

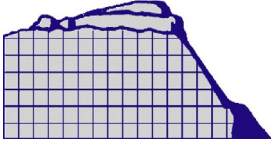
PALISADE IRRIGATION DISTRICT

Financial Statements and  
Independent Auditors' Report  
For the Year ended December 31, 2020

PALISADE IRRIGATION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Palisade Irrigation District  
Palisade, Colorado

I have audited the accompanying financial statements of the business-type activities of Palisade Irrigation District as of and for the year ended December 31, 2020, 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 Palisade Irrigation District, as of December 31, 2020, 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 3-6 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 Palisade 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  
June 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020

Our discussion and analysis of the Palisade Irrigation District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2020.

**Financial Analysis**

***Net Position***

A condensed Statements of Position is included as **Table A**. The District's Net Position, the difference between assets and liabilities, is one way to measure the financial health of the District.

Increases or decreases in the District's Net Position are indicators of improving or deteriorating financial health. Certain consideration must be given to non-financial factors such as changes in economic conditions, population growth, and decline, zoning changes, legislative changes or Policy changes.

**TABLE A**  
**Condensed Statements of Net Position**

	2020	2019	Dollar Change	Total Percent Change
Current Assets	\$ 1,632,779	\$ 786,337	\$ 846,442	51.84%
Non Current Assets	716,827	676,910	39,917	5.57%
Other Assets	1,722,707	2,268,646	(545,939)	-31.69%
Total Assets	4,072,313	3,731,893	340,420	25.72%
Current Liabilities	50,692	22,766	27,926	55.09%
Deferred Inflow of Resources	690,792	688,831	1,961	0.00%
Investment in Capital Assets	716,827	676,910	39,917	5.57%
Unrestricted	2,614,002	2,343,386	270,616	10.35%
Total Net Position	\$ 3,330,829	\$ 3,020,296	\$ 310,533	15.92%

As shown in **Table A** the District's Net Position increased \$310,531 to \$3,330,829 in 2020, an increase from \$3,020,298 in 2019. The increase in Net Position is due to the increase in the Current Assets mainly due to an increase in Cash.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

The analysis of the District's Statements of Net Position displays the changes in the financial position of the District and the resulting Net Position. The Statements of Revenues, Expenses, and Changes in Net Position provide the information as to the nature and the source of the changes seen in the Statements of Net Position.

**Table B** is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position. **Table B** shows that there was a \$310,533 increase in Net Position over 2019.

**TABLE B**  
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	2020	2019	Dollar Change	Total Percent Change
Total Operating Revenues	\$ 690,872	\$ 702,777	\$ (11,905)	-1.72%
Total Operating Expenses	494,611	414,696	79,915	16.16%
Operating Income (Loss)	<u>\$ 196,261</u>	<u>\$ 288,081</u>	<u>\$ (91,820)</u>	<u>14.43%</u>
Non-operating Revenue	\$ 114,272	\$ 103,771	\$ 10,501	9.19%
Non-operating Expenses	-	-	-	0.00%
Total Non-Operating Revenue/(Loss)	<u>114,272</u>	<u>103,771</u>	<u>10,501</u>	<u>9.19%</u>
Change in Net Position	310,533	391,852	<b>(81,319)</b>	23.62%
Beginning Net Position	3,020,296	2,628,444	391,852	10.28%
Ending Net Position	<u>\$ 3,330,829</u>	<u>\$ 3,020,296</u>	<u>\$ 310,533</u>	<u>33.90%</u>

A closer examination of the Condensed Statements of Revenues, Expenses, and Changes in Table B reveals the following:

### Operating Revenue and Expense

- District's Operating Revenue for 2020 decreased \$11,905, which is a 1.72% from 2019. This is due to a decrease in miscellaneous income.
- Operating Expenses for 2020 increased \$79,915, which is a 16.165% increase from 2019. This was due the increase in wages and canal maintenance.

