OAKDALE IRRIGATION DISTRICT

Oakdale, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2016

SAVE THE STAN

"Our Responsibility is to manage water for many purposes."

Steve Knell, Oakdale Irrigation District General Manager

2016

Oakdale Irrigation District

Comprehensive Annual Financial Report

For the Year Ended

December 31, 2016

Prepared by the Finance Department

of

Oakdale Irrigation District

1205 East F Street . Oakdale . California . 95361

www.oakdaleirrigation.com

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Introductory Section

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A Message from the General Manager

OID was back in Washington D.C. in late December when the Water Resources Development Act (WRDA) was introduced to the House of Representatives for a vote. Being there and working the “Hill” with our neighbor SSJID was to say the least, memorable. The eventual signage of the Bill on December 16th by President Obama was a significant step forward for both the nation, California agriculture and OID and SSJID. This Bill’s passage may seem inconsequential to most but the language in the Bill contained a decade’s worth of work by OID and SSJID in getting some much needed changes that can benefit our region’s water supply.

A portion of that legislation directs actions by the federal government to improve fisheries on the Stanislaus River through a native fish improvement program. The details of the program will be worked out by July of 2017 and hopefully OID and SSJID will have permits in hand by December 2017 to introduce a predator control program on our river. There is other language in the Act that allows the districts to work with our federal partners, the Bureau of Reclamation, in discussing opening the door to storage opportunities in New Melones Dam.

Many thanks to our Congressman Jeff Denham and his Washington staff and their diligence over the last 10 years in shepherding this legislation to its eventual passage.

Unfortunately, while efforts in D.C. proved advantageous to our two districts, the home-front war with our own State Water Resources Control Board continues. The State’s plan to take 40% of all the flow in the Stanislaus, Tuolumne and Merced rivers to improve San Joaquin River and Delta water quality has escalated to the next level. By October 2017 the revised Plan will be out for a quick 30-day comment period with anticipated adoption before the end of the year. This water grab by the state will significantly impact our community. A summary of those impacts from this water grab are as follows;

- Currently, OID’s normal water allocation in most years is 300,000 acre feet. Under the State’s Plan that would be reduced to 240,000 acre feet annually. In addition, in 1 out of every 10 years OID’s water supply would be just 100,000 acre feet.

- A loss of 60,000 acre feet in average water years would mean OID’s ability to sell surplus water would be lost and the $5 million these sales generate annually would also be lost.

- That cost burden would be borne by our farmers. A $5 million assessment spread over our 69,000 acre district would amount to a $72 per acre increase to the current fixed rate charge of $27 per acre. That cost could potentially bring your fixed rate acreage charge to almost $100 per acre. That increase would just about eliminate pasture as an economically viable crop in our area.

- The water impact is not your total impact. That doesn’t include the devaluation of OID’s hydro-electric assets. Under the State’s flow mandate OID would be running water down through its hydro-electric plants in the winter and spring when prices are lower. OID’s hydro-plants were designed to ramp up power production in the summer when both demand and prices are higher. That lost value in generation will also be an impact to OID that will likely be passed on to its constituents.

OID is being vigilant in its efforts in keeping the pressure up on the State to rethink this water grab. Unfortunately, time is running out. It’s hard to talk to Sacramento when they don’t listen. OID’s final position on this has been, when reasonable people can’t come to reasonable solutions, that’s what courts are for. We may be heading in that direction.

Respectfully,

Steve Knell
General Manager

July 11, 2017

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

We are proud to submit to you the Oakdale Irrigation District's (District) Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2016. We are pleased to report that financial results show the District has excess of operating revenues over operating expenses for the current year. This positive outcome for the year of $6.1 million, inclusive of non-cash expense for depreciation of $2.5 million, was achieved during the 5th year of drought. This net operating revenue emphasizes the results of the District's diligence in maximizing non-rate revenues whenever possible, while minimizing expenses as much as is fiscally sound, and continuing to provide safe and reliable service to our customers.

The District CAFR has been prepared using the financial reporting guidelines set forth by the Governmental Accounting Standards Board (GASB) 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 control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

Fedak & Brown, LLP have issued an unqualified ("clean") opinion on the District's financial statements for the year ended December 31, 2016. The independent auditor's report is located on page 2 of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and estimates made by management; and the evaluating the overall financial statement presentation.

For a detailed analysis of the District's financial performance, it is recommended that the reader consult the MD&A section on page 5 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.

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 xi of this report. To facilitate matters, most business coming before the District's Board is first considered by one of its committees. Each committee then reports and/ or provides a recommendation to the full Board, which makes the final decision. There are seven standing committees that include Domestic Water, Finance, Personnel, Planning and Public Relations, San Joaquin Tributary Authorities, Tri-Dam Project, and Water/Engineering.

Day-to-day operations of the District are managed by the General Manager who is appointed and reports directly to the Board of Directors. Reporting to the General Manager are four departments: Engineering, Finance, Support Services Operations, and Water Operations. The District's Organizational Chart is provided on page x 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 2016. Nevertheless, the District is presently considered to be nearly fully developed even though the total cropped acreage may vary from year-to-year depending on the amount of fallowed ground and/or newly annexed lands.

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

Budget Process

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

Local Economy

Economic Growth

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

Agriculture and farming is the economic foundation of the Counties and one of the top industries in the Counties. The productive soils, low cost water, long growing seasons, and extensive transportation networks combined support a successful farming and business region. According to the Stanislaus County Ag Commissioner's Crop Report, the value of agricultural commodities produced in 2015 in Stanislaus County decreased by 12% to $3,879,331,900. This represents a decrease of $517,954,100 from the all-time high value in 2014 of $4,397,286,000. This decrease is primarily attributed to a reduction in yields for many commodities due to the sustained drought and a drop in the values of milk, walnuts, almond meats, silage, cattle and calves and turkeys. Milk posted the largest decrease at $304 million followed by walnuts at $127 million and almond meats at $100 million. Over 20,000 acres were fallowed in 2015 due to the drought. The crop report for 2016 was not available at this time.

Local employers include government, retail, and manufacturing with a heavy emphasis on agriculture. Stanislaus and San Joaquin Counties rank among the top ten California counties in terms of annual agriculture production values with leading commodities, being almonds, milk, and cattle and calves.

The sales tax in Oakdale is 8.375%, which is higher than average for cities in Stanislaus County (7.875%) and higher than average for California (7.75%). Oakdale is one of 21 cities in Stanislaus County with a distinct sales tax as listed by the California Board of Equalization. In 2014, the City of Oakdale passed Measure Y to increase 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 its local community groups for an overall contribution of $951 thousand over the last seven years.

Population and Employment

According to the U.S. Department of Labor and California Employment Development Department (EDD), 2016's annual unemployment rate in Stanislaus County was 8.2%, San Joaquin County was 7.8%, the State of California was 5.0%, and 4.7% for the nation, as compared to 2015's annual unemployment rate in Stanislaus County of 11.2%, San Joaquin County of 10.6%, State of California of 7.5%, and 6.2% nation-wide.

In 2016, Stanislaus County experienced an increase in population of approximately 1.74%, while San Joaquin County experienced an increase in population of 1.97%. In the 10-year period from 2007 to 2016, Stanislaus County's estimated population has increased by 3.8% to $541,560; and in a 10-year period from 2007 to 2016, San Joaquin County's population increased by 7.9% to 733,709.

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

Long-Term Financial Planning

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

Water Revenue

In accordance with California Law, the District reviews its fixed water user fees and charges, and other fees to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Such charges and fees are set by the District for the services provided by the District after a public hearing is held. The District sets its agricultural water rates prior to the beginning of the year to pay the costs associated to deliver water to the landowner. The District bills it agricultural water users on an annual basis for a water delivery charge, separate from the counties' property tax bill, with payments due in December and June. Additionally, agricultural water users are billed during the irrigation season for water used based off of volumetric measurement. The District's domestic water users are billed on a monthly basis.

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

In 2016, the District's irrigation water rates were supported by approximately 51.3% (or $15.8 million) due to sale of water, and 25.9%, (or $8.0 million) due to Tri-Dam Project cash distributions. In 2015, the District's irrigation water rates were supported by approximately 36.5% (or $5.7 million) due to water sales, and 27.8%, (or $4.4 million) due to Tri-Dam Project cash distributions. As a result of the continuation of the reduction of these revenues, and the requirements of California's Senate Bill x7-7 ("SBx7-7") (Urban and Agriculture Water Conservation Act), the District went through the Prop 218 process in 2014 to increase its agricultural water users rates for 2015. The Board adopted the proposed rates in October 2014. The water rates were partially implemented in 2015 and have been fully implemented in 2016.

Water Resources Plan

The District's Water Resources Plan (WRP), completed in June 2007, detailed how to rebuild and modernize its old and outdated system. The WRP's goals were and continue to be to: Provide long-term protection of the District's water rights; address federal, state, and local challenges; rebuild/modernize an out-of-date system to meet the changing customer needs; develop affordable ways to finance improvements; and to involve the public in the process. The WRP proposes that the District undertake a program to fund approximately $124 million in improvements to the irrigation delivery components of the Water System, and $44 million in Main Canals and Tunnel Improvements Program.

The District began the implementation of the WRP in 2008 and has completed approximately $56 million of improvements to date. The District began updating the WRP in 2012 to take into consideration the improvements and events that have taken place since its implementation. Results from the updated WRP were completed and reviewed by the District in 2015.

The WRP proposed that the cost of these improvements be funded by revenues from water sales, connection charges levied on approximately 4,250 acres of annexed land within the District's sphere of influence, borrowing, revenue from the sale of captured drain water, and rate increases. It is anticipated that increased efficiencies in the water system from these improvements will create additional supplies for the District, reducing estimated delivery losses from approximately 40% currently to 20%. The WRP determined that the ability to sell water and supply annexed lands with water could be supported through increased water supplies made possible through a rehabilitated and modernized water delivery system. A total of 8,344 acres of land applied for annexation during 2012. Local Agency Foundation Commission (LAFCO) approved 7,274 acres for annexation in 2013, and the remaining acres were approved by LAFCO in October 2016.

Implementation and construction of specific elements of the WRP are subject to approval by the Board of Directors. The WRP, when fully completed over the next 15 to 20 years, will greatly enhance the District's operations and service. It will continue to be the District's 100-year commitment to the region; "To protect and develop its water resources for the maximum benefit of the community it serves by providing excellent irrigation and domestic water service."

Major Initiatives

In 2014, the District, along with CH2M Hill, prepared a water rate study for two reasons: 1) to comply with the provisions of SBx7-7 and to incorporate the added operating costs this legislation requires; and 2) to correct a revenue shortfall in the District's budget due to a decline in wholesale power revenues and water transfers. In accordance with the provisions of Article XIII D, Section 6, of the California Constitution, the District on August 19, 2014 began the Prop 218 process of notifying agricultural water users of proposed increases in agricultural water rates. On October 21, 2014, the District held a hearing and approved to implement the proposed rates in 2015. The new rate structure includes a "Flat Rate" to be assessed on a per acre basis according to the counties' assessor parcel maps, a "Volumetric Charge" per acre-foot per acre used at the farm gate, and a "Drought Surcharge." Additionally, these rates are subject to a 3% escalator annually, at the District's discretion. This water study was fully implemented in 2016.

In 2010, following the introduction of Rubicon's Total Channel Control (TCC) technology and a comprehensive review of existing implementations in Australia, OID embarked on a pilot project to implement head-to-end installation of the TCC canal automation system on two of OID's primary laterals totaling 15 miles in length. The system has been operational since the 2011 irrigation season and has improved the level of service to customers, eliminated the fluctuations at the supply point for a downstream DSO Division and nearly eliminating the operational spill at the end of OID's Claribel Lateral, resulting in a water savings of approximately 1,500 acre feet annually on that system. Efficiency improvements afforded by TCC® has enabled the District to further its ongoing efforts to conserve its water resources.

The District applied for a state grant under the Agricultural Water Use Efficiency 2015 Grants—Proposition 1 to further its commitment to future TCC projects. A total of $30 million was made available with a potential cost share up to a 50% match and a funding cap per project of $3 million. A total of 50 proposals were submitted with requests for approximately $37.2 million in grant funding. Out of the 50 applications received, 38 are recommended to receive funding with OID's application being one of them.

The proposed project being considered under the Prop. 1 funding is the first phase of a District-wide implementation of the Rubicon Total Channel Control (TCC) system. The project's intent is to automatically control and coordinate the operation of water level control structures along an entire length of a canal, thereby providing and maintaining consistent flow rates to farmers while simultaneously eliminating operational spills, potentially reducing spillage by approximately 4,170 a.f. annually. A total of 17 additional miles on 4 separate lateral canals will be automated and operated in downstream level control as part of OID's proposed TCC Expansion Project.

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.

In September 2016, to take advantage of the bond market, the District refunded its 2009 Certificates of Participation bonds. The District received an "AA" rating from Standard and Poors based on the District's stable and predictable revenue and cash flow streams, good operational and financial practices and policies, very strong debt service coverage, and extremely strong liquidity. On September 8, 2016 the District successfully issued Certificates of Participation Water Revenue Refunding bonds of $26,165,000 at a true interest cost of 3.002% at a 22-year term with the option to pre-pay (without penalties) after August 1, 2023.

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, 2016. This was the ninth year that the District applied for and has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The District received the 2016 Outstanding Outreach Participation Award (Region 4) from the Association of California Water Agencies. The ACWA Outreach Program plays a key role in the association's advocacy efforts. Contacts made by ACWA members with legislators, key regulators, and administration officials have directly affected the outcomes of numerous decisions and helped advance the association's legislative and regulatory agenda.

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 Fedak & Brown, LLP. The Board of Directors appoints an accounting firm to perform the annual audit typically every three to 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 Fedak and Brown, LLP conducted the audit and express our appreciation for their assistance.

