Oakdale Irrigation District
Improvement Districts

Annual Financial Report

For the Years Ended December 31, 2021 and 2020

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Financial Section

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Independent Auditor's Report

Board of Directors
Oakdale Irrigation District
Oakdale, California

Opinion

We have audited the accompanying financial statements of the business-type activities of the Oakdale Irrigation District Improvement Districts (Improvement District), component units of the Oakdale Irrigation District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Improvement District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Improvement District, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Improvement District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Improvement District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing the audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
July 29, 2022

Oakdale Irrigation District Improvement Districts
Statements of Net Position
December 31, 2021 and 2020

		2021	2020
Current assets:			
Cash and cash equivalents (note 2)	$	1,402,748	1,338,413
Restricted – cash and cash equivalents (note 2)		56,609	57,298
Accrued interest receivable		624	1,738
Accounts receivable – water sales and services		18,399	22,688
Due from related organizations		117,818	183,204
Prepaid expenses and other deposits		4,560	4,268
Total current assets		1,600,758	1,607,609
Non-current assets:			
Capital assets – not being depreciated (note 3)		-	71,546
Capital assets – being depreciated, net (note 3)		338,014	286,082
Total non-current assets		338,014	357,628
Total assets		1,938,772	1,965,237
Current liabilities:			
Accounts payable and accrued expenses		7,097	5,930
Due to related organizations		4,021	82,990
Debt service payment received for the District		56,609	183,204
Unearned revenue		190,946	57,298
Total current liabilities		258,673	329,422
Total liabilities		258,673	329,422
Net position:			
Net investment in capital assets		338,014	357,628
Unrestricted		1,342,085	1,278,187
Total net position	$	1,680,099	1,635,815

See accompanying notes to the basic financial statements

Oakdale Irrigation District Improvement Districts
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

		2021	2020
Operating revenues:			
Maintenance and operation charges	$	323,384	328,957
Total operating revenues		323,384	328,957
Operating expenses:			
Operation and maintenance		201,925	373,546
General and administrative		56,171	55,354
Total operating expenses		258,096	428,900
Operating income(loss) before depreciation expense		65,288	(99,943)
Depreciation expense		(19,614)	(30,212)
Operating income(loss)		45,674	(130,155)
Non-operating revenues:			
Investment earnings		(1,390)	15,314
Total non-operating revenues		(1,390)	15,314
Changes in net position		44,284	(114,841)
Net position, beginning of year		1,635,815	1,750,656
Net position, end of year	$	1,680,099	1,635,815

See accompanying notes to the basic financial statements

Oakdale Irrigation District Improvement Districts
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Cash receipts from customers	$	400,112	260,318
Cash paid to vendors for materials and services		(336,190)	(436,520)
Net cash provided by(used in) operating activities		63,922	(176,202)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		-	(70,546)
Net cash used in capital and related financing activities		-	(70,546)
Cash flows from investing activities:			
Interest and investment earnings		(276)	20,567
Net cash (used in)provided by investing activities		(276)	20,567
Net increase(decrease) in cash and cash equivalents		63,646	(226,181)
Cash and cash equivalents, beginning of year		1,395,711	1,621,892
Cash and cash equivalents, end of year	$	1,459,357	1,395,711

Reconciliation of cash and cash equivalents to the statements of net position:

		2021	2020
Cash and cash equivalents	$	1,402,748	1,338,413
Restricted – cash and cash equivalents		56,609	57,298
Total cash and cash equivalents	$	1,459,357	1,395,711

Continued on next page

See accompanying notes to the basic financial statements

Oakdale Irrigation District Improvement Districts
Statements of Cash Flows, continued
For the Years Ended December 31, 2021 and 2020

		2021	2020
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:			
Operating income(loss)	$	45,674	(130,155)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Depreciation expense		19,614	30,211
Change in assets and liabilities			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		4,289	18,318
Accounts receivable – other		-	9,552
Due from other government agencies		65,386	(62,778)
Prepaid expenses and other deposits		(292)	16,526
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		1,167	(8,627)
Due to related organizations		(78,969)	(15,519)
Debt service payment received for the District		(126,595)	89,638
Unearned revenue		133,648	(123,368)
Total adjustments		18,248	(46,047)
Net cash provided by(used in) operating activi	$	63,922	(176,202)
Non-cash investing, capital, and financing transaction:			
Change in fair value of investments	$	(5,261)	443

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Oakdale Irrigation District Improvement Districts (Improvement District) is comprised of nineteen improvement districts that were formed, upon petition of landowners, pursuant to Part 7, Division 11, and Section 23600 of the California Water Code. The purpose of the Improvement District is to make improvements to landowner properties in connection with providing drinking or irrigation water by the Oakdale Irrigation District. The Improvement District is a separate enterprise fund of the Oakdale Irrigation District and is combined in the accompanying financial statements for reporting purposes due to the immateriality of the individual improvement districts. The Oakdale Irrigation District has oversight responsibility of the Improvement District for the purposes specified in the Water Code, including administering the annual assessment upon the landowners, investing surplus cash, and paying all expenses of the Improvement District. The landowners are responsible for all obligations within their district including the costs of maintenance and operations, as well as the costs of improvements to their respective water systems. The Improvement District has no separate board of directors and has no employees or operations that are separate from the Oakdale Irrigation District. However, the Oakdale Irrigation District is not obligated in any manner for the debts of the Improvement District nor is the Oakdale Irrigation District entitled to any surpluses upon dissolution of the Improvement District.

