

PALISADE IRRIGATION DISTRICT

Financial Statements and  
Independent Auditors' Report  
For the Year ended December 31, 2022

PALISADE IRRIGATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Palisade Irrigation District

**Opinions**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Palisade Irrigation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Palisade Irrigation District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Palisade Irrigation District, as of December 31, 2022, 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**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Palisade Irrigation 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 Palisade Irrigation 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 generally accepted 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 generally accepted 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 Palisade Irrigation District's internal control. Accordingly, no such opinion is expressed.

Certified Public Accountants

- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Palisade Irrigation 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 we 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 Palisade Irrigation District's basic financial statements. The budgetary comparison statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Blair and Associates, P.C.*

Cedaredge, Colorado  
June 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022

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, 2022.

**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**

	2022	2021	Dollar Change	Total Percent Change
Current Assets	\$ 2,027,045	\$ 1,837,980	\$ 189,065	9.33%
Non Current Assets	771,696	729,819	41,877	5.43%
Other Assets	1,740,278	1,737,112	3,166	0.18%
Total Assets	<u>4,539,019</u>	<u>4,304,911</u>	234,108	14.94%
Current Liabilities	<u>25,361</u>	<u>25,876</u>	(515)	-2.03%
Deferred Inflow of Resources	<u>700,264</u>	<u>690,792</u>	9,472	0.00%
Investment in Capital Assets	771,696	729,819	41,877	5.43%
Unrestricted	<u>3,041,698</u>	<u>2,858,424</u>	183,274	6.03%
Total Net Position	<u>\$ 3,813,394</u>	<u>\$ 3,588,243</u>	<u>\$ 225,151</u>	<u>11.45%</u>

As shown in **Table A** the District's Net Position increased \$225,151 to \$3,813,394 in 2022, an increase from \$3,588,243 in 2021. 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 \$225,151 increase in Net Position over 2021.

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

	2022	2021	Dollar Change	Total Percent Change
Total Operating Revenues	\$ 705,507	\$ 710,823	\$ (5,316)	-0.75%
Total Operating Expenses	551,865	519,575	32,290	5.85%
Operating Income (Loss)	<u>\$ 153,642</u>	<u>\$ 191,248</u>	<u>\$ (37,606)</u>	<u>5.10%</u>
Non-operating Revenue	\$ 71,509	\$ 66,166	\$ 5,343	7.47%
Non-operating Expenses	-	-	-	0.00%
Total Non-Operating Revenue/(Loss)	<u>71,509</u>	<u>66,166</u>	<u>5,343</u>	<u>7.47%</u>
Change in Net Position	225,151	257,414	(32,263)	12.57%
Beginning Net Position	<u>3,588,243</u>	<u>3,330,829</u>	<u>257,414</u>	<u>6.27%</u>
Ending Net Position	<u>\$ 3,813,394</u>	<u>\$ 3,588,243</u>	<u>\$ 225,151</u>	<u>18.84%</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 2022 decreased \$5,316, which is a .75% from 2021. This is due to a decrease in miscellaneous income.
- Operating Expenses for 2022 increased \$32,290, which is a 5.85% increase from 2021. This was due the increase in wages and vehicle expense.

**FINANCIAL STATEMENTS**

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

The statements of Net Position present information on all 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 2022.

### **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 2022 and 19% in 2021 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, 2022, the District's capital assets were \$771,696 (Net of accumulated depreciation of \$0). 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 \$2,091 more than budgeted.
- Capital outlays were \$93,441 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 2023 fiscal year budget.

- The District has five full time employees. The District plans to maintain this staff in 2024.

## 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 facility mapping
- Underground lateral improvements
- Protection of underground facilities from excavation strikes.

### **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, 2022

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Current assets	
Cash in bank and on hand	\$ 1,315,742
Accounts receivable	400
Accrued interest income	1,711
Prepaid expenses	8,928
Assessments receivable	<u>700,264</u>
Total Current Assets	<u>2,027,045</u>
Noncurrent Assets	
Capital Assets (less accumulated depreciation)	
Building improvements	26,138
System improvements	673,028
Equipment	<u>72,530</u>
Total Noncurrent Assets	<u>771,696</u>
Other Assets	
Long-term CD's	<u>1,740,278</u>
TOTAL ASSETS	<u>\$ 4,539,019</u>
Current Liabilities	
Accounts payable	\$ 17,567
Payroll taxes payable	1,814
Accrued payroll	<u>5,980</u>
Total Current Liabilities	<u>25,361</u>
Deferred Inflow of Resources	
Water Assessments	<u>700,264</u>
Net Position	
Invested in capital assets	771,696
Unrestricted	<u>3,041,698</u>
Net Position	<u>3,813,394</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 4,539,019</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, 2022

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Operating Revenue	
Water assessment	\$ 698,202
Miscellaneous income	7,305
	<u>705,507</u>
Operating Expenses	
General & administrative	219,381
Depreciation	51,568
Canal operation	280,916
Total Operating Expenses	<u>551,865</u>
Net income from Operations	<u>153,642</u>
Non-Operating Revenue (Expenses)	
O & M Reimbursement	60,000
Interest income	11,509
Total Non-Operating Revenue	<u>71,509</u>
Change in Net Position	225,151
Total Net Position -beginning	3,588,243
Total Net Position -ending	<u>\$ 3,813,394</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, 2022

