



FARM- FAUCET- FISH FINDING A BALANCE

OAKDALE IRRIGATION DISTRICT

Oakdale, California

For the Years Ending
December 31, 2014 and 2013

2014

Oakdale Irrigation District
Comprehensive Annual Financial Report

For the years ended
December 31, 2014 and 2013

Prepared by the Finance Department
of
Oakdale Irrigation District
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**INTRODUCTORY
SECTION**



A Message from the General Manager

Farms, Faucets, Fish – Finding Balance

Our investments in water infrastructure in the 50's and 60's are no longer adequate to meet the needs of the state's 38.8 million residents. We have more people in our state; their growth demands are encumbering and consuming our state's prime agricultural lands; these are lands that produce the food that feeds our state, our nation and a growing world population, who by the way are facing similar challenges. The environment and the living species of fin, feather, and fowl that reside and use sensitive habitats are similarly being stressed as man's footprint continues to grow and we all compete for one of earth's finite resources, fresh water.

To address these problems we need to get to the next level of resource management. That next level will take money, coordination and thought and "a lot" of all three if we are to be successful. This is not a one sided commitment. The encampments encompassing farm, faucet and fish interests need to be on the same page. In simple terms, we need to get to a balanced set of common interests. Accountability in our water management activates needs to be the judgement platform for how we get there. Let me touch on a few accountability areas I see in our area to make my point:

Farms

Ag has done a remarkable job in our state at doing more with less when it comes to water. Since 1967 crop production per acre foot has risen 43 percent. While such improvements are notable, Ag needs to and can do more.

OID has driven down its water use since 2001 by 40,000 acre feet. Some of that savings was through crop shifting but also through modernization of OID's antiquated delivery system. Improving water deliveries to the farm allows farmers to be better water managers' on-farm. That combination has been seen in the steady drop off of farm drainage water leaving the OID service area, as indicated in OID's water budget.

The Catch-22 on this; the more OID saves the more expensive the next level of conservation becomes as the "easy" water turns to more difficult and expensive water to conserve. Water transfers, both locally and out-of-area, have to-date provided that cash stream to make that happen. Allowing that to continue will allow OID to further advance its modernization efforts and to make those necessary improvements turning Ag waste water into available water for local, regional and environmental purposes.

Faucets

After four years of drought it would appear Californian's are beginning to realize the value and importance of water again. Hopefully that realization will lead to real change in how we cooperate to manage this valued resource. We need to, because going forward there will be many challenges to address.

It's unsettling that the cities of both Folsom and Modesto were recently identified as amongst the highest per capita water users in the state at 165 gallons per day per capita. Sacramento weighed in at 110 gpd and Fairfield and Lathrop an impressive 55-100 gpd. In the fourth year of a drought this doesn't make sense for our area to be such a heavy water user, or is the term now, water waster? To say the faucet interests locally can do more with less is an understatement.

A Message from the General Manager

Fish

This year OID and SSJID questioned the use of pulse flow water being released by the federal government to flush out hundreds, if not thousands, of steelhead trout and salmon to the ocean. All this water, about 51,000 acre feet in March and April alone, inclusive of base flow and pulse flow water, was sacrificed under the unscientifically proven premise that, “more water means more fish.”

There is only one thing that produces more fish and that’s a commitment to produce more fish, no additional water required. Honolulu Bar is a habitat restoration project done by a mix of open minded federal, state and irrigation district agencies to show that more useful habitat for nesting and rearing can produce more fish with no more water. It worked very successfully and opened eyes to alternatives that can produce a better environment by cooperation and balancing the needs of all to meet common objectives. We need more of this.

Our local area is not unique. What happens here is just a surrogate for other areas of the state that are and will be facing the same water challenges we face here. While this drought will eventually end, like all others, I hope the resolve by our farm, faucet and fish collectives can realize that working together and solving our water issues is much more productive and beneficial when done together.

Steve Knell, General Manager

June 16, 2015

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, 2014. 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, 2014. The independent auditor's report is located on page 2 of this report.

For a detailed analysis of the District's financial performance, it is recommended that the reader consult the MD&A section on page 4 of this report.

Profile of the District

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

Water to supply the District comes principally from the Stanislaus River under well established 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.

June 16, 2015

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 x 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 eight standing committees that include Domestic Water, Finance, Personnel, Planning and Public Relations, San Joaquin Food Control, San Joaquin River Group, Tri-Dam Project, and Water/Engineering.

Day-to-day operations of the District are managed by the General Manager who is appointed and reports directly to the Board of Directors. Reporting to the General Manager are four departments: Engineering, Finance, Support Services Operations, and Water Operations. The District’s Organizational Chart is provided on page ix 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.

June 16, 2015

Budget Process

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

Local Economy

Economic Growth

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

Agriculture and farming is the economic foundation of the 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 Department of Agriculture and Weights and Measures, an analysis of jobs in Stanislaus County in 2010 determined that 37.4% of jobs (61,000) were agricultural related. California Department of Food and Agriculture estimated the 2014 drought economic impacts to central valley agriculture would cause a loss of 14,500 jobs, and \$738 million direct impact from gross farm revenue reductions.

The District and its local communities have not yet fully recovered from what some refer to as the great recession. While home foreclosures and high unemployment have slowed, Stanislaus and San Joaquin Counties continue to be higher than the State's rates. Local employers include government, retail, and manufacturing with a heavy emphasis on agriculture. Stanislaus and San Joaquin Counties rank among the top ten California counties in terms of annual agriculture production values with leading commodities, being milk, almonds, and poultry.

While Oakdale has the highest sales tax revenues per capita of all the cities in Stanislaus County, it continues to take steps necessary to increase future retail opportunities. In 2014, the City of Oakdale passed 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), 2014's annual unemployment rate in Stanislaus County was 11.2% and San Joaquin County was 10.6% as compared to 7.5% for the State of California and 6.2% for the nation, as compared to 2013'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 2014, Stanislaus County experienced an increase in population of approximately 1.1%, while San Joaquin County experienced an increase in population of 1.0%. In the 10-year period from 2005 to 2014, Stanislaus County's estimated population has increased by 5.5% to 531,997; and in an 8-year period from 2007 to 2014, San Joaquin County's population increased by 4.6% to 710,731, according to the San Joaquin 2014 annual financial reports.

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

June 16, 2015

Long-Term Financial Planning

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

Water Revenues

In accordance with California Law, the District reviews its fixed monthly system access fees, commodity charges, and other fees to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Such charges and fees are set by the District for the services provided by the District after a public hearing is held. The District sets its agricultural water rates prior to the beginning of the year to pay the costs associated to deliver water to the landowner. The District bills its agricultural water users on an annual basis, separate from the property tax bill, with payments due in December and June; and its domestic water users 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 wholesale power generation and water available for transfers 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, 2014 irrigation water rates in the District were subsidized by approximately 54.6%, or \$4.7 million, due to Tri-Dam Project cash distributions. In 2013, the irrigation water rates were subsidized by approximately 70% , or \$7.2 million, due to Tri-Dam and Power Authority cash distribution. As a result of the continuation of the reduction of these revenues the District went through the Prop 218 process in 2014 to increase its agricultural water users rates for 2015. The Board adopted the proposed rate in October 2014.

Water Resources Plan

The District's Water Resources Plan (WRP), completed in November 2005, detailed how to rebuild and modernize its old and out-dated system. The WRP's goals were and continue to be to: Provide long-term protection of the District's water rights; address federal, state, and local challenges; rebuild/modernize an out-of-date system to meet the changing customer needs; develop affordable ways to finance improvements; and to involve the public in the process. The WRP proposes that the District 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 \$50 million of improvements to date. The District began updating the WRP in 2012 to take into consideration the improvements and events that have taken place since its implementation. Results from the update will be completed in 2015.

The WRP proposed that the cost of these improvements be funded by revenues from water transfers, connection charges levied on approximately 4,250 acres of annexed land within the District's sphere of influence, borrowing, revenue from the sale of captured drain water, and rate increases. It is anticipated that increased efficiencies in the water system from these improvements will create additional supplies for the District, reducing estimated delivery losses from approximately 40% currently to 20%. The WRP determined that the ability to transfer water and supply annexed lands with water could be supported through increased water supplies made possible through a rehabilitated and modernized water delivery system. A total of 8,344 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 2015.

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

Major Initiatives

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" on each acre-foot used at the farm gate, and a "Drought Surcharge." Additionally, these rates will be 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™.

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, 2013. This was the seventh 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.

Letter of Transmittal - continued

June 16, 2015

Independent Audit

The District is required by bond covenants and state statutes to obtain an annual audit of its financial statements by an independent certified public accountant. This year's annual audit of the District's financial statements was conducted by the accounting firm of Richardson and Company, LLP. The Board of Directors appoints an accounting firm to perform the annual audit typically every four years. The auditor's report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report.

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

We would like to 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 entering into the fourth year of drought, rigorous environmental issues, and a precarious economic environment.

Respectfully submitted,

Steve R. Knell

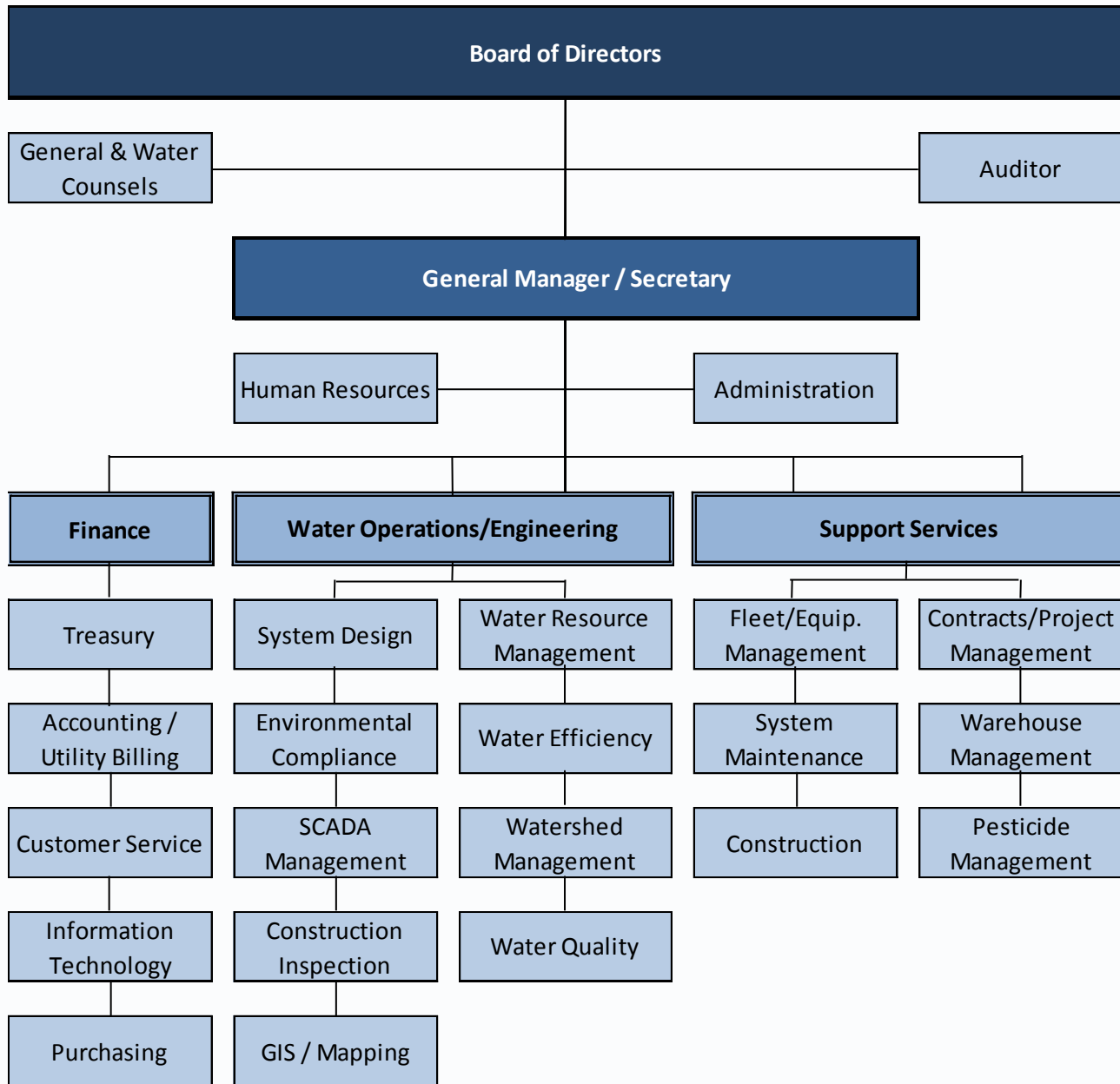
Kathy Cook

General Manager

Chief Financial Officer

Organizational Chart

Through December 2014



Principal Officials



Elected Officials (left to right)

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

Appointed Official - Steven R. Knell, General Manager

Department Managers

- Kathy Cook, Chief Financial Officer / Treasurer
- Jason Jones, Support Service Manager
- Eric Thorburn, Water Operations Manager / Engineer

Supervisors

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



Government Finance Officers Association

Certificate of
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Presented to

**Oakdale Irrigation District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oakdale Irrigation District
Oakdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakdale Irrigation District (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2014 and 2013 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

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 16, 2015 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.