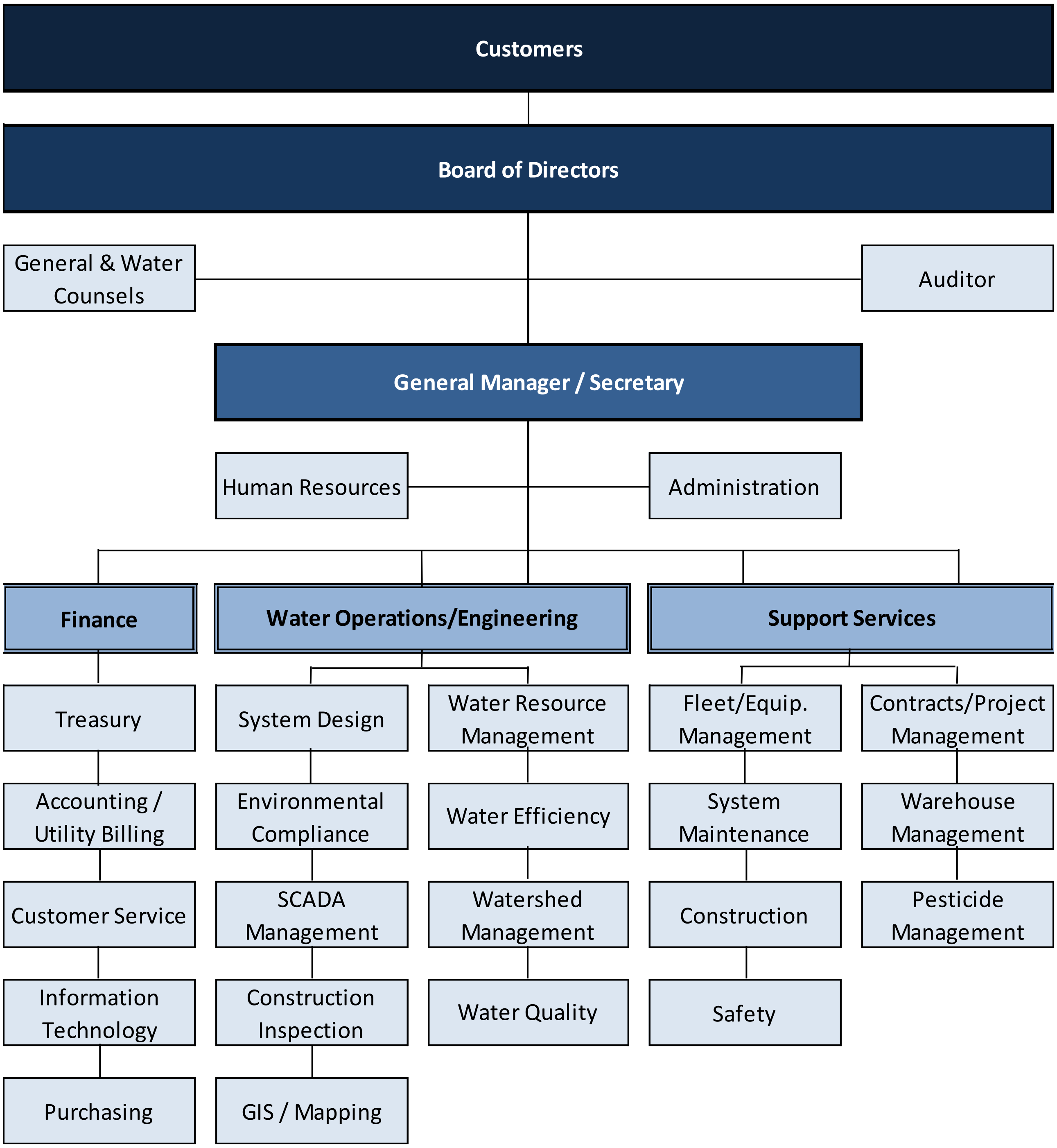
We would like to thank the Board of Directors for their continued interest, support, and direction in all aspects of the District's financial and water resource management. We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance Department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

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

Respectfully submitted,

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

Organization Chart—through December 2016



Principal Officials

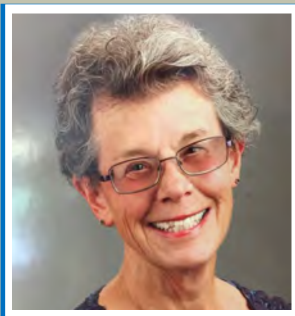
Steven Webb

President (Division 2)

Herman Doornenbal

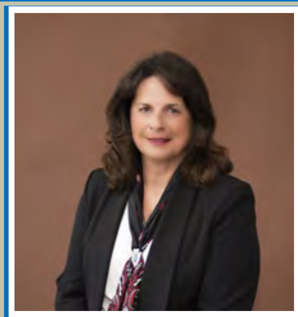
Vice President (Division 3)

Gail Altieri



Director (Division 1)

Linda Santos



Director (Division 4)

Gary Osmundson

Director (Division 5)

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

Government Finance Officers Association Award

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oakdale Irrigation District
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2015

Jeffrey R. Emer

Executive Director/CEO

Financial Section

Fedak & Brown LLP
Certified Public Accountants

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Christopher J. Brown, CPA, CGMA
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Independent Auditors' Report

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 (District), which comprises the statement of net position as of December 31, 2016, and the related statement of revenues, expenses and changes in net position for the year then ended, 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 controls 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; 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 Oakdale Irrigation District, as of December 31, 2016, and the respective changes in its net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the years ended December 31, 2015 and 2014, derived from those financial statements that were audited by the predecessor auditor, has not been audited. Accordingly, we express no opinion on it..

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, and the required supplementary information on page 51 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages i through xii, and statistical section on pages 55 through 68, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 70 and 71.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 11, 2017

Management's Discussion and Analysis

For the Year ended December 31, 2016
With Comparative Amounts as of December 31, 2015 and 2014

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Oakdale Irrigation District (District) provides an introduction to the financial statements of the District for the year ended December 31, 2016 (with comparative information for the year ended December 31, 2015 and 2014). We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

The District's financial operations have continued to remain strong during 2016.

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

- In 2016, the District's net position increased by 14.25% or $21.0 million to $168.2 million as a result of ongoing operations. The District's 2015 net position increased by .77% or $1.1 million to $147.2 million as a result of ongoing operations.
- In 2016, the District's operating revenues increased by 126.5% or $10.8 million to $19.3 million primarily due to an increase of $10 million in water sale revenues and $800 thousand in ag water service revenues. The District's 2015 operating revenues increased by 371.87% or $6.7 million to $8.5 million primarily due to an increase of $5.7 million in water sale revenues and $1.0 million in ag water service revenues.
- In 2016, the District's non-operating revenues increased by 216.6% or $11.3 million to $16.5 million primarily due to the increase in the District's Tri-Dam Projects distributed and undistributed earnings of $10.7 million, an increase of $336 thousand in property tax appropriations, and an increase of $218 thousand in other non-operating revenues. The District's 2015 non-operating revenues increased by 7.63% or $370 thousand to $5.2 million primarily due to an increase of $368 thousand in the District's Tri-Dam Projects' distributed and undistributed earnings.
- In 2016, the District's operating expenses increased by 18.9% or $2.1 million to $13.2 million primarily a result of an increase in GASB Statement No. 68 pension expense of $635 thousand, an increase in bond issuance cost of $629 thousand, an increase in legal expense of $358 thousand, an increase of $356 thousand in labor and benefits, and an increase in public outreach of $164 thousand. In 2015, the District's operating expenses decreased by 5.7% or $672 thousand to $11.1 million primarily due to the implementation of GASB Statement No. 68.
- In 2016, The District's non-operating expenses decreased by 19.8% or $300 thousand to $1.2 million as a result of the reduction in bond interest expense. In 2015, the District's non-operating expenses decreased 1.4% or $22 thousand as a result of the reduction in bond interest expense.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

REQUIRED FINANCIAL STATEMENTS—*continued*

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found starting on page 19.

STATEMENTS OF NET POSITION

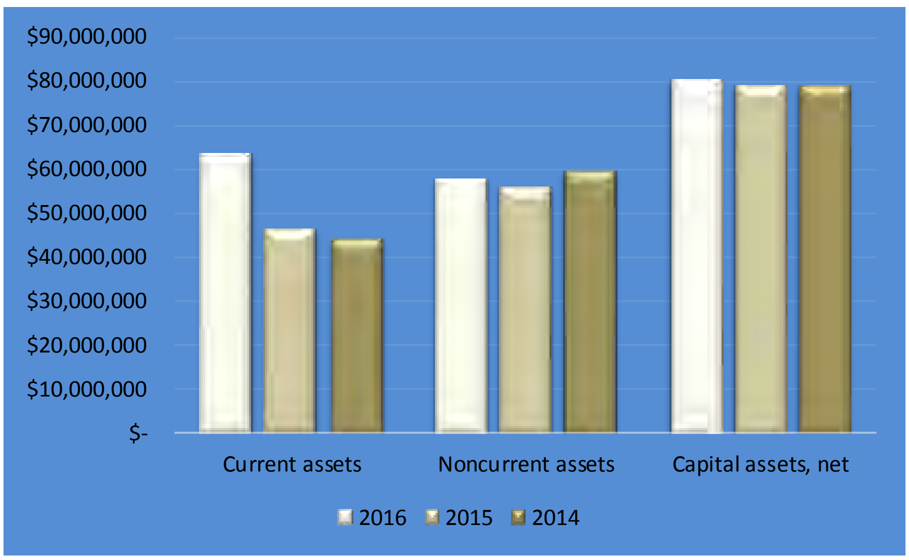
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $168.2 million and $147.2 million, as of December 31, 2016 and 2015, respectively.

Table 1
Condensed Statements of Net Position

	2016	2015	Change	2014	Change
Assets					
Current assets	$ 63,663,480	$ 46,366,069	$ 17,297,411	$ 44,283,511	$ 2,082,558
Non-current assets					
Other noncurrent assets	58,066,174	56,003,047	2,063,127	59,611,666	(3,608,619)
Capital assets, net	80,492,485	79,268,629	1,223,856	79,216,586	52,043
Total noncurrent assets	138,558,659	135,271,676	3,286,983	138,828,252	(3,556,576)
Total assets	202,222,139	181,637,745	20,584,394	183,111,763	(1,474,018)
Deferred outflows of resources	4,553,680	573,848	3,979,832	283,781	290,067
Liabilities					
Current liabilities	6,271,887	4,479,097	1,792,790	4,635,985	(156,888)
Non-current liabilities	32,819,137	30,523,546	2,295,591	31,646,570	(1,123,024)
Total liabilities	39,091,024	35,002,643	4,088,381	36,282,555	(1,279,912)
Deferred inflows of resources	572,465	948,385	(375,920)	1,021,999	(73,614)
Net Position					
Net investment in capital assets	54,327,485	51,589,942	2,737,543	50,885,465	704,477
Restricted for debt service	-	2,149,260	(2,149,260)	2,149,347	(87)
Restricted for remediation projects	-	160,114	(160,114)	158,957	1,157
Unrestricted	113,873,137	93,321,229	20,551,908	92,897,221	424,008
Total net position	$ 168,200,622	$ 147,220,545	$ 20,980,077	$ 146,090,990	$ 1,129,555

Chart 1 - Assets Compared

Net Position



STATEMENTS OF NET POSITION—continued

Net Position-continued

The District concluded the 2016 year having $58.6 million in available unrestricted cash and investments in general and designated reserve fund accounts, an increase of $17.0 million; as compared to an increase of $1.2 million in 2015. Of the $58.6 million of unrestricted funds on hand at December 31, 2016, approximately 91% or $53.4 million was managed by Highmark Capital and held by Union Bank of California (as custodian). The balance that represents immediate cash flow requirements are managed by Oakdale Irrigation District management staff and held in Oak Valley Community Bank, and the State of California Local Agency Investment Fund.

Current assets increased by $17.3 million in 2016, as compared to a $2.1 million increase in 2015. The increase in 2016 current assets were primarily due to the net of an increase in cash and investments of $17.0 million, an increase of $1.9 million in receivables due from other governmental agencies, a decrease of $620 thousand in ag water service fees receivables, a decrease of $848 thousand in prepaid expenses, and a decrease of $146 thousand in other current assets. In 2015, current assets increased by $2.1 million primarily due to the net of an increase in cash and investments of $1.2 million, an increase of $740 thousand in receivables due from other governmental agencies, an increase of $55 thousand in ag and domestic water charges receivables, and a decrease of $44 thousand in other miscellaneous receivables.

The District's other noncurrent assets in 2016 increased $2.2 million, as compared to a $2.6 million decrease in 2015. The increase in 2016 noncurrent assets were primarily due to the net of an increase of $5.2 million in Tri-Dam Project investments, an increase of $1.2 in capital assets (net of depreciation), an increase of $128 thousand of Improvement District restricted cash, a decrease of $2.3 million due to the use of COP bond reserve cash, a decrease of $769 thousand in annexation receivables, and a decrease of $11 thousand in other noncurrent assets. In 2015, noncurrent assets decreased by $2.6 million primarily as a net result a decrease of $2.0 million in investments in Tri-Dam Project; a decrease of $746 thousand in annexation fees receivables; a decrease of $13 thousand in long-term accounts receivables; an increase of $122 thousand in restricted cash; and an increase of $52 thousand in capital assets (net of depreciation).

Capital assets, net of depreciation, increased by $1.2 million to $80.5 million, as compared to an increase of $52 thousand to $79.3 million in 2015. These increases are a result of the continuation of the Water Resources Plan capital improvement and modernization program.

Liabilities

Current liabilities increased in 2016 by $1.8 million to $6.3 million, primarily due to the net of an increase of $1.0 million in year-end payables, an increase of $857 thousand in current portion COP payables, an increase of $346 thousand in COP bond accrued interest expense, an increase of $128 thousand of improvement district restricted assets held, and a decrease of $573 thousand in unearned ag water fees unearned revenue. In 2015 current liabilities decreased by $157 thousand to $4.5 million, primarily due to the net of an increase of $121 thousand of improvement district restricted assets held; an increase of $72 thousand in long-term liabilities due within one-year, a decrease of $377 thousand in unearned revenue, and a decrease of $62 thousand in year-end payables.

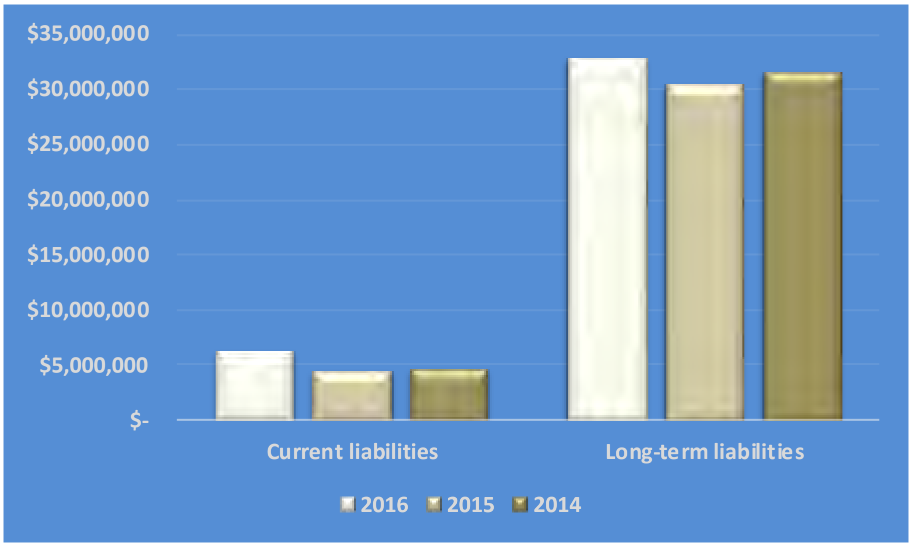
Non-current liabilities increased in 2016 by $2.3 million to $32.8 million as a result of a $1.2 million increase in long-term debt, and a $1.1 million increase in pension liability. In 2015, non-current liabilities decreased by $1.1 million as a result of a $655 thousand decrease in debt retirement; and a $395 thousand decrease in pension liability (as restated).

