

ORCHARD MESA IRRIGATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT AUDITOR	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
GENERAL PURPOSE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	11
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF REVENUES AND EXPENSES BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS).	19
REPORTS AND SCHEDULES REQUIRED BY OUTSIDE ENTITIES	
INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	20
INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	21
SCHEDULE OF FEDERAL AWARDS	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	25



INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Orchard Mesa Irrigation District
Palisade, CO 81621

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activity, each major fund, and the aggregate remaining fund information of the Orchard Mesa Irrigation District (District), as of and for the year ended December 31, 2022, 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 our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Our 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 our 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, We:

- 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 our 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.

We are 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 we 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. We 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 our inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. We 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The budget to actual and, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 our opinion, the budget and actual and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P. C.

Cedaredge, CO

March 10, 2023

Orchard Mesa Irrigation District
Management's Discussion and Analysis
December 31, 2022

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, 2022.

Financial Highlights

- The assets of the district exceeded its liabilities at the close of the most recent fiscal year by \$12,272,218, (Net Position).
- Unrestricted cash and investments decreased \$35,691.
- Operating revenues of \$1614,125.
- Operating expenses of \$2,257,476.
- Non-operating revenues net of expenses of \$2,458,534.

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 changes 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 7 through 17 of this report.

SUPPLEMENTARY INFORMATION

The schedule found on page 17 of this document gives a comparison of the budget to actual for the district for the fiscal year 2022.

Management's Discussion and Analysis-Continued

Government-Wide Financial Analysis

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

The largest of the district's total assets (39%) 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 (6.86%) of the district's total assets. These unrestricted reserves are used for irrigation system improvements.

Between December 31, 2021, and December 31, 2022, the Net Position increased by \$1,815,183. A major part of this was grants received for the Grand Valley Hydro project as well as the increase in the Grand Valley Hydro, LLC activity.

The district's operating revenues decreased \$60,066. The District's contract with the United States Bureau of Reclamation (USBOR) generated totaling \$64,589; 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 \$6,289 for 2022. Specific Ownership was up from last year following the predicted upward trend in the economy by \$7,256. Operating expenses decreased \$227,311.

TABLE A
Condensed Financial Data

	2022	2021	Dollar Change	Percent Change
Current/Other Assets	\$ 10,282,731	\$ 7,897,699	\$ 2,385,032	23.19%
Capital Assets	6,574,687	6,877,545	(302,858)	-4.61%
Total Assets	16,857,418	14,775,244	2,082,174	18.59%
Current Liabilities	211,590	336,680	(125,090)	-59.12%
Non Current Liabilities	2,616,709	2,418,629	198,080	7.57%
Total Liabilities	2,828,299	2,755,309	72,990	-51.55%
Deferred Inflows of Resources	1,756,900	1,562,900	194,000	11.04%
Invested In Capital Assets, Net	6,560,679	6,850,133	(289,454)	-4.41%
Restricted	231,615	511,023	(279,408)	-120.63%
Unrestricted	5,479,924	3,095,879	2,384,045	43.51%
Total Net Position	\$ 12,272,218	\$ 10,457,035	\$ 1,815,183	-81.54%
Total Operating Revenue	\$ 1,614,125	\$ 1,674,191	\$ (60,066)	-3.72%
Total Operating Expenses	(2,257,476)	(2,030,165)	(227,311)	10.07%
Operating Income (Loss)	(643,351)	(355,974)	(287,377)	-75.19%
Non-Operating Revenue	2,475,343	2,384,323	91,020	3.68%
Non-Operating Expenses	(16,809)	(72,598)	55,789	-331.90%
Total Non-Operating Revenue	2,458,534	2,311,725	146,809	5.97%
Capital Contribution	-	-	-	0.00%
Change in Net Position	1,815,183	1,955,751	(140,568)	-7.74%
Beginning Net Position	10,457,035	8,501,284	1,955,751	18.70%
Ending Net Position	\$ 12,272,218	\$ 10,457,035	\$ 1,815,183	14.79%

Management's Discussion and Analysis-Continued

Capital Assets and Debt Administration

CAPITAL ASSETS

As of December 31, 2022, the District's capital assets were \$6,574,687 (net of accumulated depreciation of \$8,520,144)

This investment in capital assets included buildings, equipment, and delivery canals. Major capital asset purchases for the current fiscal year are the following:

- Vehicle \$58,274
- System Improvements \$61,172
- Rental remodel \$11,275

Note 4 on page 14, gives additional details of the district's capital assets.