June 16, 2015

Richardson & Company, LLP

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, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, the notes to the financial statements, and other additional information provided.

FINANCIAL HIGHLIGHTS

The District's financial operations continues to remain sound during 2014.

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 2014 by \$151.4 million (*net position*). Of this amount, \$2.3 million is restricted for a specific purpose, \$50.9 million is invested in capital assets (*net of related debt*), and \$98.2 million is unrestricted net position. Comparatively, at the close of 2013 net position exceeded liabilities by \$156.1 million of which \$2.3 million was in restricted for a specific purpose, \$50.6 million was invested in capital assets (*net of related debt*), and \$103.2 million was in unrestricted net position. Unrestricted net position is available to meet the District's ongoing obligations. Of the \$98.2 million unrestricted net position, \$33.1 million has been designated for specific projects and purposes;
- The District's total net position decreased by \$4.7 million in 2014, as compared to an increase of \$19.9 million in the prior year;
- Total non-current liabilities decreased by a net amount of \$602 thousand in 2014 as compared to a decrease of \$586 thousand in 2013. This decrease is primarily due to the retirement of \$1.2 in bond debt and amortization of issue discount;
- Operating revenues decreased by \$4.1 million to \$1.8 million in 2014, as compared to an increase of \$4.3 million in 2013;
- Non-operating revenues decreased by \$21.4 million to \$6.7 million in 2014, as compared to an increase of \$19.0 million in 2013. This decreased is primarily due to a one-time annexation fee revenue of \$19 million in 2013;
- Operating expenses, excluding depreciation, decreased by \$1.0 million to \$9.2 million in 2014, as compared to an increase of \$101 thousand to \$10.4 million in 2013;
- Non-operating expenses increased by \$55 thousand to \$1.5 million, as compared to a decrease of \$42 thousand in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Introductory Section

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

Management's Discussion and Analysis - continued

Financial Section

This section includes the auditor's report, management's discussion and analysis, basic financial statements, required supplementary and additional information. The District's basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and Notes to the Basic Financial Statements. The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. When evaluated over a period increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position reflect the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes provide in depth information that is vital to gaining a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 19.

Statistical Section

The statistical section provides additional information not contained in the financial section on District activities. The statistical section begins on page 45.

FINANCIAL ANALYSIS OF THE DISTRICT

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

STATEMENT OF NET POSITION

Net Position is the difference between total assets and liabilities.

Net Position

Table 1
Condensed Statement of Net Position

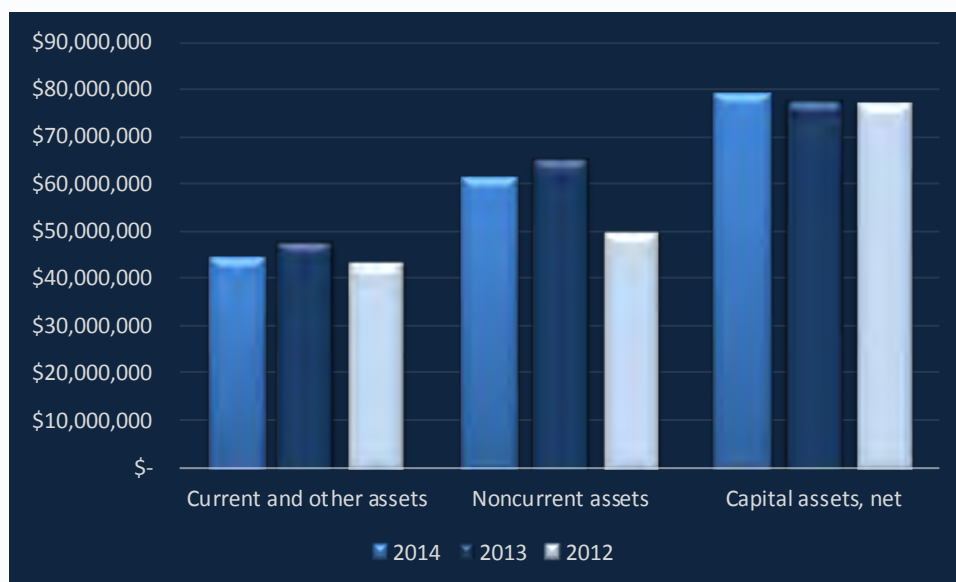
	2014	December 31, 2013	2012
TOTAL ASSETS			
Assets			
Current and other assets	\$ 44,283,511	\$ 48,166,656	\$ 43,775,925
Noncurrent assets	61,495,830	65,244,688	49,966,778
Capital assets, net	<u>79,216,586</u>	<u>77,674,698</u>	<u>77,514,014</u>
Total assets	<u>184,995,927</u>	<u>191,086,042</u>	<u>171,256,717</u>
TOTAL LIABILITIES AND NET POSITION			
Liabilities			
Current liabilities	4,635,985	5,424,344	4,924,187
Long-term liabilities	<u>28,954,098</u>	<u>29,556,375</u>	<u>30,142,649</u>
Total liabilities	<u>33,590,083</u>	<u>34,980,719</u>	<u>35,066,836</u>
NET POSITION			
Net investment in capital assets	50,885,465	50,566,062	51,077,784
Restricted for debt service	2,149,347	2,149,190	2,149,241
Restricted for remediation projects	158,957	157,691	185,941
Unrestricted	<u>98,212,075</u>	<u>103,232,380</u>	<u>82,776,915</u>
Total net position	<u>\$ 151,405,844</u>	<u>\$ 156,105,323</u>	<u>\$ 136,189,881</u>

Management's Discussion and Analysis - continued

STATEMENT OF NET POSITION-continued

Net Position-continued

Chart 1
Assets Compared



The District concluded the 2014-year having \$40.4 million in available unrestricted cash and investments in general and designated reserve fund accounts, a decrease of \$4.4 million; as compared to \$44.8 million in 2013 or an increase of \$3.3 million in 2013 over 2012. Of the \$40.4 million of unrestricted funds on hand at December 31, 2014, approximately 93%, \$37.6 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 decreased by \$3.8 million in 2014, as compared to a \$4.4 million increase in 2013. The decrease in 2014 current assets was primarily due to the net of an decrease in cash and investments of \$4.4 million, and an increase in prepaid expenses of \$660 thousand. Noncurrent assets decreased by \$3.7 million primarily as a net result of the use of \$2.5 million in bond proceeds, a decrease of \$724 thousand in annexation fee receivables, and a decrease of \$475 thousand in investments in Tri-Dam Project.

In 2014, the District's liabilities decreased by \$1.4 million primarily as a result of a \$1.2 million decrease in debt retirement, a decrease of \$415 thousand accounts payable, a decrease of \$637 thousand in bond interest expense payable, an increase of \$53 thousand of improvement districts restricted cash, an increase of \$612 thousand of unearned revenue, and an increase of \$124 thousand of customer deposits held; as compared to a decrease in 2013 of \$86 thousand.

Unrestricted net position decreased by \$5.0 million to \$98.2 million in 2014, as compared to an increase in 2013 of \$20.5 million to \$103.2 million. In 2014, the District's net investment in capital assets increased by \$319 thousand, as compared to a decrease of \$512 thousand in 2013. This increase of \$319 thousand was primarily due the net of the use of bond proceeds of \$2.47 million, a \$1.54 million increase in capital assets (net of depreciation) and the retirement of \$1.25 million of long-term debt (net of amortization).

Management's Discussion and Analysis - continued

STATEMENT OF NET POSITION-continued

Net Position-continued

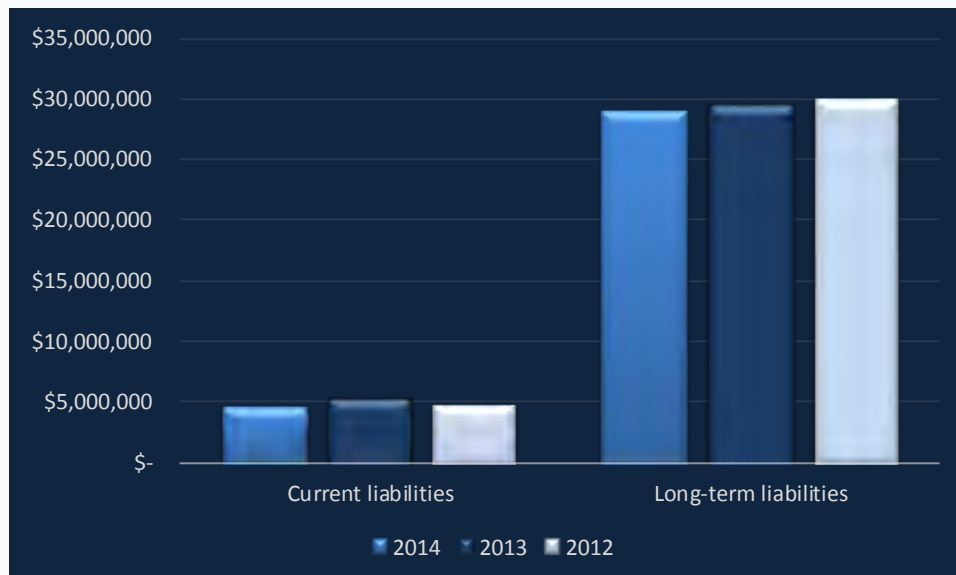
The District's total assets (cash, reserves, receivables, and net capital assets) decreased by \$6.1 million to \$185.0 million, of which \$42.0 million is invested in the Tri-Dam Project and \$2.3 million in bond proceeds restricted for capital improvements and debt service payments. In 2013, the District's total assets increased by \$19.8 million to \$191.1 million.

The District's gross capital assets increased by \$3.8 million to \$112.1 million as a result of the continuation of the Water Resources Plan capital improvement program. In 2013, gross capital assets increased \$2.4 million to \$108.3 million. Capital assets, net of depreciation, increased \$1.5 million to \$79.2 million, as compared to an increase in 2013 of \$161 thousand to \$77.7 million.

Liabilities

The District's liabilities decreased by \$1.4 million to \$33.6 million primarily as a net result of the retirement of long-term debt of \$1.2 million; and increased accounts payable, unearned revenue, and customer deposits held at year-end. Compared to a decrease of \$86 thousand to \$35.0 million in 2013 over 2012 primarily as a result the decreased payables at year-end due to the retirement of long-term debt.

