

**Oakdale Irrigation District  
Improvement Districts**

**Annual Financial Report**

**For the Years Ended December 31, 2018 and 2017**



**Oakdale Irrigation District  
Improvement Districts**

**Annual Financial Report**

**For the Years Ended December 31, 2018 and 2017**

**Oakdale Irrigation District Improvement Districts  
Annual Financial Report  
For the Years Ended December 31, 2018 and 2017**

**Table of Contents**

	<b><u>Page No.</u></b>
<b>Table of Contents</b>	i
<b>Financial Section</b>	
Independent Auditor's Report	1-2
Basic Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5-6
Notes to the Basic Financial Statements	7-17

# **Financial Section**

**< Page Intentionally Left Blank >**



# Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
1945 Chicago Avenue, Suite C-1  
Riverside, California 92507  
(951) 783-9149

## 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), which comprises the statements of net position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

*Fedak & Brown LLP*

**Fedak & Brown LLP**

Cypress, California

August 14, 2019



**Oakdale Irrigation District Improvement Districts**  
**Statements of Net Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,433,062	1,150,948
Cash and cash equivalents – restricted (note 2)	107,286	101,154
Accounts receivable	48,675	122,055
Accrued interest	7,179	-
Due from Oakdale Irrigation District	114,777	140,782
Prepaid expenses and other assets	20,571	12,744
<b>Total current assets</b>	<b>1,731,550</b>	<b>1,527,683</b>
<b>Non-current assets:</b>		
Buy-in fee receivable	453,247	490,170
Capital assets – not being depreciated (note 3)	1,651	-
Capital assets – being depreciated, net (note 3)	260,600	281,846
<b>Total non-current assets</b>	<b>715,498</b>	<b>772,016</b>
<b>Current liabilities:</b>		
Due to Oakdale Irrigation District	138,385	108,524
Unearned revenue	168,334	122,792
Long-term liabilities – due within one year:		
Loan payable (note 4)	6,835	6,395
<b>Total current liabilities</b>	<b>313,554</b>	<b>237,711</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loan payable (note 4)	446,412	483,775
<b>Total non-current liabilities</b>	<b>446,412</b>	<b>483,775</b>
<b>Net position:</b>		
Net investment in capital assets	262,251	281,846
Restricted for debt services	107,286	101,154
Unrestricted	1,317,545	1,195,213
<b>Total net position</b>	<b>\$ 1,687,082</b>	<b>1,578,213</b>

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>		
Maintenance and operation charges	\$ 318,735	317,018
<b>Total operating revenues</b>	<b>318,735</b>	<b>317,018</b>
<b>Operating expenses:</b>		
General and administrative	62,090	53,364
Utilities	72,135	68,465
Salaries and wages	34,118	27,960
Maintenance and supplies	24,551	27,779
Minor equipment	8,298	6,626
<b>Total operating expenses</b>	<b>201,192</b>	<b>184,194</b>
<b>Operating income before depreciation expense</b>	<b>117,543</b>	<b>132,824</b>
Depreciation expense	(21,246)	(21,217)
<b>Total operating income</b>	<b>96,297</b>	<b>111,607</b>
<b>Non-operating revenue(expense):</b>		
Interest income	9,348	1,449
Interest on buy-in fees receivable	-	35,728
ID 41 Special Assessments Water Impact fees	-	92,644
Construction cost revenues	32,180	7,900
Interest expense	(28,956)	(31,190)
<b>Total non-operating revenues(expense), net</b>	<b>12,572</b>	<b>106,531</b>
<b>Change in net position</b>	<b>108,869</b>	<b>218,138</b>
<b>Net position, beginning of year</b>	<b>1,578,213</b>	<b>1,360,075</b>
<b>Net position, end of year</b>	<b>\$ 1,687,082</b>	<b>1,578,213</b>

