

PALISADE IRRIGATION DISTRICT

Financial Statements and
Independent Auditors' Report
For the Year ended December 31, 2021

PALISADE IRRIGATION DISTRICT

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Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Palisade 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 Palisade 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.

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 and the budget to actual comparison 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.

Paul D. Miller, CPA, LLC

Grand Junction, Colorado

June 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

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, 2021.

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

	2021	2020	Dollar Change	Total Percent Change
Current Assets	\$ 1,837,980	\$ 1,632,779	\$ 205,201	11.16%
Non Current Assets	729,819	716,827	12,992	1.78%
Other Assets	1,737,112	1,722,707	14,405	0.83%
Total Assets	4,304,911	4,072,313	232,598	13.77%
Current Liabilities	25,876	50,692	(24,816)	-95.90%
Deferred Inflow of Resources	690,792	690,792	-	0.00%
Investment in Capital Assets	729,819	716,827	12,992	1.78%
Unrestricted	2,858,424	2,614,002	244,422	8.55%
Total Net Position	\$ 3,588,243	\$ 3,330,829	\$ 257,414	10.33%

As shown in **Table A** the District's Net Position increased \$257,414 to \$3,588,243 in 2021, an increase from \$3,330,829 in 2020. 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 \$257,414 increase in Net Position over 2020.

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

	2021	2020	Dollar Change	Total Percent Change
Total Operating Revenues	\$ 710,823	\$ 690,872	\$ 19,951	2.81%
Total Operating Expenses	519,575	494,611	24,964	4.80%
Operating Income (Loss)	<u>\$ 191,248</u>	<u>\$ 196,261</u>	<u>\$ (5,013)</u>	<u>7.61%</u>
Non-operating Revenue	\$ 66,166	\$ 114,272	\$ (48,106)	-72.71%
Non-operating Expenses	-	-	-	0.00%
Total Non-Operating Revenue/(Loss)	<u>66,166</u>	<u>114,272</u>	<u>(48,106)</u>	<u>-72.71%</u>
Change in Net Position	257,414	310,533	(53,119)	-65.09%
Beginning Net Position	3,330,829	3,020,296	310,533	7.73%
Ending Net Position	<u>\$ 3,588,243</u>	<u>\$ 3,330,829</u>	<u>\$ 257,414</u>	<u>-57.37%</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 2021 increased \$19,951, which is a 2.81% from 2020. This is due to an increase in miscellaneous income.
- Operating Expenses for 2021 increased \$24,964, which is a 4.80% increase from 2020. 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 2021.

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 2021 and 19% in 2020 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, 2021, the District's capital assets were \$729,819 (Net of accumulated depreciation of \$637,197). 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 \$4,925 more than budgeted.
- Capital outlays were \$44,179 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 2021. 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

- Urban growth and infrastructure improvement is taking place in and around the District at an increased rate. This compels the need for subdivision reviews, and utility locates above and beyond past requirements.
- 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.

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
As of December 31, 2021

Current assets	
Cash in bank and on hand	\$ 1,113,855
Accounts receivable	-
Accrued interest income	13,652
Prepaid expenses	19,681
Assessments receivable	690,792
Total Current Assets	<u>1,837,980</u>
Noncurrent Assets	
Capital Assets (less accumulated depreciation)	
Building improvements	27,516
System improvements	660,659
Equipment	41,644
Total Noncurrent Assets	<u>729,819</u>
Other Assets	
Long-term CD's	<u>1,737,112</u>
TOTAL ASSETS	<u>\$ 4,304,911</u>
Current Liabilities	
Accounts payable	\$ 20,707
Payroll taxes payable	1,195
Accrued payroll	3,974
Total Current Liabilities	<u>25,876</u>
Deferred Inflow of Resources	
Water Assessments	<u>690,792</u>
Net Position	
Invested in capital assets	729,819
Unrestricted	2,858,424
Net Position	<u>3,588,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,304,911</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, 2021

Operating Revenue		
Water assessment	\$	695,717
Miscellaneous income		15,106
		<u>710,823</u>
Operating Expenses		
General & administrative		204,896
Depreciation		50,554
Canal operation		264,125
Total Operating Expenses		<u>519,575</u>
Net income from Operations		<u>191,248</u>
Non-Operating Revenue (Expenses)		
O & M Reimbursement		50,000
Interest income		16,166
Total Non-Operating Revenue		<u>66,166</u>
Change in Net Position		257,414
Total Net Position -beginning		3,330,829
Total Net Position -ending	\$	<u><u>3,588,243</u></u>