Chart 2
Liabilities Compared



Management's Discussion and Analysis - continued

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

	2014	2013	2012
Revenue, Expenses, and Changes in Net Position			
Operating revenues			
Agricultural water service fees	\$ 1,378,393	\$ 1,516,917	\$ 1,240,838
Other operating revenues	426,872	389,677	391,252
Connection fees	1,810	1,200	1,250
Water sales	-	4,000,000	-
Total operating revenues	<u>1,807,075</u>	<u>5,907,794</u>	<u>1,633,340</u>
Nonoperating revenues			
Tri Dam Project distributions, net	3,885,871	6,305,314	6,066,296
Property taxes	2,037,400	1,893,770	1,893,079
Tri Dam Power Authority distributions	-	750,000	1,000,000
Other nonoperating revenues	806,775	19,204,643	152,101
Total nonoperating revenues	<u>6,730,046</u>	<u>28,153,727</u>	<u>9,111,476</u>
Total revenues	<u>8,537,121</u>	<u>34,061,521</u>	<u>10,744,816</u>
Operating expenses			
Operation and maintenance	3,751,234	4,608,808	4,165,511
General and administrative	3,279,735	3,549,500	3,806,305
Water operations	2,212,021	2,213,645	2,298,764
Depreciation	2,464,433	2,415,604	2,419,575
Total operating expenses	<u>11,707,423</u>	<u>12,787,557</u>	<u>12,690,155</u>
Nonoperating expenses			
Interest expense	1,532,664	1,477,080	1,511,488
Other nonoperating expenses	-	-	7,953
Total nonoperating expenses	<u>1,532,664</u>	<u>1,477,080</u>	<u>1,519,441</u>
Total expenses	<u>13,240,087</u>	<u>14,264,637</u>	<u>14,209,596</u>
Net income (loss) before contributions	(4,702,966)	19,796,884	(3,464,780)
Capital contributions	3,487	118,558	108,754
Change in net position	(4,699,479)	19,915,442	(3,356,026)
Net position-beginning of year	156,105,323	136,189,881	139,545,907
Net position-end of year	<u>\$ 151,405,844</u>	<u>\$ 156,105,323</u>	<u>\$ 136,189,881</u>

Management's Discussion and Analysis - continued

REVENUES, EXPENSES, AND CHANGES IN NET POSITION-continued

Revenues

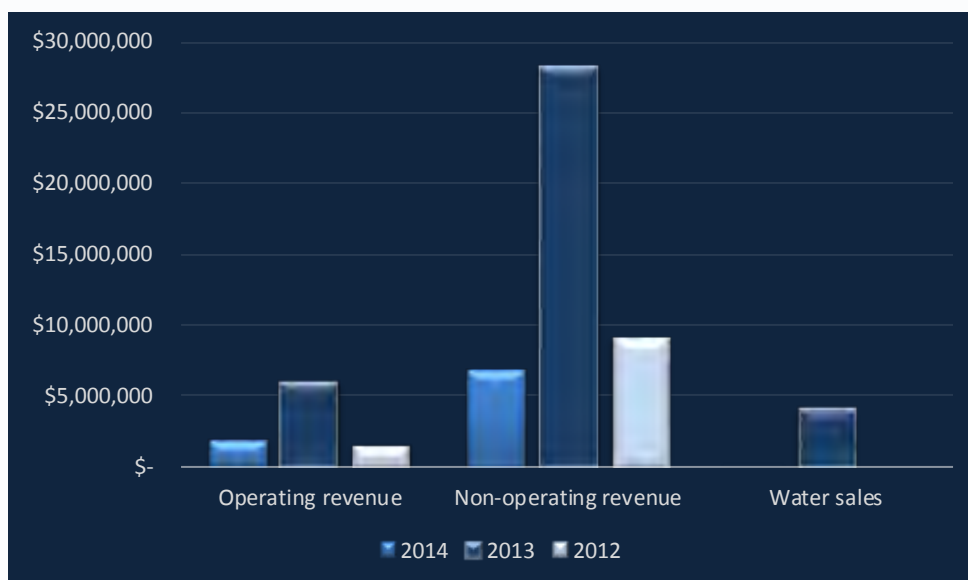
In 2014, total revenues decreased by \$25.6 million to \$8.5 million in 2014 primarily as a net result of:

- 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,
- An increase in interest earned on investment of \$401 thousand.

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

- A one-time annexation fee of agricultural lands into the District in the amount of \$18.9 million;
- A one-time water transfer sales of \$4.0 million with San Luis & Delta Mendota Water Authority and the California Department of Water Resources to augment flows to benefit migratory Fish in the Stanislaus and San Joaquin Rivers;
- Tri-Dam Project's cash distributions increased slightly by \$248 thousands as a result of improved wholesale power prices. In 2013, cash disbursements increased by \$248 thousand;
- Tri-Dam Project's equity in undistributed net earnings decreased slightly by \$9 thousand as a result of distributions made to the District.
- The Tri-Dam Power Authority's cash distributions decreased by \$250 thousand in 2013 as a result of continued low prices in wholesale power market.
- Agricultural water revenues increased by \$276 thousand due to the irrigation of newly annexed lands,
- A decrease in interest earned on investment of \$64 thousand as a result of the District investments in short-term U.S. Treasury bills in reaction to market volatility.

Chart 3
Operating and Nonoperating Revenues Compared



Management's Discussion and Analysis - continued

REVENUES, EXPENSES, AND CHANGES IN NET POSITION-continued

Total Expenses

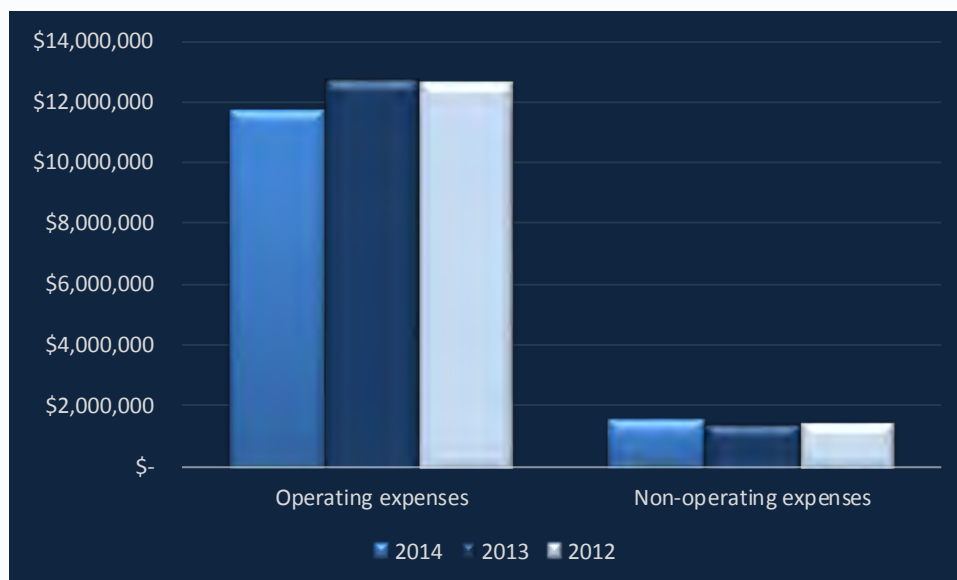
Total Expenses in 2014 decreased by \$1.0 million to \$13.2 million primarily as a net result of:

- 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.

Total Expenses in 2013 increased slightly by \$55 thousand to \$14.3 million primarily as a net result of:

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

Chart 4
Operating and Nonoperating Expenses Compared



Changes in Net Position

Overall, the District's net position decreased \$4.7 million to \$151.4 million during the current calendar year; as compared to the prior year of a \$19.9 million increase to \$156.1 million.

Management's Discussion and Analysis - continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) amounted to \$79.2 million as of December 31, 2014, an increase of \$1.5 million in 2013, capital assets (net of accumulated depreciation) increased \$161.0 million to \$77.7 million. The broad range capital assets includes land, structures and improvements, furniture, machinery and equipment, main canal and tunnels systems, distribution pipelines and canals, and other assets such as vehicles, equipment, office equipment, and furniture. A significant portion of the \$1.5 million the District invested in its capital assets in 2014 went to address modernization of the District's delivery system.

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

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

In 2013, the District began the process of updating its 2005 WRP and anticipates completing it sometime mid-year 2015.

Additional information of capital assets may be found in Note 3 of the Notes to the Basic Financial Statements on pages 30 and 31.

Long-term Debt

At December 31, 2014, the District had total long-term debt outstanding of \$28.6 million compared to \$29.9 million as of December 31, 2013. The decrease of \$1.26 million 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 32 through 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The local and national economy in 2014 continues to show a slow economic recovery. The local and regional areas showed a marginal improvement in the housing and job market sectors.

When preparing the 2015 budget, the District continued to focus on issues that may have an impact on its operations.

- The impacts of a 4-year 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;
- Tri-Dam Project's new wholesale power contract rates are now fixed;
- Continued uncertainty of the State of California's budget and its continued propensity to balance its budget on the backs of local government;
- 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.

Management's Discussion and Analysis - continued

CAPITAL ASSETS AND DEBT ADMINISTRATION-continued

Economic Factors and Next Year's Budgets and Rates-continued

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 39%.

In 2015 for the first time in the District's history, it limited irrigation water deliveries to 40 inches per acre. Farmer to Farmer intra-district water transfers are 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.

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Statements of Net Position

	At December 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,133,309	\$ 7,957,115
Investments	35,229,450	36,875,893
Receivables		
Annexation fees	724,978	703,863
Agricultural water fees	655,642	550,301
Due from other governmental agencies	146,871	272,043
Miscellaneous	282,477	303,178
Domestic water fees	8,522	12,335
Inventory of materials and supplies	784,216	761,455
Prepaid expenses	1,236,722	574,747
Due from Improvement Districts	81,324	155,726
Total current assets	44,283,511	48,166,656
Noncurrent assets:		
Accounts receivable - delinquencies	26,350	12,067
Due from other governmental agencies-Prop 1A	103,360	101,475
Long-term residential connection fees	-	150,000
Restricted Improvement Districts' cash and cash equivalents	839,068	785,972
Restricted cash and cash equivalents	2,308,306	4,776,803
Annexation fees receivable	16,249,982	16,974,960
Investments in Tri-Dam Project	41,968,764	42,443,411
Capital assets:		
Not being depreciated	6,969,630	5,074,921
Being depreciated, net	72,246,956	72,599,777
Total noncurrent assets	140,712,416	142,919,386
TOTAL ASSETS	184,995,927	191,086,042
LIABILITIES		
Current liabilities:		
Payable from nonrestricted assets		
Accounts payable	199,844	615,077
Due to other governmental agencies	51,871	27,250
Accrued salaries, wages and related benefits	277,509	249,939
Unearned revenue	2,309,325	1,697,269
Deposits payable	493,761	370,050
Due to Improvement Districts	163,084	153,060
Claims payable	34,100	-
Interest expense payable	-	636,711
Improvement Districts' deposits payable from restricted assets	839,068	785,972
Long-term liabilities, due within one-year	267,423	889,016
Total current liabilities	4,635,985	5,424,344
Noncurrent liabilities:		
Long-term liabilities, due in more than one-year	28,954,098	29,556,375
Total noncurrent liabilities	28,954,098	29,556,375
TOTAL LIABILITIES	33,590,083	34,980,719
Net Position		
Net investment in capital assets	50,885,465	50,566,062
Restricted for debt service	2,149,347	2,149,190
Restricted for remediation projects	158,957	157,691
Unrestricted	98,212,075	103,232,380
TOTAL NET POSITION	\$ 151,405,844	\$ 156,105,323

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,	
	2014	2013
Operating revenues:		
Agricultural water service fees	\$ 1,378,393	\$ 1,516,917
Domestic water delivery fee	213,932	215,111
Other water related revenues	212,940	174,566
Connection fees	1,810	1,200
Water sales	-	4,000,000
Total operating revenues	1,807,075	5,907,794
Operating expenses:		
Operation and maintenance	3,751,234	4,608,808
General and administrative	3,279,735	3,549,500
Water operations	2,212,021	2,213,645
Depreciation / amortization	2,464,433	2,415,604
Total operating expenses	11,707,423	12,787,557
Operating loss	(9,900,348)	(6,879,763)
Nonoperating revenues (expenses):		
Interest earned	675,681	274,814
Property taxes	2,037,400	1,893,770
Tri-Dam Power Authority distributions	-	750,000
Tri-Dam Project distributions	4,662,000	6,582,000
Equity in undistributed net earnings of Tri-Dam Project	(776,129)	(276,686)
Debt service interest	(1,532,664)	(1,477,080)
Gain (loss) on sale of capital assets	131,094	16,779
Annexation fees	-	18,913,050
Total non-operating revenues (expenses)	5,197,382	26,676,647
Net income (loss) before contributions	(4,702,966)	19,796,884
Capital contributions	3,487	118,558
Change in net position	(4,699,479)	19,915,442
Net position - beginning of year	156,105,323	136,189,881
Net position - end of year	\$ 151,405,844	\$ 156,105,323

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

Statements of Cash Flows

	For the Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 2,730,684	\$ 6,361,002
Cash payments to suppliers for goods and services	(3,375,323)	(3,718,485)
Cash payments from Improvement Districts	84,426	(78,485)
Cash payments to employees	(6,011,693)	(6,427,282)
Cash payments for claims	34,100	(6,000)
Net cash (used) by operating activities	(6,537,806)	(3,869,250)
Cash flows from noncapital financing activities:		
Annexation fees	703,863	1,234,227
Interest on annexation agreement	523,692	-
Property taxes	2,088,349	1,978,280
Total cash provided by noncapital financing activities	3,315,904	3,212,507
Cash flows from capital and related financing activities:		
Purchases of capital assets	(4,036,845)	(2,505,987)
Debt interest paid	(3,036,995)	(1,474,431)
Debt principal payments	(1,260,000)	(595,000)
Proceeds from sales of capital assets	165,105	65,036
Net cash (used) by capital and related financing activities	(8,168,735)	(4,510,382)
Cash flow from investing activities:		
Interest received on investments	355,503	255,636
Purchases of securities	(37,584,222)	(484,072,928)
Proceeds from sale of securities	549,432	-
Proceeds from calls and maturities	38,470,199	481,725,213
Capital Contribution to Tri-Dam Project	(301,482)	-
Tri-Dam Project cash distributions	4,662,000	6,582,000
Tri-Dam Power Authority cash distributions	-	750,000
Net cash (used) provided by investing activities	6,151,430	5,239,921
Net (decrease) increase in cash and cash equivalents	(5,239,207)	72,796
Cash and cash equivalents at beginning of year	13,519,890	13,447,094
Cash and cash equivalents at end of year	\$ 8,280,683	\$ 13,519,890
	For the Year Ended December 31,	
	2014	2013
Reconciliation of cash and cash equivalents to Statement of Net Position:		
Cash and cash equivalents	\$ 5,133,309	\$ 7,957,115
Restricted Improvement District's cash and cash equivalents	839,068	785,972
Restricted cash and cash equivalents	2,308,306	4,776,803
Total cash and cash equivalents	\$ 8,280,683	\$ 13,519,890

