

ORCHARD MESA IRRIGATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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Orchard Mesa Irrigation District

Management's Discussion and Analysis

December 31, 2021

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, 2021.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$10,457,035, (Net Position).
- Unrestricted cash and investments decreased \$146,473.
- Operating revenues of \$1,674,191.
- Operating expenses of \$2,030,165.
- Non-operating revenues net of expenses of \$2,311,725.

Overview of Financial Statements

The discussion and analysis are 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 like a private-sector business.

The statement of position presents information on all 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 2021.

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 (65%) are 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 (5.3%) of the District's total assets. These unrestricted reserves are used for irrigation system improvements.

Between December 31, 2020, and December 31, 2021, the Net Position increased by \$1,955,751. A major part of this was grants received for the Grand Valley Hydro project.

The District's operating revenues increased \$144,167. The District's contract with the United States Bureau of Reclamation (USBOR) generated totaling \$72,854; 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 that amounted to \$96,099 for 2021. Specific Ownership was up from last year following the predicted upward trend in the economy by \$9,178. Operating expenses increased \$72,972.

TABLE A
Condensed Financial Data

	2021	2020	Dollar Change	Percent Change
Current/Other Assets	\$ 7,897,699	\$ 5,433,663	\$ 2,464,036	31.20%
Capital Assets	6,877,545	7,158,124	(280,579)	-4.08%
Total Assets	14,775,244	12,591,787	2,183,457	27.12%
Current Liabilities	336,680	246,470	90,210	26.79%
Non Current Liabilities	2,418,629	2,432,033	(13,404)	-0.55%
Total Liabilities	2,755,309	2,678,503	76,806	26.24%
Deferred Inflows of Resources	1,562,900	1,412,000	150,900	9.66%
Invested In Capital Assets, Net	6,850,133	7,117,885	(267,752)	-3.91%
Restricted	511,023	179,911	331,112	64.79%
Unrestricted	3,095,879	1,203,488	1,892,391	61.13%
Total Net Position	\$ 10,457,035	\$ 8,501,284	\$ 1,955,751	122.01%
Total Operating Revenue	\$ 1,674,191	\$ 1,530,024	\$ 144,167	8.61%
Total Operating Expenses	(2,030,165)	(1,957,193)	(72,972)	3.59%
Operating Income (Loss)	(355,974)	(427,169)	71,195	134.22%
Non-Operating Revenue	2,384,323	382,122	2,002,201	83.97%
Non-Operating Expenses	(72,598)	(525,143)	452,545	-623.36%
Total Non-Operating Revenue	2,311,725	(143,021)	2,454,746	106.19%
Capital Contribution	-	-	-	0.00%
Change in Net Position	1,955,751	(570,190)	2,525,941	129.15%
Prior Period Adjustment	-	-	0	100.00%
Beginning Net Position	8,501,284	9,071,474	(570,190)	-6.71%
Ending Net Position	\$ 10,457,035	\$ 8,501,284	\$ 1,955,751	18.70%

Management's Discussion and Analysis-Continued

Capital Assets and Debt Administration

CAPITAL ASSETS

As of December 31, 2021, the District's capital assets were \$6,877,545 (net of accumulated depreciation of \$ 1,306,891). This investment in capital assets included buildings, equipment, and delivery canals. Major capital asset purchases for the current fiscal year are the following:

- Equipment \$38,659
- Vehicle \$14,144
- System Improvements \$169,657

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

Current Year's Budget Analysis

- The variance of \$61,598 on the specific ownership tax revenue is because 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 \$96,099 was due to power production not anticipated because of hydro project being non-operational by year end.
- Operating expenses were down due to a decrease in wages which were attributable to the hydro project and shown in the long-term receivable.
- Power Plant expense variance of \$67,209 was due to necessary repair and operations due to postponed upgrades.
- The capital outlay variance of \$4,084,540 was due to the future construction of hydro project to power plant planned.

