

**Oakdale Irrigation District
Improvement Districts**

Annual Financial Report

For the Years Ended December 31, 2019 and 2018

**Oakdale Irrigation District Improvement Districts
Annual Financial Report
For the Years Ended December 31, 2019 and 2018**

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Financial Section

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Independent Auditor's 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 Improvement Districts (Improvement District), component units of the Oakdale Irrigation District, which comprises the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Improvement District's basic financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Independent Auditor's Report, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oakdale Irrigation District Improvement Districts as of December 31, 2019 and 2018, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Restatement

In 2019, the Improvement District restated its net position, as of and for the year ended December 31, 2017, as a result of removing Improvement District No. 52 buy-in fees receivables and related loan payable, and transferring the revenues and expenses of Improvement District No. 52. See note 4 for further information.

Other Matter

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

June 16, 2020

Oakdale Irrigation District Improvement Districts
Statements of Net Position
December 31, 2019 and 2018

	2019	As Restated 2018
Current assets:		
Cash and cash equivalents (note 2)	1,509,594	1,433,062
Restricted – cash and cash equivalents (note 2)	112,298	107,286
Accrued interest receivable	6,991	7,179
Accounts receivable – water sales and services	41,006	36,276
Accounts receivable – other	9,552	12,399
Due from related organizations	120,426	114,777
Prepaid expenses and other deposits	20,794	20,571
Total current assets	1,820,661	1,731,550
Non-current assets:		
Capital assets – not being depreciated (note 3)	1,000	1,651
Capital assets – being depreciated, net (note 3)	316,293	260,600
Total non-current assets	317,293	262,251
Total assets	2,137,954	1,993,801
Current liabilities:		
Accounts payable and accrued expenses	14,557	-
Due to related organizations	98,509	138,385
Debt service payment received for the District	93,566	63,614
Unearned revenue	180,666	168,334
Total current liabilities	387,298	370,333
Total liabilities	387,298	370,333
Net position:		
Net investment in capital assets	317,293	262,251
Unrestricted	1,433,363	1,361,217
Total net position	\$ 1,750,656	1,623,468

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, 2019 and 2018

	2019	As Restated 2018
Operating revenues:		
Maintenance and operation charges	\$ 320,447	318,735
Total operating revenues	320,447	318,735
Operating expenses:		
Operation and maintenance	151,412	138,752
General and administrative	55,047	62,406
Total operating expenses	206,459	201,158
Operating income before depreciation expense	113,988	117,577
Depreciation expense	(19,525)	(21,246)
Operating income	94,463	96,331
Non-operating revenues:		
Investment earnings	32,725	8,673
Total non-operating revenues	32,725	8,673
Changes in net position	127,188	105,004
Net position, beginning of year (note 4)	1,623,468	1,518,464
Net position, end of year	\$ 1,750,656	1,623,468

See accompanying notes to the basic financial statements

Oakdale Irrigation District Improvement Districts
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	As Restated 2018
Cash flows from operating activities:		
Cash receipts from customers	\$ 325,247	463,662
Cash receipts from others	29,952	3,865
Cash paid to vendors for materials and services	(232,001)	(179,124)
Net cash provided by operating activities	123,198	288,403
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(74,567)	(1,651)
Net cash used in capital and related financing activities	(74,567)	(1,651)
Cash flows from investing activities:		
Interest and investment earnings	32,913	1,494
Net cash provided by investing activities	32,913	1,494
Net increase in cash and cash equivalents	81,544	288,246
Cash and cash equivalents, beginning of year	1,540,348	1,252,102
Cash and cash equivalents, end of year	\$ 1,621,892	1,540,348
Reconciliation of cash and cash equivalents to the statements of net position:		
	2019	2018
Cash and cash equivalents	\$ 1,509,594	1,433,062
Restricted – cash and cash equivalents	112,298	107,286
Total cash and cash equivalents	\$ 1,621,892	1,540,348

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, 2019 and 2018

	2019	As Restated 2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 94,463	96,331
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	19,525	21,246
Change in assets and liabilities		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	(4,730)	85,779
Accounts receivable – other	2,847	(12,399)
Due from other government agencies	(5,649)	26,005
Prepaid expenses and other deposits	(223)	(7,827)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	14,557	-
Due to related organizations	(39,876)	29,861
Debt service payment received for the District	29,952	3,865
Unearned revenue	12,332	45,542
Total adjustments	28,735	192,072
Net cash provided by operating activities	\$ 123,198	288,403
Non-cash investing, capital, and financing transaction:		
Change in fair value of investments	\$ 3,129	(1,074)

See accompanying notes to the basic financial statements

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements
For the Years Ended December 31, 2019 and 2018

(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, amounts restricted, and amounts 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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(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 November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and 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 outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

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.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

C. Financial Reporting, continued

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

In May 2020, the GASB issued statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Assets, Liabilities, and Net Position

1. 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,

2. 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.