Increase (Decrease) In Cash & Cash Equivalents	
Cash Flow From Operating Activities:	
Cash received from assessments	\$ 698,202
Cash received from miscellaneous source	67,305
Cash payments to and for employees	(296,692)
Cash payments to suppliers	(181,826)
Net Cash Provided by Operating Activities	286,989
Cash Flows from Capital & Related Financing Activities:	
Acquisition of capital assets	(93,441)
Proceeds from sale of Fixed Assets	-
Net Cash Used by Capital & Related Financing Activities	(93,441)
Cash Flows from Investing Activities:	
(Increase) Decrease in long-term CD's	(3,166)
Purchase of long-term CD	(252,867)
Proceeds from sale of long-term CD	245,000
Interest income	19,372
Net Cash Provided by Investing Activities	8,339
Net Increase in Cash & Cash Equivalents	201,887
Cash-Beginning of year	1,113,855
Cash-End of year	\$ 1,315,742
Reconciliation of Operating Income to Net Position Provided by Operating Activities:	
Operating Income	\$ 213,642
Adjustment to reconcile operating income to net cash provided by operating activity	
Depreciation	51,568
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(400)
(Increase) decrease in accrued interest income	11,941
(Increase) decrease in prepaid expense	10,753
Increase (decrease) accounts payable	(3,139)
Increase (decrease) payroll taxes payable	618
Increase (decrease) accrued payroll	2,006
Total adjustments	73,347
Net Cash Provided by Operating Activities	\$ 286,989
Items not requiring Cash Flow:	
Market value adjustment	\$ 28,351

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

PALISADE IRRIGATION DISTRICT  
Note to the Financial Statements  
December 31, 2022

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

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it can appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization provide specific financial benefits to, or impose specific financial burden on, the district. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included 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, 2022

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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 like 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 investment 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 the income.

It is the District's policy to capitalize assets having a cost of \$2,500 or more and a life of at least 2 years.

**COMPENSATED ABSENCES**

There were no compensated absences on December 31, 2022.

**ENCUMBRANCES**

Encumbrance accounting is not used by District.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2022

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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 it necessary to defray all expenses and liabilities of the District during the ensuing year.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2022

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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 provide 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 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 changes 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.

**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, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of Net Position.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2022

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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, 2022, does 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 always 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, 2022

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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, 2022, the District had no investments that were subject to interest rate risk as described above.

PALISADE IRRIGATION DISTRICT  
Notes to Financial Statements  
December 31, 2022

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NOTE 2 – CASH, EQUIVALENTS, AND INVESTMENTS - CONTINUED

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

		<u>Balance</u>
Cash on Hand	\$	99
Cash in checking and money markets		<u>1,315,643</u>
	\$	<u><u>1,315,742</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, 2022, was \$1,740,278. FDIC insures the entire balance.

NOTE 3 - CHANGE IN CAPITAL ASSETS

	<u>Balance</u> <u>12/31/21</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/22</u>
Equipment	\$ 208,9156	\$ 47,908	\$ -	\$ 256,824
Building Improvements	34,202	-	-	34,202
System Improvements	<u>1,123,899</u>	<u>45,537</u>	<u>-</u>	<u>1,169,436</u>
Total	1,367,017	93,445	-	1,460,462
Accumulated depreciation	<u>(637,198)</u>	<u>51,568</u>	<u>-</u>	<u>(688,765)</u>
Net	<u>\$ 729,819</u>	<u>\$ 41,877</u>	<u>\$ -</u>	<u>\$ 771,696</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, 2022, was \$ 51,568.

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 than two out of every five years. During the year-end December 31, 2022, the District contributed \$3,805 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 can 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, 2022

	Actual	Budget	Favorable (Unfavorable) Variance
Revenue			
Water assessments levied	\$ 698,202	\$ 696,111	\$ 2,091
Total Operating Revenue	<u>698,202</u>	<u>696,111</u>	<u>2,091</u>
Expenses			
Director's fees and expense	3,600	3,600	-
Office wages	99,951	98,317	(1,634)
Field tech salary	136,647	137,961	1,314
Payroll taxes	17,642	22,000	4,358
Retirement	3,805	4,200	395
Insurance	49,038	64,025	14,987
Water purchases	5,220	8,800	3,580
Canal maintenance	84,309	195,500	111,191
GIS expense	2,114	1,200	(914)
Legal fees	11,519	8,000	(3,519)
Audit and accounting fees	6,769	8,200	1,431
Locates	7,411	7,000	(411)
Miscellaneous	10,902	5,850	(5,052)
Repairs & maintenance equipment	5,865	4,000	(1,865)
Office expense	18,578	13,400	(5,178)
Building expense	8,479	21,000	12,521
Vehicle expense	28,448	21,000	(7,448)
Total Expenses	<u>500,297</u>	<u>624,053</u>	<u>123,756</u>
Net Income Before Non-Operating Revenue (Expenses)	<u>197,905</u>	<u>72,058</u>	<u>125,847</u>
Non-Operating Revenues (Expenses)			
Miscellaneous revenue	7,305	-	7,305
O & M Reimbursement	60,000	60,000	-
Interest income	11,509	20,000	(8,491)
Fish ladder income	-	5,000	(5,000)
Fish ladder Expense	-	(5,000)	5,000
Capital outlays	(93,441)	(152,058)	58,617
Total Non-Operating (Expenses)	<u>(14,627)</u>	<u>(72,058)</u>	<u>57,431</u>
Net Income (Loss)	183,278	<u>\$ -</u>	<u>\$ 183,278</u>
Add back NON-GAAP expenditures:			
Capital Outlays	93,441		
Less GAAP expenses:			
Depreciation	(51,568)		
Change in Net Position	<u>\$ 225,151</u>		