

ORCHARD MESA IRRIGATION DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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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, 2023, 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, 2023, 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 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Blair and Associates, P. C.*

Cedaredge, CO

March 22, 2024

Orchard Mesa Irrigation District  
Management's Discussion and Analysis  
December 31, 2023

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, 2023.

**Financial Highlights**

- The assets of the district exceeded its liabilities at the close of the most recent fiscal year by \$12,693,682, (Net Position).
- Unrestricted cash and investments decreased \$79,736.
- Operating revenues of \$1,857,980.
- Operating expenses of \$2,262,591.
- Non-operating revenues net of expenses of \$826,076.

**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 18 of this document gives a comparison of the budget to actual for the district for the fiscal year 2023.

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 (38%) 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 (19.6%) of the district's total assets. These unrestricted reserves are used for irrigation system improvements.

Between December 31, 2022, and December 31, 2023, the Net Position increased by \$138,793. A major part of this was an increase in investment income.

The district's operating revenues increased \$243,855. The District's contract with the United States Bureau of Reclamation (USBOR) generated totaling \$63,496; 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 \$60,785 for 2023. Specific Ownership was up from last year following the predicted upward trend in the economy by \$17,779. Operating expenses increased \$5,115.

TABLE A  
Condensed Financial Data

	2023	2022	Dollar Change	Percent Change
Current/Other Assets	\$ 5,463,890	\$ 10,282,731	\$ (4,818,841)	-88.19%
GVH LLC Equity	5,115,432	-	5,115,432	100.00%
Capital Assets	6,469,194	6,574,687	(105,493)	-1.63%
Total Assets	17,048,516	16,857,418	191,098	10.17%
Current Liabilities	202,998	211,590	(8,592)	-4.23%
Non Current Liabilities	2,819,707	2,616,709	202,998	7.20%
Total Liabilities	3,022,705	2,828,299	194,406	2.97%
Deferred Inflows of Resources	1,817,800	1,756,900	60,900	3.35%
Invested In Capital Assets, Net	6,469,194	6,560,679	(91,485)	-1.41%
Restricted	209,099	231,615	(22,516)	-10.77%
Unrestricted	5,732,716	5,479,924	252,792	4.41%
Total Net Position	\$ 12,411,009	\$ 12,272,218	\$ 138,791	-7.77%
Total Operating Revenue	\$ 1,857,980	\$ 1,614,125	\$ 243,855	13.12%
Total Operating Expenses	(2,262,591)	(2,257,476)	(5,115)	0.23%
Operating Income (Loss)	(404,611)	(643,351)	238,740	5.58%
Non-Operating Revenue	550,437	2,475,343	(1,924,906)	-349.71%
Non-Operating Expenses	(7,035)	(16,809)	9,774	-138.93%
Total Non-Operating Revenue	543,402	2,458,534	(1,915,132)	-352.43%
Capital Contribution	-	-	-	0.00%
Change in Net Position	138,791	1,815,183	(1,676,392)	-1207.85%
Beginning Net Position	12,272,218	10,457,035	1,815,183	14.79%
Ending Net Position	\$ 12,411,009	\$ 12,272,218	\$ 138,791	1.12%

## Management's Discussion and Analysis-Continued

### Capital Assets and Debt Administration

#### *CAPITAL ASSETS*

As of December 31, 2023, the District's capital assets were \$6,469,194 (net of accumulated depreciation of \$8,918,343).