### FINANCIAL STATEMENTS

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

The statements of Net Position present information on all of the District's assets and liabilities, with the difference between the two reported 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

### ***FINANCIAL STATEMENTS-continued***

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

The 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 provided additional information that is useful for the understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 16 of this report.

### **SUPPLEMENTARY INFORMATION**

The schedule found on page 17 of these documents give a comparison of the budget to actual for the District for the fiscal year 2020.

### **Financial Analysis**

As noted earlier assets of the District exceed liabilities of the District by \$3,020,298. The portion of the District's Net Position (22.41 %) is in capital assets (canal system, and equipment.) The District uses these capital assets to deliver irrigation water to the residence of the District.

Unrestricted cash reserves account for 7.55% in 2020 and 19% in 2019 of the District's total assets. These unrestricted reserves are used for irrigation system improvements and the day-to-day operations.

### **Capital Asset and Debt Administration**

#### **CAPITAL ASSETS**

As of December 31, 2020, the District's capital assets were \$676,910 (Net of accumulated depreciation of \$527,839). This investment in capital assets included equipment (i.e. Truck and equipment) and canal improvements.

### **Current Year's Budget Analysis**

- Actual water assessment revenue was \$607 more than budgeted.
- Capital outlays were \$1,691,154 under budget due to the District's postponing several projects until next year.

### **Next Year's Budgets and Rates**

The following were considered in preparing the District's 2021 fiscal year budget.

- The District has four full time employees and one part time employee in 2020. The District plans to maintain this staff in 2021.

## MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

### Next Year's Budgets and Rates-continued

- Interest income may increase due to investments.
- The replacement and/or operation and maintenance of guard valves, head gates, pressure regulating valves, spills, Automation {SCADA}, delivery valves, pipes and boxes.
- Consideration of invasive species that may harm District infrastructure.
- The fuel costs, population growth, and updated District boundary description, facility mapping
- Underground lateral improvements

### Future Events of Financial Significance

- In 2021 the District anticipates installing automated check site at 34 Rd in order to continue to improve water delivery efficiency. Efforts to obtain financial assistance through the grant process have proved unsuccessful so the District will move forward on its own using cost saving methods.
- In order to operate the District effectively, it is vitally important to know where all facilities are located. To accomplish this, the GIS Map will continue to be updated with current District information and the District's data base will continue to be updated.
- To protect water resources on the Western Slope, and specifically, the District's water rights and water quality, the need for legal representation and associated cost will continue. The District pools resources with other Grand Valley water entities to optimize these efforts.
- The District, under an agreement with the Bureau of Reclamation will maintain the Fish Passage through the District's diversion dam.
- The District will continue to perform needed maintenance and replacement of worn valves, check gates, and other pipeline appurtenances. As the District's facilities continue to wear, additional attention is required to address emergency repairs, replacements, and maintenance (such as pipe and structure cleaning, using hydro vac units). This continues to require significant person-hours, parts and materials, equipment, and associated resources, in order to maintain effective delivery of irrigation water to the District.
- Recently invasive species have been increasing their presence in the Colorado River Basin, specifically Quagga and Zebra Mussels. These creatures accumulate in pipes and underwater infrastructure and cause clogged pipes and other maintenance problems. The District is adding manholes in order to provide cleanout access along the Price Ditch and other facilities to be able to drain and dry the systems. The District is collaborating with other Grand Valley Water entities in order to assess potential invasive species impacts and potential remediation measures. The District is being more proactive in cleaning Price Ditch Pipeline of silt, mud, and shells using a hydro-vac contractor.

**COVID – The District's operation during 2020 was unaffected by COVID. District personnel took proper precautions and no one was infected.**

### **Contacting the District's Financial 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 Palisade Irrigation District, 777 35 3/10 Road, Palisade, CO. 81526. 970-464-4700.