Current Year's Budget Analysis

- The variance of \$68,854 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 \$6,289 was due to power production not anticipated because of hydro project being non-operational by year end.
- Operating expenses were up due to an increase in wages and in the Dam maintenance.
- The Power Plant expense variance of \$87,853 was due to necessary repair not planned on.
- The capital outlay variance of \$3,502,141 was due to the future construction of hydro project as well as upgrades to the irrigation system.

Future Events of Financial Significance

HYDRO

The Vinelands Power Plant became operational effective November 2022, first date of commercial generation was November 16, 2022. The Permanent Interconnect infrastructure is in the final design phase and will be constructed in 2023. Originally scheduled for May 2023, being pushed back to November 2023 due to ongoing setbacks and hurdles created by Xcel Energy and PSCO. Negotiation efforts are ongoing in an attempt to offset the unforeseen fiscal ramifications, lacking full generation capability while incurring a wheeling fee for the power to be wheeled to Holy Cross Energy via Xcel Energy's grid. With Xcel's Vinelands Substation under construction to accommodate additional future capacity and the VPP power being directed through the Clifton Substation per Xcel Energy, that is their reasoning for throttling back the maximum generation of 4.5MWh to 1.8MWh. Due to these ongoing delays that Grand Valley Hydro, LLC are being faced with, it may cause a negative impact on the potential generation revenue ultimately affecting the projected proforma outcomes. All grant revenues have been expended in 2022. The CWCB loan is still in place to be drawn on to fund the remaining costs of constructing the Permanent Interconnect.

Roller Dam and Canyon costs remain to be higher with the preparation, design, and planning going toward the major repairs of the intake gates. As well as the typical 28.41% of regular operation and maintenance costs.

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 the 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.

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

ASSETS

Current Assets:	
Cash & cash equivalents	\$ 523,231
Investments	2,768,073
Due from other governments	92,980
Interest receivable	9,926
USBR Power plant advance	5,000
Assessments receivable	1,756,900
Total Current Assets	5,156,110
Other Assets:	
Restricted cash & investments	231,615
GVH LLC note receivable	4,895,006
Capital assets	6,574,687
Total Other Assets	11,701,308
Total Assets	16,857,418

LIABILITIES

Current Liabilities:	
Accounts payable	125,452
Accrued payroll taxes and benefits	29,172
Compensated absences payable	37,955
Tenant deposit	1,378
Accrued interest expense	3,626
Current portion of lease payable	14,008
Total Current Liabilities	211,591
Non-Current Liabilities:	
Loan Payable -CWCB Hydro	212,088
Unearned revenue CRWCD	904,621
Unearned revenue CWCB	1,500,000
Total Non-Current Liabilities	2,616,709
Total Liabilities	2,828,300

DEFERRED INFLOWS

Assessment revenue	1,756,900
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NET POSITION

Invested in capital assets	6,560,679
Restricted	231,615
Unrestricted	5,479,924
NET POSITION	\$ 12,272,218

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, 2022

Operating Revenues:

Water assessments	\$ 1,567,845
Power plant revenue	6,289
GVWUA reimbursement	20,852
Other operating revenue	19,139
Total Operating Revenue	1,614,125

Operating Expenses:

General system operations	1,055,009
Depreciation	420,128
Power plant expenses	205,491
General & administrative	576,848
Total Operating Expenses	2,257,476
Operating Income (Loss)	(643,351)

Non-operating Revenue (Expense):

Specific ownership taxes	208,854
Investment income (loss)	(75,182)
BOR contract revenue	64,589
Grant	2,264,862
Rental income	12,220
Rental expenses	(2,125)
Loss on disposal of fixed assets	(13,450)
Interest expense	(1,234)
Total Non-operating Revenue (Expense)	2,458,534

CHANGE IN NET POSITION	1,815,183
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Net Position, Beginning	10,457,035
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Net Position, Ending	\$ 12,272,218
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The accompanying notes are an integral part of these statements.