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

- Vehicle \$38,695
- System Improvements \$262,836
- Office equipment \$5,860

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

### Current Year's Budget Analysis

- The variance of \$86,633 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 \$(89,215) was due to power production anticipated, but the hydro project coming online later than anticipated.
- Operating expenses were down due to a decrease in dam maintenance and equipment repairs.
- The Power Plant expense variance of \$79,931 was due to necessary repairs not planned on.
- The capital outlay variance of \$880,789 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 2024. Originally scheduled for May 2023, pushed back to November 2023, facing another setback it was anticipated to be complete in March 2024 but due to the ongoing setbacks and hurdles created by Xcel Energy and PSCO final construction is happening, and the permanent interconnect is now scheduled to be commissioned in June 2024. Negotiation efforts were successful with Xcel alleviating the wheeling fees in an attempt to offset the unforeseen fiscal ramifications, lacking full generation capability and continued setbacks during Xcel's construction project at their Vinelands Substation to accommodate additional future capacity. During that time, the VPP power was directed through the Clifton Substation per Xcel Energy, which is their reasoning for throttling back the maximum generation of 4.5MWh to 1.8MWh for safety reasons. Due to these ongoing delays that Grand Valley Hydro, LLC are being faced with, it is causing a negative impact on the potential generation revenue ultimately affecting the projected proforma outcomes. All grant revenues have been expended in 2023. The CWCB loan is still in place to be drawn on to fund the remaining costs of constructing the Permanent Interconnect and the addition of 2 known components to the VPP; Ice/Trash Rake and closed loop cooling system. Grand Valley Hydro, LLC has been approved for a Rural Energy for America Program (REAP) grant to help offset the cost of the rake and another application has been submitted to help cover the cost of the closed loop cooling system. Both components will aid in operating practices that are more efficient and safer.

## Management's Discussion and Analysis-Continued

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 continues on 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/or piping and 50% to cost of living, borrowing money from CWCB to continue lining or a combination or both. There may also be additional increases to the assessments due to deteriorating aging infrastructure. Grant funding is being sought after to assist OMID in addressing some critical needs and areas discovered on the Power Canal, Forebay, Penstocks. and Pump House infrastructure with additional areas of increasing concern.

### **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, 2023

**ASSETS**

Current Assets:	
Cash & cash equivalents	\$ 444,495
Investments	2,903,275
Due from other entities	43,556
Interest receivable	14,784
Prepaid expenses	25,881
USBR Power plant advance	5,000
Assessments receivable	1,817,800
Total Current Assets	5,254,791
Other Assets:	
Restricted cash & investments	209,099
GVH LLC Equity	5,115,432
Capital assets	6,469,194
Total Other Assets	11,793,725
<b>Total Assets</b>	<b>17,048,516</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	85,734
Accrued payroll taxes and benefits	64,108
Compensated absences payable	43,910
Tenant deposit	1,378
Accrued interest expense	7,868
Total Current Liabilities	202,998
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
<b>Total Liabilities</b>	<b>2,819,707</b>

**DEFERRED INFLOWS**

Assessment revenue	1,817,800
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**NET POSITION**

Invested in capital assets	6,469,194
Restricted	209,099
Unrestricted	5,732,716
<b>NET POSITION</b>	<b>\$ 12,411,009</b>

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, 2023

**Operating Revenues:**

Water assessments	\$ 1,760,129
Power plant revenue	60,785
GVWUA reimbursement	1,472
Other operating revenue	35,594
Total Operating Revenue	1,857,980

**Operating Expenses:**

General system operations	307,957
Depreciation	412,706
Power plant expenses	264,931
General & administrative	1,276,997
Total Operating Expenses	2,262,591
Operating Income (Loss)	(404,611)

**Non-operating Revenue (Expense):**

Specific ownership taxes	226,633
GVH LLC contribution revenue	0
Investment income (loss)	180,556
BOR contract revenue	63,496
Hydro reimbursement	56,002
Grant	7,250
Interest expense	(4,242)
Rental income	16,500
Rental expenses	(2,793)
Total Non-operating Revenue ( Expense)	543,402

<b>CHANGE IN NET POSITION</b>	138,791
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Net Position, Beginning	12,272,218
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Net Position, Ending	\$ 12,411,009
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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, 2023

