

ORCHARD MESA IRRIGATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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# Orchard Mesa Irrigation District

## Management's Discussion and Analysis

December 31, 2019

Our discussion and analysis of the Orchard Mesa Irrigation District's (District) financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2019.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$9,071,474, (Net Position).
- Unrestricted cash and investments increased \$205,778.
- Operating revenues of \$1,571,278
- Operating expenses of \$2,205,053
- Non-operating revenues net of expenses of \$335,294.

### **Overview of Financial Statements**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of two components: 1) government-wide financial statements, 2) notes to the financial statements.

#### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of position presents information on all of the District's assets, liabilities and deferred inflows of resources, with the difference as net position.

The statement of activities and change in net position presents information showing how the District's revenues, expenses, and net position changed from the prior year to the current year.

The statement of cash flows presents information on the District's cash and cash equivalents showing increases or decreases in various cash activities.

The government-wide financial statements report on the activities of the District that are principally funded by water user assessments. The District's function is to supply irrigation water to lands within the District boundaries.

#### *NOTES TO THE FINANCIAL STATEMENTS*

The notes provide additional information that is useful for the understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on page 6 thru 13 of this report.

#### *SUPPLEMENTARY INFORMATION*

The schedule found on page 14 of this document gives a comparison of the budget to actual for the District for the fiscal year 2019.

# Management's Discussion and Analysis-Continued

## Government-Wide Financial Analysis

A comparison of current to prior year will be discussed below.

The largest of the District's total assets (60%) is in capital assets (buildings, machinery, and equipment.) The District uses these capital assets to deliver irrigation water to 6,347 users. Unrestricted cash reserves account for (26%) of the District's total assets. These unrestricted reserves are used for irrigation system improvements.

Between December 31, 2018 and December 31, 2019, the Net Position decreased by \$298,481.

The District's operating revenues increased \$115,352. During 2019 the District entered into a contract with the United States Bureau of Reclamation (USBOR) and received reimbursements totaling \$46,668; due in part to the District's Canal Automation Improvements Project Contract No. 12-WC-40-445 where 2 miles of Canal #2 was lined along with the work done on the Long Crested Weir & Reservoir sites. The District receives revenues from the Power Plant. Specific Ownership was up from last year following the predicted upward trend in the economy. Operating expenses decreased \$123,390.

TABLE A  
Condensed Financial Data

	2019	2018	Dollar Change	Percent Change
Current/Other Assets	\$ 5,138,814	\$ 5,081,412	\$ 57,402	1.12%
Capital Assets	7,867,690	8,244,605	(376,915)	-4.79%
Total Assets	13,006,504	13,326,017	(319,513)	-3.67%
Current Liabilities	145,170	195,927	(50,757)	-34.96%
Non Current Liabilities	2,444,860	2,457,135	(12,275)	-0.50%
Total Liabilities	2,590,030	2,653,062	(63,032)	-35.47%
Deferred Inflows of Resources	1,345,000	1,303,000	42,000	3.12%
Invested In Capital Assets, Net	7,815,176	8,180,345	(365,169)	-4.67%
Restricted	176,593	173,688	2,905	1.65%
Unrestricted	1,079,705	1,015,922	63,783	5.91%
Total Net Position	\$ 9,071,474	\$ 9,369,955	\$ (298,481)	2.88%
Total Operating Revenue	\$ 1,571,278	\$ 1,455,926	\$ 115,352	7.34%
Total Operating Expenses	(2,205,053)	(2,328,443)	123,390	-5.60%
Operating Income (Loss)	(633,775)	(872,517)	238,742	4.63%
Non-Operating Revenue	354,406	531,634	(177,228)	-50.01%
Non-Operating Expenses	(19,112)	(3,928)	(15,184)	79.45%
Total Non-Operating Revenue	335,294	527,706	(192,412)	-57.39%
Capital Contribution	-	-	-	0.00%
Change in Net Position	(298,481)	(344,811)	46,330	-15.52%
Prior Period Adjustment	-	(148,181)	148,181	100.00%
Beginning Net Position	9,369,955	9,862,947	(492,992)	-5.26%
Ending Net Position	\$ 9,071,474	\$ 9,369,955	\$ (446,662)	-4.92%

# Management's Discussion and Analysis-Continued

## Capital Assets and Debt Administration

### *CAPITAL ASSETS*

As of December 31, 2019, the District's capital assets were \$7,867,690 (net of accumulated depreciation of (\$ 7,541,954)). This investment in capital assets included buildings, equipment, and delivery canals. Major capital asset purchases for the current fiscal year are the following:

- Improvements to Hydro \$13,632
- Vehicle \$47,750

Note 4 on page 11, gives additional details of the District's capital assets.