See accompanying notes to the basic financial statements

**Oakdale Irrigation District Improvement Districts**  
**Statements of Cash Flows**  
**For the Years ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 392,115	213,557
Cash paid to vendors for material and services	(145,040)	(116,522)
Cash paid to employees for salaries and wages	(34,118)	(27,960)
<b>Net cash provided by operating activities</b>	<b>212,957</b>	<b>69,075</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(1,651)	(7,683)
Principal paid on loans	(36,923)	(34,694)
Interest paid on loans	(28,956)	(31,190)
Capital contributions received	140,650	166,853
<b>Net cash provided by capital and related financing activities:</b>	<b>73,120</b>	<b>93,286</b>
<b>Cash flow from investing activities:</b>		
Interest and investment earnings	2,169	1,449
<b>Net cash from investing activities</b>	<b>2,169</b>	<b>1,449</b>
<b>Net increase in cash and cash equivalents</b>	<b>288,246</b>	<b>163,810</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,252,102</b>	<b>1,088,292</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,540,348</b>	<b>1,252,102</b>
 <b>Reconciliation of cash and cash equivalents to the statements of net position:</b>		
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 1,433,062	1,150,948
Cash and cash equivalents – restricted	107,286	101,154
<b>Total cash and cash equivalents</b>	<b>\$ 1,540,348</b>	<b>1,252,102</b>

Continued on next page

See accompanying notes to the financial statements

**Oakdale Irrigation District Improvement Districts**  
**Statements of Cash Flows, continued**  
**For the Years ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 96,297	111,607
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation expense	21,246	21,217
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable	73,380	(103,461)
Accrued interest		
Prepaid expenses	(7,827)	2,694
Increase(Decrease) in liabilities:		
Due to Oakdale Irrigation District	29,861	37,018
<b>Net cash provided by operating activities</b>	<b>\$ 212,957</b>	<b>69,075</b>

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, 2018 and 2017**

**(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 twenty 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 Districts 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 associated with the operation of this fund 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 operations 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, 2018 and 2017**

**(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 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 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.

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.

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.

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 postemployment benefits (pensions and other postemployment benefits [OPEB]).

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**Oakdale Irrigation District Improvement Districts**  
**Notes to the Basic Financial Statements, continued**  
**For the Years ended December 31, 2018 and 2017**

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

**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. Restricted Cash and Cash Equivalents**

Unspent proceeds of the Improvement District's long-term loans are classified as restricted cash and cash equivalents on the statements of net position because their use is limited to future principal and interest payments on the loans payable described in Note 4 or to specific capital projects by terms and conditions of the loans. The "reserve" account is used to report resources set aside to make up potential future deficiencies in loan principal and interest payments.

**3. Buy-in Fees Receivable**

Buy-in fees receivable represent uncollected amounts due from property owners in Improvement District No. 52 (ID52) under the annexation agreement with Oakdale Irrigation District. The fees are to repay the loans described in Note 4. The fees were earned and recognized by the Improvement District when the annexation agreement was signed by ID52 property owners and approved by the Oakdale Irrigation District's Board of Directors in March 2008. The buy-in fees will be collected from ID52 property owners over the life of the related loans payable.

**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 asset construction.

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, 2018 and 2017**

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

**D. Assets, Liabilities, and Net Position, continued**

**6. Due from / to Oakdale Irrigation District**

The due from Oakdale Irrigation District represents cash received for maintenance and operations billed by 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 Oakdale Irrigation District that were not paid at year end.

**7. Unearned Revenue**

Unearned revenue consists of maintenance and operations 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 component of net position** – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted component of net position** – 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.

**9. Reclassification**

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

**10. 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 outflow of resources, liabilities, and deferred inflow of resources, and disclosure of contingent assets, deferred outflow 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, 2018 and 2017**

**(2) Cash and Cash Equivalents**

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,433,062	1,150,948
Cash and cash equivalents – restricted	<u>107,286</u>	<u>101,154</u>
Total	<u>\$ 1,540,348</u>	<u>1,252,102</u>

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

	<u>2018</u>	<u>2017</u>
Deposits with financial institutions	\$ 354,213	1,252,102
California Local Agency Investment Fund	<u>1,186,135</u>	<u>-</u>
Total	<u>\$ 1,540,348</u>	<u>1,252,102</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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2018 and 2017, 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, 2018 and 2017**

**(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 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 District's deposit and 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 changes 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 changes 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, 2018 and 2017**

**(3) Capital Assets**

Changes in capital assets for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfer</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Construction-in-progress	\$ -	1,651	-	1,651
Depreciable assets:				
Water distribution system	953,589	-	-	953,589
Accumulated depreciation:				
Water distribution system	(671,743)	(21,246)	-	(692,989)
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>262,251</u>