**Increase (Decrease) in Cash & Cash Equivalents**

Cash flows from operating activities:	
Cash received from land owners	\$ 1,760,129
Other operating cash receipts	97,850
Cash payments to/for employees	(819,253)
Cash payments to suppliers	(1,035,313)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>3,413</b>
Cash flows from noncapital financing activities:	
Specific ownership taxes received	224,971
<b>Net cash Provided by Noncapital Financing Activities</b>	<b>224,971</b>
Cash flows from capital & related financing activities:	
BOR reimbursement	97,095
Acquisition & construction of capital assets	(307,211)
(Increase) in Long-term receivable	(220,426)
(Increase)/Decrease in restricted cash	22,516
Reimbursement contract proceeds	144,309
Payment on lease payable	(14,008)
Rental income	16,500
Rental expense	(2,791)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(264,016)</b>
Cash flows from investing activities:	
Net (Increase)/Decrease in Investments	(135,203)
Investment income	92,098
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(43,105)</b>
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(78,737)</b>
Cash & cash equivalents at beginning of year	523,232
Cash & cash equivalents at end of year	<b>\$ 444,495</b>

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, 2023

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

Operating income (Loss)	(404,611)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	412,706
Change in assets & liabilities	
(Increase) decrease in receivables	43,135
(Increase) decrease in assessment receivable	(60,900)
(Increase) decrease in interest receivable	(4,859)
(Increase) decrease in prepaid expenses	(25,881)
Increase (decrease) in accounts payable	(39,718)
Increase (decrease) in accruals	34,937
Increase (decrease) in accrued interest expense	(4,242)
Increase (decrease) in USBR lease payable	(14,008)
Increase (decrease) in compensated absences	5,955
Increase (decrease) in deferred assessment inflow	60,900
Total Adjustments	408,025
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,414</b>
Items not requiring cash:	
Market adjustment on investments Loss / (Gain)	\$ (88,458)
Interest expense	\$ 4,242

The accompanying notes are an integral part of these statements.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
December 31, 2023

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 2024 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, 2023

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, 2023

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' Simple IRA plan. On December 31, 2023, \$43,910 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. (See Note 12)

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, 2023

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, 2023, the bank balance of the district's deposits was \$69,907, which all was covered by FDIC. The money market balances were insured under SIPC.

	2023	
Cash Deposits:		
Cash on Hand	\$ 349	0.01%
Cash in Checking & Money Markets	69,907	1.97%
Investment Money Market (Schwab)	152,602	4.29%
	222,858	6.27%
Investments:		
FFCB	275,911	7.76%
FHL	185,169	5.21%
FHLB	678,082	19.06%
U.S. Treasury Notes	1,764,133	49.60%
	2,903,295	81.62%
COLOTRUST (Net Asset Value)	430,736	12.11%
Total Cash & Investments	3,556,889	100.00%
Less Restricted Cash & Investments	(209,100)	
Total Cash & Investments-Unrestricted	\$ 3,347,789	

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, 2023, 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, 2023, the District had \$430,736 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.

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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 2023, collectible in 2023, were assessed in November 2023 and certified by the Mesa County Commissioners before December 31, 2023. These assessments attach as an enforceable line on January 1, 2023, and are due in total April 30, 2023, or in equal installments February 28, 2023, and June 15, 2023, at the option of the payor. Assessments are considered fully collectible.

Assessments for 2023, collectible in 2023, 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 1/1/2023	Additions	Disposals	Balance 12/31/2023
Buildings & Improvements	\$ 482,553	\$ -	\$ -	\$ 482,553
Irrigation System	13,511,218	262,836	-	13,774,054
Vehicles	387,942	38,695	-	426,637
Operating Equipment	661,092	-	-	661,092
Office Furniture & Fixtures	37,675	5,680	(14,507)	28,848
	<u>15,080,480</u>	<u>307,211</u>	<u>(14,507)</u>	<u>15,373,184</u>
Less Accumulated Depreciation	(8,520,145)	(412,706)	14,507	(8,918,344)
	<u>6,560,335</u>	<u>(105,495)</u>	<u>-</u>	<u>6,454,840</u>
Construction in Process	-	-	-	-
Land	14,354	-	-	14,354
Net Capital Assets	<u>\$ 6,574,689</u>	<u>\$ (105,495)</u>	<u>\$ -</u>	<u>\$ 6,469,194</u>

Orchard Mesa Irrigation District  
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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, 2023, is \$51,132.