## Current Year's Budget Analysis

- The variance of \$10,483 on the specific ownership tax revenue is due to the fact that the revenue received is based upon a percent of new licensed motor vehicles revenue collected by the county and therefore the budgeted amount is always an estimate.
- Power Plant revenue variance of \$38,218 was due to increased power production.
- Operating expenses were down due to the depletion of the reimbursable funds from the USBR reservoir and weir project.
- Power Plant expense variance of \$17,241 was due to necessary repair and operations due to postponed upgrades.
- The capital outlay variance of \$3,800,830 was due to the postponed upgrade to power plant planned.

## Future Events of Financial Significance

### HYDRO REBUILD

OMID will be requesting that the over 3 million in grants provided through CWCB \$600,000, Colorado Water Trust \$425,000, Water Smart Grant \$900,000 and the Recovery Program \$1,500,000 (the two latter originally secured to rebuild the GVPP) be converted to build new status while securing a loan from CWCB for the balance of the projected \$7-8 million remains in place. The cost to build a new powerplant versus the escalated project price of \$10-11 million (up from \$5.2 million) to rebuild/rehabilitate the GVPP. OMID has not received approval from the Technical Services Center (TSC) and USBR to begin the project/rehab, therefore the District is looking into more viable options. The build new project will take up to 12 months and will hopefully coincide with some major repairs expected to take place at the Roller Dam intake gates.

At the current rate of assessment, it is anticipated that OMID may be able to line .2 to .5 miles per year. Discussion has been held about how to maintain the one plus miles per year trend by either raising assessments 10% and dedicating those funds solely to canal lining and repairs, borrowing money from CWCB to continue lining or a combination of both.

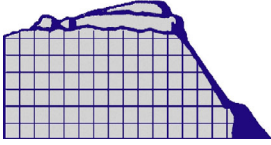
# Management's Discussion and Analysis-Continued

## FUTURE EVENTS

The District has depleted the construction funds from the 16 Million dollar Recovery Project. There is up to \$100,000 annually per the O&M agreement within this contract allowing the District to be reimbursed at a 50%/50% basis up to \$100,000. OMID can use the interest from \$1.5 million CWCB account as well as the interest from the \$904,621 CRWCD account to help with the O&M contract.

## **Contacting the District's Management**

This financial report provides an overview of the District's finances. Questions concerning information provided in this report should be directed to the Management of the Orchard Mesa Irrigation District, 668 38 Road, Palisade, CO 81526, or by calling (970) 464-7885.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Orchard Mesa Irrigation District  
Palisade, Colorado

I have audited the accompanying financial statements of the business-type activities of Orchard Mesa Irrigation District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Orchard Mesa Irrigation District, as of December 31, 2019, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages I through iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orchard Mesa Irrigation District's basic financial statements. The accompanying information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Paul D. Miller, CPA, LLC*

Grand Junction, CO  
February 28, 2020

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2019

**ASSETS**

Current Assets:	
Cash & cash equivalents	\$ 780,398
Investments	2,721,431
Due from other governments	86,170
Interest receivable	8,717
USBR Power plant advance	5,000
Prepaid expenses	15,505
Assessments receivable	1,345,000
Total Current Assets	4,962,221
Other Assets:	
Restricted cash & investments	176,593
Capital assets	7,867,690
Total Other Assets	8,044,283
<b>Total Assets</b>	<b>13,006,504</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	79,757
Accrued payroll taxes and benefits	7,025
Compensated absences payable	29,356
USBR lease payable	15,757
Tenant deposit	1,000
Current portion of lease payable	12,275
Total Current Liabilities	145,170
Non-Current Liabilities:	
Lease payable- KS Bank	40,239
Unearned revenue CRWCD	904,621
Unearned revenue CWCB	1,500,000
Total Non-Current Liabilities	2,444,860
<b>Total Liabilities</b>	<b>2,590,030</b>

**DEFERRED INFLOWS**

Assessment revenue	1,345,000
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**NET POSITION**

Invested in capital assets	7,815,176
Restricted	176,593
Unrestricted	1,079,705
<b>NET POSITION</b>	<b>\$ 9,071,474</b>

The accompanying notes are an integral part of these statements.