PALISADE IRRIGATION DISTRICT  
Statement of Net Position  
December 31, 2020

Current assets	
Cash in bank and on hand	\$ 899,364
Accounts receivable	-
Accrued interest income	33,695
Prepaid expenses	8,928
Assessments receivable	<u>690,792</u>
Total Current Assets	<u>1,632,779</u>
Noncurrent Assets	
Capital Assets (less accumulated depreciation)	
Building improvements	28,893
System improvements	628,131
Equipment	<u>59,803</u>
Total Noncurrent Assets	<u>716,827</u>
Other Assets	
Long-term CD's	<u>1,722,707</u>
TOTAL ASSETS	<u><u>\$ 4,072,313</u></u>
Current Liabilities	
Accounts payable	\$ 47,029
Payroll taxes payable	194
Accrued payroll	<u>3,469</u>
Total Current Liabilities	<u>50,692</u>
Deferred Inflow of Resources	
Water Assessments	<u>690,792</u>
Net Position	
Invested in capital assets	716,827
Unrestricted	<u>2,614,002</u>
Net Position	<u>3,330,829</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u><u>\$ 4,072,313</u></u>

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

PALISADE IRRIGATION DISTRICT  
Statement of Revenues and Expenses and Changes in Net Position  
For the year ended December 31, 2020

Operating Revenue	
Water assessment	\$ 685,795
Miscellaneous income	5,077
	690,872
Operating Expenses	
General & administrative	180,935
Depreciation	58,805
Canal operation	254,871
Total Operating Expenses	494,611
Net income from Operations	196,261
Non-Operating Revenue (Expenses)	
O & M Reimbursement	50,000
Interest income	64,272
Total Non-Operating Revenue	114,272
Change in Net Position	310,533
Total Net Position -beginning	3,020,296
Total Net Position -ending	\$ 3,330,829

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

PALISADE IRRIGATION DISTRICT  
Statement of Cash Flows  
For the year ended December 31, 2020

Increase (Decrease) In Cash & Cash Equivalents	
Cash Flow From Operating Activities:	
Cash received from assessments	\$ 685,795
Cash received from miscellaneous source	55,077
Cash payments to and for employees	(237,993)
Cash payments to suppliers	(174,316)
Net Cash Provided by Operating Activities	328,563
Cash Flows from Capital & Related Financing Activities:	
Acquisition of capital assets	(98,722)
Proceeds from sale of Fixed Assets	-
Net Cash Used by Capital & Related Financing Activities	(98,722)
Cash Flows from Investing Activities:	
(Increase) Decrease in long-term CD's	545,939
Interest income	64,272
Net Cash Provided by Investing Activities	610,211
Net Increase in Cash & Cash Equivalents	840,052
Cash-Beginning of year	59,312
Cash-End of year	\$ 899,364
Reconciliation of Operating Income to Net Position Provided by Operating Activities:	
Operating Income	\$ 246,261
Adjustment to reconcile operating income to net cash provided by operating activity	
Depreciation	58,805
Change in assets and liabilities	
(Increase) decrease in accounts receivable	6,952
(Increase) decrease in accrued interest income	(11,384)
(Increase) decrease in prepaid expense	1
Increase (decrease) accounts payable	33,346
Increase (decrease) payroll taxes payable	(858)
Increase (decrease) accrued payroll	(4,560)
Total adjustments	82,302
Net Cash Provided by Operating Activities	\$ 328,563

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

PALISADE IRRIGATION DISTRICT  
Note to the Financial Statements  
December 31, 2020

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Palisade Irrigation District was established to provide irrigation water to the residents of the District. An annual assessment is levied per unit of land and collected by the Mesa County Treasurer's office. The District is an independent unit of local government established under the provisions of the Colorado State law.

The District operates under the Board of Directors elected by the voters of the District. The District's financial statements include the accounts and operations of all the District's functions.

FINANCIAL REPORTING ENTITY

The Palisade Irrigation District (the District) was organized pursuant to provisions set forth the Colorado Special District Act. The governing body of the district consists of a three-member Board of Directors that are elected by the registered voters within the District. The purpose of the District is to provide irrigation water to residents within the Palisade Irrigation District's boundaries. The Board is responsible for setting policy, appointing administrative personnel, and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it can appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization provide specific financial benefits to, or impose specific financial burden on, the district. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also include in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all Districts operations.