STATEMENTS OF NET POSITION—continued

Liabilities—continued

Deferred inflows of resources represent various adjustments related to the District's net pension liability. These adjustments are primarily due to changes in CalPERS' methodologies and assumptions in calculating the net pension liability, including differences between projected and actual earnings on pension plan investments, and changes in the District's proportionate share of the entire pension liability of all California government agencies participating in the same risk pool. For 2016, deferred inflows totaled $572 thousand, a decrease of $376 thousand from the prior year.

Chart 2 - Liabilities Compared



STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Table 2

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

	2016	2015	Change	2014	Change
Revenue, Expenses, and Changes in Net Position					
Operating revenues					
Agricultural water service fees	$ 3,157,236	$ 2,341,654	$ 815,582	$ 1,378,393	$ 963,261
Other operating revenues	407,997	415,582	(7,585)	426,872	(11,290)
Connection fees	-	19,726	(19,726)	1,810	17,916
Water sales	15,750,000	5,750,000	10,000,000	-	5,750,000
Total operating revenues	19,315,233	8,526,962	10,788,271	1,807,075	6,719,887
Nonoperating revenues					
Tri Dam Project distributions and undistributed earnings	13,112,350	2,369,339	10,743,011	2,001,707	367,632
Property taxes	2,566,034	2,230,344	335,690	2,037,400	192,944
Other nonoperating revenues	833,723	615,733	217,990	806,775	(191,042)
Total nonoperating revenues	16,512,107	5,215,416	11,296,691	4,845,882	369,534
Total revenues	35,827,340	13,742,378	22,084,962	6,652,957	7,089,421
Operating expenses					
Operation and maintenance	3,998,330	3,845,339	152,991	3,751,234	94,105
General and administrative	4,203,644	2,734,946	1,468,698	3,347,853	(612,907)
Water operations	2,545,847	2,082,555	463,292	2,212,021	(129,466)
Depreciation	2,458,226	2,440,541	17,685	2,464,433	(23,892)
Total operating expenses	13,206,047	11,103,381	2,102,666	11,775,541	(672,160)
Nonoperating expenses					
Interest expense	1,211,403	1,510,785	(299,382)	1,532,664	(21,879)
Total nonoperating expenses	1,211,403	1,510,785	(299,382)	1,532,664	(21,879)
Total expenses	14,417,450	12,614,166	1,803,284	13,308,205	(694,039)
Net income (loss) before contributions	21,409,890	1,128,212	20,281,678	(6,655,248)	7,783,460
Capital contributions	2,804	1,343	1,461	3,487	(2,144)
Change in net position	21,412,694	1,129,555	20,283,139	(6,651,761)	7,781,316
Net position-beginning of year as previously reported	147,220,545	146,090,990	1,129,555	152,742,751	(6,651,761)
Prior period adjustment (note 6)	(432,617)	-	(432,617)	-	-
Net position-beginning of year-as restated	146,787,928	146,090,990	696,938	152,742,751	(6,651,761)
Net position-end of year	$ 168,200,622	$ 147,220,545	$ 20,980,077	$ 146,090,990	$ 1,129,555

The statements of revenues, expenses and changes in net position illustrates how the District's net position changed during the years.

Revenues

In 2016, total revenues increased by $22.1 million to $35.8 million primarily as a net result of:

- An increase of $10.0 million as a result of a one-time water sale of $15.7 million with San Luis & Delta Mendota Water Authority and the California Department of Water Resources to augment flows to benefit migratory fish in the Stanislaus and San Joaquin Rivers in 2016;
- An increase in Tri-Dam Project's equity in undistributed net earnings of $7.1 million;
- An increase in Tri-Damp Project's cash distributions of $3.6 million;

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

Revenues—continued

- An increase of $816 thousand in ag water service fees;
- An increase in property taxes of $336 thousand; and
- An increase of $215 thousand in interest earnings.

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

- A one-time water sale of $5.7 million with San Luis & Delta Mendota Water Authority and the California Department of Water Resources to augment flows to benefit migratory fish in the Stanislaus and San Joaquin Rivers in 2015;
- An increase of $963 thousand in ag water service fees;
- An increase in Tri-Dam Project's equity in undistributed net earnings of $650 thousand;
- An increase in property taxes of $193 thousand;
- Tri-Dam Project's cash distributions decreased by $283 thousand as a result of the 4th year of drought;
- A decrease of $137 thousand in gains on the sale of capital assets; and
- A decrease of $53 thousand in interest earnings.

Total Expenses

In 2016, total expenses increased by $1.8 million to $14.4 million primarily as a net result of:

- An increase of $635 thousand in non-cash pension expense due to the implementation of GASB 68;
- An increase of $629 thousand in bond issuance expense;
- An increase of $358 thousand in legal fees;
- An increase of $356 thousand in labor and related benefits, and materials and supplies;
- An increase of $164 thousand in public outreach; and
- A decrease of $300 thousand in bond interest and amortization expense.

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

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

Changes in Net Position

Overall, the District's total net position increased by $21.0 million to $168.6 million during 2016; as compared to $147.2 million, as restated, in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table illustrates the District's capital assets as of December 31, 2016, 2015, and 2014.

Table 3
Capital Assets

	2016	2015	Change	2014	Change
Capital Assets:	$ 6,332,984	$ 4,665,700	$ 1,667,284	$ 6,969,630	$ (2,303,930)
Depreciable assets	111,835,805	109,832,071	2,003,734	105,113,052	4,719,019
Accumulated depreciation	(37,676,304)	(35,229,142)	(2,447,162)	(32,866,096)	(2,363,046)
Total capital assets, net	$ 80,492,485	$ 79,268,629	$ 1,223,856	$ 79,216,586	$ 52,043

As of December 31, 2016 and 2015, the District had $80.5 million and $79.3 million in capital assets, respectively, net of $37.7 million and $345.2 million of accumulated depreciation, respectively. This represents a net increase in capital assets of $1.2 thousand over the prior year. Total capital assets were $118.2 million in 2016, and $114.5 million in 2015, an increase of $3.7 million. The District invested a significant portion of the $3.7 million in its capital assets in 2016 to address modernization of the District's delivery system.

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

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

See note 5 of the Basic Financial Statements for further details.

Long-term Debt

Table 4
Long-term Debt

	Balance December 31, 2015	Additions	Principal Payments / Amortization	Balance December 31, 2016
Long-term debt				
Certificates of participation	$ 27,678,687	$30,055,502	($27,975,000)	$29,759,189
Borrow site purchase agreement	27,336	-	(27,336)	-
Total long-term debt	27,706,023	30,055,502	(28,002,336)	29,759,189
Less: current portion due	(27,336)			(885,000)
Less: non-current portion due	$ 27,678,687			$ 28,874,189

CAPITAL ASSETS CAPITAL ASSESTS AND DEBT ADMINISTRATION—continued

Long-term Debt—*continued*

At December 31, 2016, the District had total long-term debt outstanding of $29.8 million compared to $27.7 million as of December 31, 2015. The decrease of $1.8 million is due to the refinancing of the District's Certificates of Participation Series 2009. The District received an "AA" rating from Standard and Poors based on the District's stable and predictable revenue and cash flow streams, good operational and financial practices and policies, very strong debit service coverage, and extremely strong liquidity. Additional information on the District's long-term debt can be found in Note 8 located on pages 35 through 38 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

When preparing the 2017 budget, the District continued to focus on issues that may have an impact on its operations.

- The impacts of a 5-year drought, and the possible continuation of the drought, and its impact to the District's surface water irrigation customers;
- State and Federal Regulatory requirements and the impacts to the District's pre-1914 water rights;
- The effect of a drought on Tri-Dam Project and Power Authority power generation;
- Deferment of modernization capital projects and replacement 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.

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. Should the reader have any questions regarding the information included in this report or wish to request 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.

Statement of Net Position

December 31, 2016

	2016
ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$ 5,417,664
Investments (note 2)	53,145,663
Receivables	
Annexation fees (note 3)	769,130
Agricultural water fees	89,906
Due from other governmental agencies (note 4)	2,793,805
Miscellaneous	240,658
Inventory of materials and supplies	716,579
Prepaid expenses	418,569
Due from Improvement Districts	71,506
Total current assets	63,663,480
Noncurrent assets:	
Restricted Improvement Districts' cash and cash equivalents (note 2)	1,088,292
Annexation fees receivable (note 3)	14,734,124
Accounts receivable - delinquencies	2,874
Investments in Tri-Dam Project (note 12)	43,227,701
Capital assets:	
Not being depreciated (note 5)	6,332,984
Being depreciated, net (note 5)	74,159,501
Total noncurrent assets	139,646,951
Total assets	$ 203,310,431
DEFERRED OUTFLOWS OF RESOURCES	
Bond refunding on defeasance of debt (note 8)	$ 3,603,277
Deferred pension outflows (note 9)	950,403
Total deferred outflows of resources	$ 4,553,680

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

Statement of Net Position—continued

December 31, 2016

	2016
LIABILITIES	
Current liabilities:	
Payable from nonrestricted assets	
Accounts payable	$ 1,348,262
Due to other governmental agencies	26,388
Accrued salaries, wages and related benefits	159,641
Unearned revenue	1,929,343
Deposits payable	12,800
Due to Improvement Districts	165,012
Claims payable	10
Interest expense payable	346,152
Improvement Districts' deposits payable from restricted assets	1,088,292
Compensated absences, current portion (note 7)	310,987
Long-term debt, current portion (note 8)	885,000
Total current liabilities	6,271,887
Noncurrent liabilities:	
Compensated absences (note 7)	576,082
Long-term debt - net (note 8)	28,874,189
Net Pension Liability (note 9)	3,368,866
Total noncurrent liabilities	32,819,137
Total liabilities	39,091,024
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflow (note 9)	572,465
Total deferred inflows of resources	572,465
Net Position	
Net investment in capital assets (note 10)	54,327,485
Unrestricted (notes 10)	113,873,137
TOTAL NET POSITION	$ 168,200,622

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

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2016

	2016
Operating revenues:	
Agricultural water service fees	$ 3,157,236
Domestic water delivery fee	201,224
Other water related revenues	206,773
Water sales	15,750,000
Total operating revenues	19,315,233
Operating expenses:	
Operation and maintenance	3,998,330
General and administrative	4,203,644
Water operations	2,545,847
Depreciation / amortization	2,458,226
Total operating expenses	13,206,047
Operating income	6,109,186
Nonoperating revenues (expenses):	
Interest earned	836,887
Property taxes	2,566,034
Tri-Dam Project distributions & undistributed net earnings	13,112,350
Debt service interest	(1,211,403)
Loss on sale of capital assets	(3,164)
Total non-operating revenues	15,300,704
Net income before contributions	21,409,890
Capital contributions	2,804
Change in net position	21,412,694
Net position, beginning of year, as previously reported	147,220,545
Prior period adjustment (note 6)	(432,617)
Net position, beginning of year, as restated	146,787,928
Net position - end of year	$ 168,200,622

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

Statement of Cash Flows

For the Year Ended December 31, 2016

	2016
Cash flows from operating activities:	
Cash received from customers for water sales and services	$ 17,511,472
Cash paid to employees for salaries and wages	(5,152,232)
Cash paid to vendors and suppliers for goods and services	(3,955,185)
Cash received from Improvement Districts	163,010
Net cash provided by operating activities	8,567,065
Cash flows from noncapital financing activities:	
Proceeds from annexation fees	746,728
Interest on annexation agreement	291,629
Proceeds from property taxes	2,468,240
Total cash provided by noncapital financing activities	3,506,597
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,685,246)
Interest paid on long-term debt	(865,251)
Principal paid on long-term debt	(1,550,111)
Net cash used for capital and related financing activities	(6,100,608)
Cash flow from investing activities:	
Interest received on investments	551,521
Purchases of securities	(111,439,772)
Proceeds from sale of securities	90,025,316
Proceeds from capital contributions	2,804
Tri-Dam Project cash distributions	13,112,350
Net cash used for investing activities	(7,747,781)
Net decrease in cash and cash equivalents	(1,774,727)
Cash and cash equivalents at beginning of year	8,280,683
Cash and cash equivalents at end of year	$ 6,505,956

	2016
Reconciliation of cash and cash equivalents to Statement of Net Position:	
Cash and cash equivalents	$ 5,417,664
Restricted Improvement District's cash and cash equivalents	1,088,292
Total cash and cash equivalents	$ 6,505,956

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

Statement of Cash Flows—*continued*

For the Year Ended December 31, 2016

		2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	6,109,186
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,458,226
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Receivable		(1,280,105)
Inventory of materials and supplies		155,710
Prepaid expenses		848,192
Due from Improvements Districts		7,351
Deferred outflows of resources		(695,587)
(Increase) decrease in liabilities and deferred inflows of resources		
Accounts payable		953,594
Due to other governmental agencies		(14,974)
Accrued salaries, wages and related benefits		4,504
Unearned income		(573,047)
Deposits payable		600
Due to Improvements Districts		95,181
Claims payable		(3,740)
Compensated absences		27,432
Net pension liability		1,071,563
Deferred inflows of resources		(597,021)
Net cash provided by operating activities	$	8,567,065
Non-cash investing, capital and financing transactions:		
Receipts of contributed assets	$	2,804
Decrease in fair value of investments		(43,195)
Change in undistributed investment in Tri-Dam Project		5,153,262

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

Note to the Basic Financial Statements

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the 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 District's 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, 2009, Certificates of Participation ("Certificates") were executed and delivered pursuant to the provisions of a Trust Agreement, dated as of February 1, 2009 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. On September 8, 2016, these Certificates were refinanced amongst the District and Union Bank, N.A.

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

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

A. Organization and Operations of the Reporting Entity - continued

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.

Joint Ventures

Tri-Dam Project. The District and South San Joaquin Irrigation District ("Districts") entered into a joint cooperation agreement on January 21, 1948 called the Tri-Dam Project ("Project"), which consists of a series of irrigation and power dams along the Stanislaus River built and operated by the Project. The Project presently includes Donnells Dam, Tunnel, and Power Plant; Beardsley Dam, Afterbay, and Power Plant; Tulloch Dam, Afterbay, and Power Plant; and the Goodwin Dam and related facilities. The Project's principal activities are the storage and delivery of water to each District and the hydraulic generation of power. The Project marketed its power through a consultant, Shell Energy North America (US) L.P. through December 2014 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning January 1, 2015. The Project is managed by both Districts through a joint Board of Directors comprised of the five members of each Districts' Board of Directors. The Districts share the cost of the Project, except for Goodwin Dam and related facilities, which was financed by the issuance of bonds. Each District is responsible for the operations and net position of the Project. Should the Project become insolvent, each District would be legally required to contribute funds to the Project to satisfy Project creditors. The District considers the individual assets of the Project to be 50% owned by each District. As a result, the District has an equity interest in the Project that is recorded as an investment in Tri-Dam Project on the District's statement of net position under GASB Statements No. 14 and 61. Each year the investment in Tri-Dam Project is adjusted to 50% of the net position of the Project, with distributions and undistributed income of the Project recorded as nonoperating revenues and expenses. Separate financial statements are issued by the Project, which are available at P.O. Box 1158, Pinecrest, California 95364-0158 or at www.tridamproject.com.