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,	
	2014	2013
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss	\$ (9,900,348)	\$ (6,879,763)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,464,433	2,415,604
Changes in assets and liabilities:		
Decrease (increase) in receivables	(15,252)	(9,548)
Decrease (increase) in inventory	(22,761)	249,280
Decrease (increase) in prepaid expenses	218,210	(189,167)
Decrease (increase) in due from Improvement Districts	74,402	(86,891)
Increase (decrease) in long-term connection fees	150,000	125,000
Increase (decrease) in accounts payable	(415,233)	158,467
Increase (decrease) in due to other agencies	24,621	15,878
Increase (decrease) in accrued salaries, wages and related benefits	27,570	(22,978)
Increase (decrease) in unearned revenue	612,056	100,636
Increase (decrease) in deposits payable	123,711	93,197
Increase (decrease) in due to Improvement Districts	63,120	152,329
Increase (decrease) in claims payable	34,100	(6,000)
Increase (decrease) in compensated absences	23,565	14,706
Net cash (used) by operating activities	\$ (6,537,806)	\$ (3,869,250)
Supplemental disclosures of non-cash activities:		
Receipts of contributed assets	\$ 3,487	\$ 118,558
(Decrease) increase in fair value of investments	(211,034)	(209,040)
Change in undistributed investment in Tri-Dam Project	(474,647)	(276,686)
Capitalized interest		77,477

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

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Notes to the Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The District’s distribution system includes the Goodwin Diversion Dam (Goodwin Dam) on the Stanislaus River below the New Melones Dam, at which water is diverted into the District’s main canals, laterals, and pipelines. In addition to such surface water facilities, the District owns and operates deep well and water reclamation pumps and provides domestic water service. The District provides irrigation water to approximately 2,940 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 Donnell’s Dam, Tunnel, and Power Plant; Beardsley Dam, Afterbay, and Power Plant; Tulloch Dam, Afterbay, and Power Plant; and the Goodwin Dam and related facilities. The Project’s principal activities are the storage and delivery of water to each District and the hydraulic generation of power. As of January 1, 2010, the Project marketed its power through a consultant, Shell Energy North America (US); L.P. through December 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 District’s Board of Directors. However, the operations and net position of the Authority belong solely to the Authority as a separate legal entity. Should the Authority become insolvent, the District would not be liable for the Authority debts. Accordingly, the Authority has been excluded from the District’s financial statements. Upon termination of the Joint Exercise of Powers Agreement, all bonds of the Authority will be transferred to the members as tenants in common. All other assets of the Authority will be distributed to the members in proportion to their respective 50% contribution. Since the District has only a residual equity interest in the Authority, it is not recorded as an equity investment on the District’s Statement of Net Position according to GASB Statements No. 14 and 61. Only distributions received from the Authority are recorded as non-operating revenues. The Authority issues separate financial statements, which are available at P.O. Box 1158, Pinecrest, California 95364-0158 or at www.tridamproject.com.

The San Joaquin River Group Authority. The San Joaquin River Group Authority (SJRGA) was created in September, 1996 under a joint exercise of powers agreement between the District, Modesto Irrigation District, South San Joaquin Irrigation District, Turlock Irrigation District, Friant Water Users Authority, and San Joaquin River Exchange Contractors Water Authority (“the Parties”) to represent the Parties as necessary in proceedings relating to the investigation, monitoring, planning, control, mitigation of water flow and non-flow issues, and to enhance the environmental conditions in the Delta which impact the Parties. The SJRGA is governed by a seven-member commission made up of one member of the Governing Board of each Party. The agreement was terminated by the Parties in December 2013.

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Joint Ventures-continued

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

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 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, 2014 and 2013 represent assessments restricted for Improvement Districts' operations and maintenance expenses, a certificate of deposit restricted for environmental mitigation expenses, debt service reserve funds, and unspent debt proceeds restricted to certain capital projects by the related debt covenants.

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Accounts Receivable

Accounts receivable arise from billings to customers for irrigation and domestic water usage and other related charges. Uncollectible amounts from individual customers are not significant. The District uses the direct write-off method of accounting for uncollectible accounts. Water and other water-related charges 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 as follows at December 31, 2014:

	Trinitas Annexation Agreements		
	Principal	Interest	Total
For the year ending December 31,			
2015	\$ 724,978	\$ 509,249	\$ 1,234,227
2016	746,728	487,499	1,234,227
2017	769,130	465,097	1,234,227
2018	792,203	442,024	1,234,227
2019	815,970	418,258	1,234,228
2020-2024	4,462,056	1,709,079	6,171,135
2025-2029	5,172,746	998,390	6,171,136
2030-2032	3,491,149	211,534	3,702,683
	<u>\$ 16,974,960</u>	<u>\$ 5,241,130</u>	<u>\$ 22,216,090</u>

Due from Other Governmental Agencies

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 was from State of California mandated costs claims program, and \$2 thousand from the State Board of Equalization for diesel fuel tax refunds. Amounts due from other governmental agencies at December 31, 2013 of \$272 thousand consisted of \$197 thousand property tax appropriations due, \$41 thousand due from South San Joaquin Irrigation District for reimbursement of water rights fees, and \$34 thousand from Tri-Dam Project for reimbursement of OID staff time. Non-current amounts due from other governments at December 31, 2013 of \$101 thousand from State of California mandated costs claims program.

Long-term Residential Connection Fees Receivable

Long-term residential connection fees receivable represent imposed nonexchange revenue earned when the District has a legally enforceable right to payment, which is at the time the development was accepted by the District. The amounts are collected when the related lots are developed and sold, and are secured by a lien on the related lots. In August 2014, the District forwarded uncollected fees to the Stanislaus County Assessor’s Office to be added to the property’s tax assessment rolls as a direct assessment. All fees have been collected as of May 2014.

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Capital Assets

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

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

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

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

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

Inventory

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

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Cash Equivalents

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

Long-term Liabilities

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

Compensated Absences

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

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

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

As of December 31, 2014 and 2013, the total estimated current and long-term liabilities for all compensated absences were \$890 thousand, and \$867 thousand, respectively. The liability for vacation, sick leave, and overtime comp-time accruals are reported in the statement of net position.

Use of Estimates

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

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property Taxes

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

The District experienced a reduction in its property tax revenue as a result of the State of California’s Education Revenue Augmentation Fund (ERAF) during the years ended December 31, 2004 and 2005 of approximately \$2.2 million. In November 2004, California voters approved Proposition 1A which prohibits the State from reducing the share of property tax revenues going to cities, counties, and special districts and shifting those shares to the schools or any other non-local government. However, under specific conditions, the State may suspend the protection provisions of Proposition 1A. Beginning fiscal years 2009 and 2010, the State suspended the protection provisions of Proposition 1A and “borrowed” 8% of total property tax revenues. In 2013, the State repaid the \$168 thousand it borrowed from the District during the fiscal years 2009-2010 and 2010-2011. The State may not enact such a suspension more than twice in any ten year period and may do so if: (1) the State’s fiscal year VLF Backfill Gap Loan has been repaid; or (2) any previous borrowing has been paid. If the State’s current economic crisis continues there is likelihood that the District’s property taxes will continue to be reduced in the future.

Water Revenue

Water delivery fees were set at rates from \$19.50 per acre for parcels greater than 10 acres to \$30 for parcels one-acre or less in unincorporated areas. 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 will likely begin charging irrigation customers, in addition to the \$27 flat per-acre rate already implemented in 2015, a \$3.15 per acre-foot charge beginning in 2016.

Reclassification

An amount was reclassified from accrued salaries, wages and related benefits to current portion of compensated absences at December 31, 2013. This reclassification had no effect on total liabilities or net position.

New Pronouncements

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

Notes to the Basic Financial Statements - continued

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

New Pronouncements-continued

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

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

NOTE 2: CASH AND INVESTMENTS

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

Cash and investments are classified in the financial statements as shown below at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents		
Cash on hand	\$ 420	\$ 420
Deposits with financial institutions	2,392,673	3,950,240
Money market mutual fund	2,581,075	3,847,642
Deposits in Local Agency Investment Fund (LAIF)	159,141	158,813
Total unrestricted cash and cash equivalents	<u>5,133,309</u>	<u>7,957,115</u>
Restricted Improvement Districts' cash and cash equivalents		
Deposits with financial institutions	839,068	785,972
Restricted cash and cash equivalents		
Deposits with financial institutions	158,957	157,691
Money market mutual fund	2,149,349	4,619,112
Total restricted cash and cash equivalents	<u>2,308,306</u>	<u>4,776,803</u>
Total cash and cash equivalents	<u>8,280,683</u>	<u>13,519,890</u>
Investments		
Investments held by Union Bank	35,229,450	36,875,893
Total investments	<u>35,229,450</u>	<u>36,875,893</u>
Total cash and investments	<u>\$ 43,510,133</u>	<u>\$ 50,395,783</u>

Cash and investments as of December 31, 2014 and 2013 consisted of the following for disclosure under GASB Statement No. 40:

	<u>2014</u>	<u>2013</u>
Cash and deposits		
Cash on hand	\$ 420	\$ 420
Deposits with financial institutions	3,390,698	4,893,903
Total cash and deposits	<u>3,391,118</u>	<u>4,894,323</u>
U.S. Agency Securities	16,934,199	17,589,453
Commerical paper	9,418,617	10,144,811
Medium term corporate notes	8,876,634	9,141,629
Money market mutual fund	4,730,424	8,466,754
Local Agency Investment Fund (LAIF)	159,141	158,813
Total investments	<u>40,119,015</u>	<u>45,501,460</u>
Total cash and investments	<u>\$ 43,510,133</u>	<u>\$ 50,395,783</u>

Notes to the Basic Financial Statements - continued

NOTE 2: CASH AND INVESTMENTS-continued

Investments Authorized by the District's Investment Policy

Investments are reported at fair value. The District annually adopts its Investment Policy in accordance with the guidelines stated by *California Government Code* ("CGC") Section 53600, et. seq. The District's Investment Policy only authorizes selection of investments based on safety, liquidity, and yield, authorizing investments in the Local Agency Investment Fund (LAIF) administered by the State of California. Except for 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.

During the year ended December 31, 2014, 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.

Notes to the Basic Financial Statements - continued

NOTE 2: CASH AND INVESTMENTS-continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Typically, the longer the maturity of the investment the greater the sensitivity of its fair value to changes in market interest rates. The District's Investment Policy does not contain any 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	13 - 24 Months	25 - 60 Months
U.S. agency securities	\$ 16,934,199	\$ 12,185,284	\$ 4,748,915	\$ -
Commercial paper	9,418,617	9,418,617	-	-
Medium term corporate notes	8,876,634	8,876,634	-	-
Money market mutual fund	4,730,424	4,730,424	-	-
Local Agency Investment Fund	159,141	159,141	-	-
Total	\$ 40,119,015	\$ 35,370,100	\$ 4,748,915	\$ -

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.

Investment Type	Minimum Legal Rating	Rating as of Year End				
		Total	AAA	A-1+ / AA+ / AA / AA-	A-1 / A+ / A / A-	Unrated
U.S. agency securities	N/A	\$ 16,934,199	\$ -	\$ 16,934,199	\$ -	\$ -
Commercial paper	A-1+	9,418,617	-	1,224,632	8,193,985	-
Medium term corporate notes	A	8,876,634	-	3,003,870	5,872,764	-
Money market mutual fund	AAA	4,730,424	4,730,424	-	-	-
Local Agency Investment Fund	N/A	159,141	-	-	-	159,141
Total		\$ 40,119,015	\$ 4,730,424	\$ 21,162,701	\$ 14,066,749	\$ 159,141

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, 2014 included investments in the Federal National Mortgage Association in the amount of \$7,827,015, the Federal Home Loan Banks in the amount of \$5,854,609, and Federal Home Loan Mortgage Corporation in the amount of \$3,252,575. Investments with one issuer exceeding 5% of total investments at December 31, 2013 included investments in Federal Home Loan Mortgage Corporation in the amount of \$10,301,756 and the Federal National Mortgage Association in the amount of \$5,787,712.