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Increase (Decrease) in Cash & Cash Equivalents

Cash flows from operating activities:	
Cash received from land owners	\$ 1,567,845
Other operating cash receipts	70,817
Cash payments to/for employees	(929,730)
Cash payments to suppliers	(829,999)
Net Cash Provided (Used) by Operating Activities	(121,067)
Cash flows from noncapital financing activities:	
Specific ownership taxes received	208,562
Net cash Provided by Noncapital Financing Activities	208,562
Cash flows from capital & related financing activities:	
Grant revenue	2,464,862
Acquisition & construction of capital assets	(130,721)
(Increase) in Long-term receivable	(3,173,083)
(Increase)/Decrease in restricted cash	280,379
BOR contract proceeds	45,606
Payment on lease payable	(13,404)
Rental income	12,220
Rental expense	(2,125)
Net Cash Provided (Used) by Capital & Related Financing Activities	(516,266)
Cash flows from investing activities:	
Loan proceeds	212,088
Net (Increase)/Decrease in Investments	164,099
Investment income	15,920
Net Cash Provided (Used) by Investing Activities	392,107
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(36,664)
Cash & cash equivalents at beginning of year	559,895
Cash & cash equivalents at end of year	\$ 523,231

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, 2022

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

Operating income (Loss)	(643,351)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	420,128
Loss on disposal of fixed assets	13,450
Change in assets & liabilities	
(Increase) decrease in receivables	218,839
(Increase) decrease in assessment receivable	(194,000)
(Increase) decrease in interest receivable	(4,439)
Increase (decrease) in accounts payable	(150,465)
Increase (decrease) in accruals	15,879
Increase (decrease) in accrued interest expense	3,626
Increase (decrease) in USBR lease payable	-
Increase (decrease) in compensated absences	5,266
Increase (decrease) in deferred assessment inflow	194,000
 Total Adjustments	 522,284
 Net Cash Provided (Used) by Operating Activities	 \$ (121,067)

Items not requiring cash:

Market adjustment on investments Loss / (Gain)	\$ 95,541
Interest Expense	\$ 1,234

The accompanying notes are an integral part of these statements.

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2022

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, Sorenson Engineering, Inc., and Holy Cross Energy. The Grand Valley Hydro, LLC (members consisting of OMID, GVVUA, & Sorenson Engineering, Inc.) pays the annual lease amounts to the U.S. Government for the use of the Project Water Rights per the current 40 year term Lease of Power Privilege Contract No. 21-LP-40-890 . The district receives a certain percentage of the revenues from the power plant and is reimbursed for its costs as outlined in the various agreements. 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.

For 10 years, beginning on January 1, 2011, the District along with the Grand Valley Water Users Association operated and maintained the Grand Valley Power Plant, which was subject to various agreements between the District, The United States Government, Grand Valley Water Users Association and Xcel Energy. A request to terminate the Lease of Power Privilege Contract No. 0-07-40-P0180 for the Grand Valley Power Plant was signed in early 2023 and will be submitted to the Bureau of Reclamation to be processed and this plant decommissioned. Per the agreement signed and executed by both parties on October 21, 2013, between the District and GVVUA, costs will continue to be shared at 50% for decommissioning or ongoing maintenance of the old Grand Valley Power Plant.

The new Vinelands Power Plant agreement requires annual lease payments to the United States in the amount of two (2) mills per kilowatt-hour of gross energy produced by the VPP. The power revenue generated and sold by the Vinelands Power Plant to Holy Cross Energy will be distributed to the District, Grand Valley Water Users Association, and Sorenson Engineering, Inc. in accordance with the various agreements in place under this new project.