Tri-Dam Power Authority. Under a joint exercise of powers agreement dated October 14, 1982 between the Districts, 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 and was paid off in November 2016. Pacific Gas and Electric has contracted to purchase all of the power produced by this facility, called the Sand Bar Project through December 2016 and signed an exclusive power purchase and sale agreement with the City of Santa Clara, California beginning January 1, 2017. The Sand Bar Project power facility became operational in May 1986. The Authority is governed through a Board of Commissioners comprised of the members of each of the Districts' Board of Directors. However, the operations and net position of the Authority belong solely to the Authority as a separate legal entity. Should the Authority become insolvent, the District would not be liable for the Authority debts. Accordingly, the Authority has been excluded from the District's financial statements. Upon termination of the Joint Exercise of Powers Agreement, all 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.

NOTE 1: REPORTING ENTITY AND 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, Modesto Irrigation District, South San Joaquin Irrigation District, Turlock Irrigation District and the City and County of San Francisco (“Parties”) 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.

B. Accounting and Measurement Focus

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.

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.

C. Financial Reporting

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District’s proprietary fund.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

C. Financial Reporting—continued

The District has adopted the following GASB pronouncements in the current year:

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application,* effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68,* effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* effective for financial statements for periods beginning after June 15, 2015. This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

C. Financial Reporting—continued

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants,* effective for financial statements for periods beginning after June 15, 2015. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. 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.

2. Cash and Cash Equivalents

The District maintains a cash and investment pool for use by all accounts. Each account's portion of the pool is reflected in the statement of net position as cash and investments. Deposits and investments of Improvement District funds are not part of the pool and are held separately from other District funds. For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with maturity of three (3) months or less when purchased to be cash equivalents, including the District's investment in the California Local Agency Investment Fund (LAIF) and money market mutual funds.

3. Investments and Investment Policy

The District has adopted an investment policy directing the Treasurer to invest District funds in investments other than LAIF, and in accordance with the investment policy. With the approval of the Board, the Treasurer may utilize a licensed investment broker/dealer to invest the District's surplus funds for the benefit of the District. The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The Treasurer shall prepare an investment report for the General Manager and Board of Directors at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter, in accordance with Government Code 53607.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position—continued

4. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- Level 1 – This valuation level is based on quoted prices in active markets for identical assets. The District does not currently hold any investments valued at this level.
- Level 2 – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals. The District currently holds certificates of deposit investments valued at this level.
- Level 3 – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market. The District does not currently hold any investments valued at this level.

The District's investment in LAIF is valued at amortized cost and therefore the District has determined does not meet fair value measurement criteria.

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs—other than quoted prices included within level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurements are considered to be based on the lowest priority level input that is significant to the entire measurement.

5. Restricted Assets

Restricted assets at December 31, 2016 represent assessments restricted for Improvement Districts' operations and maintenance expenses, a certificate of deposit restricted for environmental mitigation expenses, and debt service reserve funds.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position—continued

6. 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.

7. Inventory

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

8. Capital Assets

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

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

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.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position—continued

8. Capital Assets—continued

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

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

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

10. 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, 2016, the total estimated current and long-term liabilities for all compensated absences were $887 thousand. The liability for vacation, sick leave, and overtime comp-time accruals are reported in the statement of net position, and will be liquidated through the water fund.

11. Unearned Revenue

Unearned revenues consisted of customer deposits held at year-end for annexation and other charges not earned at year-end.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position—continued

12. Pensions

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

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

14. 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.

15. Water Revenue

A water delivery fee rate study was prepared in 2014 to comply with 2009 State Senate Bill SB7x-7 that requires that an irrigation water be priced, at least, in part by the volume used. In October 2014, the District adopted a rate structure inclusive of volumetric measurement for the first time in its history. The District begin charging irrigation customers, in addition to the $27.81 flat per-acre rate, a $3.24 per acre-foot, per acre charge beginning in 2016. For more information of historical rates refer page 62 of the Supplementary Information.

16. 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.

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position—continued

17. Budget Principles

The District adopts an annual budget typically in December each year to take effect January 1 the following year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The Board approves all budget addition appropriations. Budget integration is employed as a management control device.

18. Net Position

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

In the financial statements, fund net position is reported in the three categories as follows:

- Net investment in capital assets – This category of net position reports the net book value of capital assets used in District operations, including construction-in-progress, net of related accumulated depreciation and debt used to acquire or construct these assets;
- Restricted net position - This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. The purpose of the restriction is reported on the face of the statement of net position; and
- Unrestricted net position – Unrestricted net position represents all other assets net of related liabilities available for use by the District. This category also includes the assets related to the District's investment in the Tri-Dam Project.

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

19. Reclassification

The District has reclassified certain prior year information to conform with current year presentation.

NOTE 2: CASH AND INVESTMENTS

Cash and investments are as of December 31, 2016 classified in the Statement of Net Position as follows:

	2016
Cash and cash equivalents	
Cash on hand	$ 420
Deposits with financial institutions	5,202,306
Money market mutual fund	54,648
Deposits in Local Agency Investment Fund (LAIF)	160,290
Total unrestricted cash and cash equivalents	5,417,664
Restricted Improvement Districts' cash and cash equivalents	
Deposits with financial institutions	1,088,292
Total cash and cash equivalents	6,505,956
Investments	
Investments held by Union Bank	53,145,663
Total investments	53,145,663
Total cash and investments	$ 59,651,619

Cash and investments as of December 31, 2016 consist of the following:

Cash and deposits	2016
Cash on hand	$ 420
Deposits with financial institutions	6,345,246
Total cash and deposits	6,345,666
Investments	
U.S. Agency Securities	29,572,708
Commercial paper	13,164,843
Medium term corporate notes	10,408,112
Local Agency Investment Fund (LAIF)	160,290
Total investments	53,305,953
Total cash and investments	$ 59,651,619

Investments Authorized by the District's Investment Policy

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

NOTE 2: CASH AND INVESTMENTS—continued

Investments Authorized by the District's Investment Policy—continued

During the year ended December 31, 2016, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Minimum Rating	Maximum % of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	N/A	None	None
U.S. Treasury obligations	5 years	N/A	None	None
U.S. agency securities	5 years	N/A	None	None
California local agency debt	5 years	N/A	None	None
Banker's acceptances	180 days	A-1/P-1/F1	40%	30%
Commercial paper	270 days	A-1/P-1/F1	25%	10%
Negotiable certificates and time deposits	5 years	N/A	30%	None
Repurchase agreements	92 days	N/A	10%	$500K
Medium term corporate notes	5 years	A	30%	None
Money market mutual funds	N/A	AAA/Aaa	20%	10%
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Typically, the longer the maturity of the investment the greater the sensitivity of its fair value to changes in market interest rates. The District's Investment Policy does not contain any provision limiting interest rate risk other than what is specified in the CGC. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the below table that shows the maturity date of each investment.

		Maturities	
Type of Investment	Total	12 Months or Less	13 - 24 Months
U.S. agency securities	$ 29,572,708	$ 29,572,708	$ -
Commercial paper	13,164,843	13,164,843	-
Medium term corporate notes	10,408,112	8,911,517	1,496,595
Local Agency Investment Fund	160,290	160,290	-
Total	$ 53,305,953	$ 51,809,358	$ 1,496,595

NOTE 2: CASH AND INVESTMENTS—continued

Credit Risk

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

			Rating as of Year End		
Investment Type	Minimum Legal Rating	Total	A-1+ / AA / AA-	A-1 / A+ / A	Unrated
U.S. agency securities	N/A	$ 29,572,708	$ 29,572,708	$ -	$ -
Commercial paper	A-1+	13,164,843	10,667,326	2,497,517	-
Medium term corporate notes	A	10,408,112	5,597,253	4,810,859	-
Local Agency Investment Fund	N/A	160,290	-	-	160,290
Total		$ 53,305,953	$ 45,837,287	$ 7,308,376	$ 160,290

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, 2016 included investments in the Federal Home Loan Banks in the amount of $29,572,708. Investments with one issuer exceeding 5% of included investments in the Federal Home Loan Banks in the amount of $15,994,713, the Federal Home Loan Mortgage Corporation in the amount of $3,000,240, and the Bank of Nova Scotia in the amount of $1,870,294.

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, 2016, the carrying amount of the District's deposits was $6,290,598, and the balance in financial institutions was $6,381,667. Of the balance in financial institutions at December 31, 2016, $1,000,000, and $1,160,144 was covered by federal depository insurance, and $7,558,117 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.

NOTE 2: CASH AND INVESTMENTS—continued

Custodial Credit Risk—continued

As of December 31, 2016, all of the District's U.S. Agency securities, commercial paper and medium term corporate notes were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Investment in State Investment Pool

LAIF is stated at fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $73,731,837,865 managed by the State Treasurer. Of that amount, 94.7% is invested in non-derivative financial products, and 5.32% in structured notes and medium-term asset backed securities. The Local Agency Investment Advisory Board ("Board") has oversight responsibility for LAIF. The Board consists of five members as designated by State Statue. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 171 days at December 31, 2016.

Fair Value Measurements

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Investments by Fair Value Level				
U.S. Government Sponsored Entity Securities				
FHLB	$ -	$ 29,572,708	$ -	$ 29,572,708
Corporate Obligations	-	10,408,112	-	10,408,112
Commercial Paper	-	13,164,843	-	13,164,843
Total Investments measured at Fair Value	$ -	$ 53,145,663	$ -	53,145,663
Investments measured at amortized cost				
Local Agency Investment Fund (LAIF)				160,290
Total Investments				$ 53,305,953

NOTE 3: ANNEXATION FEES RECEIVABLE

The District accepted the annexation of 7,274.25 acres of land into the District in August 2013. The annexation fee of $24,684,585 will be paid in equal installments of $1,234,227 per year at 3% per annum from September 2013 through September 2032. The principal amount under the annexation agreements ("agreements") are reported as the land annexed is organized under nine separate limited liability companies (LLC). The District is not required to deliver water to the annexed land and may terminate the agreements if annexation fees become delinquent as defined in the agreements. Future payments to be received under the agreements are shown below at December 31, 2016:

	Trinitas Annexation Agreements		
	Principal	Interest	Total
For the year ending December 31,			
2017	$ 769,130	$ 465,097	$ 1,234,227
2018	792,203	442,024	1,234,227
2019	815,970	418,258	1,234,228
2020	840,449	393,778	1,234,227
2021	865,662	368,565	1,234,227
2022-2026	4,733,795	1,437,341	6,171,136
2027-2031	5,487,767	683,369	6,171,136
2032	1,198,278	35,950	1,234,228
Total	$ 15,503,254	$ 4,244,382	$ 19,747,636
Less: current portion due	(769,130)		
Long-term portion due	$ 14,734,124		

NOTE 4: DUE FROM OTHER COVERNMENTAL AGENCIES

Due from other governmental agencies as of December 31, 2016 consisted of:

Agency	2016
Department of Water Resources	$1,000,000
San-Luis Delta Mendota Water Authority	1,000,000
Stanislaus County	631,966
San Joaquin County	102,547
South San Joaquin Irrigation District	58,515
Others	102,252
Total	2,895,280
Less: current portion	(2,793,805)
Long-term portion due	$101,475

Amounts due from other governmental agencies at December 31, 2016 of $2.8 million consisted mainly of $2 million due from San Luis Delta Mendota and U.S. Department of Water Resources for a 2016 water release, $735 thousand due from property tax appropriations, and $59 thousand due from South San Joaquin Irrigation District for water rights fees. Non-current amounts due from other governments at December 31, 2016 was $101 thousand due from the State of California for reimbursement of the mandated costs claims program. Amounts due from other governmental agencies at December 31, 2015 of $887 thousand consisted mainly of $637 thousand due from property tax appropriations, $245 thousand from San Luis Delta Mendota for a water release, $4 thousand from City of Oakdale for services provided, and $1 thousand from the State Board of Equalization for diesel fuel tax refunds. Non-current amounts due from other governments at December 31, 2016 of $102 thousand was due from the State of California for reimbursement of the mandated costs claims program.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 consisted of the following:

	Balance January 1, 2016	Additions/ Adjustments	Deletions/ Adjustments	Transfers	Balance December 31, 2016
Non-depreciable assets					
Land	$ 2,751,847	$ 1,500	$ -	$ 98,382	$ 2,851,729
Construction in progress	1,913,853	2,673,508	-	(1,106,106)	3,481,255
Total non-depreciable assets	4,665,700	2,675,008	-	(1,007,724)	6,332,984
Depreciable assets					
Buildings	942,633	-	-	-	942,633
Dams and reservoirs	9,912,899	-	-	257,521	10,170,420
Distribution systems	89,571,473	-	(14,229)	750,203	90,307,447
Automotive and equipment	5,099,012	984,537	-	-	6,083,549
Office equipment	699,132	25,702	-	-	724,834
Domestic water systems	3,606,922	-	-	-	3,606,922
Total depreciable assets	109,832,071	1,010,239	(14,229)	1,007,724	111,835,805
Accumulated depreciation					
Buildings	(538,225)	(25,132)	-	-	(563,357)
Dams and reservoirs	(1,458,755)	(194,877)	-	-	(1,653,632)
Distribution systems	(27,186,150)	(1,822,133)	11,065	-	(28,997,218)
Automotive and equipment	(3,652,005)	(310,441)	-	-	(3,962,446)
Office equipment	(616,462)	(25,139)	-	-	(641,601)
Domestic water systems	(1,777,545)	(80,505)	-	-	(1,858,050)
Total accumulated depreciation	(35,229,142)	(2,458,227)	11,065	-	(37,676,304)
Total depreciable assets	74,602,929	(1,447,988)	(3,164)	1,007,724	74,159,501
Capital assets, net	$ 79,268,629	$ 1,227,020	$ (3,164)	$ -	$ 80,492,485

NOTE 6: PRIOR PERIOD ADJUSTMENT

Net Pension Liability

In 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability.

In 2016, the District determined that the net pension liability, deferred outflows of resources and deferred inflows of resources related to the 2015 implementation of GASB pronouncements 68 and 71, were overstated. As a result, the District has recorded a prior period adjustment to net position of $432,617.