Future Events of Financial Significance

HYDRO REBUILD

The \$4,625,000 in grants OMID has secured comprises several contributors: Colorado Water Conservation Board (CWCB) for \$600,000, Colorado Water Trust for \$425,000, Grand Valley Funds for \$1,000,000, Colorado Water Plan for \$200,000, Water Smart Grant for \$964,862, and the Recovery Program for \$1,500,000, (the latter two originally were granted to rebuild the GVPP, and are now being converted to build new project Vinelands Power Plant) while securing a loan from CWCB for the balance of the projected \$7-8 million remains in place. There is a series of agreements now in place due to the structure of the secured grants and funding sources which has created a very complex working relationship between OMID, Grand Valley Water Users' Association (GVWUA), and Sorenson Engineering Inc, LLC, and the Grand Valley Hydro LLC, to aid in the execution of expending these funds. Negotiation continues between Xcel Energy, Holy Cross Energy, and all previously listed developing the agreement and determining additional funding necessary to facilitate use of the Vineland Substation for both transmission and distribution purposes with potential of additional power to be generated by the Vineland Power Plant.

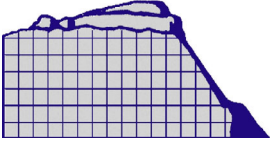
To build the new project will take up to 18 months and will hopefully coincide with some major repairs expected to take place at the Roller Dam intake gates.

At the current rate of assessment, it is anticipated that OMID may be able to line .2 to .5 miles per year of its canal system. Discussion has been held about how to maintain the one plus miles per years trend by either raising assessments 10% and dedicating 50% of those funds solely to canal lining and 50% to cost of living, borrowing money from CWCB to continue lining or a combination or both.

Management's Discussion and Analysis-Continued

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.



Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Orchard Mesa Irrigation District
Palisade, CO 81526

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the business-type activities, the aggregate remaining fund information of the Orchard Mesa Irrigation District (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

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

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the district and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Paul D. Miller, CPA, LLC
pauldmiller@live.com

In performing an audit in accordance with GAAS and Government Auditing Standards, I:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 district's internal control. Accordingly, no such opinion is expressed. evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Auditor Reporting Requirements and Other Communication Considerations

- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary comparison 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, Colorado

April 1, 2022

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets:	
Cash & cash equivalents	\$ 559,895
Investments	2,932,172
Due from other governments	298,241
Interest receivable	5,487
USBR Power plant advance	5,000
Assessments receivable	1,562,900
Total Current Assets	5,363,695
Other Assets:	
Restricted cash & investments	511,023
GVH LLC note receivable	2,022,981
Capital assets	6,877,545
Total Other Assets	9,411,549
Total Assets	14,775,244

LIABILITIES

Current Liabilities:	
Accounts payable	275,915
Accrued payroll taxes and benefits	13,293
Compensated absences payable	32,690
Tenant deposit	1,378
Current portion of lease payable	13,404
Total Current Liabilities	336,680
Non-Current Liabilities:	
Lease payable- KS Bank	14,008
Unearned revenue CRWCD	904,621
Unearned revenue CWCB	1,500,000
Total Non-Current Liabilities	2,418,629
Total Liabilities	2,755,309

DEFERRED INFLOWS

Assessment revenue	1,562,900
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NET POSITION

Invested in capital assets	6,850,133
Restricted	511,023
Unrestricted	3,095,879
NET POSITION	\$ 10,457,035

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, 2021

Operating Revenues:

Water assessments	\$ 1,419,031
Power plant revenue	96,099
GVWUA reimbursement	120,002
Other operating revenue	39,059
Total Operating Revenue	1,674,191

Operating Expenses:

General system operations	884,872
Depreciation	417,383
Power plant expenses	189,209
Power plant depreciation	7,420
General & administrative	531,281
Total Operating Expenses	2,030,165
Operating Income (Loss)	(355,974)

Non-operating Revenue (Expense):

Specific ownership taxes	201,598
Investment income (loss)	(129,629)
BOR contract revenue	72,854
Grant	2,225,000
Rental income	14,500
Rental expenses	(2,655)
Loss on disposal of fixed assets	(68,132)
Interest expense	(1,811)
Total Non-operating Revenue (Expense)	2,311,725

CHANGE IN NET POSITION

	1,955,751
Net Position, Beginning	8,501,284
Net Position, Ending	\$ 10,457,035

The accompanying notes are an integral part of these statements.