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
For the Year Ended December 31, 2019

**Operating Revenues:**

Water assessments	\$ 1,302,917
Power plant revenue	157,169
GVWUA reimbursement	71,848
Grant	3,042
Other operating revenue	36,302
Total Operating Revenue	1,571,278

**Operating Expenses:**

General system operations	1,108,918
Depreciation	427,878
Power plant expenses	194,360
Power plant depreciation	10,417
General & administrative	463,480
Total Operating Expenses	2,205,053
Operating Income (Loss)	(633,775)

**Non-operating Revenue (Expense):**

Specific ownership taxes	192,067
Investment income (loss)	106,996
BOR contract revenue	46,668
Rental income	8,675
Rental expenses	(16,220)
Interest expense	(2,892)
Total Non-operating Revenue ( Expense)	335,294

**CHANGE IN NET POSITION** (298,481)

Net Position, Beginning	9,369,955
Net Position, Ending	\$ 9,071,474

The accompanying notes are an integral part of these statements.

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019

**Increase (Decrease) in Cash & Cash Equivalents**

Cash flows from operating activities:	
Cash received from land owners	\$ 1,302,917
Other operating cash receipts	105,994
Cash payments to/for employees	(924,943)
Cash payments to suppliers	(696,623)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(212,655)</b>
Cash flows from noncapital financing activities:	
Specific ownership taxes received	190,858
<b>Net cash Provided by Noncapital Financing Activities</b>	<b>190,858</b>
Cash flows from capital & related financing activities:	
Acquisition & construction of capital assets	(61,382)
(Increase)/Decrease in restricted cash	(2,905)
BOR contract proceeds	99,645
Payment on lease payable	(11,746)
Rental income	8,675
Rental expense	(16,220)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>16,067</b>
Cash flows from investing activities:	
Net (Increase)/Decrease in Investments	96,142
Investment income	115,366
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>211,508</b>
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>205,778</b>
Cash & cash equivalents at beginning of year	574,620
Cash & cash equivalents at end of year	<b>\$ 780,398</b>

The accompanying notes are an integral part of these statements.

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS - CONTINUED  
For the Year Ended December 31, 2019

**Reconciliation of Operating Income to Cash Provided  
(Used) by Operating Activities**

Operating income (Loss)	\$	(633,775)
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation		438,295
Proceeds from sale of fixed assets		11,500
Change in assets & liabilities		
(Increase) decrease in other receivables		13,387
(Increase) decrease in due from governments		(37,264)
(Increase) decrease in assessment receivable		(42,000)
(Increase) decrease in interest receivable		4,419
(Increase) decrease in prepaid expense		42,069
Increase (decrease) in accounts payable		(45,500)
Increase (decrease) in tenant deposits		1,000
Increase (decrease) in accruals		(5,430)
Increase (decrease) in USBR lease payable		-
Increase (decrease) in compensated absences		(1,356)
Increase (decrease) in deferred assessment inflow		42,000
		421,120
Total Adjustments		421,120
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$</b>	<b>(212,655)</b>

The accompanying notes are an integral part of these statements.

**Orchard Mesa Irrigation District**  
**Notes to the Financial Statements**  
December 31, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity and Contractual Arrangement

The Orchard Mesa Irrigation District (OMID), is the primary government and has no component units.