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.

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2022

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

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.

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 purposes 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, 2022

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 \$5,000 and an estimated useful life of 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, 2022, \$37,955 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 to 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, 2022

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, 2022, the bank balance of the district's deposits was \$105,610, which all was covered by FDIC. The money market balances were insured under SIPC.

	2022	
Cash Deposits:		
Cash on Hand	\$ 349	0.01%
Cash in Checking & Money Markets	105,610	3.00%
Investment Money Market (Schwab)	178,826	5.08%
	284,785	8.08%
Investments:		
FFCB	265,423	7.53%
FHL	178,054	5.05%
FHLB	875,010	24.84%
U.S. Treasury Notes	1,449,585	41.15%
	2,768,072	78.57%
COLOTRUST (Net Asset Value)	470,062	13.34%
Total Cash & Investments	3,522,919	100.00%
Less Restricted Cash & Investments	(231,615)	
Total Cash & Investments-Unrestricted	\$ 3,291,304	

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, 2022, 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, 2022, the District had \$470,062 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 of 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, 2022

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 2022, collectible in 2022, were assessed in November 2022 and certified by the Mesa County Commissioners before December 31, 2022. These assessments attach as an enforceable line 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 2022, 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 1/1/2022	Additions	Disposals	Balance 12/31/2022
Buildings & Improvements	\$ 471,278	\$ 11,275	\$ -	\$ 482,553
Irrigation System	13,450,045	61,172	-	13,511,217
Vehicles	368,334	58,274	(38,666)	387,942
Operating Equipment	679,217	-	(18,125)	661,092
Office Furniture & Fixtures	37,674	-	-	37,674
	<u>15,006,548</u>	<u>130,721</u>	<u>(56,791)</u>	<u>15,080,478</u>
Less Accumulated Depreciation	<u>(8,143,358)</u>	<u>(420,128)</u>	<u>43,341</u>	<u>(8,520,145)</u>
	6,863,190	(289,407)	(13,450)	6,560,333
Construction in Process	-	-	-	-
Land	<u>14,354</u>	<u>-</u>	<u>-</u>	<u>14,354</u>
Net Capital Assets	<u><u>\$ 6,877,544</u></u>	<u><u>\$ (289,407)</u></u>	<u><u>\$ (13,450)</u></u>	<u><u>\$ 6,574,687</u></u>

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2022

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 LOPP Payment Reserve and the Operation and Maintenance accounts. The LOPP Payment Reserve account is required to be funded at \$40,000 within the first year and for the first five calendar years after the beginning of commercial operations. After the fifth full calendar year the amount held in this account is to be increased annually to reflect the current indexed lease payment. The Fund shall be determined based upon the average of the previous five (5) years gross generation multiplied by the most recent year's indexed lease rate. Funds from this reserve may be used and replenished according to conditions stated in the agreement. The Operation and Maintenance Reserve account shall also be funded in an amount to cover the annual costs of labor, insurance, property taxes, utilities, and scheduled maintenance.

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 on December 31, 2022, is \$50,731.

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, 2022, the District contributed \$19,741 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, 2022

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
2023	\$ 14,008	\$ 630	\$ 14,638
	14,008	630	14,638
Less Current Portion	(14,008)	(630)	(14,638)
	\$ -	\$ -	\$ -

Orchard Mesa Irrigation District
Notes to the Financial Statements
December 31, 2022

NOTE 10 – LOAN PAYABLE-CWCB

The District, as part of its share of the Grand Valley Hydro project acquired a loan from Colorado Water Conservation Board, for \$1,076,660. Origination fees were 1% of the loan amount or \$10,660, which is included in the \$1,076,660. The loan carries an interest rate of 2%, and the loan term is for 30 years. Principal and interest is due annually. As of December 31, 2022, \$212,088 has been advanced against the note and the first payment date has not been determined. Accrued interest of \$3,626 has been calculated from the date of the first draw, February 22, 2022 until December 31, 2022.