B. Basis of Accounting and Measurement Focus

The Improvement District's resources are allocated to and accounted for in these basic financial statements as nineteen separate enterprise funds of the proprietary fund group. The enterprise funds are 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 these funds are included on the statements of net position. Net position is segregated between net investment in capital assets, restricted, and unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The Improvement 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. Maintenance and operation charges are recognized in the period for which they are effective. When such funds are received prior to the year for which they are effective, they are recorded as unearned revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Improvement District. Operating revenues consist primarily of maintenance and operation charges. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities, and result from non-exchange transactions or ancillary activities.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Improvement District's 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 Improvement District's proprietary fund.

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

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

D. Assets, Liabilities, and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Position

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Consequently, the related financial impact on the Improvement District cannot be estimated at this time.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Improvement District considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

4. Accounts Receivable

Accounts receivable consists of maintenance and operations charges to landowners of the Improvement District. The Improvement District does not have an allowance for doubtful accounts due to the ability to place a lien on the landowners' property and the Improvement District's collection history.

5. Capital Assets

Capital assets are recorded at historical cost. It is the Improvement District's policy to capitalize assets with a cost greater than $1,000 with a useful life of more than one year. Donated assets, if any, are valued at estimated fair value on the date received. Self-constructed assets are recorded based on the amount of direct labor, material, and certain overhead charged to the constructed asset.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Distribution systems	50 - 100 years
Automobiles and equipment	3 - 5 years
Office equipment	5 years
Pumping plants	10 - 20 years
Buildings	25 years

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 balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

6. Due from / to Oakdale Irrigation District

The due from Oakdale Irrigation District represents cash received for maintenance and operations billed by the Oakdale Irrigation District on behalf of the Improvement District. The due to Oakdale Irrigation District represents administration charges and maintenance and operations charges due to the Oakdale Irrigation District that were not paid at year end.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Position, continued

7. Unearned Revenue

Unearned revenue consists of maintenance and operation charges received from property owners for future year's expenses.

8. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted** – consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of December 31 are classified in the accompanying financial statements as follows:

		2021	2020
Cash and cash equivalents	$	1,402,748	1,338,413
Restricted – cash and cash equivalents		56,609	57,298
Total	$	1,459,357	1,395,711

Cash and cash equivalents as of December 31 consist of the following:

		2021	2020
Cash and cash equivalents:			
Deposits with financial institutions	$	383,032	293,639
California Local Agency Investment Fund		1,076,325	1,102,072
Total	$	1,459,357	1,395,711

Investment Policy

The Improvement District has adopted the investment policy of the Oakdale Irrigation District. The Oakdale Irrigation District's investment policy may be found in the notes to the Oakdale Irrigation District's basic financial statements.

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Improvement District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of December 31, 2021 and 2020, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Improvement District's name.

Investment in State Investment Pool

The Improvement District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Improvement District's investment in this pool is reported in the accompanying financial statements at amounts based upon the Improvement 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 fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

The Improvement District's deposit, withdrawal restrictions, and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10 million or more require 24 hours advance notification.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. The Improvement District does not maintain investments subject to interest rate risk.

(2) Cash and Cash Equivalents, 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. The Improvement District's investment in LAIF is not rated.

Concentration of Credit Risk

The investment policy of the Oakdale Irrigation District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Improvement District has no investments subject to concentration of credit risk.

(3) Capital Assets

The change in capital assets for 2021 was as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Construction-in-process	$ 71,546		(71,546)	-
Total non-depreciable assets	71,546	-	(71,546)	-
Depreciable assets:				
Water distribution systems	1,028,807	71,546	-	1,100,353
Total depreciable assets	1,028,807	71,546	-	1,100,353
Accumulated depreciation:				
Water distribution systems	(742,725)	(19,614)	-	(762,339)
Total accumulated depreciation	(742,725)	(19,614)	-	(762,339)
Total depreciable assets, net	286,082	51,932	-	338,014
Total capital assets, net	$ 357,628	51,932	(71,546)	338,014

(3) Capital Assets, continued

The change in capital assets for 2020 was as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Construction-in-process	$ 1,000	70,546	-	71,546
Total non-depreciable assets	1,000	70,546	-	71,546
Depreciable assets:				
Water distribution systems	1,028,807	-	-	1,028,807
Total depreciable assets	1,028,807	-	-	1,028,807
Accumulated depreciation:				
Water distribution systems	(712,514)	(30,211)	-	(742,725)
Total accumulated depreciation	(712,514)	(30,211)	-	(742,725)
Total depreciable assets, net	316,293	(30,211)	-	286,082
Total capital assets, net	$ 317,293	40,335	-	357,628

(4) Governmental Accounting Standards Board Statements 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. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

(4) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(5) Commitments and Contingencies

Litigation

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

(6) Subsequent Events

Events occurring after December 31, 2021, have been evaluated for possible adjustments to the financial statements or disclosures as of **July 29, 2022**, which is the date the financial statements were available to be issued. The Improvement District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.