BASIS OF PRESENTATION – FUND ACCOUNTING

The basic financial statements include fund financial statements for a Proprietary Fund. The District is a special-purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

The accounts of the District are organized and operated on a fund basis. The operations are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues, and expenses.

PALISADE IRRIGATION DISTRICT  
Note to the Financial Statements  
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

BASIS OF PRESENTATION – FUND ACCOUNTING - CONTINUED

The focus of proprietary fund measurement is determination of operating income, changes in the Net Position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector, the District's Enterprise Fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges of record similar costs.

Proprietary Fund operating revenue and expenses are related to providing management and operational services within the District. Revenues and expenses that arose from capital and non-capital financing activities and from investing activities are presented as non-operating revenues and expenses.

BASIS OF ACCOUNTING

The Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property and specific ownership taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

CAPITAL ASSETS

The fund of the District is accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities associated with the activity of the District are included on the balance sheet. Equipment and property are recorded at cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation is provided overestimated useful lives of 5-40 years, using the straight-line method. Maintenance and repairs are charged to expense as incurred, while significant betterments and replacements are recorded as increases to equipment. As assets are retired or disposed of, the cost and associated accumulated depreciation are removed from the accounts, and gains or losses on these sales or disposals are included in income.

It is the District's policy to capitalize assets having a cost of \$1,000 or more and a life of at least 2 years.

COMPENSATED ABSENCES

There were no compensated absences on December 31, 2020.

ENCUMBRANCES

Encumbrance accounting is not used by District.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

USE OF ESTIMATES

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. To cover these losses the District starting in 2007, joined the Colorado special districts Property & Liability Pool. They feel their coverage is adequate to cover the losses mentioned above except for employee injuries that the District covers by worker compensation insurance.

There is no self-insurance by the District.

TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it complies with the requirements of the law because it does not collect any taxes or other public funds and is, therefore, exempt from the provisions of the law. However, the District has made certain interpretations of the law's language in order to determine its compliance.

BUDGETARY BASIS OF ACCOUNTING

The District uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to October 15, the District's Secretary, or other qualified person appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the County Commissioners.
4. On or before December 31, the Board shall pass an annual appropriating ordinance in which such sums of money shall be appropriated, as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

BUDGETARY BASIS OF ACCOUNTING-continued

5. The budget for the fund is adopted on a basis consistent with state statutes for governmental units, which provides that debt principal payments and capital outlay are treated as expenditures.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

ACCRUED LIABILITIES

In general, payables and accrued liabilities are paid in a timely manner and in full of current financial resources and are reported as current obligations for the fund.

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

RESTRICTED ASSETS/RESERVATIONS OF FUND BALANCES

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of fund balance arise from certain Board designations of fund balance, as well as the aforementioned constraints. It is the District's policy to use restricted funds for expenditures for which both restricted and unrestricted funds are available.

ACCOUNTS RECEIVABLE

The receivable is from the Bureau of Reclamation. The District performs annual repairs and maintenance on a fish ladder located on their system. The Bureau reimburses the District for their cost in maintaining the fish ladder.

SUBSEQUENT EVENTS

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

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

FAIR VALUES OF FINANCIAL INSTRUMENTS

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires disclosures of fair value information about financial instruments. The District has several financial instruments, including cash and equivalents, receivables, accounts payable, none of which are held for trading purposes. The District estimates that the fair value of its financial instruments on December 31, 2020, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of Net Position.

NOTE 2 – CASH, EQUIVALENTS, AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions 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 uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

It is the policy of the District to invest public funds in a manner, which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state, and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest that include:

Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2020

NOTE 2 – CASH, EQUIVALENTS, AND INVESTMENTS - CONTINUED

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies.