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Increase (Decrease) in Cash & Cash Equivalents

Cash flows from operating activities:	
Cash received from land owners	\$ 1,425,014
Other operating cash receipts	244,835
Cash payments to/for employees	(887,226)
Cash payments to suppliers	(789,000)
Net Cash Provided (Used) by Operating Activities	(6,377)
Cash flows from noncapital financing activities:	
Specific ownership taxes received	200,440
Net cash Provided by Noncapital Financing Activities	200,440
Cash flows from capital & related financing activities:	
Grant revenue	2,025,000
Acquisition & construction of capital assets	(222,460)
(Increase in Long-term receivable	(1,937,814)
(Increase)/Decrease in restricted cash	(331,112)
BOR contract proceeds	49,743
Payment on lease payable	(12,827)
Rental income	14,500
Rental expense	(2,655)
Net Cash Provided (Used) by Capital & Related Financing Activities	(417,625)
Cash flows from investing activities:	
Net (Increase)/Decrease in Investments	91,817
Investment income	77,089
Net Cash Provided (Used) by Investing Activities	168,906
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(54,656)
Cash & cash equivalents at beginning of year	614,551
Cash & cash equivalents at end of year	\$ 559,895

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, 2021

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

Operating income (Loss)	\$	(355,974)
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation		424,802
Proceeds from sale of fixed assets		3,325
Change in assets & liabilities		
(Increase) decrease in due from governments		(228,208)
(Increase) decrease in assessment receivable		(150,900)
(Increase) decrease in interest receivable		(729)
(Increase) decrease in prepaid expense		60,773
Increase (decrease) in accounts payable		139,677
Increase (decrease) in tenant deposits		-
Increase (decrease) in accruals		(28,070)
Increase (decrease) in USBR lease payable		(15,757)
Increase (decrease) in compensated absences		(6,216)
Increase (decrease) in deferred assessment inflow		150,900
		349,597
Total Adjustments		349,597
Net Cash Provided (Used) by Operating Activities	\$	(6,377)

The accompanying notes are an integral part of these statements.

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2021

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 principle 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, 2021

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, 2021

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 cost of at least \$1,000 and an estimated useful life more than 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 more than 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. On December 31, 2021, \$32,690 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 more than 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, 2021

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. On December 31, 2021, the bank balance of the District's deposits was \$74,443, which all was covered by FDIC. The money market balances were insured under SIPC.

	2021	
Cash Deposits:		
Cash on Hand	\$ 349	0.01%
Cash in Checking & Money Markets	74,443	2.13%
Investment Money Market (Schwab)	56,488	1.62%
	131,280	3.76%
Investments:		
FFCB	294,542	8.43%
FHL	98,295	
FHLB	1,307,856	37.45%
U.S. Treasury Notes	1,108,651	31.75%
FNM	122,828	3.52%
	2,932,172	81.15%
COLOTRUST (Net Asset Value)	428,611	12.27%
Total Cash & Investments	3,492,063	97.19%
Less Restricted Cash & Investments	(511,023)	
Total Cash & Investments-Unrestricted	\$2,981,040	

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 on December 31, 2021, 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, 2021, the District had \$428,611 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 COLOTRUST 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, 2021

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 2021, collectible in 2022, were assessed in November 2021 and certified by the Mesa County Commissioners before December 31, 2021. These assessments attach as an enforceable lien on January 1, 2022 and are due in total April 30, 2022, or in equal installments February 28, 2022, and June 15, 2022, at the option of the payor. Assessments are considered fully collectible.

Assessments for 2021, collectible in 2022, 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 1/1/2021	Additions	Disposals	Balance 12/31/2021
Buildings & Improvements	\$ 471,278	\$ -	\$ -	\$ 471,278
Irrigation System	13,376,889	169,657	(96,501)	13,450,045
Power Plant Equipment (50% of Total)	192,773	-	(192,773)	-
Vehicles	360,857	14,144	(6,666)	368,335
Operating Equipment	698,908	34,959	(54,650)	679,217
Office Furniture & Fixtures	33,974	3,700	-	37,674
	✓ 15,134,679	222,460	(350,590)	✓ 15,006,549
Less Accumulated Depreciation	(7,990,909)	(424,802)	272,353	(8,143,358)
	7,143,770	(202,342)	(78,237)	✓ 6,863,191
Construction in Process	-	-	-	-
Land	14,354	-	-	14,354
Net Capital Assets	<u>\$ 7,158,124</u>	<u>\$ (202,342)</u>	<u>\$ (78,237)</u>	<u>\$ 6,877,545</u>

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2021

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 Plan 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 \$8,464 as required by the agreement for a total of \$108,921. 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, 2021 is \$50,576.