The effect of the above changes is summarized as follows:

Net position at January 1, 2016, as previously stated	$147,220,545
Effect of adjustment to record net pension liability	362
Effect of adjustment to record deferred pension outflows	(325,769)
Effect of adjustment to record deferred pension inflows	(107,210)
Total adjustment to net position	(432,617)
Net position, beginning, as restated at January 1, 2016	$146,787,928

NOTE 7: COMPENSATED ABSENCES

Compensated absences comprise of unpaid paid time off that accrues when benefits are fully vested and are determined annually. Compensated absences turn-over each year, therefore, the compensated absence balance of the District is recorded as a liability on the Statement of Net Position.

Balance 2015	Earned	Taken	Balance 2016	Due Within One Year	Due in More Than One Year
$ 859,637	$ 314,513	$ (287,081)	$ 887,069	$ 310,987	$ 576,082

NOTE 8: LONG-TERM LIABILITIES

Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 consisted of the following:

	Balance January 1, 2016	Additions	Principal Payments/ Amortization	Balance December 31, 2016
Certificates of participation - Series 2009	$ 27,975,000	$ -	$ (27,975,000)	$ -
Less unamortized issue discount	(296,313)	296,313	-	-
Certificates of participation - Series 2016A	-	26,165,000	-	26,165,000
Premium Discount	-	3,594,189	-	3,594,189
Total certificates of participation	27,678,687	30,055,502	(27,975,000)	29,759,189
Borrow site purchase agreement	27,336	-	(27,336)	-
Total	$ 27,706,023	$ 30,055,502	$ (28,002,336)	$ 29,759,189
Less current portion due	$ (27,336)			(885,000)
Long-term portion due	$ 27,678,687			$ 28,874,189

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 ("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 2009 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%. These Certificates were refunded in September 2016.

NOTE 8: LONG-TERM LIABILITIES—continued

Oakdale Irrigation District Certificates of Participation Refunding Series 2016A

On September 8, 2016, the District issued the Certificates of Participation Revenue Refunding Bond Series 2016A ("2016 Certificates") in the amount of $26,165,000. The proceeds were used to provide funds to refinance the 2009 Certificates. The District was not required to fund a debt service reserve fund for these bonds. The 2009 Certificates are secured by a lien on the net revenues of the District.) The District will fix and prescribe rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each fiscal year net revenues equal to 110% of debt service on the bonds and parity obligations for such fiscal year. Annual principal payments ranging from $765,000 to $1,795,000 began on February 1, 2017 and will continue through August 1, 2038. Semi-annual interest payments ranging from $26,925 to $554,200 are due on February 1 and August 1 through August 1, 2038. Interest rates range from 3.0% to 5.0%.

Financing Corporation Loans Payable

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

The annual requirements to amortize the outstanding business-type activities debt as of December 31, 2016 are as follows:

	Certificates of Participation - Series 2016A		
Year ending December 31,	Principal	Interest	Total
2017	$ 885,000	$ 994,481	$ 1,879,481
2018	765,000	1,081,850	1,846,850
2019	795,000	1,051,250	1,846,250
2020	830,000	1,019,450	1,849,450
2021	865,000	986,250	1,851,250
2022-2026	4,770,000	4,470,050	9,240,050
2027-2031	6,025,000	3,217,000	9,242,000
2032-2036	7,690,000	1,552,500	9,242,500
2037-2038	3,540,000	160,050	3,700,050
Total	$ 26,165,000	$ 14,532,881	$ 40,697,881

Defeasance of Debt

In December 2015, the District defeased $665,000 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, in the event, to help meet the debt service coverage ratio for the 2009 Certificates. Amounts were placed in an escrow account from which principal and interest will be used to make scheduled principal and interest payments on the refunded Certificates. For financial reporting purpose, the prepaid portion of the Certificates are considered defeased and have been removed from the District's financial statements.

As December 31, 2015, $2,148,288 was held in escrow (including interest earned on the payment) for the defeasance for the payment of outstanding 2009 Certificates.

NOTE 8: LONG-TERM LIABILITIES—continued

Pledged Revenues

The District has pledged future net revenue of the District to repay its 2016 Certificates in the original amount of $26,165,000. Proceeds of the Certificates were used to refinance the 2009 Series Certificates. The 2016 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 2016 Certificates was $40,697,881 at December 31, 2016, and $49,376,110 at December 31, 2015 for the 2009 Certificates. Total principal and interest paid on the 2009 Certificates in 2015 was $2,148,288. At December 31, 2016, total net revenues were $24,965,628.

The 2016 Certificates on page 36 contain the requirement to fix and prescribe rates and charges for the water service which are reasonably expected to be at least sufficient to yield during each fiscal year net revenues equal to 110% of debt service on the bonds and parity obligations for such fiscal year. The net revenues (as defined) are required to be at least 1.10 times the sum of the installment payments of interest and principal on the outstanding Certificates and any parity debt.

The following is a calculation of the required coverage ratio as of December 31, 2016:

	2016
Revenues	$ 35,827,340
Less: Maintenance and operation expenses (as defined)	10,861,712
Net revenues	24,965,628
Interest and principal payments (as defined)	2,148,288
Coverage ratio computed	1162%
Required rate	110%

The Installment Purchase Contract ("Contract") allows a rate stabilization fund to be established by Resolution by the Board and release of funds by Resolution of the Board and considered "revenues" in the required coverage ratio calculation. The above table includes the District's February and August 2016, and February and August 2015 payment obligations of $2,148,288 and $2,148,888, respectively. These amounts were placed into an escrow account from which the principal and interest was used to make the scheduled principal and interest payment on the refunded Certificates. The Contract provides that the District may defease the payment of all or a portion of Installment Payments (as defined in the Contract) by a deposit with the Trustee, under an escrow agreement, of cash in an amount that is sufficient to pay such unpaid Installment Payments, including the principal and interest components.

Borrow Site Purchase Agreement

The District entered into two agreements with District landowners in 2014 to purchase and store borrow material to be used for projects. These agreements were paid in full at December 31, 2016.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with investments of all tax-exempt bond proceeds at an interest yield greater than the interest paid to the bond holders. Generally, all interest paid to bond holders can be retroactive if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The District performed calculations of excess investments earnings on various investments and financings, and determined there was no arbitrage liability at December 31, 2016.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.0% @ 60 years of age; highest single year of compensation. All other employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plan's provision and benefits in effect at June 30, 3016 are summarized as follows:

	2016	
Hire Date	Miscellaneous Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Plan (On or after January 1, 2013)
Benefits formula (at full retirement)	2% @ 60	2% @ 62
Benefit vesting schedule	5 year service	5 year service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092%-2.418%	1.092%-2.418%
Required employee contribution rates	7.00%	6.250%
Required employer contribution rates	7.159%	6.555%

NOTE 9: DEFINED BENEFIT PENSION PLAN—continued

Benefits Provided—continued

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at December 31, 2016, are summarized as follows:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 272,477	-
Differences between actual and expected experience	10,449	-
Changes in assumptions	-	$ (128,246)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(184,008)
Adjustment due to differences in proportions of the net pension liability	-	(260,211)
Net differences between projected and actual earnings on plan investments	667,477	-
Total	$ 950,403	$ (572,465)

Contributions

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

As of the year ended December 31, the contributions recognized as part of pension expense for the Plan was as follows:

	2016
Contributions—employer	$ 379,349

Net Pension Liability

As of December 31, 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2016
Proportionate share of net pension liability	$3,368,866

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of December 31, 2016, the net pension liability of the Plan is measured as of June 30, 2016 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. (the valuation date), rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 9: DEFINED BENEFIT PENSION PLAN—continued

Net Pension Liability– continued

The District's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, 2016 and 2015 was as follows:

	Proportionate Share
Proportion - June 30, 2014	0.04327%
Decrease in proportion	-0.00980%
Proportion - June 30, 2015	0.03347%
Increase in proportion	0.00546%
Proportion - June 30, 2016	0.03893%

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the District recognized pension expense of $27,145.

As of December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 272,477	-
Differences between actual and expected experience	10,449	-
Changes in assumptions	-	$ (128,246)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(184,008)
Adjustment due to differences in proportions of the net pension liability	-	(260,211)
Net differences between projected and actual earnings on plan investments	667,477	-
Total	$ 950,403	$ (572,465)

As of December 31, 2016, the District reported $50,005, as deferred outflows of resources related to pension contributions subsequent to the measurement date June 30, 2016, and will be recognized as a reduction of the net pension liability for the year ended December 31, 2017.

As of December 31, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	Deferred Net Outflows/Inflows of Resources
2017	$ (249,241)
2016	(241,120)
2019	(147,225)
2020	322,091
2021	171,715
Thereafter	-

NOTE 9: DEFINED BENEFIT PENSION PLAN—continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Projected Salary Increase	3.2% - 12.3% (1)
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expense, includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 Experience Study report (based on CalPERS demographic data from 1997 to 2011). Further details of the April 2014 Experience Study report can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS was used. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the year ended December 31, 2016, the 7.50% investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

NOTE 9: DEFINED BENEFIT PENSION PLAN—continued

Discount Rate—continued

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

As of December 31, 2016, the target allocation and the long-term expected real rate of return by asset class is as follows:

	2016		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)[1]	Real Return 11[+2]
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

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

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

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

As of December 31, 2016, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.65%	Current Discount Rate - 1% 7.65%	Discount Rate - 1% 8.65%
District's Net Pension Liability	$5,125,580	$3,368,866	$1,922,593

NOTE 9: DEFINED BENEFIT PENSION PLAN—continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See page 51 for the Required Supplementary Information.

Payable to the Pension Plan

At December 31, 2016, the District reported $0 in payables for the outstanding amount of contribution to the pension plan.

NOTE 10: NET POSITION

At December 31, 2016, net position consisted of the following:

	2016
Net investment in capital assets:	
Capital assets, net	$ 80,492,485
Certificate of participation, current	(885,000)
Certificate of participation, non-current	(25,280,000)
Total net investment in capital assets	54,327,485
Unrestricted net position:	
Non-spendable net position:	
Inventory of materials and supplies	716,579
Prepaid expenses	418,569
Total non-spendable net position	1,135,148
Spendable net position designated for the following purposes:	
Capital Replacement/Improvement Reserve Fund	18,000,000
Main Canal/Tunnel Improvement Reserve	8,064,000
Operating Reserve Fund	3,738,000
Rate-Stabilization Reseve Fund	1,388,000
Rural Water Replacement/Improvement Reserve Fund	753,343
Vehicle and Equipment Replacment Reserve Fund	486,966
Building and Facilities Reserve Fund	475,000
Employee Compensated Absences Reserve Fund	179,084
Total spendable net position - designated	33,084,393
Spendable net position - undesignated	
Unrestricted	79,653,596
Total spendable net position	79,653,596
Total unrestricted net position	113,873,137
Total net position	$ 168,200,622

NOTE 11: RISK MANAGEMENT

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

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

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

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

Coverage	ACWA/JPIA	Commercial Insurance
General and auto liability (includes public official liability)	$ 2,000,000	$ 58,000,000
Property damage	75,000	150,000,000
Fidelity	100,000	1,000,000

Coverage	SDRMA
Workers Compensation	Statutory

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

Changes to the claims payable liabilities were:

	For the Year Ended December 31, 2016
Claims payable, January 1	$ 3,750
Incurred claims; provision for event of current year	10
Claims paid	(3,750)
Claims payable, December 31	$ 10

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 12: INVESTMENT IN TRI-DAM PROJECT

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

Tri-Dam Project Statement of Net Position

	At December 31,	
	2016	2015 (As restated)
Assets and deferred outflows of resources		
Cash and investments	$ 25,379,155	$ 15,517,902
Other current assets	3,101,048	1,969,576
Total current assets	28,480,203	17,487,478
Property and equipment, net	62,948,188	64,830,835
Total assets	91,428,391	82,318,313
Deferred outflows of resources		
Pensions	1,277,349	639,151
Liabilities deferred inflows of resources, and net position		
Current liabilities	$ 651,086	$ 846,020
Long-term liabilities	5,302,736	4,245,002
Total liabilities	5,953,822	5,091,022
Deferred inflows of resources		
Pensions	296,517	454,599
Net Position		
Net investment in capital assets	62,948,188	64,830,835
Unrestricted	23,507,213	12,581,008
Total net position	86,455,401	77,411,843
Total liabilities, deferred inflows of resources, and net position	$ 92,705,740	$ 82,957,464

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

	For the Year Ended December 31,	
	2016	2015 (As restated)
Operating revenues	$ 33,800,302	$ 15,302,362
Operating expenses		
Expenses	5,510,132	6,080,495
Depreciation	2,491,781	1,923,981
Total operating expenses	8,001,913	8,004,476
Net income from operations	25,798,389	7,297,886
Nonoperating revenues (expenses)	(836,655)	(1,296,243)
Change in net positon	24,961,734	6,001,643
Net position, beginning of year as restated	77,411,843	80,169,200
Less: Distributions to member districts	(15,918,176)	(8,759,000)
Net position - end of year	$ 86,455,401	$ 77,411,843

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

NOTE 13: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

NOTE 13: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT ISSUED, NOT YET EFFECTIVE—continued

Governmental Accounting Standards Board Statement No. 81—continued

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement addresses (1) financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for AROs, (3) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (4) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

NOTE 13: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT ISSUED, NOT YET EFFECTIVE—continued

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that ultimate outcome of such matters, if any, will not materially affect its financial condition.

Regulatory

In prior years, petitions for water from the Stanislaus River, the primary source of water for the District, its tributaries and other waterways flowing in or adjacent to the District, have been filed with the State Water Board ("SWB"). Each petition sought to obtain a water right 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. As a result, the District has filed, or will be filing, an opposition to each petition. This year, however, there were either no active petitions or the petitioners settled with the District. Calaveras County Water District has filed petitions with the SWB to extend the time period to perfect their permits. The Petitions have not yet been noticed by the SWB.

Contract Commitments

District had the following capital project commitments outstanding as of December 31, 2016:

Project Name	Contract Amount	Remaining Amount Committed
Two Mile Bar Tunnel Engineering	$ 862,231	$ 81,017
South Main Canal Design - Segment 4	72,182	67,723
	$ 934,413	$ 148,740

Operating Lease Commitments

The District has one lease commitment. A three (3) year commercial lease for additional office space. This lease with GGD Oakdale LLC expired on March 31, 2014. However, the District renewed its contract for an additional 5-year term until March 31, 2019. The monthly lease payment, including sales and use tax, is $2,325.

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

Year ended December:	
2017	$ 28,878
2018	29,247
2019	7,334
Total payments	$ 65,459

Rental expense relating to the lease was $27,900 in 2016.

NOTE 15: SUBSEQUENT EVENTS

Events occurring after December 31, 2016 have been evaluated for possible adjustments to the financial statements or disclosures as of July 11, 2017, which is the date these financial statements were available to be issued.