- . Bankers' acceptances of certain banks
- . Certain securities lending agreements
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities.
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools
- . The investing local government's own securities including certificates of participation and lease obligations.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposits, and Investment Risk Disclosures, are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount the District may invest in any one issuer; however, the district maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2020, the District had no investments that were subject to interest rate risk as described above.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2020

NOTE 2 – CASH, EQUIVALENTS, AND INVESTMENTS - CONTINUED

Below is a list of the District's cash balances.

		<u>Balance</u>
Cash on Hand	\$	100
Cash in checking and money markets		<u>899,264</u>
	\$	<u><u>899,364</u></u>

The District also invested in Certificates of Deposits that mature beyond the three months used to determine cash and cash equivalents. These maturity dates range from one year to five years. The value of the CDs on December 31, 2020 was \$1,722,707. FDIC insures the entire balance.

NOTE 3 - CHANGE IN CAPITAL ASSETS

	<u>Balance</u>		<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
	<u>12/31/19</u>				<u>12/31/20</u>
Equipment	\$ 166,791	\$	42,124	\$ -	\$ 208,915
Building Improvements	34,202		-	-	34,202
System Improvements	<u>1,003,756</u>		<u>56,597</u>	-	<u>1,060,353</u>
Total	1,204,749		98,721	-	1,303,470
Accumulated depreciation	<u>- 527,839</u>		<u>-58,804</u>	-	<u>- 586,643</u>
Net	<u>\$ 676,910</u>	\$	<u>39,917</u>	\$ -	<u>\$ 716,287</u>

Depreciation is computed on the straight-line method over the estimated useful lives of 7-40 years. Depreciation expense for the year ending December 31, 2020, was \$ 58,804.

NOTE 4 – EMPLOYEE RETIREMENT

The District has a Simple IRA plan, which is administered by Primerica, 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, 2020, the District contributed \$4,201 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.

OTHER SUPPLEMENTAL INFORMATION

PALISADE IRRIGATION DISTRICT  
Statement of Revenues and Expenses and Changes in Net Position  
Actual and Budgeted -Budgetary Basis  
For the year ended December 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance
Revenue			
Carryover from prior year	\$ -	\$ 1,775,454	\$ (1,775,454)
Water assessments levied	685,795	688,831	(3,036)
Total Operating Revenue	685,795	2,464,285	(1,778,490)
Expenses			
Director's fees and expense	3,600	3,600	0
Office wages	92,247	89,919	(2,328)
Field tech salary	119,264	128,214	8,950
Payroll taxes	17,464	25,625	8,161
Retirement	4,201	3,876	(325)
Insurance	15,736	23,200	7,464
Water purchases	5,941	8,000	2,059
Canal maintenance	98,253	332,200	233,947
GIS expense	2,544	2,500	(44)
Legal fees	1,798	10,000	8,202
Audit and accounting fees	5,852	7,500	1,648
Locates	4,265	7,000	2,735
Miscellaneous	1,491	2,300	809
Repairs & maintenance equipment	5,507	3,000	(2,507)
Office expense	28,455	16,500	(11,955)
Building expense	11,582	32,000	20,418
Vehicle expense	15,494	9,000	(6,494)
Total Expenses	433,694	704,434	270,740
Net Income Before Non-Operating Revenue (Expenses)	252,101	1,759,851	(1,507,750)
Non-Operating Revenues (Expenses)			
Miscellaneous revenue	5,077	5,000	77
O & M Reimbursement	50,000	50,000	-
Interest income	64,272	20,000	44,272
Fish ladder income	-	5,000	(5,000)
Fish ladder Expense	(2,112)	(5,000)	2,888
Capital outlays	(98,722)	(1,834,851)	1,736,129
Total Non-Operating (Expenses)	18,515	(1,759,851)	1,778,366
Net Income (Loss)	270,616	\$ -	\$ 270,616
Add back NON-GAAP expenditures:			
Capital Outlays	98,722		
Less GAAP expenses:			
Depreciation	(58,805)		
Change in Net Position	\$ 310,533		