67	70	69	66	63	65	63

Table 18
Capital Asset Statistics by Function

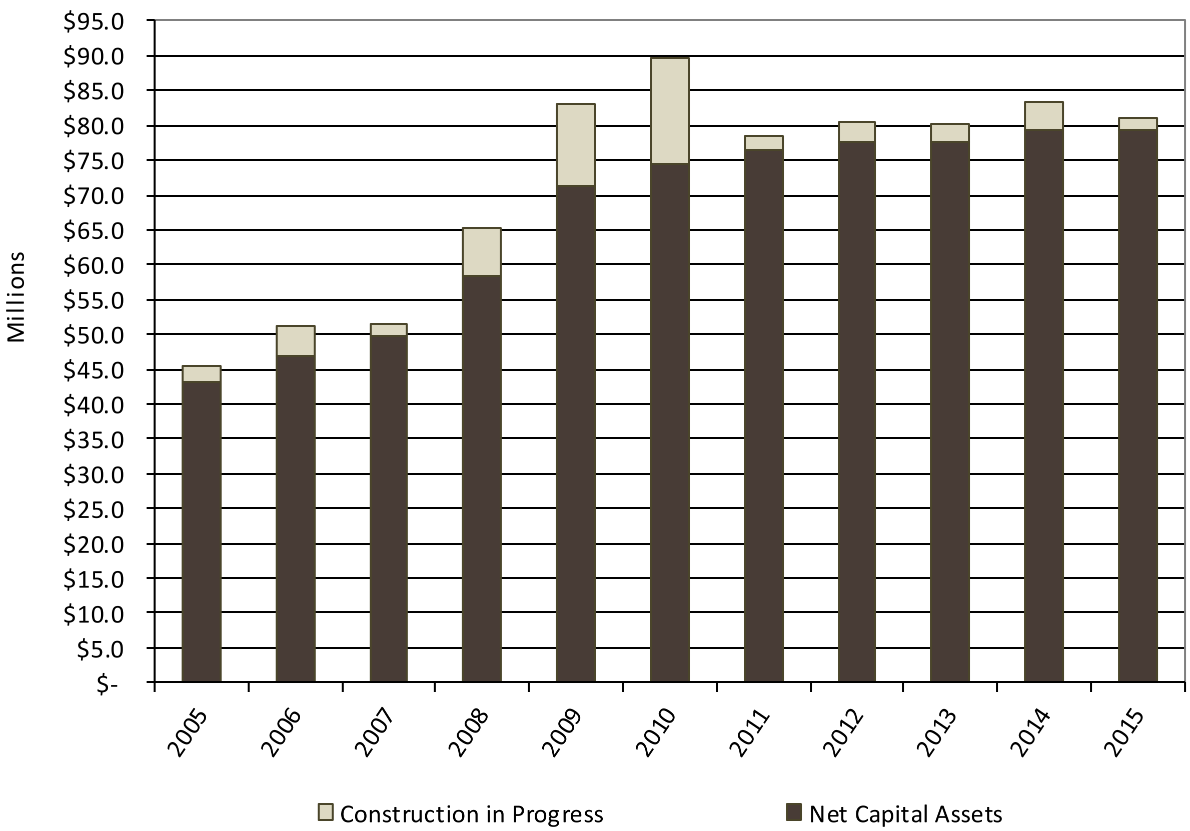
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ag Water									
Miles of laterals and tunnels	230	230	230	230	230	230	230	230	230
Miles of pipelines	100	100	100	100	100	100	100	100	100
Number of production wells	24	24	24	24	25	25	25	25	25
Number of reclamation pumps	44	44	44	44	44	44	44	44	44
Number of river pumps	4	4	4	4	4	4	4	4	4
Number of regulating reservoirs	2	2	2	3	3	3	3	3	3
Number of dams	2	2	2	2	2	2	2	2	2
Domestic Water									
Miles of distribution pipelines	4.83	6.59	6.59	6.59	6.59	6.59	6.59	6.59	6.59
Number of deep wells	7	8	8	8	8	8	8	8	8
Number of fire hydrants	63	84	84	84	84	84	84	84	84

Source: Oakdale Irrigation District—Finance and Water Departments

Table 19
Capital Assets
Last Ten Years

Year	Total Assets (excluding CIP)	Construction in Progress	Accumulated Depreciation	Net Capital Assets
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
2014	107,800,010	4,282,672	(32,866,096)	79,216,586
2015	112,583,918	1,913,853	(35,229,142)	79,268,629

Chart 12
Capital Assets



Source: Oakdale Irrigation District—Finance and Water Departments

THIS

PAGE

INTENTIONALLY

LEFT

BLANK

COMPLIANCE SECTION

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2015, 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 17, 2016.

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 over financial reporting 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.

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.

Richardson & Company, LLP

June 17, 2016

OAKDALE IRRIGATION DISTRICT

1205 East F Street

Oakdale, CA 95361

Phone: (209) 847-0341

Fax: (209) 847-3468

Website: www.oakdaleirrigation.com