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OAKDALE IRRIGATION DISTRICT

Required Supplementary Information

OAKDALE IRRIGATION DISTRICT
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST TEN YEARS*
As of December 31, 2016

	Measurement Date		
Description	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.03893%	0.03347%	0.04327%
District's proportionate share of the net pension liability	$ 3,368,866	$ 2,297,303	$ 2,692,547
District's covered - employee payroll	$ 4,369,901	$ 4,300,181	$ 4,435,167
District's proportionate share of the net pension liability as a percentage of covered payroll	77.09%	53.42%	60.71%
Plan's fiduciary net position as a percentage of the total pension liability	84.18%	88.27%	83.03%

Notes to Schedule:
Change in Benefit Terms - There were no changes in benefit terms for the measurement date December 31, 2016.

Changes in assumptions - There were no changes in benefit terms for the measurement date December 31, 2016.

* The District has presented information for those years for which information is available until a full 10-year trend is completed.

OAKDALE IRRIGATION DISTRICT
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST TEN YEARS*
As of December 31, 2016

	Measurement Date		
Description	6/30/2016	6/30/2015	6/30/2014
Actuarially determined contribution	$ 526,811	$ 488,805	$ 333,676
Contributions in relation to the actuarially determined contribution	(379,349)	(345,487)	(333,676)
Contribution deficiency (excess)	$ 147,462	$ 143,318	$ -
District's covered payroll	$ 4,369,901	$ 4,300,181	$ 4,435,167
Contribution's as a percentage of covered-employee payroll	8.68%	8.03%	7.52%

Notes to Schedule:

* The District has presented information for those years for which information is available until a full 10-year trend is completed.

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Statistical Section

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OAKDALE IRRIGATION DISTRICT

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.

Sources

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

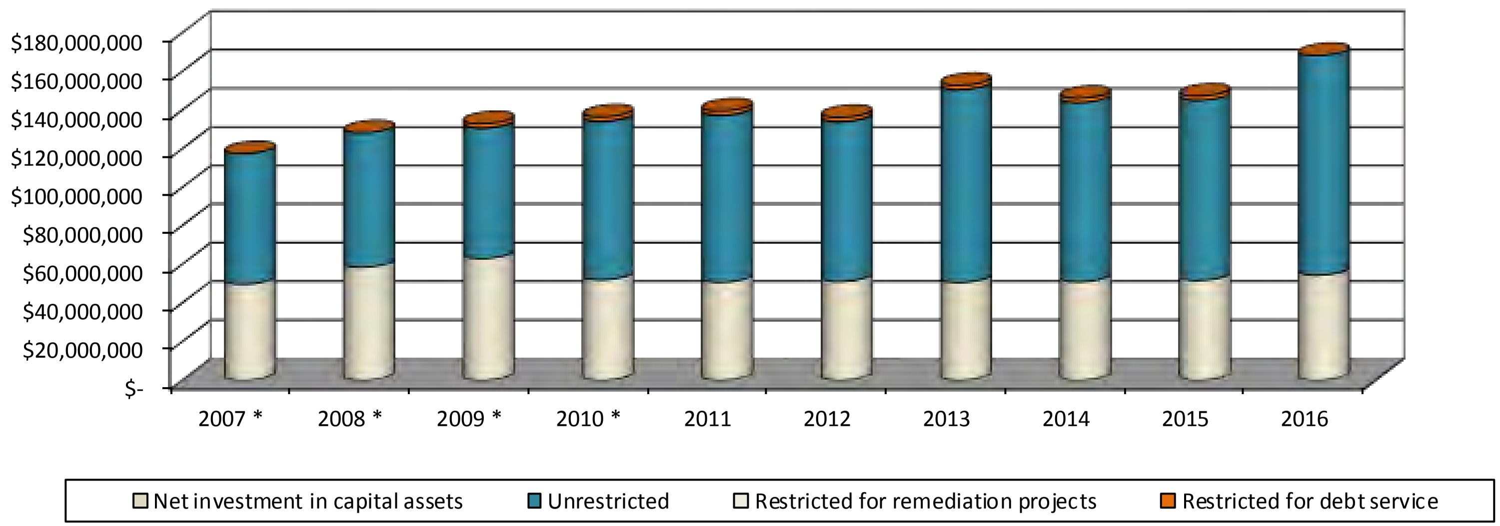
Financial Trend Data

Table 1
Net Position by Component
Last Ten Years

	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014	2015	2016
Net investment in capital assets	$ 49,683,718	$ 58,456,036	$ 62,942,193	$ 51,969,687	$ 50,633,121	$ 51,077,784	$ 50,566,062	$ 50,885,465	$ 51,589,942	$ 54,327,485
Restricted for debt service	-	-	2,151,068	2,149,900	2,149,258	2,149,241	2,149,190	2,149,347	2,149,260	-
Restricted for remediation projects	-	-	279,001	283,870	288,824	185,941	157,691	158,957	160,114	-
Unrestricted	67,764,975	69,805,060	67,561,952	82,020,800	86,474,704	82,776,915	99,869,808	92,897,221	93,321,229	113,873,137
Total net position	$ 117,448,693	$ 128,261,096	$ 132,934,214	$ 136,424,257	$ 139,545,907	$ 136,189,881	$ 152,742,751	$ 146,090,990	$ 147,220,545	$ 168,200,622

Note: The District's assets consist primarily of distribution canals and pipelines.
* Information was not available to restate these years for the implementation of GASB Statement No. 65.

Chart 1



Source: Oakdale Irrigation District - Finance Dept.

Table 2
Changes in Net Position
Last Ten Years

	2007 *	2008 *	2009 *	2010 *	2011	2012	2013	2014	2015	2016
Operating revenues:										
Agricultural water service fees	$ 1,159,509	$ 1,163,464	$ 1,183,770	$ 54,115	$ 1,210,632	$ 1,240,838	$ 1,516,917	$ 1,378,393	$ 2,341,654	$ 3,157,236
Domestic water delivery fees	193,066	840,550	219,280	190,533	205,949	202,134	215,111	213,932	194,386	201,224
Other water related revenues	145,011	299,100	148,674	191,098	144,879	189,118	174,566	212,940	221,196	206,773
Connection fees	45,526	215,073	250	785	1,150	1,250	1,200	1,810	19,726	-
Water sales	5,405,251	2,643,571	8,564,635	4,076,889	2,066,879	-	4,000,000	-	5,750,000	15,750,000
Total operating revenues	6,948,363	5,161,758	10,116,609	4,513,420	3,629,489	1,633,340	5,907,794	1,807,075	8,526,962	19,315,233
Operating expenses										
Operation and maintenance	3,245,097	3,189,791	3,833,008	4,403,284	4,057,837	4,165,511	5,019,045	3,751,234	3,845,339	3,998,330
General and administrative	4,007,385	4,953,672	5,934,548	3,277,323	3,680,603	3,806,305	3,839,314	3,347,853	2,734,946	4,203,644
Water operations	1,729,017	1,757,106	1,857,692	1,920,053	1,917,244	2,298,764	2,632,570	2,212,021	2,082,555	2,545,847
Depreciation	1,495,333	1,740,468	1,838,609	2,254,109	2,289,009	2,419,575	2,415,604	2,464,433	2,440,541	2,458,226
Total operating expenses	10,476,832	11,641,037	13,463,857	11,854,769	11,944,693	12,690,155	13,906,533	11,775,541	11,103,381	13,206,047
Operating income (loss)	(3,528,469)	(6,479,279)	(3,347,248)	(7,341,349)	(8,315,204)	(11,056,815)	(7,998,739)	(9,968,466)	(2,576,419)	6,109,186
Non-operating revenues (expenses)										
Interest earned	1,440,337	620,396	304,318	60,580	53,758	152,101	274,814	675,681	622,378	836,887
Property taxes	1,827,806	2,258,958	2,100,740	1,946,205	1,925,629	1,893,079	1,893,770	2,037,400	2,230,344	2,566,034
Joint ventures	10,148,895	13,911,473	6,551,641	9,900,556	10,868,617	7,066,296	7,156,205	2,001,707	2,369,339	13,112,350
Debt service interest	-	-	(1,351,703)	(1,178,660)	(1,272,272)	(1,511,488)	(1,477,080)	(1,532,664)	(1,510,785)	(1,211,403)
Gain (loss) on sale of assets	(172,043)	(32,845)	(20,497)	(9,399)	(20,284)	(7,953)	16,779	131,094	(6,645)	(3,164)
Annexation fees	-	-	-	100,828	259,168	-	18,913,050	-	-	-
Total non-operating revenues (expenses)	13,244,995	16,757,982	7,584,499	10,820,110	11,814,616	7,592,035	26,777,538	3,313,218	3,704,631	15,300,704
Net income before contributions	9,716,526	10,278,703	4,237,251	3,478,761	3,499,412	(3,464,780)	18,778,799	(6,655,248)	1,128,212	21,409,890
Capital contributions	457	533,700	435,867	11,282	1,815	108,754	118,558	3,487	1,343	2,804
Change in net position	9,716,983	10,812,403	4,673,118	3,490,043	3,501,227	(3,356,026)	18,897,357	(6,651,761)	1,129,555	21,412,694
Net position - beginning of year	107,731,710	117,448,693	128,261,096	132,934,214	136,424,257	139,545,907	136,189,881	152,742,751	146,090,990	147,220,545
Restatement	-	-	-	-	(379,577)	-	(2,344,487)	-	-	(432,617)
Net position - beginning of year	107,731,710	117,448,693	128,261,096	132,934,214	136,044,680	139,545,907	133,845,394	152,742,751	146,090,990	146,787,928
Net position - end of year	$ 117,448,693	$ 128,261,096	$ 132,934,214	$ 136,424,257	$ 139,545,907	$ 136,189,881	$ 152,742,751	$ 146,090,990	$ 147,220,545	$ 168,200,622

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

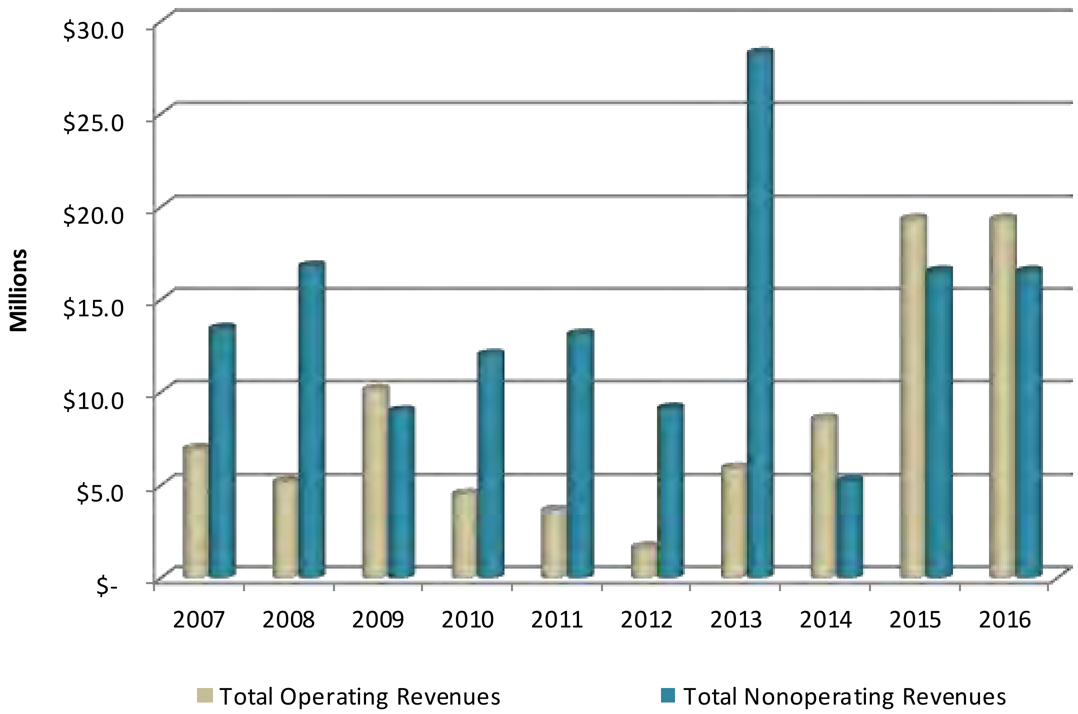
Last Ten Years

	Operating Revenues			Nonoperating Revenues					
Year	Water Charges	Other Operating Income	Water Transfer Sales	Interest Income	Property Taxes	Tri-Dam Project and Power Authority Distributions	Undistributed Earnings of Tri-Dam Project	Annexation and Other Nonoperating Income	Total Revenues
2007	$ 1,159,509	$ 383,603	$ 5,405,251	$ 1,440,337	$ 1,827,806	$ 12,100,000	$ (1,951,105)	$ -	$ 20,365,401
2008	1,163,464	1,354,723	2,643,571	620,396	2,258,958	11,200,000	2,711,473	-	21,952,585
2009	1,183,770	368,204	8,564,635	304,318	2,100,740	7,650,000	(1,098,359)	-	19,073,308
2010	54,115	382,416	4,076,889	60,580	1,946,205	2,550,000	7,350,556	100,828	16,521,589
2011	1,210,632	351,978	2,066,879	53,758	1,925,629	13,955,114	(3,086,497)	259,168	16,736,661
2012	1,240,838	392,502	-	152,101	1,893,079	7,334,000	(267,704)	-	10,744,816
2013	1,516,917	390,877	4,000,000	274,814	1,893,770	7,332,000	(175,795)	18,929,829	34,162,412
2014	1,378,393	428,682	-	675,681	2,037,400	4,662,000	(2,660,293)	131,094	6,652,957
2015	2,341,654	435,308	5,750,000	622,378	2,230,344	4,379,500	(2,010,161)	(6,645)	13,742,378
2016	3,157,236	407,997	15,750,000	836,887	2,566,034	7,959,088	5,153,262	(3,164)	35,827,340

Chart 2

Operating and Nonoperating Revenues

Last Ten years



Source: Oakdale Irrigation District

Financial Trend Data

Table 4
Operating Expenses by Source
Last Ten Years

	Operation & Maintenance	General & Administration	Water Operations	Depreciation	Total Operating Expenses
2007	$ 3,245,097	$ 4,007,385	$ 1,729,017	$ 1,495,333	$ 10,476,832
2008	3,189,791	4,953,672	1,757,106	1,740,468	11,641,037
2009	3,833,008	5,934,548	1,857,692	1,838,609	13,463,857
2010	4,403,284	3,277,323	1,920,053	2,254,109	11,854,769
2011	4,057,837	3,680,603	1,917,244	2,289,009	11,944,693
2012	4,165,511	3,806,305	2,298,764	2,419,575	12,690,155
2013	5,019,045	3,839,314	2,632,570	2,415,604	13,906,533
2014	3,751,234	3,347,853	2,212,021	2,464,433	11,775,541
2015	3,845,339	2,734,946	2,082,555	2,440,541	11,103,381
2016	3,998,330	4,203,644	2,545,847	2,458,226	13,206,047

