

**FINANCE COMMITTEE  
MINUTES  
November 15, 2018**

A meeting of the Finance Committee was held on Thursday, November 15, 2018 at 8:32 a.m. at the District Office, 31717 United Avenue, Pueblo, Colorado.

Chairwoman Nichols announced a quorum was present.

**COMMITTEE MEMBERS PRESENT:**

Ann Nichols-Chairwoman and Kevin Karney-Vice-Chairman  
Bill Long, Seth Clayton, Greg Felt, and James Broderick

**COMMITTEE MEMBERS ABSENT AND EXCUSED:**

None

**OTHERS PRESENT:**

Tom Goodwin, SECWCD Board Member; Lee Miller, General Counsel SECWCD; and Leann Noga, Finance Manager SECWCD.

**APPROVAL OF MINUTES:**

Chairwoman Nichols confirmed that members of the Committee received their copy of the October 18, 2018 minutes and asked if there were any corrections or additions. Hearing none, Mr. Karney moved, seconded by Mr. Clayton, to approve the October 18, 2018 minutes. Motion unanimously carried.

**ACTION ITEMS:**

*Financial Reports*

Mrs. Noga summarized the financial statements for October 2018 revenues and expenditures. Chairwoman Nichols then asked for a motion to accept the financial statements as presented. Mr. Clayton moved, seconded by Mr. Felt to accept the financial statements for October 2018. Motion unanimously carried.

*Check Review*

Mrs. Noga reviewed checks written and paid in October 2018. Chairwoman Nichols asked for a motion to accept the check registers. Mr. Clayton moved to accept the check registers for October 2018, seconded by Mr. Felt. Motion unanimously carried.

**PRESENTATIONS:**

None

**INFORMATION ITEMS:**

*Invested Funds Report*

Mrs. Noga summarized the invested funds report providing October 2018 month end information for

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COLOTrust and Wells Fargo liquid and long-term investments. The goal is to maintain the lateral approach in long term investments as well as reach a target of 20 percent to 30 percent in the COLOTrust accounts by December 2018. Invested funds will be redistributed at maturity. Month-end October 2018 provided the following percentage totals:

- **District**
  - Wells Fargo: 84.48%
  - COLOTrust: 15.52%
- **Enterprise**
  - Wells Fargo: 92.46%
  - COLOTrust: 7.54%

*Fryingpan-Arkansas Contract Amendment 11: Effects on Budget, Audit, and Accounting*

Mrs. Noga summarized the major changes in the Fryingpan-Arkansas Contract Amendment 11:

- Ad Valorem tax remains at 0.9 mills
- Amortized remaining debt to the full 50 years allowed by Statute (Dec 2031)
- Move to a upfront payment of OM&R expense
- Creation of Fry-Ark Project OM&R reserve fund held by the District General Fund
- Application of Tax Revenues:
  - First, to annual OM&R costs (including extraordinary maintenance and replacements)
  - Second, to reduce annual construction payment
  - Third, remainder if any, to a Fry-Ark Project OM&R reserve fund
- Winter Water Storage Payments
  - First, to annual OM&R costs in years when ad valorem revenues, other contractor payments, and the District's use of the Reserve funds do not cover the construction obligation and annual OM&R
  - Second, applied as upfront funding, available without appropriation, for the actual cost of the Arkansas Valley Conduit

Mrs. Noga then explained that she consulted with Larry Daveline, the District's contracted CPA, as well as Mitch Downs of Osborne, Parsons & Rosacker, which is the District external auditor. Staff has explained the below outlined approach to account for the contract changes. Both Mr. Daveline and Mr. Downs are in agreement with staff recommendations.

- Ad valorem revenues will be recorded in the same manner as in the past
- Fry-Ark Expenditures will include additional general ledger accounts
  - Fry-Ark Debt Payment (Debit Balance)
  - OM&R Charges (Debit Balance)
  - OM&R Credits (Credit Balance)
- Fry-Ark debt payments made in June and December will be recorded as a decrease in total debt.
- An estimation will be made in the December payment regarding the upfront payment of OM&R expense and recorded as a pre-payment for the sequential year.
- Estimation will be made using the Fry-Ark Cash Flow Forecast, which will be updated as new information becomes available.

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- The 2017 Audit will remain as approved by the Board of Directors. The Fry-Ark debt total reported in the 2017 Audit includes the reconciliation of the Fry-Ark Project as of September 30, 2017 with an estimate of three months (October – December 2017) to provide the December 31 balance. This is a consistent practice from years past.

The 2018 Audit will include a prior year adjustment of the Fry-Ark debt total as well as detailed notes regarding the Fry-Ark Contract Amendment 11 changes and application.

After a lengthy discussion there was concern regarding the reporting of the Fryingpan-Arkansas debt balance accuracy. Mr. Felt motioned to add a debt total note to the internal Statement of Net Positions to the October through December 2018 statements to avoid any confusion regarding the debt of the Fryingpan-Arkansas Project. This motion was seconded by Mr. Long, motion unanimously carried.

*2019 Proposed Budget*

Mrs. Noga summarized the government wide 2019 Proposed Budget explaining the planned use of fund balance in the District and Enterprise. A summary of the government wide fund balance estimations was provided for year-end 2018 and 2019. Mrs. Noga also provided the total 2019 Budgeted expenditure limits for the District, Enterprise, and Hydroelectric Power.

**OTHER BUSINESS:**

None

**NEXT MEETING:**

The next Finance Committee meeting will be January 17, 2019.

**ADJOURN:**

Chairwoman Nichols adjourned the meeting at 9:33 a.m.

Respectfully submitted,

Leann Noga  
Finance Manager