The District operates and maintains an irrigation system in Mesa County, Colorado. The District also operates and maintains facilities to carry water to a hydroelectric power plant on the system. The District shares costs and revenues associated with the operation of the power plant subject to a lease agreement and contract between the District, the United States Government, Grand Valley Water Users Association, and Xcel. The District pays 22.5% of the annual lease amounts to the U.S. Government for the use of the power plant. The District receives 50% of certain revenues from the power plant as reimbursement for its costs. In addition, the District pays the Association 28.41% of the cost operating the Grand Valley diversion dam and the Government Highline Canal. These facilities are used to deliver water to the District's pumping plant and irrigation system.

On January 1, 2011, the District along with the Grand Valley Water Users Association began operating and maintaining the Grand Valley Power Plant subject to various agreements between the District, The United States Government, Grand Valley Water Users Association and Xcel Energy. The power plant lease agreement is to remain in force until January 1, 2031, unless terminated by the parties. The agreement requires annual lease payments to the United States of 50% of the amount obtained by multiplying the kilowatt hours of power generation per calendar year by an agreed upon mill levy assessment. The power revenue generated and sold by the plant to Xcel Energy, will be distributed equally to the District and Grand Valley Water Users Association. This agreement was signed and executed by both parties on October 21, 2013

Basis of Presentation – Fund Accounting

The operations of the District are accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) 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 purpose.

Basis of Accounting

The District uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District classifies Net Position into three components (a) Invested in capital assets, net of related debt; (b) restricted; and (c) unrestricted as required by governmental accounting standards.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued  
Basis of Accounting-continued

These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**- This consists of constraints placed on Net Position use through external restrictions imposed by creditors (such as debt covenants)' grantors, contributors, laws, or regulations of the governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**-Consists of Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the District's policy, to first apply restricted resources, when an expense is incurred for purposed for which both restricted and unrestricted Net Position are available

Budgets and Budgetary Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado's Financial Management Manual. The budget is submitted to Mesa County by December 15, and before December 31. The District adopts an appropriation resolution for the next fiscal year. The Board of Directors may amend the appropriation resolution for the next fiscal year. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances.

The District's annual appropriations are continuing appropriations, which allows the District to expend appropriated funds during the respective fiscal year or thereafter. Commitments, if any, related to unperformed contracts for goods or services outstanding at year-end are not recorded as reservations of fund balances.

The budget basis of accounting differs from the generally accepted accounting principle (GAAP) basis in that contributed capital (grants received) is included as revenue, outlays for debt retirement and acquisitions of fixed assets are included as expenses and depreciation is excluded from expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are valued at fair value. All investments held by the District are rated AAA by Standard and Poor's and AA+ by Moody's rating service.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Capital Assets

The District defines capital assets, which include property, plant and equipment, as assets with an initial, individual of at least \$1,000 and an estimated useful life in excess of two years. Capital assets are valued at cost except for certain items acquired prior to January 1, 1967, which are valued at estimated cost because cost records are not available. Depreciation is provided on the straight-line method over the assets estimated useful life, as follows:

Building, plant and system	20 – 40 years
Vehicles	5 – 10 years
Equipment	3 – 10 years

Compensated Absences

The District pays full-time employees for accumulated annual leave upon termination. Annual leave benefits accumulate throughout the year and are credited to the employee on a pay period basis. Annual leave in excess of 160 hours must be used before January 1 of the year following the year in which it was earned or it is forfeited. Accumulated unpaid annual leave, up to 160 hours per employee, is accrued when incurred. Sick leave benefits accumulate, but do not vest. Accordingly, employees do not receive compensation for sick leave benefits upon termination. As of June 4, 2010, the District allows employees who have accumulated over 350 hours of sick leave to convert 4 hours of sick leave earned to 2 hours of pay to be put into the employees' 401k plan. At December 31, 2019 \$29,356 has been accrued.

Risk Management

The District purchased general liability and property insurance through commercial insurers to provide coverage of all losses, claims and judgments.

Use of Estimates

In preparing financial statements in conformity with general accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

NOTE – 2 CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash, in eligible public depositories; regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
December 31, 2019

NOTE 2 - CASH AND INVESTMENTS-continued

Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2019, the bank balance of the District's deposits was \$87,901, which all was covered by FDIC. The money market balances were insured under SIPC.