3. 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	5 - 10 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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

D. Assets, Liabilities, and Net Position, continued

4. 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.

5. Unearned Revenue

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

6. 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.

7. Reclassification

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

8. 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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash and Cash Equivalents

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,509,594	1,433,062
Restricted – cash and cash equivalents	<u>112,298</u>	<u>107,286</u>
Total	<u>\$ 1,621,892</u>	<u>1,540,348</u>

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 402,672	354,213
California Local Agency Investment Fund	<u>1,219,220</u>	<u>1,186,135</u>
Total	<u>\$ 1,621,892</u>	<u>1,540,348</u>

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.

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. 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, 2019 and 2018, 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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(2) Cash and Cash Equivalents, continued

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 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 \$10,000,000 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.

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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(3) Capital Assets

The change in capital assets for 2019 was as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Construction-in-process	\$ 1,651	75,461	(76,112)	1,000
Total non-depreciable assets	<u>1,651</u>	<u>75,461</u>	<u>(76,112)</u>	<u>1,000</u>
Depreciable assets:				
Water distribution systems	953,589	75,218	-	1,028,807
Total depreciable assets	<u>953,589</u>	<u>75,218</u>	<u>-</u>	<u>1,028,807</u>
Accumulated depreciation:				
Water distribution systems	(692,989)	(19,525)	-	(712,514)
Total accumulated depreciation	<u>(692,989)</u>	<u>(19,525)</u>	<u>-</u>	<u>(712,514)</u>
Total depreciable assets, net	<u>260,600</u>	<u>55,693</u>	<u>-</u>	<u>316,293</u>
Total capital assets, net	<u>\$ 262,251</u>	<u>131,154</u>	<u>(76,112)</u>	<u>317,293</u>

The changes in capital assets for 2018 was as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Construction-in-process	\$ -	1,651	-	1,651
Total non-depreciable assets	<u>-</u>	<u>1,651</u>	<u>-</u>	<u>1,651</u>
Depreciable assets:				
Water distribution systems	953,589	-	-	953,589
Total depreciable assets	<u>953,589</u>	<u>-</u>	<u>-</u>	<u>953,589</u>
Accumulated depreciation:				
Water distribution systems	(671,743)	(21,246)	-	(692,989)
Total accumulated depreciation	<u>(671,743)</u>	<u>(21,246)</u>	<u>-</u>	<u>(692,989)</u>
Total depreciable assets, net	<u>281,846</u>	<u>(21,246)</u>	<u>-</u>	<u>260,600</u>
Total capital assets, net	<u>\$ 281,846</u>	<u>(19,595)</u>	<u>-</u>	<u>262,251</u>

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

(4) Restatement

In 2019, the Improvement District restated its net position, as of and for the year ended December 31, 2017, as a result of removing Improvement District No. 52 buy-in fees receivables and related loan payable and transferring its revenues and expenses to the Oakdale Irrigation District. The effects of the restatement are as follows:

Net position at December 31, 2017, as previously stated	\$ <u>1,578,213</u>
Improvement District No. 52	
Buy-in fees receivables	(453,247)
Loan payable	453,247
Transfer of residual revenues over expense	<u>(59,749)</u>
Effects of restatement	<u>(59,749)</u>
Net position at December 31, 2017, as restated	\$ <u><u>1,518,464</u></u>

(5) 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 originally effective for reporting periods beginning after December 15, 2019. In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date 18 months for reporting periods beginning after June 30, 2021. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

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.

Oakdale Irrigation District Improvement Districts
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2019 and 2018

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

Governmental Accounting Standards Board Statement No. 89, continued

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.

The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019. In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date 12 months for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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 originally effective for reporting periods beginning after December 15, 2020. In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date 12 months for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

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

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 are 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 were originally effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 were originally 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 were originally 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 were originally effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date 12 months. Earlier application is encouraged and is permitted by topic.

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 originally 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 were originally effective for reporting periods beginning after June 15, 2020. In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date 12 months. Earlier application is encouraged.

Oakdale Irrigation District Improvement Districts
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(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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.

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.

Oakdale Irrigation District Improvement Districts
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(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

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*.

(6) 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.

(7) Subsequent Events

Events occurring after December 31, 2019, have been evaluated for possible adjustments to the financial statements or disclosures as of June 16, 2020, 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.