Notes to the Basic Financial Statements - continued

NOTE 2: CASH AND INVESTMENTS-continued

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, 2014 and 2013, the carrying amount of the District's deposits was \$3,390,698 and \$4,893,903; and the balance in financial institutions was \$3,527,330 and \$4,960,969, respectively. Of the balance in financial institutions at December 31, 2014 and 2013, \$1,158,957 and \$1,157,361, respectively, was covered by federal depository insurance, and \$2,368,374 and \$3,803,578, 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, 2014 and 2013, all of the District's U.S. Agency securities, commercial paper and medium term corporate notes were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

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.

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 \$60,299,518,059 managed by the State Treasurer. Of that amount, 98.7% is invested in non-derivative financial products, and 1.3% in structured notes and medium-term asset backed securities. The Local Agency Investment Advisory Board ("Board") has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 200 and 209 days at December 31, 2014 and 2013, respectively.

Notes to the Basic Financial Statements - continued

NOTE 3: CAPITAL ASSETS

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	<u>5,074,921</u>	<u>3,527,990</u>	<u>(730)</u>	<u>(1,632,551)</u>	<u>6,969,630</u>
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	<u>103,249,033</u>	<u>512,342</u>	<u>(280,874)</u>	<u>1,632,551</u>	<u>105,113,052</u>
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	<u>(30,649,256)</u>	<u>(2,464,433)</u>	<u>247,593</u>	<u>-</u>	<u>(32,866,096)</u>
Total capital assets being depreciated, net	<u>72,599,777</u>	<u>(1,952,091)</u>	<u>(33,281)</u>	<u>1,632,551</u>	<u>72,246,956</u>
Capital assets, net	<u>\$ 77,674,698</u>	<u>\$ 1,575,899</u>	<u>\$ (34,011)</u>	<u>\$ -</u>	<u>\$ 79,216,586</u>

Notes to the Basic Financial Statements - continued

NOTE 3: CAPITAL ASSETS-continued

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

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

Notes to the Basic Financial Statements - continued

NOTE 4: LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 and 2013 consisted of the following:

	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			<u>\$ 30,445,391</u>	<u>\$ 276,239</u>	<u>\$ (1,500,109)</u>	<u>\$ 29,221,521</u>	<u>\$ 267,423</u>
			Balance January 1, 2013	Incurred	Retired	Balance December 31, 2013	Due Within One Year
Certificates of participation - Series 2009	2039	3.10%-5.50%	\$ 30,495,000	\$ -	\$ (595,000)	\$ 29,900,000	\$ 620,000
Less unamortized issue discount			(334,007)	-	12,565	(321,442)	-
Total certificates of participation			30,160,993	-	(582,435)	29,578,558	620,000
Compensated absences			852,127	306,133	(291,427)	866,833	269,016
Total long-term liabilities			<u>\$ 31,013,120</u>	<u>\$ 306,133</u>	<u>\$ (873,862)</u>	<u>\$ 30,445,391</u>	<u>\$ 889,016</u>

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.

Notes to the Basic Financial Statements - continued

NOTE 4: LONG-TERM LIABILITIES-continued

Long-Term Liabilities-continued

The annual requirements to amortize the outstanding business-type activities debt as of December 31, 2014 are as follows:

Year ending December 31,	Certificates of Participation - Series 2009		
	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	665,000	1,483,288	2,148,288
2017	690,000	1,456,688	2,146,688
2018	715,000	1,429,088	2,144,088
2019	745,000	1,400,488	2,145,488
2020-2024	4,235,000	6,497,526	10,732,526
2025-2029	5,410,000	5,330,448	10,740,448
2030-2034	7,010,000	3,719,650	10,729,650
2035-2039	9,170,000	1,567,222	10,737,222
Total	<u>\$ 28,640,000</u>	<u>\$ 22,884,398</u>	<u>\$ 51,524,398</u>

Defeasance of Debt

In December 2014, the District defeased \$640,000 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 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, 2014, \$2,148,888 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 \$51,524,398 and \$55,821,394 at December 31, 2014 and 2013, respectively. Total principal and interest paid on the Certificates (including defeased amounts described on the next page) in 2014 and 2013 was \$4,296,995 and \$2,146,908, respectively. At December 31, 2014, total net revenues were \$894,131, while net revenues at December 31, 2013 were \$23,689,568.

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

Notes to the Basic Financial Statements - continued

NOTE 4: LONG-TERM LIABILITIES-continued

Pledged Revenues-continued

The following is a calculation of the required coverage ratio as of December 31, 2014 and 2013:

	2014	2013
Revenues	\$ 8,537,121	\$ 34,061,521
Add: Use of rate-stabilization reserve fund	1,600,000	-
Less: Maintenance and operation expenses (as defined)	9,242,990	10,371,953
Net revenues	894,131	23,689,568
Interest and principal payments (as defined)	764,054	2,146,908
Coverage ratio computed	117%	1103%
Required rate	110%	110%

The above table does not included the District's February and August 2015, and August 2014 payment obligations of \$2,148,888 and \$1,384,053, respectively, paid during 2014. 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 Installment Purchase Contract provides that the District may defease the payment of all or a portion of Installment Payments (as defined in the Installment Purchase 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.

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 \$1.6M 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 bondholders. 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, 2014 or 2013.

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.

Notes to the Basic Financial Statements - continued

NOTE 5: NET POSITION-continued

Net Position-continued

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, 2014 and 2013, designations included:

	2014	2013
Capital Replacement / Improvement Reserve Fund	\$ 18,000,000	\$ 19,475,000
Main Canal / Tunnel Improvement Reserve	8,064,000	8,064,000
Operating Reserve Fund	3,738,000	3,738,000
Rate-Stabilization Reserve Fund	1,388,000	2,988,000
Rural Water Replacement / Improvement Reserve Fund	742,566	736,443
Vehicle and Equipment Replacement Reserve Fund	486,966	486,966
Building and Facilities Reserve Fund	475,000	-
Employee Compensated Absences Reserve Fund	179,084	179,084
Total	<u>\$ 33,073,616</u>	<u>\$ 35,667,493</u>

NOTE 6: EMPLOYEES’ RETIREMENT PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public 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. 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 Risk Pool, and employees hired on or after January 1, 2013 participate in the Miscellaneous 2.0% @ 62 Risk Pool due to the implementation of the Public Employee’s Pension Reform Act. Copies of the CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Notes to the Basic Financial Statements - continued

NOTE 6: EMPLOYEES' RETIREMENT PLAN-continued

Funding Policy

Active plan members in the 2.0% at 60 risk pool are required to contribute 7% of their annual covered salary. For the 2.0% at 60 risk pool, as specified by the bargaining units Memorandum of Understanding, the District contributes 6.0% and 6.5% of the contributions required of the District employees on their behalf and for their account, and the employee contributes 1.0% and .5%, during 2014 and 2013, respectively. Active plan members in the 2.0% at 62 risk pool are required to contribute one half of the normal cost or 6.25% of their annual covered salary. The District does not make any contributions required of the employees for the 2.0% at 62 risk pool. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District's employer contribution rates and amounts for recent years are shown below.

	Periods Ended June 30		
	July 1, 2014 to December 31, 2014	July 1, 2013 to June 30, 2014	January 1, 2013 to June 30, 2013
	Employer contribution percentage:		
2.0% at 60 Risk Pool	8.005%	8.049%	7.846%
2.0% at 62 Risk Pool	6.250%	6.250%	6.250%
	Year Ended December 31		
	2014	2013	2012
	Employer contribution amount:		
2.0% at 60 Risk Pool	\$ 310,736	\$ 330,552	\$ 342,091
2.0% at 62 Risk Pool	22,858	2,993	None
Subtotal	<u>333,594</u>	<u>333,545</u>	<u>342,091</u>
Employee contribution paid by District:			
2.0% at 60 Risk Pool	230,903	274,047	307,260
	<u>\$ 564,497</u>	<u>\$ 607,592</u>	<u>\$ 649,351</u>

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.

Notes to the Basic Financial Statements - continued

NOTE 7: RISK MANAGEMENT-continued

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

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Self-Insured Retention</u>
General and auto liability (includes public official liability)	\$ 2,000,000	\$ 58,000,000	\$ 25,000
Property damage	75,000	100,000,000	1,000
Fidelity	100,000	1,000,000	1,000
<u>Coverage</u>	<u>SDRMA</u>		
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:

	<u>For the Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Claims payable, January 1	\$ -	\$ 6,000
Incurred claims; provision for event of current year	34,100	-
Claims paid	-	(6,000)
Claims payable, December 31	<u>\$ 34,100</u>	<u>\$ -</u>

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

NOTE 8: RELATED PARTY TRANSACTIONS

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

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, 2014.

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-intervenors 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 will be made final in 2015. Once made final, the USBR will still need to comply with NEPA. The District will continue to defend its water rights and seek a successful outcome.

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 judgement has been determined as of this report.

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 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. There were either no active petitions or the petitioners settled with District.

Effect of Drought

According to the San Joaquin 5-Station Precipitation Index, as of April 20, 2015 season to date, precipitation at 14.5 inches has been the lowest precipitation recorded historically since 1924. While the 2013/2014 precipitation, at 20.4 inches was the fourth lowest recorded historically since 1924. The District has gone through three years of drought experiencing limited reductions in water availability. Given that the District is experiencing its fourth year of the drought it has for the first time historically set an allocation of 40 inches per acre.

Notes to the Basic Financial Statements - continued

NOTE 9: COMMITMENTS AND CONTINGENCIES-continued

Effect of Drought-continued

Recognizing the many needs and uses of water in the basin, and the fact that there may not be enough water to meet all those needs in 2015, the District and SSJID entered into a discussion with the federal agencies to discuss this water year. The federal agencies included the Bureau of Reclamation, who operates New Melones Dam, and the National Marine Fisheries Service, who have legal authority over the implementation of the Biological Opinion on the Stanislaus River. From those discussions an Agreement regarding the operations/management of New Melones to meet both fish and agricultural needs for the remainder of 2015 were reached.

The District has taken the following actions to make enough water available for the irrigation season to assure growers a successful crop.

- Delay of the start of the water season,
- Set an allocation of 30-inches per acre for water users,
- Extend length of irrigation runs,
- Farmer to farmer water transfers,
- Use of deep wells whenever possible to boost surface water supply, and
- Use approximately 32,000 acre feet of its conservation water in New Melones.

The District’s Tri-Dam Project power generation capacity is further subject to water conservation efforts that may have an effect on minimizing water releases from its reservoirs. The first quarter of 2014 power generation has been significantly lower and will likely continue to at levels below its historical average until conditions approve. The District receives a substantial amount of revenue from the Tri-Dam Project and Tri-Dam Power Authority. The loss of this revenue source would have a significant impact on the District’s operations.

The District has analyzed, and continues to analyze, the impact of the drought to its 2015 budget. Management is scrutinizing all expenditures in an effort to minimize the need to use reserve funds. In 2015, the District increased irrigation user rates, and will be analyzing the need for future rate increases for 2016.

Contract Commitments

District had the following capital project commitments outstanding as of December 31, 2014:

Project Name	Contract Amount	Remaining Amount Committed
Two Mile Bar Tunnel Engineering	\$ 762,307	\$ 78,895
	\$ 762,307	\$ 78,895

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.

Notes to the Basic Financial Statements - continued

NOTE 9: COMMITMENTS AND CONTINGENCIES-continued

Operating Lease Commitments-continued

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

Year ended December:	
2015	\$ 28,161
2016	28,519
2017	28,878
2018	29,247
2019	7,334
Total payments	<u>\$122,139</u>

Rental expense relating to the lease was \$27,900 in 2014 and \$27,900 in 2013.