	2019	
Cash Deposits:		
Cash on Hand	\$ 349	0.01%
Cash I Checking & Money Markets	78,948	2.15%
Investment Money Market (Schwab)	372,914	10.14%
	452,211	12.29%
Investments:		
FHLB Notes (Level 2)	274,471	7.46%
U.S. Treasury Notes (Level 2)	1,708,977	46.46%
FHLMC (Level 2)	737,983	20.06%
	2,721,431	73.98%
COLOTRUST (Net Asset Value)	504,779	13.72%
Total Cash & Investments	3,678,421	100.00%
Less Restricted Cash & Investments	(176,593)	
Total Cash & Investments-Unrestricted	\$ 3,501,828	

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. governments agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local governments entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investments with maturities of more than 5 years. The District's investments at December 31, 2019 are registered in the name of the government.

The District also places money in public entity cash investment pools authorized by Colorado statutes. On December 31, 2019, the District had \$504,779 invested in the Colorado Government Liquid Asset Trust (COLOTRUST) an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value of \$1.00. Investments of COLOTRST consist of U.S. Treasury notes, U.S. Government Agency Securities, repurchase agreements collateralized by U.S. Treasury securities, and Commercial Papers. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian's internal records identify the investment owned by COLOTRUST. The State of Colorado's Division of Securities is responsible for regulatory oversight for these pools. These pools are not required to be and are not registered with the SEC. COLOTRUST's two funds are rated AAA by Standard and Poor's and Moody's AA+ rating service.

**Orchard Mesa Irrigation District**  
**Notes to the Financial Statements**  
December 31, 2019

**NOTE 2 - CASH AND INVESTMENTS-continued**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District's investments, other than COLOTRUST, are classified as Level 2 of the fair value hierarchy. Level 2 values are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable or can be corroborated by observable market data the full term of the asset. The District has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs).

**NOTE 3 - ASSESSMENT RECEIVABLE**

Assessments for 2019, collectible in 2020, were assessed in November 2019 and certified by the Mesa County Commissioners before December 31, 2019. These assessments attach as an enforceable lien on January 1, 2020 and are due in total April 30, 2020 or in equal installments February 28, 2020 and June 15, 2020 at the option of the payor. Assessments are considered fully collectible.

Assessments for 2019, collectible in 2020, are shown as assessments receivable and deferred inflow of resources on the statement of net position in the amount assessed.

**NOTE 4 – CAPITAL ASSETS**

Capital assets consist of the following:

	Balance 1/1/2018	Additions	Disposals	Balance 12/31/2019
Buildings & Improvements	\$ 471,278	\$ -	\$ -	\$ 471,278
Irrigation System	13,189,140	-	(1)	13,189,139
Power Plant Equipment (50% of Total)	192,773	-	-	192,773
Vehicles	316,350	47,750	(31,443)	332,657
Operating Equipment	641,807	14,400	-	656,207
Office Furniture & Fixtures	48,374	-	(14,400)	33,974
	<u>14,859,722</u>	<u>62,150</u>	<u>(45,844)</u>	<u>14,876,028</u>
Less Accumulated Depreciation	<u>(7,135,102)</u>	<u>(438,295)</u>	<u>31,442</u>	<u>(7,541,955)</u>
	7,724,620	(376,145)	(14,402)	7,334,073
Construction in Process	505,631	13,632	-	519,263
Land	14,354	-	-	14,354
Net Capital Assets	<u>\$8,244,605</u>	<u>\$(362,513)</u>	<u>\$(14,402)</u>	<u>\$7,867,690</u>

The Power plant assets are jointly owned (50/50) by the District and Grand Valley Water User's Association. Therefore, the cost, depreciation expense, and accumulated depreciation for these assets shown on the District's financial statements represent 50% of the value.

**Orchard Mesa Irrigation District**  
**Notes to the Financial Statements**  
December 31, 2019

**NOTE 5 – UNEARNED REVENUE CRWCB AND CWCD**

During 2013, the District entered into agreements with the Colorado River Water Conservation District (CRWCD) for \$904,621 and the Colorado Water Conservation Board (CWCB) for \$1,500,000. The funds, and any interest earned on the funds are to be used, over a period of 50 years, to pay for qualifying expenses related to improvements as per the agreement. The District must use any interest earned on the funds before accessing the principal. The District must submit an annual work plan and budget to the State, by December 31 of each year under the terms of the agreements.