Changes in capital assets for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions/ Transfer</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Depreciable assets:				
Water distribution system	\$ 945,906	7,683	-	953,589
Accumulated depreciation:				
Water distribution system	(650,526)	(21,217)	-	(671,743)
Total depreciable assets, net	<u>\$ 295,380</u>	<u>(13,534)</u>	<u>-</u>	<u>281,846</u>

**(4) Long-term Debt**

Changes in long-term debt for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>
Loan payable:				
Oak Valley Community Bank	\$ 203,170	-	(12,923)	190,247
U.S. Department of Agriculture	287,000	-	(24,000)	263,000
Total loan payable	490,170	<u>-</u>	<u>(36,923)</u>	453,247
Current portion	<u>(6,395)</u>			<u>(6,835)</u>
Non-current portion	<u>\$ 483,775</u>			<u>446,412</u>

Changes in long-term debt for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2017</u>
Loan payable:				
Oak Valley Community Bank	\$ 214,864	-	(11,694)	203,170
U.S. Department of Agriculture	310,000	-	(23,000)	287,000
Total loan payable	524,864	<u>-</u>	<u>(34,694)</u>	490,170
Current portion	<u>(5,773)</u>			<u>(6,395)</u>
Non-current portion	<u>\$ 519,091</u>			<u>483,775</u>

**Oakdale Irrigation District Improvement Districts**  
**Notes to the Basic Financial Statements, continued**  
**For the Years ended December 31, 2018 and 2017**

**(4) Long-term Debt, continued**

***Oak Valley Community Bank***

On June 26, 2008, the Oakdale Irrigation District Financing Corporation obtained a loan from the Oak Valley Community Bank (OVCB) on behalf of ID52 in the amount of \$348,334. The loan proceeds were used to finance certain improvements to the ID52 water system and to pay Oakdale Irrigation District buy-in expenses. The loan is secured by a pledge of ID52 revenues and is payable solely from those revenues and not from the revenues of other improvement districts or Oakdale Irrigation District. The loan bears an interest rate of 8.25%, with principal and interest payments due semi-annually on January 1 and July 1 of each year, and matures on July 1, 2028. Annual payments of principal and interest for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,835	7,785	14,620
2020	14,437	14,885	29,322
2021	15,693	13,629	29,322
2022	17,014	12,308	29,322
2023	18,447	10,875	29,322
2024-2028	<u>117,821</u>	<u>39,196</u>	<u>157,017</u>
Total	190,247	<u>98,678</u>	<u>288,925</u>
Current	<u>(6,835)</u>		
Non-current	<u>\$ 183,412</u>		

***U.S. Department of Agriculture***

On June 26, 2008, the Oakdale Irrigation District Financing Corporation obtained a loan from the U.S. Department of Agriculture (USDA) on behalf of ID52 in the amount of \$475,000. The loan proceeds were used to finance certain improvements to the ID52 water system and to pay Oakdale Irrigation District buy-in expenses. The loan is secured by a pledge of ID52 revenues and is payable solely from those revenues and not from the revenues of other improvement districts or Oakdale Irrigation District. The loan bears an interest rate of 4.375%, with principal and interest payments due annually on January 1 of each year, and matures on January 1, 2028. Annual payments of principal and interest for the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	-	-
2020	25,000	11,506	36,506
2021	26,000	10,413	36,413
2022	27,000	9,275	36,275
2023	28,000	8,094	36,094
2024-2028	<u>157,000</u>	<u>20,957</u>	<u>177,957</u>
Total	263,000	<u>60,245</u>	<u>145,288</u>
Current	<u>-</u>		
Non-current	<u>\$ 263,000</u>		

**Oakdale Irrigation District Improvement Districts**  
**Notes to the Basic Financial Statements, continued**  
**For the Years ended December 31, 2018 and 2017**

**(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. 83***

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.

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.

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.

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

***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 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**Oakdale Irrigation District Improvement Districts**  
**Notes to the Basic Financial Statements, continued**  
**For the Years ended December 31, 2018 and 2017**

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

***Governmental Accounting Standards Board Statement No. 88***

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.

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.

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. 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.

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 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

**Oakdale Irrigation District Improvement Districts**  
**Notes to the Basic Financial Statements, continued**  
**For the Years ended December 31, 2018 and 2017**

**(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, 2018, have been evaluated for possible adjustments to the financial statements or disclosures as of August 14, 2019, 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.