NOTE 10: INVESTMENT IN TRI-DAM PROJECT

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

Tri-Dam Project Balance Sheet

	At December 31,	
	2014	2013
Assets and deferred outflows		
Cash and investments	\$ 16,783,111	\$ 15,522,815
Other current assets	2,514,512	4,226,457
Total current assets	19,297,623	19,749,272
Property and equipment, net	58,370,251	59,230,494
Total assets	77,667,874	78,979,766
Deferred outflows of resources		
Federal Energy Regulatory Commission relicensing costs	8,213,938	7,941,235
Accumulated amortization	(974,448)	(747,462)
Total assets and deferred outflows of resources	<u>\$ 84,907,364</u>	<u>\$ 86,173,539</u>
Liabilities and net position		
Current liabilities	\$ 698,669	\$ 1,046,439
Long-term liabilities	271,168	240,278
Total liabilities	969,837	1,286,717
Net Position		
Net investment in capital assets	58,370,251	59,230,494
Unrestricted	25,567,276	25,656,328
Total net position	83,937,527	84,886,822
Total liabilities and net position	<u>\$ 84,907,364</u>	<u>\$ 86,173,539</u>

Notes to the Basic Financial Statements - continued

NOTE 10: INVESTMENT IN TRI-DAM PROJECT-continued

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

	For the Year Ended December 31,	
	2014	2013
Operating revenues	\$ 15,460,554	\$ 22,500,866
Operating expenses		
Expenses	5,214,135	8,475,056
Depreciation	1,918,103	1,889,625
Total operating expenses	7,132,238	10,364,681
Net income from operations	8,328,316	12,136,185
Nonoperating revenues (expenses)	(556,574)	474,442
Change in net position	7,771,742	12,610,627
Net position - beginning of year	84,886,822	85,440,195
Add: contribution of land by member districts	602,963	-
Less: Distributions to member districts	(9,324,000)	(13,164,000)
Net position - end of year	\$ 83,937,527	\$ 84,886,822

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.

The District is updating its 2005 Water Resources Plan and anticipates its completion in mid-year 2015.

During the first quarter of 2015, the Districts' Tri-Dam Project and Authority's power generation has been reduced significantly, and will continue to generate electricity at levels well below its historical average if the drought continues. The 2014/2015 water year will likely be the driest in recorded history in the Stanislaus River watershed. The impact of this may include reductions in financial reserves held by Tri-Dam Project and Authority, and/or reduced distributions to the District in 2015. In January 2015, the District received a cash distribution from Tri-Dam Project of \$2.5 million.

In April 2015, the District appointed a new Director in Division 5 to fill a vacancy that occurred in February 2015.

The District has evaluated subsequent events through June 16, 2015 as required by GASB Statement No. 56.

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**STATISTICAL
SECTION**

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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
Financial Trends Data These schedules contain financial trend information for assessing the District's financial performance and well-being over time.	46
Revenue Capacity Data These schedules present revenue capacity information to assess the District's ability to generate revenues. Water sales and service fees, wholesale power sales, and property taxes are the District's most significant revenue sources.	48
Debt Capacity Data These schedules present information to assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt. Additionally, provided are schedules regarding legal debt margin, direct and overlapping bonded debt in the county in which the District conducts 90% of its business.	54
Demographic and Economic Information These schedules provide information on the demographic and economic environment in which the District conducts business.	56
Operating Information These schedules provide information on the District's service infrastructure to assist the reader in the understanding of how the information in the District's financial report relates to the services the District provides and the activities it performs.	58
Sources Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports of the relevant years.	

Financial Trend Data

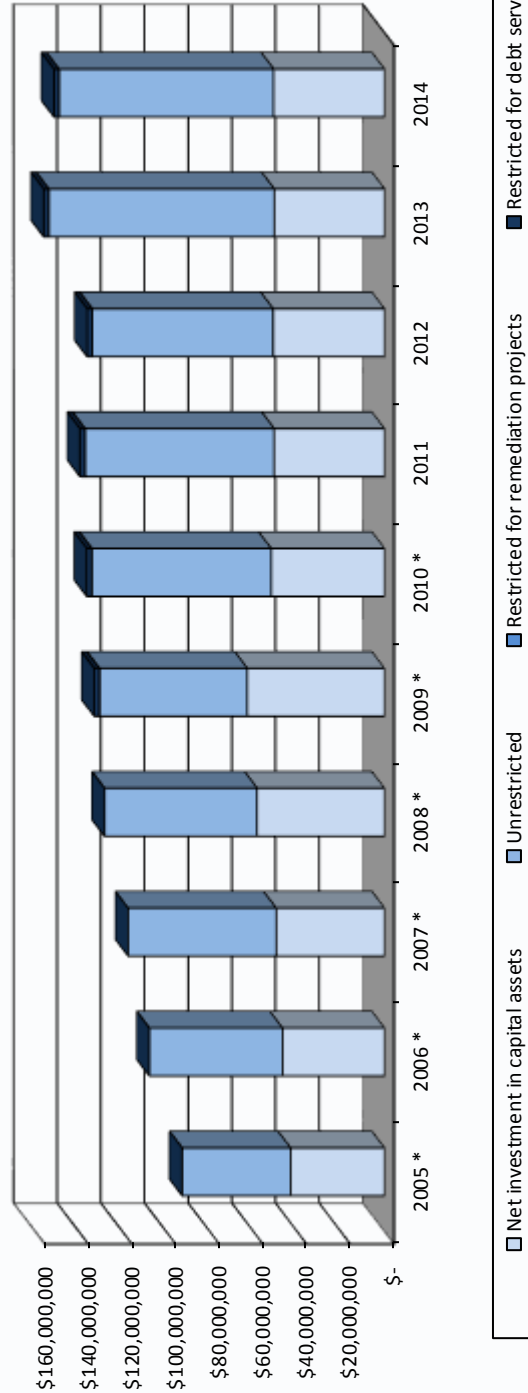
Table 1
Net Position by Component
Last Ten Years

	2005 *	2006 *	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014
Net investment in capital assets	\$ 43,126,570	\$ 46,812,926	\$ 49,683,718	\$ 58,456,036	\$ 62,942,193	\$ 51,969,687	\$ 50,633,121	\$ 51,077,784	\$ 50,566,062	\$ 50,885,465
Restricted for debt service	-	-	-	-	2,151,068	2,149,900	2,149,258	2,149,241	2,149,190	2,149,347
Restricted for remediation projects	-	-	-	-	-	283,870	288,824	185,941	157,691	158,957
Unrestricted	49,593,511	60,918,784	67,764,975	69,805,060	67,561,952	82,020,800	86,474,704	82,776,915	103,232,380	98,212,075
Total net position	\$ 92,720,081	\$ 107,731,710	\$ 117,448,693	\$ 128,261,096	\$ 132,934,214	\$ 136,424,257	\$ 139,545,907	\$ 136,189,881	\$ 156,105,323	\$ 151,405,844

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

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

Chart 1



Financial Trend Data

Table 2
Changes in Net Position
Last Ten Years

	2005 *	2006 *	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014
Operating revenues:										
Agricultural water service fees	\$ 1,174,793	\$ 1,161,018	\$ 1,159,509	\$ 1,163,464	\$ 1,183,770	\$ 54,115	\$ 1,210,632	\$ 1,240,838	\$ 1,516,917	\$ 1,378,393
Domestic water delivery fees	174,450	178,864	193,066	840,550	219,280	190,533	205,949	202,134	215,111	213,932
Other water related revenues	126,993	136,559	145,011	299,100	148,674	191,098	144,879	189,118	174,566	212,940
Connection fees	500	200	45,526	215,073	250	785	1,150	1,250	1,200	1,810
Water sales	2,946,896	2,990,422	5,405,251	2,643,571	8,564,635	4,076,889	2,066,879	-	4,000,000	-
Total operating revenues	4,423,632	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
Operating expenses										
Operation and maintenance	4,043,814	3,164,238	3,245,097	3,189,791	3,833,008	4,403,284	4,057,837	4,165,511	4,608,808	3,751,234
General and administrative	3,378,456	3,992,475	4,007,385	4,953,672	5,934,548	3,277,323	3,680,603	3,806,305	3,549,500	3,279,735
Water operations	1,510,529	1,486,731	1,729,017	1,757,106	1,857,692	1,920,053	1,917,244	2,298,764	2,213,645	2,212,021
Depreciation	1,326,588	1,412,576	1,495,333	1,740,468	1,838,609	2,254,109	2,289,009	2,419,575	2,415,604	2,464,433
Total operating expenses	10,259,387	10,056,020	10,476,832	11,641,037	13,463,857	11,854,769	11,944,693	12,690,155	12,787,557	11,707,423
Operating income (loss)	(5,835,755)	(5,588,957)	(3,528,469)	(6,479,279)	(3,347,248)	(7,341,349)	(8,315,204)	(11,056,815)	(6,879,763)	(9,900,348)
Non-operating revenues (expenses)										
Interest earned	385,665	879,845	1,440,337	620,396	304,318	60,580	53,758	152,101	274,814	675,681
Property taxes	501,887	1,784,976	1,827,806	2,258,958	2,100,740	1,946,205	1,925,629	1,893,079	1,893,770	2,037,400
Joint ventures	16,915,168	17,621,410	10,148,895	13,911,473	6,551,641	9,900,556	10,868,617	7,066,296	7,055,314	3,885,871
Debt service interest	-	-	-	-	(1,351,703)	(1,178,660)	(1,272,272)	(1,511,488)	(1,477,080)	(1,532,664)
Gain (loss) on sale of assets	17,900	(6,929)	(172,043)	(32,845)	(20,497)	(9,399)	(20,284)	(7,953)	16,779	131,094
Annexation fees	-	305,448	-	-	-	100,828	259,168	-	18,913,050	-
Total non-operating revenues (expenses)	17,820,620	20,584,750	13,244,995	16,757,982	7,584,499	10,820,110	11,814,616	7,592,035	26,676,647	5,197,382
Net income before contributions	11,984,865	14,995,793	9,716,526	10,278,703	4,237,251	3,478,761	3,499,412	(3,464,780)	19,796,884	(4,702,966)
Capital contributions	10,838	15,836	457	533,700	435,867	11,282	1,815	108,754	118,558	3,487
Change in net position	11,995,703	15,011,629	9,716,983	10,812,403	4,673,118	3,490,043	3,501,227	(3,356,026)	19,915,442	(4,699,479)
Net position - beginning of year	80,724,378	92,720,081	107,731,710	117,448,693	128,261,096	132,934,214	136,044,680	139,545,907	136,189,881	156,105,323
Net position - end 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	\$ 156,105,323	\$ 151,405,844

- 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.

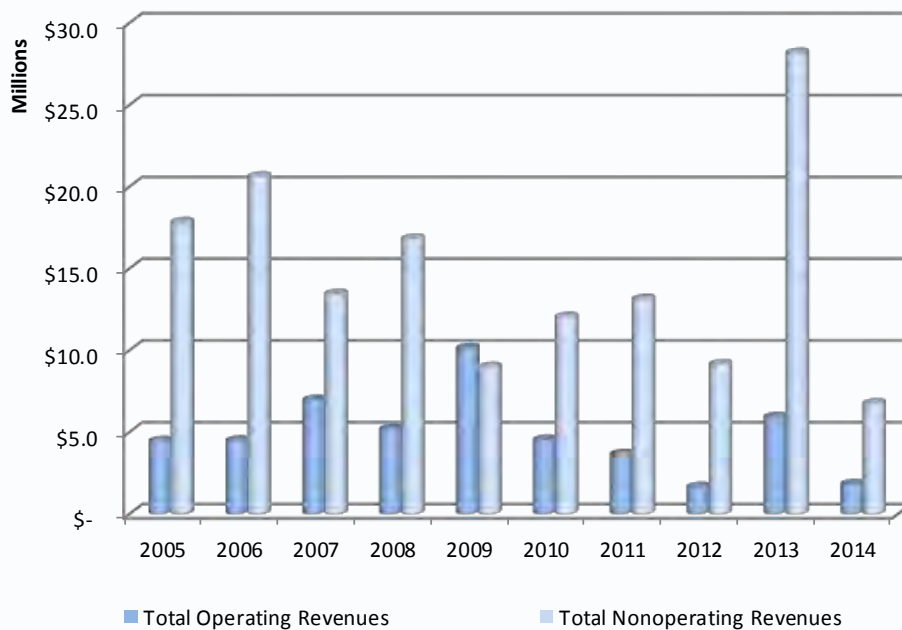
Source: Oakdale Irrigation District

Financial Trend Data

Table 3
Revenues by Source
Last Ten Years

Year	Operating Revenues			Nonoperating Revenues						Total Revenues
	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		
2005	\$ 1,174,793	\$ 312,781	\$ 2,946,896	\$ 385,665	\$ 501,887	\$ 8,700,000	\$ 8,215,168	\$ -	\$ 22,237,190	
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	(276,686)	18,929,829	34,061,521	
2014	1,378,393	428,682	-	675,681	2,037,400	4,662,000	(776,129)	131,094	8,537,121	