**NOTE 6 – RESTRICTED NET POSITION**

The District, jointly with the Grand Valley Water Users Association, is required by the terms of the Lease of Power Privilege agreement with the United States Bureau of Reclamation to create the Power plant Reserve and the Rehabilitation and Replacement accounts. The Power Plant Reserve account is required to hold funds from the power revenues equal to the sum of the ordinary operations and maintenance expenses for the Grand Valley Power Plant for the calendar 2012 plus the annual lease payment due to the United States for the same year. The amount held in this account is to be increased or decreased annually by the change in the Consumer Price Index for All Urban Consumers for the Denver-Boulder-Greeley, Colorado metropolitan area. Funds from this reserve may be used and replenished according to conditions stated in the agreement. The rehabilitation and Replacement account shall also be funded from power revenues and interest earned on the funds held in the Power Plant Reserve account and other sources. The amount to be deposited in this account is to be determined by the District and the Association based on funding needs anticipated for replacement maintenance consistent with the Operations and Maintenance Plan. The District determined to start funding this reserve with \$20,000. No additions were made to this reserve since it was established, as the preparation of the Operations and Maintenance Plan is still pending.

The District established the Power Plant Reserve with an initial amount of \$100,457, as required by the agreement. Since inception, the District has added \$5,752 as required by the agreement for a total of \$106,209. See Note 8.

The District established a \$50,000 reserve account as required by the Orchard Mesa Canal Automation Improvements contract with the United States Bureau of Reclamation. The balance December 31, 2019 is \$50,384.

**NOTE 7 – Simple IRA**

The District has a Simple IRA plan, which is administered by American Funds, for employees. Employees can contribute up to 12% of their gross wages and the District must match the contribution up to 3%, but not less than 1% in no more two out of every five years. During the year-end December 31, 2019, the District contributed \$18,453 to the Plan. The employees are 100% vested in both the District's contribution and their own contribution from the time contributions are made. The District's Board of Directors has the ability to suspend and make changes (within IRS guidelines) to the plan at any time with sufficient notice to employees. The employee can elect to drop out or suspend their contribution upon notifying District. There were no unfunded contributions at year-end.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
December 31, 2019

NOTE 8 – MAJOR CONTRACTS

On January 2, 2011, the District and Grand Valley Water Users Association entered into an Energy Purchase agreement with Xcel Energy, for the sale of power generated by the Grand Valley Power Plant. The agreement will terminate on December 31, 2020, and requires payment of \$40 per MWh of energy generated by the plant. The District and Association will each receive 50% of the payment due.

## SUPPLEMENTARY INFORMATION

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF REVENUES & EXPENSES  
BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Year Ended December 31, 2019

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Water assessments	\$ 1,303,000	\$ 1,302,917	\$ (83)
Specific ownership tax	140,000	192,067	52,067
Power plant revenue	-	157,169	157,169
GVWUA reimbursement	62,500	71,848	9,348
Other operating revenue	11,200	36,302	25,102
Investment income (loss)	41,000	106,996	65,996
Grant revenue	-	3,042	3,042
Reimbursements	100,000	46,668	(53,332)
GVVP Rebuild-Loan	4,540,000	-	(4,540,000)
Miscellaneous income	9,600	8,675	-
	<u>\$ 6,207,300</u>	<u>1,925,684</u>	<u>\$ (4,280,691)</u>
<b>Expenses</b>			
Operating expense	\$ 1,184,300	1,108,918	\$ 75,382
Power plant expense	203,450	194,360	9,090
General & administrative	524,550	482,592	41,958
Capital outlay	4,220,000	61,382	4,158,618
Contingency	75,000	-	75,000
	<u>\$ 6,207,300</u>	<u>1,847,252</u>	<u>\$ 4,360,048</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENSES</b>		78,432	
Adjustments to budgetary basis:			
Less:			
Depreciation		(427,878)	
Power plant depreciation		(10,417)	
Add:			
Capital outlay, capitalized		61,382	
<b>CHANGE IN NET POSITION</b>		<u>\$ (298,481)</u>	