NOTE 11 – SUBSEQUENT EVENTS

As of the date of the auditor's opinion there were no subsequent events that would affect the financial statements.

SUPPLEMENTARY INFORMATION

ORCHARD MESA IRRIGATION DISTRICT
STATEMENT OF REVENUES & EXPENSES
BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended December 31, 2022

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Water assessments	\$ 1,562,900	\$ 1,567,845	\$ 4,945
Specific ownership tax	140,000	208,854	68,854
Power plant revenue	-	6,289	6,289
GVWUA reimbursement	25,000	20,852	(4,148)
Other operating revenue	10,938	19,139	8,201
Investment income (loss)	19,200	(75,182)	(94,382)
Reimbursements	88,000	64,589	(23,411)
GVH-grants	3,540,862	2,264,862	(1,276,000)
Miscellaneous income	15,000	12,220	(2,780)
	<u>\$ 5,401,900</u>	<u>4,089,468</u>	<u>\$ (1,312,432)</u>
Expenses			
Operating expense	975,400	1,055,009	\$ (79,609)
Power plant expense	117,638	205,491	(87,853)
General & administrative	676,000	580,207	95,793
Capital outlay	3,632,862	130,721	3,502,141
Contingency	7,500	-	7,500
	<u>\$ 5,409,400</u>	<u>1,971,428</u>	<u>\$ 3,437,972</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES		2,118,040	
Adjustments to budgetary basis:			
Less:			
Depreciation		(420,128)	
Add:			
Capital outlay, capitalized		130,721	
Loss on disposal of fixed asset		(13,450)	
CHANGE IN NET POSITION		<u>\$ 1,815,183</u>	



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Orchard Mesa Irrigation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Orchard Mesa Irrigation District (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered [Name of Nonprofit Organization] 's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orchard Mesa Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orchard Mesa Irrigation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orchard Mesa Irrigation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blair and Associates, P.C.

Cedaredge, CO

March 10, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors'
Orchard Mesa Irrigation District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Orchard Mesa Irrigation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Orchard Mesa Irrigation District's major federal programs for the year ended December 31, 2022. Orchard Mesa Irrigation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Orchard Mesa Irrigation District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Orchard Mesa Irrigation District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Orchard Mesa Irrigation District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Orchard Mesa Irrigation District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orchard Mesa Irrigation District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Orchard Mesa Irrigation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Orchard Mesa Irrigation District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Orchard Mesa Irrigation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Orchard Mesa Irrigation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged

Blair and Associates, P. C.

Cedaredge, CO

March 10, 2023

ORCHARD MESA IRRIGATION DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assist Listing Number	Federal Expenditures
Major Programs:		
U.S. Department of the Interior		
R21AP10059-00	Upper Colorado and San Juan River Basin Endangered Fish Recovery	15.529 \$ 1,100,000
R17AP00152-04	WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507 <u>764,862</u>
Total		<u><u>\$ 1,864,862</u></u>

* Denotes Major Program

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orchard Mesa Irrigation District under programs of the federal government for the year ended December 31, 2022, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

10% de minimums rule not used.

ORCHARD MESA IRRIGATION DISTRICT
 Schedule of Findings and Questioned Costs And
 Prior Years Findings and Questioned Costs
 For the Year Ended December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness identified. NONE NOTED

Significant deficiency identified that is not considered material weaknesses? NONE NOTED

Noncompliance material to financial Statements noted? NONE NOTED

Federal Awards

Internal control over major programs: Material weakness identified. NONE NOTED

Significant deficiency identified that is not considered material weaknesses? NONE NOTED

Type of auditor’s report issued: UNMODIFIED

Any auditing findings that are required to be reported in accordance with the Uniform Guidance NONE NOTED

Identification of major program:

15.507	\$ 764,862
15.520	\$1,100,000

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low risk auditee. NO

ORCHARD MESA IRRIGATION DISTRICT
Schedule of Findings and Questioned Costs And
Prior Years Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE NOTED

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE NOTED

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

NONE NOTED