Chart 3
Operating Expenses by Source

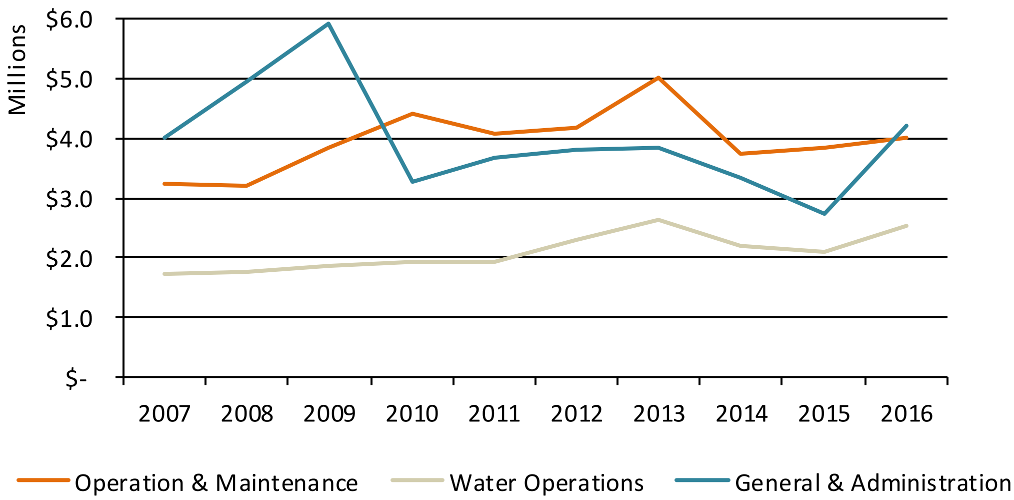
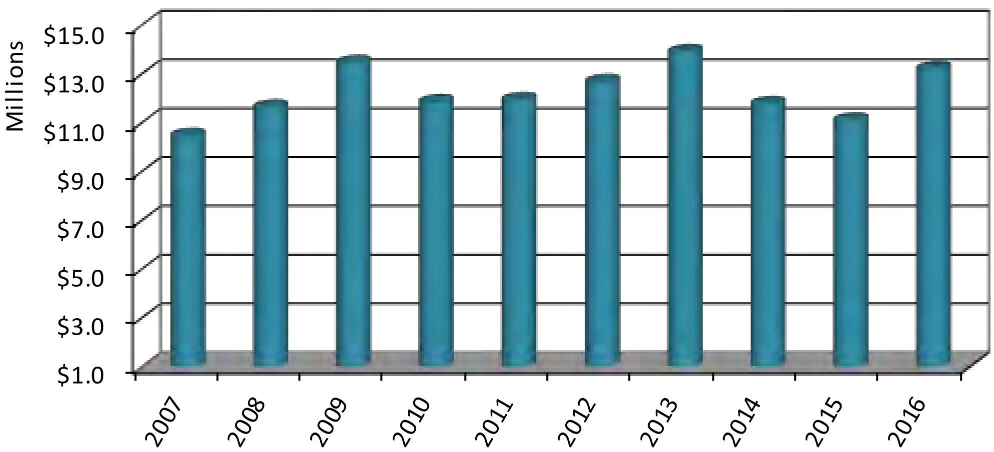


Chart 4
Total Operating Expenses



Source: Oakdale Irrigation District

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: Amount	Collected within the Fiscal Year of Levy: Percent of Levy	District's Share of 1% Property Tax	District's % of County Levy
2007	$ 461,085,798	$ 431,482,886	93.58%	$ 1,660,949	0.36%
2008	505,125,278	464,689,972	91.99%	1,795,616	0.36%
2009	474,286,882	451,524,927	95.20%	1,737,418	0.37%
2010	446,704,648	430,564,452	96.39%	1,579,084	0.35%
2011	436,493,485	424,593,296	97.27%	1,593,599	0.37%
2012	426,313,135	416,034,209	97.59%	1,546,634	0.36%
2013	427,774,039	417,419,791	97.58%	1,540,527	0.36%
2014	448,139,124	438,298,281	97.80%	1,571,080	0.35%
2015	491,947,597	482,999,011	98.18%	1,754,109	0.36%
2016	526,506,616	515,308,358	97.87%	2,076,105	0.39%

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

Taxpayer	Type of Business	2015 / 2016 Property Taxes	2015 / 2016 Rank	2015 / 2016 Percentage of Total Property Taxes	2006 / 2007 Property Taxes	2006 / 2007 Rank	2006 / 2007 Percentage of Total Property Taxes
Gallo Winery	Manufacturing	$ 3,868,685	1	0.7348%	$ 1,278,949	5	0.3224%
Pacific Gas and Electric	Utility	3,586,671	2	0.6812%	1,534,284	3	0.3867%
Gallo Glass Co.	Commercial	3,235,222	5	0.6145%	1,606,426	2	0.4049%
World International, LLC	Nonclassified	3,223,497	3	0.6122%	-		-
Doctor's Medical Center	Medical	2,766,264	4	0.5254%	1,199,568	6	0.3024%
Bronco Winery Company	Manufacturing	1,601,003	6	0.3041%	941,297	10	0.2373%
Hunt Wesson Foods, Inc.	Manufacturing	1,311,590	7	0.2491%	978,020	9	0.2465%
Macerich Vintage Faire Ltd Prtn	Retail	1,301,176	8	0.2471%	-		-
WW Grainger, Inc.	Commercial	1,293,242	9	0.2456%	-		-
Beard Land Impr. Company	Nonclassified	1,237,257	10	0.2350%	-		-
Diablo Grande, LTD	Services	-		-	3,831,060	1	0.9656%
Signature Fruit	Manufacturing	-		-	1,357,821	4	0.3422%
Hershey's Chocolate, Inc.	Manufacturing	-		-	1,128,228	7	0.2844%
Foster Dairy Farms	Manufacturing	-		-	1,020,492	8	0.2572%
Total		$ 23,424,607		4.4490%	$14,876,145		3.7496%

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

Revenue Capacity Data

Table 7
Water Customer Accounts
Year Ended December 31, 2016

Category	Water Accounts	% of Total Water Accounts	Water Consumption (acre feet)	% of Total Consumption	Sales Revenues (in dollars)	% of Total Revenues
Water Sales Agreements	2	0.06%	50,500	21.11%	$15,750,000	82.42%
Agriculture (Ag)	2,946	86.09%	188,209	78.69%	3,157,236	16.52%
Domestic Water	474	13.85%	458	0.19%	201,224	1.05%
TOTAL	3,422	100.00%	239,167	100.00%	$19,108,460	17.58%

Table 8
Historic Water Production
Last Ten Years
(Acre-feet)

Year	Diverted from Stanislaus River	Groundwater Pumping	Reclamation Pumping	Total Production	Percent of 10-year Ave.
2007	306,873	7,211	9,852	323,936	129.8%
2008	296,238	14,661	11,421	322,320	129.1%
2009	233,145	15,676	9,667	258,488	103.5%
2010	216,593	5,682	7,720	229,995	92.1%
2011	218,321	2,244	7,390	227,955	91.3%
2012	231,725	6,634	8,210	246,569	98.8%
2013	244,642	10,112	7,789	262,543	105.2%
2014	201,360	16,858	6,461	224,679	90.0%
2015	164,955	12,567	3,317	180,839	72.4%
2016	183,695	3,577	937	188,209	75.4%

Table 9
Historic District Water Deliveries
Last Ten Years
(Acre-feet)

Year	Total Water Production	Total Agricultural Water Delivered	Water Transfers	Total Deliveries	Percent of 10-year Ave.
2007	323,936	220,314	49,820	270,134	108.2%
2008	322,320	223,866	47,000	270,866	108.5%
2009	258,488	209,771	55,390	265,161	106.2%
2010	229,995	180,584	41,000	221,584	88.8%
2011	227,955	232,367	26,000	258,367	103.5%
2012	246,569	229,297	-	229,297	91.8%
2013	262,543	245,144	40,000	285,144	114.2%
2014	224,679	201,086	-	201,086	80.5%
2015	180,839	168,698	11,500	180,198	72.2%
2016	188,209	134,182	50,500	184,682	74.0%

Source: Oakdale Irrigation District—Finance and Water Departments

Revenue Capacity Data

Table 10
Irrigated Acres
Last Ten Years

Water Year	Irrigated Acres
2007	55,217
2008	55,411
2009	55,610
2010	55,824
2011	57,246
2012	56,836
2013	57,121
2014	64,724
2015	64,780
2016	63,672

Chart 5
Irrigated Acres

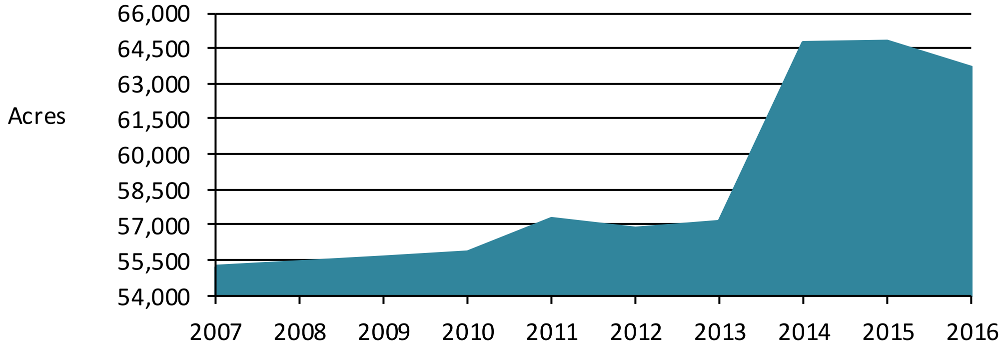
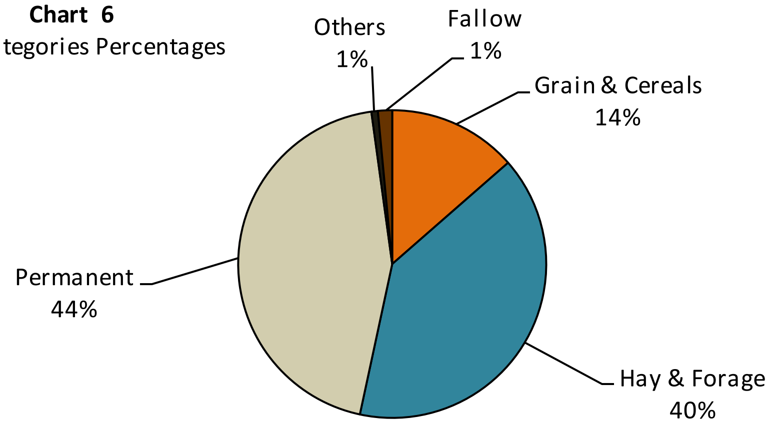


Table 11
Crops

Categories	2016
Grain & Cereals	8,633
Hay & Forage	25,349
Permanent	28,310
Others	433
Fallow	947
Total	63,672

Chart 6
Crop Categories Percentages



Source: Oakdale Irrigation District—Finance and Water Departments

Revenue Capacity Data

Table 12

Irrigation Water Delivery and Volumetric Charges
Last Ten Fiscal Years

Water Year	Water Charges (per acre) Min. per acre	1.01 - 2.00	2.01 - 4.00	4.01 - 6.00	6.01 - 8.00	8.01 - 10.00	10.01 & above
2007	$30.00	$30.00	$28.00	$26.00	$24.00	$22.00	$19.50
2008	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2009	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2010	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2011	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2012	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2013	30.00	30.00	28.00	26.00	24.00	22.00	19.50
2014	30.00	30.00	28.00	26.00	24.00	22.00	19.50
	Minimum						
2015	54.00	54.00	27.00	27.00	27.00	27.00	27.00
2016	55.62	55.62	27.81	27.81	27.81	27.81	27.81

Water Year	Volumetric Charges (per acre-foot per acre) Up to 3.0 per aft.	3.01 - 5.0 per aft.	5.01 - 7.0 per aft.	7.01 - 8.0 per aft.	Over 8.01 per aft.
2015	$3.24	$6.44	$8.55	$10.71	$21.37 (1, 2)
2016	3.24	6.44	8.55	10.71	21.37

(1) The year 2015 was the first year the District set volumetric charges.
(2) Volumetric charges were not implemented in 2015.

Table 13

Ten Largest Water Customers - 2016

Landowner	No. of Gross Acres	Percent of Total (1)	Water Delivery Fee Revenue	Percent of Total (2)
Trinitas LLCs	7,271.26	11.42%	$202,214	10.49%
John Brichetto Family Trusts	4,433.56	6.96%	123,297	6.39%
Stueve Properties	2,136.72	3.36%	59,422	3.08%
V.A. Rodden	1,626.18	2.55%	45,224	2.35%
G3 Enterprises	961.80	1.51%	26,748	1.39%
Sharon Naraghi	960.52	1.51%	26,712	1.39%
Montpelier Farms Corp.	701.28	1.10%	19,503	1.01%
Pete & Tamara Postma	602.00	0.95%	16,742	0.87%
Wanty Family Partnership	534.18	0.84%	14,856	0.77%
TOTALS	19,227.50	30.20%	$534,717	27.73%

(1) Based on the total 2016 irrigable acres of 64,780.
(2) Based on the total 2016 water deliver and volumtric charges of $1,928,230.

Source: Oakdale Irrigation District—Finance and Water Departments

Debt Capacity Data

Table 14

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
2007	$ 39,472,427,882	1.25%	$ 493,405,349	-	$ 493,405,349	0%
2008	43,345,532,038	1.25%	541,819,150	-	541,819,150	0%
2009	40,424,458,781	1.25%	505,305,735	-	505,305,735	0%
2010	37,297,148,953	1.25%	466,214,362	-	466,214,362	0%
2011	35,558,908,063	1.25%	444,486,351	-	444,486,351	0%
2012	34,775,090,759	1.25%	434,688,634	-	434,688,634	0%
2013	33,924,599,417	1.25%	424,057,493	-	424,057,493	0%
2014	35,600,228,524	1.25%	445,002,857	-	445,002,857	0%
2015	39,675,277,121	1.25%	495,940,964	-	495,940,964	0%
2016	42,354,843,404	1.25%	529,435,543	-	529,435,543	0%

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

COUNTY OF SAN JOAQUIN

Last Ten Fiscal Years

Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2007	Not available	1.25%	$ 681,583,871	-	$ 681,583,871	0%
2008	Not available	1.25%	746,277,606	-	746,277,606	0%
2009	Not available	1.25%	730,992,679	-	730,992,679	0%
2010	Not available	1.25%	647,943,721	-	647,943,721	0%
2011	Not available	1.25%	685,383,938	-	685,383,938	0%
2012	Not available	1.25%	659,802,311	-	659,802,311	0%
2013	Not available	1.25%	659,393,352	-	659,393,352	0%
2014	Not available	1.25%	692,834,021	-	692,834,021	0%
2015	Not available	1.25%	754,692,239	-	754,692,239	0%
2016	----------Not available----------					

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 15

Ratios of Outstanding Debt by Type

OAKDALE IRRIGATION DISTRICT

Last Ten Years

	Business-Type Activities					
Year	Certificate of Participation	Notes Payable	Borrow Site Agreement	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2009	$ 31,773,330	$ 3,192	$ 100,000	$ 31,876,522	0.20%	$ 60.56
2010	31,225,865	1,944	50,000	31,277,809	not available	58.95
2011	30,718,429	696	-	30,719,125	not available	59.34
2012	30,160,993	-	-	30,160,993	not available	57.71
2013	28,578,558	-	-	28,578,558	not available	54.33
2014	28,331,123	-	-	28,331,123	not available	53.25
2015	27,678,687	-	-	27,678,687	not available	52.03
2016	25,280,000	-	-	25,280,000	not available	47.49

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

[1]Refer to the Schedule of Demographic and Economic Statistics on page 58 for personal income and population data as information is not available for the District's service area only.