Chart 2
Operating and Nonoperating Revenues
Last Ten Years



Financial Trend Data

Table 4
Operating Expenses by Source
Last Ten Years

	Operation & Maintenance	General & Administration	Water Operations	Depreciation	Total Operating Expenses
2005	\$ 3,842,202	\$ 3,378,456	\$ 1,712,141	\$ 1,326,588	\$ 10,259,387
2006	3,657,594	3,992,475	1,486,731	1,412,576	10,549,376
2007	3,245,097	4,007,385	1,729,017	1,495,333	10,476,832
2008	3,189,791	4,953,672	1,757,106	1,740,468	11,641,037
2009	3,833,008	5,934,548	1,857,692	1,838,609	13,463,857
2010	4,403,284	3,277,323	1,920,053	2,254,109	11,854,769
2011	4,057,837	3,680,603	1,917,244	2,289,009	11,944,693
2012	4,165,511	3,806,305	2,298,764	2,419,575	12,690,155
2013	4,608,808	3,549,500	2,213,645	2,415,604	12,787,557
2014	3,751,234	3,279,735	2,212,021	2,464,433	11,707,423

Chart 3
Operating Expenses by Source

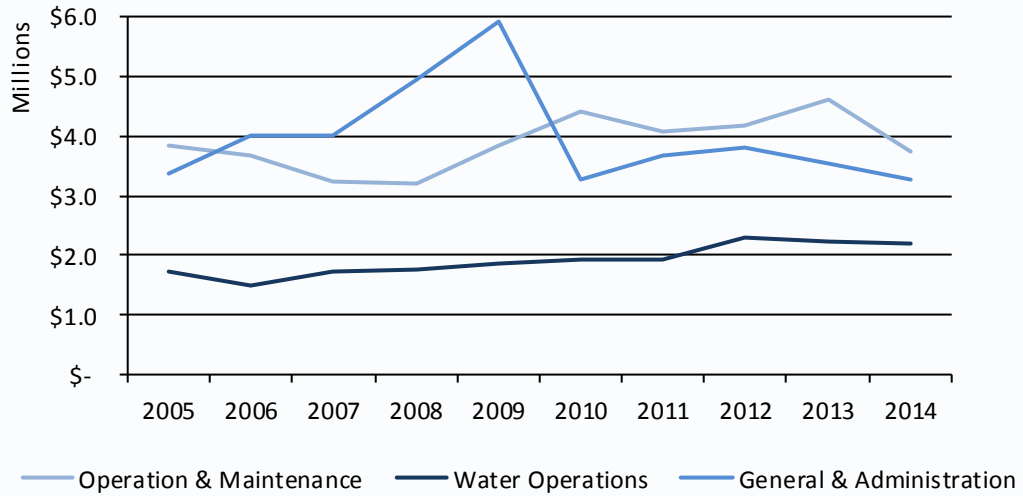
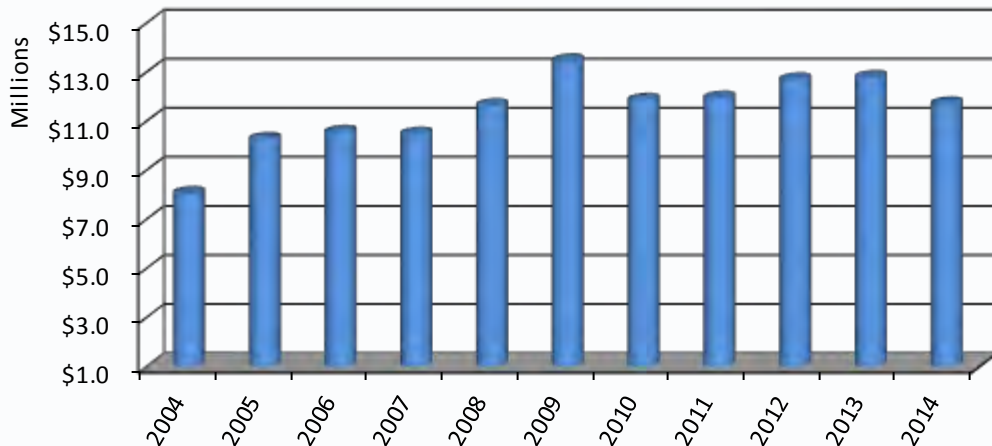


Chart 4
Total Operating Expenses



Revenue Capacity Data

Table 5
Property Tax Levy and Collections
Last Ten Fiscal Years

COUNTY OF STANISLAUS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		District's	
		Amount	Percent of Levy	Share of 1% Property Tax	% of County Levy
2005	\$ 326,003,357	\$ 326,003,357	100.00%	\$ 1,233,436	0.38%
2006	396,734,408	383,041,323	96.55%	1,430,178	0.36%
2007	461,085,798	431,482,886	93.58%	1,660,949	0.36%
2008	505,125,278	464,689,972	91.99%	1,795,616	0.36%
2009	474,286,882	451,524,927	95.20%	1,737,418	0.37%
2010	446,704,648	430,564,452	96.39%	1,579,084	0.35%
2011	436,493,485	424,593,296	97.27%	1,593,599	0.37%
2012	426,313,135	416,034,209	97.59%	1,546,634	0.36%
2013	427,774,039	417,419,791	97.58%	1,540,527	0.36%
2014	448,139,124	438,298,281	97.80%	1,571,080	0.35%

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

Taxpayer	2013 / 2014			2004 / 2005		
	Property Taxes	Rank	Percentage of Total Property Taxes	Property Taxes	Rank	Percentage of Total Property Taxes
Pacific Gas and Electric	\$ 3,214,272	1	0.7172%	\$ 1,264,549	4	0.3787%
World International	3,108,228	2	0.6936%			
Gallo Winery	2,810,732	3	0.6272%	1,236,655	5	0.3704%
Gallo Glass Co.	2,619,834	4	0.5846%	1,738,928	2	0.5208%
Bronco Winery Company	1,511,804	5	0.3374%			
Doctor's Medical Center	1,367,327	6	0.3051%	1,226,499	6	0.3673%
Hunt Wesson Foods, Inc.	1,319,007	7	0.2943%	972,884	10	0.2914%
Frito Lay, Inc.	1,246,008	8	0.2780%			
WW Grainger, Inc.	1,242,152	9	0.2772%			
Fresno Farming LLC	1,240,161	10	0.2767%			
Diablo Grande, LTD				4,444,999	1	1.3312%
Signature Fruit				1,396,438	3	0.4182%
Foster Dairy Farms				1,082,731	7	0.3243%
SBC California				1,060,492	8	0.3176%
Hershey's Chocolate, Inc.				1,049,265	9	0.3142%
Total	\$ 19,679,525		4.3913%	\$15,473,440		4.6341%

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, 2014

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%	220,786	99.76%	\$ 1,378,393	86.56%
Domestic Water	474	13.84%	535	0.24%	213,932	13.45%
TOTAL	3,426	100.00%	221,321	100.00%	\$ 1,592,325	100.00%

Chart 5
Percentage of Total Water Accounts

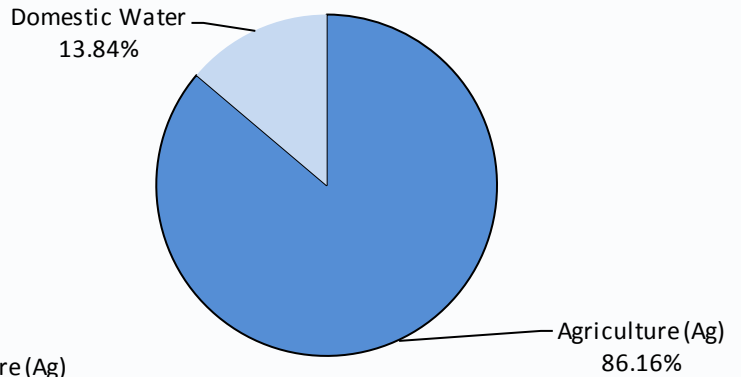


Chart 6
Percentage of Total Consumption

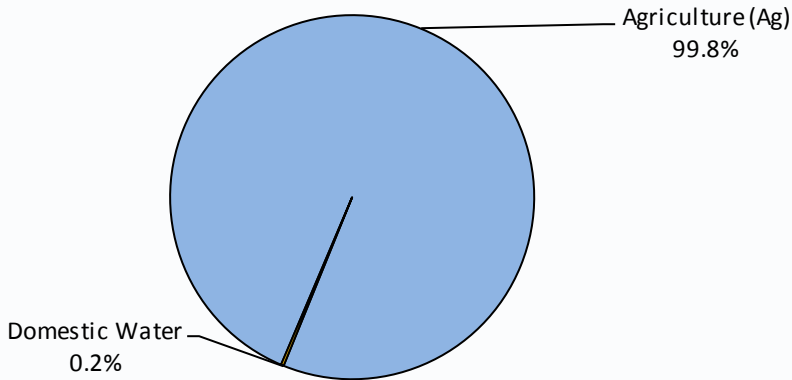
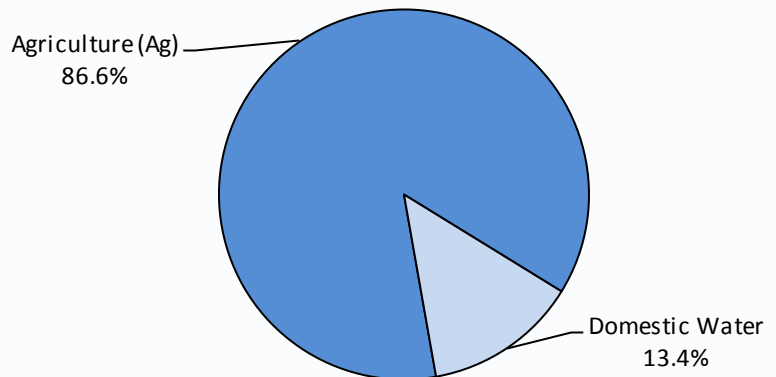


Chart 7
Percentage of Total Revenues



Revenue Capacity Data

Table 8
Irrigated Acres
Last Ten Years

Water Year	Irrigated Acres
2005	55,237
2006	55,385
2007	55,217
2008	55,411
2009	55,610
2010	55,824
2011	57,246
2012	56,836
2013	57,121
2014	64,724

Chart 8
Irrigated Acres

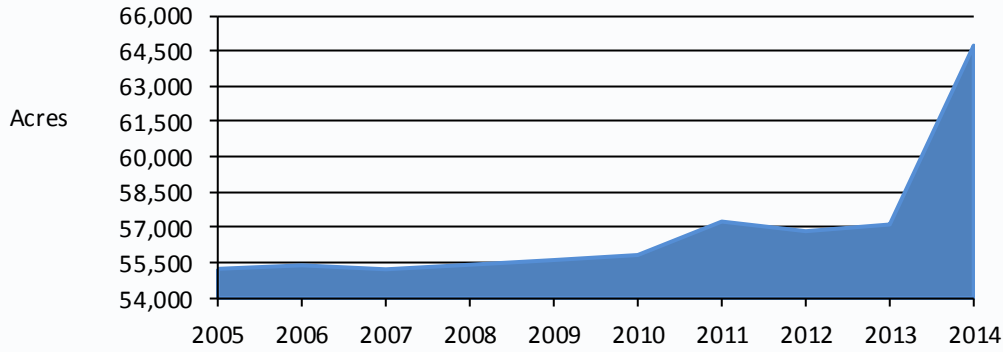


Table 9
Irrigation Water Charges
Last Ten Fiscal Years

Water Year	Water Charges (per acre)						
	County						
	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
2005	\$30.00	\$30.00	\$28.00	\$26.00	\$24.00	\$22.00	\$19.50
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

Revenue Capacity Data

Table 10
Crops

Categories	2014
Grain & Cereals	11,127
Hay & Forage	30,183
Permanent	22,015
Others	468
Fallow	932
Total	64,724

Chart 9
Crop Categories Percentages

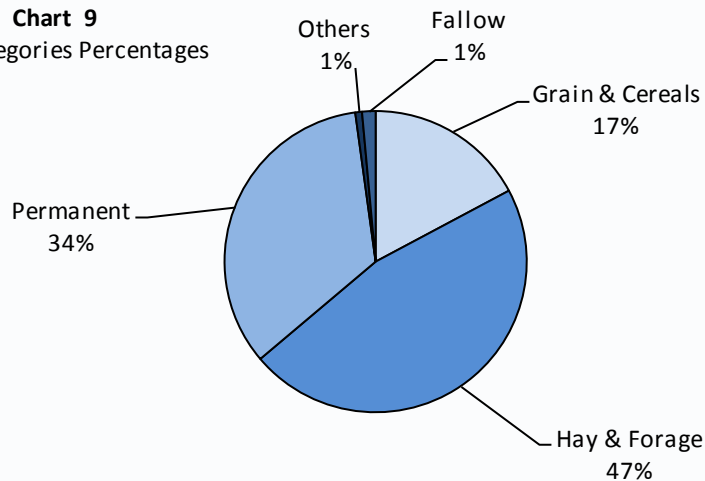


Table 11
Ten Largest Water Users - 2014

Landowner	No. of Irrigable Acres	Percent of Total ⁽¹⁾	Water Revenue	Percent of Total ⁽²⁾
Trinitas LLCs	7,271.26	11.23%	\$141,790	10.29%
John Bricchetto Trust	1,939.45	3.00%	37,819	2.74%
V.A. Rodden	1,626.18	2.51%	31,711	2.30%
Elizabeth Bricchetto	1,339.54	2.07%	26,121	1.90%
Sharon Naraghi	959.72	1.48%	18,715	1.36%
Stueve Properties	772.11	1.19%	15,056	1.09%
Montpelier Farms Corp.	686.80	1.06%	13,393	0.97%
David W. Boersma	613.83	0.95%	11,970	0.87%
Pete & Tamara Postma	599.97	0.93%	11,699	0.85%
G3 Enterprises	523.27	0.81%	10,204	0.74%
TOTALS	16,332.13	25.23%	\$318,477	23.10%

(1) Based on the total 2014 irrigable acres of 64,724.