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, 2021

Increase (Decrease) In Cash & Cash Equivalents	
Cash Flow From Operating Activities:	
Cash received from assessments	\$ 695,717
Cash received from miscellaneous source	65,106
Cash payments to and for employees	(250,161)
Cash payments to suppliers	(234,386)
Net Cash Provided by Operating Activities	276,276
Cash Flows from Capital & Related Financing Activities:	
Acquisition of capital assets	(63,546)
Proceeds from sale of Fixed Assets	-
Net Cash Used by Capital & Related Financing Activities	(63,546)
Cash Flows from Investing Activities:	
(Increase) Decrease in long-term CD's	(14,405)
Interest income	16,166
Net Cash Provided by Investing Activities	1,761
Net Increase in Cash & Cash Equivalents	214,491
Cash-Beginning of year	899,364
Cash-End of year	\$ 1,113,855
Reconciliation of Operating Income to Net Position Provided by Operating Activities:	
Operating Income	\$ 241,248
Adjustment to reconcile operating income to net cash provided by operating activity	
Depreciation	50,554
Change in assets and liabilities	
(Increase) decrease in accounts receivable	-
(Increase) decrease in accrued interest income	20,043
(Increase) decrease in prepaid expense	(10,753)
Increase (decrease) accounts payable	(26,322)
Increase (decrease) payroll taxes payable	1,001
Increase (decrease) accrued payroll	505
Total adjustments	35,028
Net Cash Provided by Operating Activities	\$ 276,276

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

PALISADE IRRIGATION DISTRICT
Note to the Financial Statements
December 31, 2021

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 is able to 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, 2021

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 over estimated 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, 2021.

ENCUMBRANCES

Encumbrance accounting is not used by District.

PALISADE IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

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, 2021

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 from 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.

SUBSEQUENT EVENTS

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

PALISADE IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

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 a number of 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, 2021, 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, 2021

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, 2021, the District had no investments that were subject to interest rate risk as described above.

PALISADE IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

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>1,134,090</u>
	\$	<u><u>1,113,855</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 CD's on December 31, 2021, was \$1,737,112. FDIC insures the entire balance.

NOTE 3 - CHANGE IN CAPITAL ASSETS

	<u>Balance</u>		<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
	<u>12/31/20</u>				<u>12/31/21</u>
Equipment	\$ 208,915	\$ -	\$ -	\$ -	\$ 208,915
Building Improvements	34,202	-	-	-	34,202
System Improvements	<u>1,060,353</u>	<u>63,546</u>	<u>-</u>	<u>-</u>	<u>1,123,899</u>
Total	1,303,470	63,546	-	-	1,367,016
Accumulated depreciation	<u>- 586,643</u>	<u>--50,554</u>	<u>-</u>	<u>-</u>	<u>- 637,197</u>
Net	<u>\$ 716,827</u>	<u>\$ 12,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,819</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, 2021, was \$ 50,554.

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, 2021, the District contributed \$5,085 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, 2021

	Actual	Budget	Favorable (Unfavorable) Variance
Revenue			
Carryover from prior year	\$ -	\$ 1,775,454	\$ (1,775,454)
Water assessments levied	695,717	690,792	4,925
Total Operating Revenue	695,717	2,466,246	(1,770,529)
Expenses			
Director's fees and expense	3,600	3,600	-
Office wages	95,448	95,454	6
Field tech salary	129,233	134,004	4,771
Payroll taxes	18,301	25,625	7,324
Retirement	5,085	3,876	(1,209)
Insurance	46,058	63,975	17,917
Water purchases	5,950	8,500	2,550
Canal maintenance	96,049	239,000	142,951
GIS expense	992	2,500	1,508
Legal fees	5,671	3,500	(2,171)
Audit and accounting fees	6,722	7,500	778
Locates	4,814	7,000	2,186
Miscellaneous	6,723	8,000	1,277
Repairs & maintenance equipment	1,807	4,211	2,404
Office expense	17,872	11,823	(6,049)
Building expense	6,139	28,500	22,361
Vehicle expense	18,557	19,000	443
Total Expenses	469,021	666,068	197,047
Net Income Before Non-Operating Revenue (Expenses)	226,696	1,800,178	(1,573,482)
Non-Operating Revenues (Expenses)			
Miscellaneous revenue	15,106	13,000	2,106
O & M Reimbursement	50,000	50,000	-
Interest income	16,166	20,000	(3,834)
Fish ladder income	-	5,000	(5,000)
Fish ladder Expense	-	(5,000)	5,000
Capital outlays	(63,546)	(107,725)	44,179
Total Non-Operating (Expenses)	17,726	(24,725)	42,451
Net Income (Loss)	244,422	\$ 1,775,453	\$ (1,531,031)
Add back NON-GAAP expenditures:			
Capital Outlays	63,546		
Less GAAP expenses:			
Depreciation	(50,554)		
Change in Net Position	\$ 257,414		