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

Debt Capacity Data

Table 16

Estimated Direct Overlapping Bonded Debt
COUNTY OF STANISLAUS
(as of December 1, 2016)

2016-17 Assessed Valuation: $44,822,955,648 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 12/1/16
Yosemite Community College District	73.317 %	$ 207,262,183
Modesto High School District	100.000	34,857,498
Turlock Joint Union High School District and School Facilities Improv. District No. 1	97.781-98.166	26,922,389
Ceres Unified School District	100.000	64,921,358
Newman-Crows Landing Unified School District	100.000	21,257,982
Oakdale Joint Unified School District	98.576	12,790,236
Patterson Joint Unified School District	98.764	24,184,911
Riverbank Unified School District	100.000	11,117,452
Other Unified School Districts	100.000	31,511,290
Modesto City School District	100.000	8,710,677
Stanislaus Union School District	100.000	21,230,000
Sylvan School District	100.000	29,599,284
Other School Districts	81.145-100.00	20,436,174
Oak Valley Hospital District	100.000	31,680,000
Newman Drainage District	100.000	70,000
Empire Union School District Community Facilities District No. 87-1	100.000	7,572,834
City Community Facilities Districts	100.000	127,330,000
Schools Infrastructure Financing Agency Mello-Roos Act Bonds	100.000	22,230,000
Salida Area Community Facilities District No. 1988-1	100.000	23,135,000
Western Hills Water District Community Facilities District No. 1	100.000	45,290,000
1915 Act Bonds (estimate)	100.000	2,006,837
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 774,116,105
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Stanislaus County Certificates of Participation	100.000 %	$ 33,995,000
Stanislaus County Office of Education Certificates of Participation	100.000	2,805,000
Modesto High School and City School District Certificates of Participation	100.000	16,420,000
Ceres Unified School District Certificates of Participation	100.000	10,525,000
Newman-Crows Landing Unified School District	100.000	10,127,000
Salida Union School District Certificates of Participation	100.000	9,215,000
Other School Districts Certificates of Participation	Various	19,307,400
City of Modesto General Funds Obligation	100.000	57,390,000
City of Oakdale Certificates of Participation and Pension Obligation Bonds	100.000	5,407,826
Other City Certificates of Participation	100.000	1,387,659
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 166,579,885
Less: City of Newman Wastewater Certificates of Participation (100% supported)		2,920,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 163,659,885
OVERLAPPING TAX INCREMENT DEBT:		
County Redevelopment Agencies		$ 15,315,000
Ceres Redevelopment Agencies		38,105,000
Turlock Redevelopment Agencies		35,740,000
Other Redevelopment Agencies		47,364,657
TOTAL OVERLAPPING TAX INCREMENT DEBT		$ 136,524,657
GROSS COMBINED TOTAL DEBT		$ 1,077,220,647 (2)
NET COMBINED TOTAL DEBT		$ 1,074,300,647

Ratios to 2016-17 Assessed Valuation:

- Total Overlapping Tax and Assessment Debt…………… 1.73%
- Total Direct Debt ($33,995,000)……………………………… 0.08%
- Gross Combined Total Debt ……………………………………. 2.40%
- Net Combined Total Debt……………………………………… 2.40%

Ratios to Redevelopment Incremental Valuation ($4,054,601,828):

- Overlapping Tax Increment Debt.. 3.37%

(1) The percentage of overlapping debt applicable to the county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the district's total taxable assessed value.

(2) 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.

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

Table 17
Principal Employers
Current Year and Nine Years Ago
COUNTY OF STANISLAUS

	2016			2007		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Stanislaus	3,996	1	1.78%	4,891	1	2.28%
Modesto City Schools	3,500	2	1.56%	3,600	2	1.68%
E & J Gallo Winery	3,500	3	1.56%	3,300	3	1.54%
Doctors Medical Center	2,600	4	1.16%	1,960	8	0.91%
Memorial Medical Center	2,300	5	1.03%	2,832	4	1.32%
Turlock School District	2,267	6	1.01%	2,202	6	1.02%
Del Monte Foods	2,040	7	0.91%	1,850	9	0.86%
Seneca (Signature) Foods	2,138	8	0.95%	2,300	5	1.07%
Stanislaus Food Products	1,875	9	0.84%	1,800	10	0.84%
Save Mart Supermarkets	1,650	10	0.74%	-	-	-
Ceres Unified School District	-		-	2,032	7	0.95%
Total	25,866		11.54%	26,767		12.47%

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

Demographic and Economic Information

Table 18
Population
Last Ten Calendar Years

COUNTY OF STANISLAUS

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2007	521,497	1.39%	$ 14,755,527	$ 28,985	8.5%
2008	525,903	0.84%	15,977,182	31,485	10.5%
2009	526,383	0.09%	15,948,738	31,248	15.3%
2010	530,584	0.80%	not available	not available	16.4%
2011	517,685	-2.43%	not available	not available	15.1%
2012	522,651	0.96%	not available	not available	13.9%
2013	526,042	0.65%	not available	not available	13.0%
2014	531,997	1.13%	not available	not available	11.2%
2015	532,297	0.06%	not available	not available	9.5%
2016	541,560	1.74%	not available	not available	8.2%

COUNTY OF SAN JOAQUIN

Calendar Year	Population	Population % of Increase	Personal Income (in thousands)	Capita Personal Income	Unemployment Rate
2007	679,687	1.71%	not available	not available	8.1%
2008	685,660	0.88%	not available	not available	10.3%
2009	689,480	0.56%	not available	not available	15.4%
2010	694,293	0.70%	not available	not available	18.1%
2011	693,589	-0.10%	not available	not available	15.9%
2012	695,750	0.31%	not available	not available	14.7%
2013	703,919	1.17%	not available	not available	12.8%
2014	710,731	0.97%	not available	not available	10.6%
2015	719,511	1.24%	not available	not available	8.9%
2016	733,709	1.97%	not available	not available	7.8%

Chart 7
Counties of San Joaquin and Stanislaus Population

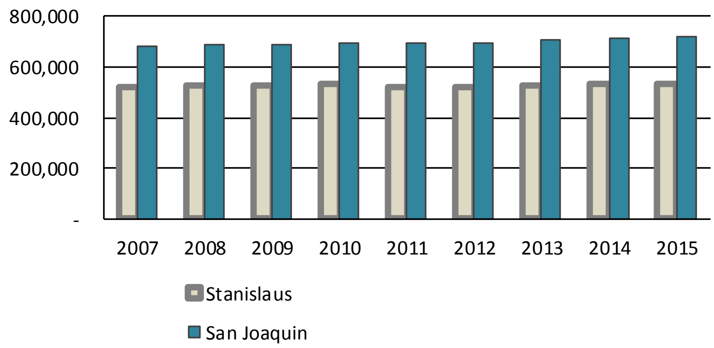
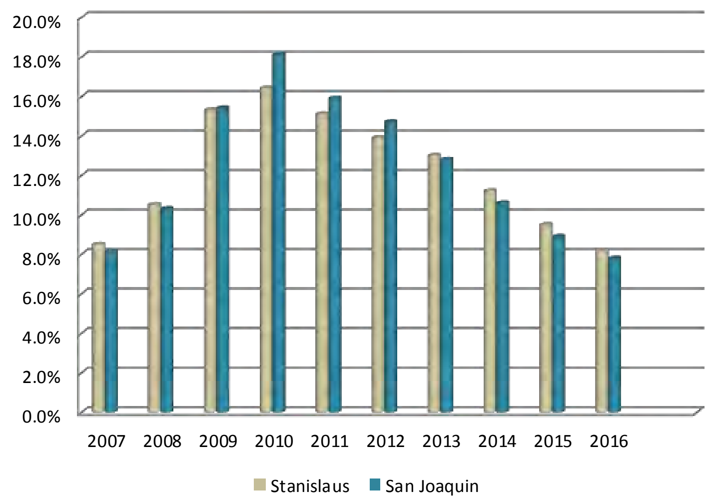


Chart 8
Counties of San Joaquin and Stanislaus Unemployment Rates



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

Operating Information

Table 19

Full-time District Employees by Function

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Operations	32	30	29	29	31	31	29	28	28	27
Operations and Maintenance	19	21	23	25	23	20	23	25	25	25
Finance	5	4	4	5	5	5	5	5	5	5
Engineering	3	4	4	4	4	4	1	2	2	2
Administration	4	4	4	4	4	4	4	4	3	3
Contract's Management	2	3	3	3	2	2	1	1	-	-
Total	65	66	67	70	69	66	63	65	63	62

Table 20

Capital Asset Statistics by Function

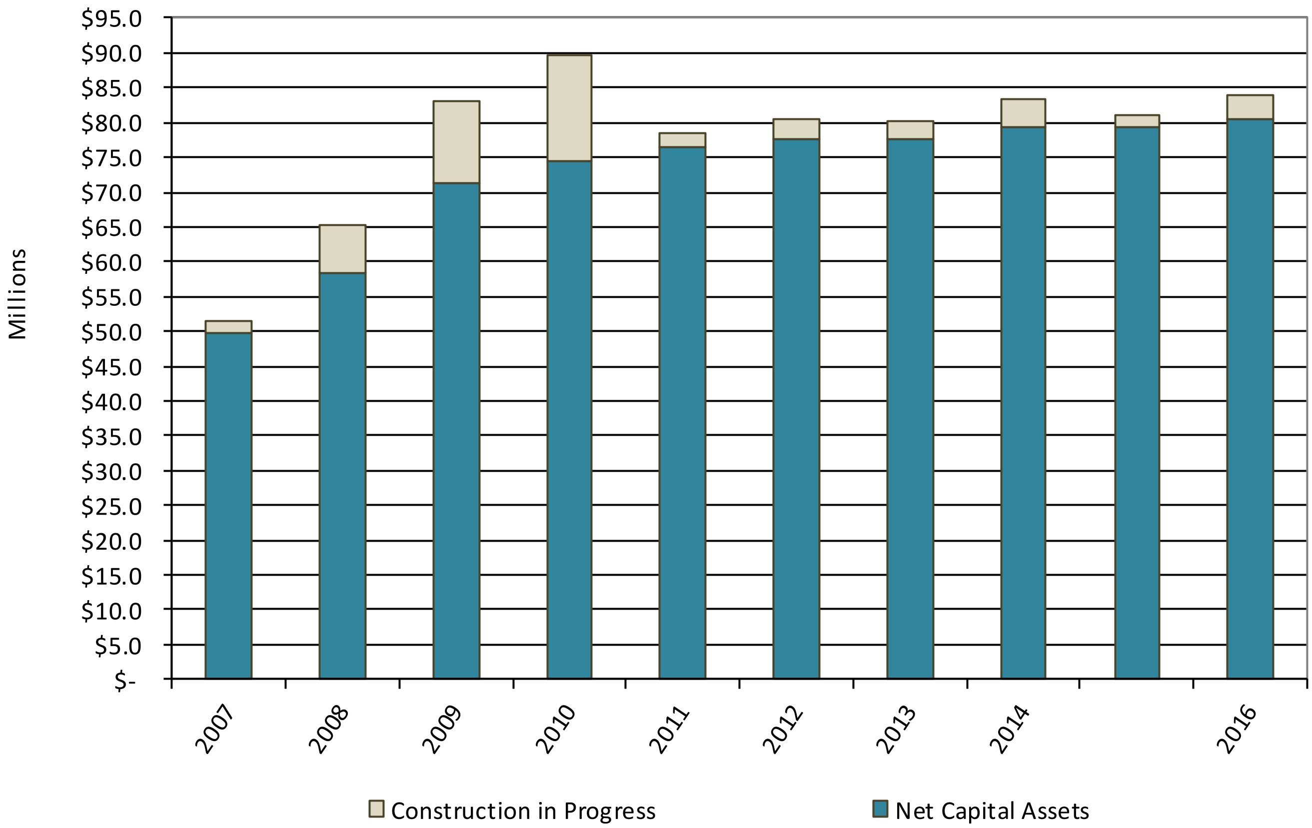
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ag Water										
Miles of laterals and tunnels	230	230	230	230	230	230	230	230	230	230
Miles of pipelines	100	100	100	100	100	100	100	100	100	100
Number of production wells	24	24	24	24	25	25	25	25	25	25
Number of reclamation pumps	44	44	44	44	44	44	44	44	44	42
Number of river pumps	4	4	4	4	4	4	4	4	4	4
Number of regulating reservoirs	2	2	2	3	3	3	3	3	3	3
Number of dams	2	2	2	2	2	2	2	2	2	2
Domestic Water										
Miles of distribution pipelines	4.83	6.59	6.59	6.59	6.59	6.59	6.59	6.59	6.59	6.59
Number of deep wells	7	8	8	8	8	8	8	8	8	8
Number of fire hydrants	63	84	84	84	84	84	84	84	84	84

Source: Oakdale Irrigation District—Finance and Water Departments

Table 21
Capital Assets
Last Ten Years

Year	Total Assets (excluding CIP)	Construction in Progress	Accumulated Depreciation	Net Capital Assets
2007	$ 66,320,797	$ 1,854,133	$ (18,491,212)	$ 49,683,718
2008	71,790,914	6,741,165	(20,076,043)	58,456,036
2009	81,252,356	11,860,591	(21,775,816)	71,337,131
2010	83,282,666	15,123,864	(23,912,488)	74,494,042
2011	100,445,511	2,011,561	(26,048,581)	76,408,491
2012	103,053,665	2,832,794	(28,372,445)	77,514,014
2013	105,834,198	2,489,756	(30,649,256)	77,674,698
2014	107,800,010	4,282,672	(32,866,096)	79,216,586
2015	112,583,918	1,913,853	(35,229,142)	79,268,629
2016	114,687,534	3,481,255	(37,676,304)	80,492,485

Chart 9
Capital Assets



Source: Oakdale Irrigation District—Finance and Water Departments

Compliance Section

OID

OAKDALE IRRIGATION DISTRICT

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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Oakdale Irrigation District
Oakdale, California

We have audited, in accordance with the 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 (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated July 11, 2017

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards, (continued)*

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 11, 2017

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