(2) Based on the total 2014 water revenue of \$1,378,391.

Debt Capacity Data

Table 12
Legal Debt Margin Information

COUNTY OF STANISLAUS Last Ten Fiscal Years						
Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2004/2005	\$ 29,160,150,955	1.25%	\$ 364,501,887	-	\$ 364,501,887	0%
2005/2006	33,476,100,273	1.25%	418,451,253	-	418,451,253	0%
2006/2007	39,155,801,284	1.25%	489,447,516	-	489,447,516	0%
2007/2008	42,974,745,064	1.25%	537,184,313	-	537,184,313	0%
2008/2009	40,026,418,777	1.25%	500,330,235	-	500,330,235	0%
2009/2010	37,297,148,953	1.25%	466,214,362	-	466,214,362	0%
2010/2011	35,558,908,063	1.25%	444,486,351	-	444,486,351	0%
2011/2012	34,775,090,795	1.25%	434,688,635	-	434,688,635	0%
2012/2013	34,775,090,759	1.25%	434,688,634	-	434,688,634	0%
2013/2014	33,924,599,417	1.25%	424,057,493	-	424,057,493	0%
2014/2015	35,600,228,524	1.25%	445,002,857	-	445,002,857	0%

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

COUNTY OF SAN JOAQUIN Last Ten Fiscal Years						
Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2005	Not available	1.25%	\$ 497,461,589	-	\$ 497,461,589	0%
2006	Not available	1.25%	576,919,493	-	576,919,493	0%
2007	Not available	1.25%	681,583,871	-	681,583,871	0%
2008	Not available	1.25%	746,277,606	-	746,277,606	0%
2009	Not available	1.25%	730,992,679	-	730,992,679	0%
2010	Not available	1.25%	647,943,721	-	647,943,721	0%
2011	Not available	1.25%	685,383,938	-	685,383,938	0%
2012	Not available	1.25%	659,802,311	-	659,802,311	0%
2013	Not available	1.25%	659,393,352	-	659,393,352	0%
2014	Not available	1.25%	692,834,021	-	692,834,021	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						
Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Certificate of Participation	Notes Payable	Borrow Site Agreement			
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	58.17
2013	28,578,558	-	-	28,578,558	not available	54.64
2014	28,331,123	-	-	28,331,123	not available	53.25

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

¹Refer to the Schedule of Demographic and Economic Statistics on page 55 for personal income and population data as information is not available for the District's service area only.

Debt Capacity Data

Table 14
 Estimated Direct Overlapping Bonded Debt
 COUNTY OF STANISLAUS
 (as of December 11, 2014)

2014-15 Assessed Valuation:	\$39,675,227,121	(includes unitary utility valuation)
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
	<u>% Applicable (1)</u>	<u>Debt 12/1/14</u>
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
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
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
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
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
<small>(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.</small>		
<u>Ratios to 2014-15 Assessed Valuation:</u>		<u>Ratios to Adjusted Assessed Valuation:</u>
Total Overlapping Tax and Assessment Debt..... 2.05%		Total Direct Debt (\$49,270,000)..... 0.12%
<u>Ratios to Redevelopment Incremental Valuation (\$3,664,760,136):</u>		Gross Combined Total Debt 2.91%
Overlapping Tax Increment Debt..... 3.80%		Net Combined Total Debt..... 2.91%

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

Demographic and Economic Information

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Stanislaus	3,890	1	1.92%	4,747	1	2.33%
E & J Gallo	3,181	2	1.57%	3,425	4	1.68%
Modesto City Schools	3,002	3	1.48%	4,000	3	1.96%
Memorial Medical Center	2,959	4	1.46%	2,600	6	1.28%
Seneca Foods	2,200	5	1.08%			
Doctors Medical Center	2,085	6	1.03%	2,300	7	1.13%
Stanislaus Food Products	1,922	7	0.95%	2,000	8	0.98%
Kaiser Permanente	1,759	8	0.87%			
Foster Farms	1,722	9	0.85%			
Del Monte Foods	1,700	10	0.84%	2,600	5	1.28%
Save Mart Supermarkets						
Signature Foods				4,100	2	2.01%
Modesto Junior College				1,866	9	0.92%
Turlock School District				1,851	10	0.91%
Total	24,420		12.05%	29,489		14.48%

Demographic and Economic Information

Table 16
Population
Last Ten Calendar Years
COUNTY OF STANISLAUS

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2005	504,482	2.56%	\$ 13,472,415	\$ 26,995	9.9%
2006	514,370	1.96%	14,076,261	27,811	8.4%
2007	521,497	1.39%	14,755,527	28,985	8.5%
2008	525,903	0.84%	15,977,182	31,485	10.5%
2009	526,383	0.09%	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%

COUNTY OF SAN JOAQUIN

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Capita Personal Income	Unemployment Rate
2005	not available	not available	not available	not available	not available
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%

Chart 10

Counties of San Joaquin and Stanislaus Population

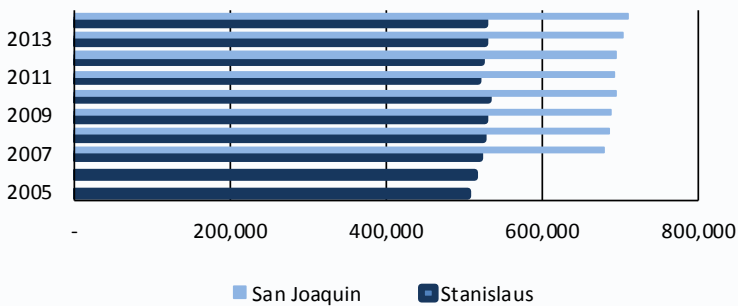
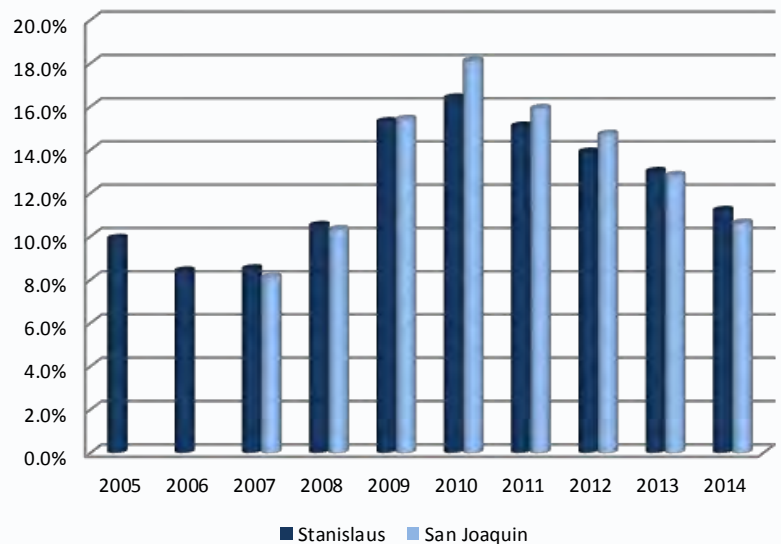


Chart 11

Counties of San Joaquin and Stanislaus Unemployment Rates



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

Operating Information

Table 17
Full-time District Employees by Function

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Operations	32	31	32	30	29	29	31	31	29	28
Operations and Maintenance	22	22	19	21	23	25	23	20	23	25
Finance	4	4	5	4	4	5	5	5	5	5
Engineering	3	3	3	4	4	4	4	4	1	2
Administration	3	4	4	4	4	4	4	4	4	4
Contract's Management	0	0	2	3	3	3	2	2	1	1
Total	64	64	65	66	67	70	69	66	63	65

Table 18
Capital Asset Statistics by Function

	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	25	24	24	24	24	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	2	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	4.83	6.59	6.59	6.59	6.59	6.59	6.59	6.59
Number of deep wells	7	7	8	8	8	8	8	8	8
Number of fire hydrants	63	63	84	84	84	84	84	84	84

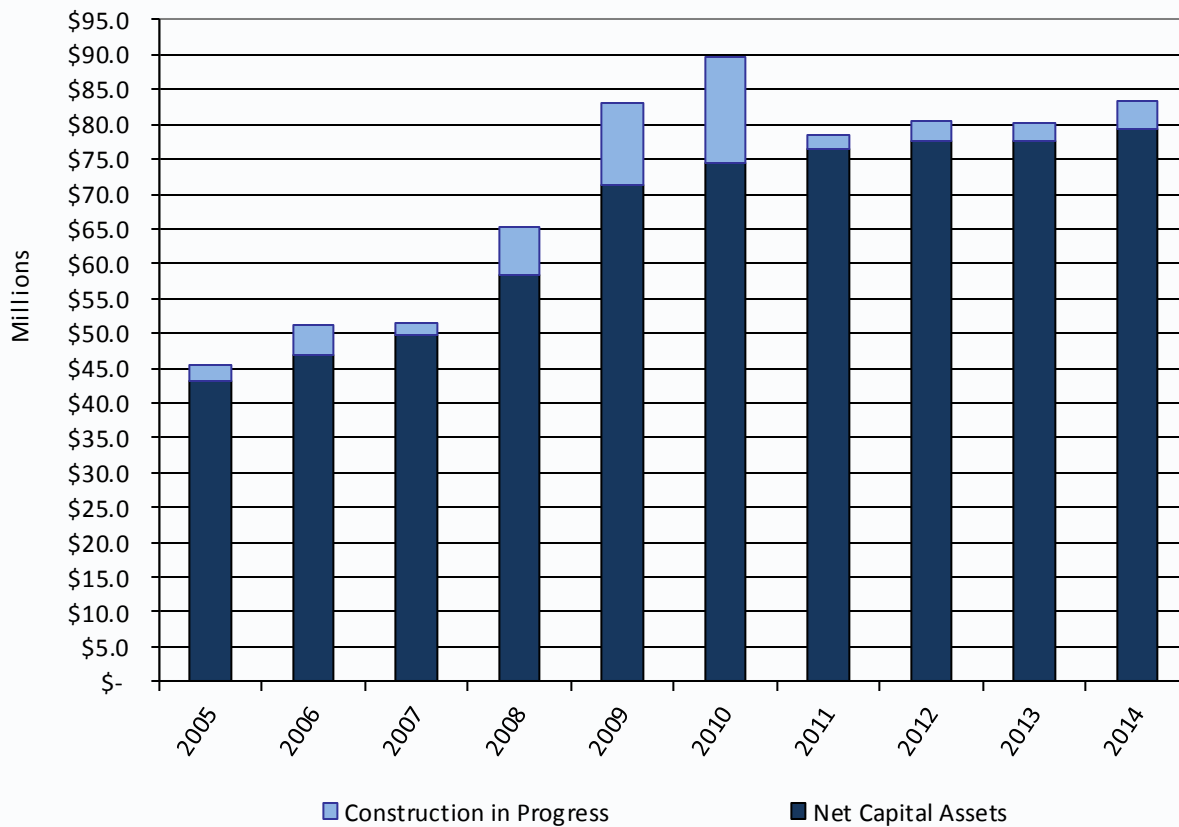
Note: Capital asset Information prior to 2006 is not available.

Operating Information

Table 19
Capital Assets
Last Ten Years

<u>Year</u>	<u>Total Assets (excluding CIP)</u>	<u>Construction in Progress</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
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

Chart 12
Capital Assets



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COMPLIANCE SECTION

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, 2014, 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 16, 2015.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Oakdale Irrigation District

Compliance and Other Matters

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

Purpose of this Report

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

June 16, 2015

Richardson & Company, LLP

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READER NOTES

New Melones—Full



New Melones—May 2015



New Melones—May 2015



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