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, 2023, the District contributed \$17,901 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  
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NOTE 8 – MAJOR CONTRACTS

In March 2021, several agreements were entered into regarding the new Vinelands Power Plant which are still in effect.

- 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 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, 2023, \$212,088 has been advanced against the note and the first payment date has not been determined. Accrued interest of \$7,868 has been calculated from the date of the first draw, February 22, 2022 until December 31, 2023. In February 2024, an additional advance of \$450,000 was received.

NOTE 11 – GRAND VALLEY HYDRO EQUITY

In December 2023, the District received its first payment on the promissory note from Sorenson. ( A member of the GVH LLC). The payment was \$57,360. The payment was broken down into a principal amount of \$30,823, and interest of \$26,537.

Each year Sorensen is to make a payment on the promissory note or convert the payment to ownership of GVH LLC. The amount converted each year amounts to 5.1%. Over the next 5 years, the district will receive a total of 25.5% ownership in the LLC.

The amount of the promissory note converted to ownership and treated as contributed capital was \$251,850 and is treated as equity in the LLC.

On December 31, 2023, the District has an investment in the Grand Valley Hydro, LLC., of \$5,115,432. Actual capital outlays of \$5,146,226 and collection on note receivable of \$30,823.

Orchard Mesa Irrigation District  
Notes to the Financial Statements  
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NOTE 12 – SUBSEQUENT EVENTS

Starting March 1, 2024, the District will receive 5.1% ownership in Grand Valley Hydro, LLC, a Colorado limited liability company, consisting of two other members: Ted Sorenson, and Grand Valley Water Users Association.

Orchard Mesa Irrigation District will, over a period of 5 years become a 25.5% owner in the Grand Valley Hydro, LLC.

The District will, on March first of each year receive 5.1% ownership, by converting its share of the note receivable from Ted Sorenson, of \$1,382,543, into ownership. The annual value of the converted ownership is estimated to be \$282,673.

The final ownership value of the converted accounts receivable and what the district has contributed out of its own pocket will be approximately \$3,702,066.

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SUPPLEMENTARY INFORMATION

ORCHARD MESA IRRIGATION DISTRICT  
STATEMENT OF REVENUES & EXPENSES  
BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
For the Year Ended December 31, 2023

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Water assessments	\$ 1,756,900	\$ 1,760,129	\$ 3,229
Specific ownership tax	140,000	226,633	86,633
Power plant revenue	150,000	60,785	(89,215)
GVWUA reimbursement	10,000	1,472	(8,528)
Other operating revenue	11,000	35,593	24,593
Investment income (loss)	21,200	180,556	159,356
Contribution revenue	-	0	0
Reimbursements	88,000	119,498	31,498
Grants	858,000	7,250	(850,750)
Miscellaneous income	15,000	16,499	1,499
	<u>\$ 3,050,100</u>	<u>2,408,415</u>	<u>\$ (641,685)</u>
<b>Expenses</b>			
Operating expense	373,400	307,957	\$ 65,443
Power plant expense	185,000	264,931	(79,931)
General & administrative	1,288,700	1,284,030	4,670
Capital outlay	1,188,000	307,211	880,789
Contingency	15,000	-	15,000
	<u>\$ 3,050,100</u>	<u>2,164,129</u>	<u>\$ 885,971</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENSES</b>		244,286	
Adjustments to budgetary basis:			
Less:			
Depreciation		(412,706)	
Add:			
Capital outlay, capitalized		307,211	
<b>CHANGE IN NET POSITION</b>		<u>\$ 138,791</u>	