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 than two out of every five years. During the year-end December 31, 2021, the District contributed \$21,234 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, 2021

NOTE 8 – MAJOR CONTRACTS

In March 2021 several agreements were entered into regarding the new Vinelands Power Plant;

- i. Operating Agreement for Grand Valley Hydropower LLC (the contemplated entity to construct and own the New Vinelands Power Plant);
- ii. Vinelands Hydro Project Agreement (the agreement between the District, GVWUA, and Sorenson Engineering which details the respective rights and obligations of each party);
- iii. Convertible Promissory Note (the document which creates the legal mechanism by which the District and GVWUA can pass through the approved grant funding to Sorenson Engineering for the construction of the New Vinelands Power Plant and by which the District will each become 25.5% owners in the New Vinelands Power Plant);
- iv. Interconnection Agreement (the agreement which sets forth the agreement between the District, GVWUA and Sorenson Engineering regarding the funding, construction, and ownership of a new interconnection from the New Vinelands Power Plant to Xcel facilities if necessary);
- v. Construction Agreement between Sorenson Engineering and Grand Valley Hydropower LLC (the agreement for the design and construction of the New Vinelands Power Plant);
- vi. Power Purchase Agreement between Grand Valley Hydropower LLC and Holy Cross Energy (the agreement by which energy from the New Vinelands Power Plant will be purchased);

NOTE 9 – LEASE PAYABLE

The District has a lease purchase on a backhoe. The annual payments are \$14,638, principal and interest (3%). The following is the payment schedule:

	Principal	Interest	Total
2022	\$ 13,404	\$ 1,234	\$ 14,638
2023	14,008	630	14,638
	27,412	1,864	29,276
Less Current Portion	(13,404)	(1,234)	(14,638)
	\$ 14,008	\$ 630	\$ 14,638

NOTE 10 – SUBSEQUENT EVENTS

Beginning in 2022, it was determined that the rebuild of the existing hydro plant was going to cost more than building a new plant. The District, along with two other entities, began the planning process for building a new hydro plant. As of the date of the auditor's opinion, the initial planning has been completed and the final steps are being completed to begin groundbreaking efforts. See the discussion in Management's Discussion and Analysis on page iii.

SUPPLEMENTARY INFORMATION

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF REVENUES & EXPENSES
BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended December 31, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Water assessments	\$ 1,412,000	\$ 1,419,031	\$ 7,031
Specific ownership tax	140,000	201,598	61,598
Power plant revenue	-	96,099	96,099
GVWUA reimbursement	62,500	120,002	57,502
Other operating revenue	11,000	39,059	28,059
Investment income (loss)	19,200	(129,629)	(148,829)
Reimbursements	75,000	72,854	(2,146)
GVH-grants	5,240,000	2,225,000	(3,015,000)
Miscellaneous income	12,000	14,500	2,500
	<u>\$ 6,971,700</u>	<u>4,058,514</u>	<u>\$ (2,913,186)</u>
Expenses			
Operating expense	\$ 340,400	884,872	\$ (544,472)
Power plant expense	122,000	189,209	(67,209)
General & administrative	1,194,800	535,747	659,053
Capital outlay	4,307,000	222,460	4,084,540
Contingency	7,500	-	7,500
	<u>\$ 5,971,700</u>	<u>1,832,288</u>	<u>\$ 4,139,412</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES		2,226,226	
Adjustments to budgetary basis:			
Less:			
Depreciation		(417,383)	
Power plant depreciation		(7,420)	
Add:			
Capital outlay, capitalized		222,460	
Loss on disposal of fixed asset		(68,132)	
CHANGE IN NET POSITION		<u>\$ 1,955,751</u>	