



## *Upper Gunnison River Water Conservancy District*

210 West Spencer Avenue, Suite B • Gunnison, Colorado 81230  
(970) 641-6065 • [www.ugrwc.org](http://www.ugrwc.org)

### **MEMORANDUM**

TO: Board of Directors  
Lake San Cristobal Water Activity Enterprise

FROM: Sonja Chavez, General Manager

DATE: April 15, 2020

SUBJECT: LSCWAE April Informational Packet

Following is an informational packet that will facilitate communication with your respective organizations on items of importance to the LSCWAE as we start to prepare for the Annual Board Meeting on May 26<sup>th</sup>, 2020.

Specifically, we are asking that Directors:

- 1) Seek formal board action from your organizations approving the LSCWAE Board's requested amendments to the Intergovernmental Agreement (See attached Memo from John McCloy, April 15, 2020).
- 2) Update your respective organizations on the Draft LSCWAE budget (See attached Memo from Jill Steele). No formal action required.
- 3) Input from your respective organizations on whether to implement audits annually or once every five years. Recall that the LSCWAE Board was leaning toward once every five years (Please see attached Audit Proposal providing an estimate for both options).
- 4) Hinsdale County Directors will need to seek BOCC action for continued support for utilizing County staff for on-going Operation & Maintenance of the LSC gates and approval of the proposed reimbursement amount (\$4,000 annually).
- 5) Update your respective organizations on the completion of the gate system troubleshooting and inform them that no repairs are needed, and gates are fully operational (See attached Memo from Sonja Chavez, April 15, 2020).



## UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT

### MEMORANDUM

FROM: John H. McCloy, General Counsel  
TO: Board of Directors, Lake San Cristobal Water Activity Enterprise  
RE: Revisions to Amended Intergovernmental Agreement  
DATE: April 15, 2020

As we discussed at our February 20 meeting, when the Amended Intergovernmental Agreement (IGA) for the Lake San Cristobal Water Activity Enterprise was drafted, the Board met every month. Once the outlet works were completed and a routine maintenance system was adopted, the Board elected to conduct only one annual meeting in May each year. This adjustment of meeting frequency requires a similar adjustment to the operating procedures in the IGA to make the IGA conform to current practice.

In addition, the Enterprise financial statements have not been audited annually, primarily because the cost of an annual audit was not deemed to be justified given the limited financial activity described in the statements. Jill Steele, the District's office manager, obtained an estimate from the District's auditor (attached) for your consideration in deciding whether to retain the annual audit requirement or move to an audit every five years.

The Board agreed to the revisions identified by redline below, subject to the approval of the Trustees, Commissioners, and Upper Gunnison Board (the audit language offers the two alternatives discussed above):

4.3.4 The General Manager of the Enterprise shall prepare a draft annual budget for Enterprise operations for the succeeding fiscal year and submit it for review and approval by the Enterprise Board at its annual meeting each year. Following submittal of the annual budget to the Enterprise Board, the board shall comply with the public notice and hearing requirements of § 29-1-106 and § 29-1-108(1), Colorado Revised Statutes. The Enterprise Board shall adopt an annual budget for Enterprise operations for the succeeding fiscal year not later than June 15 in each year. The annual budget may be amended from time to time by the Enterprise Board at a public meeting following public notice of the Board's intent to amend its budget.

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4.4 Financial Statements. The General Manager shall prepare and deliver an annual financial statement to the Enterprise Board at its annual meeting each year. Financial statements of the Enterprise shall be audited [annually] [once every five years] by an independent certified public accountant selected by the Enterprise Board to assure that the financial statements are fairly presented in conformity with generally accepted accounting principles.

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This memo is provided for your use in reviewing the proposed IGA with your governing body.



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### **MEMORANDUM**

TO: Board Members,  
Lake San Cristobal Water Activity Enterprise

FROM: Jill Steele, Office Manager

DATE: April 15, 2020

SUBJECT: Lake San Cristobal Water Activity Enterprise 2020  
Budget

Attached is the draft 2020 Lake San Cristobal Water Activity Enterprise budget. We have made a couple of suggested changes, which are highlighted below.

A suggested increase of 3% is included to cover an anticipated increase in the cost associated with the USGS stream gage.

A new line item has been added: "Operations – Gate Maintenance Contract Work." This is intended to cover expenses associated with Robert Hurd's gate system operation and maintenance and comprehensive training for two appropriate County employees (e.g., Road & Bridge and/or Water Department).

The budget for Equipment Repair has been reduced because the anticipated repair of the SCADA computer took place in 2019.

# LAKE SAN CRISTOBAL WATER ACTIVITY ENTERPRISE 2020 BUDGET

July 1, 2020 - June 30, 2021

**DRAFT: SUBJECT TO CHANGE (v. 04/15/20)**

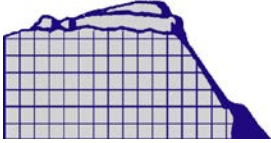
	2018 ACTUAL 7/1/18 - 6/30/19	2019 BUDGET 7/1/19 - 6/30/20	2019 YTD	2020 BUDGET 7/1/20-6/30/21
<b>REVENUE</b>				
Water Contract Sales	\$ 9,114.14	\$ -	\$ -	\$ -
Assessments & Administrative Fees on Contracts	9,240.00	9,890.50	9,119.00	9,890.50
Three Member Entities' Fees on Un-sold Base Units				
UGRWCD	14,220.00	13,464.00	13,464.00	13,464.00
Hinsdale County	13,464.00	13,464.00	13,464.00	13,464.00
Town of Lake City	6,151.50	6,151.50	6,151.50	6,151.50
Interest on Investments	-	-	-	-
Contributions by Member Entities	-	-	-	-
Other Income	-	-	-	-
<b>TOTAL REVENUE</b>	<b>\$ 52,189.64</b>	<b>\$ 42,970.00</b>	<b>\$ 42,198.50</b>	<b>\$ 42,970.00</b>
<b>EXPENSES</b>				
Legal Expenses	\$ -	\$ -	\$ -	\$ -
Construction	-	-	-	-
Outlet Works Repair	-	-	-	-
Equipment Repair	4,272.46	16,000.00	14,103.00	2,000.00
Operations - USGS Gage	13,875.00	13,875.00	11,560.00	14,291.25
Operations - Gate Maintenance Contract Work		-	-	2,500.00
Operating Expenses - Hinsdale County		4,000.00	-	4,000.00
Operating Expenses - Town of Lake City	-	-	-	-
Operating Expenses - UGRWCD	-	-	-	-
Utilities	2,602.91	2,500.00	1,435.06	2,500.00
Office Expenses	-	450.00	-	450.00
<b>TOTAL EXPENSES</b>	<b>\$ 20,750.37</b>	<b>\$ 36,825.00</b>	<b>\$ 27,098.06</b>	<b>\$ 25,741.25</b>
<b>Revenue Over (Under) Expenses</b>	<b>\$ 31,439.27</b>	<b>\$ 6,145.00</b>	<b>\$ 15,100.44</b>	<b>\$ 17,228.75</b>
Contribution to Capital Reserve	\$ 1,815.00	\$ 1,815.00	\$ 1,815.00	\$ 1,815.00
Sales price per base unit		\$ 55.00		\$ 55.00
Annual assessment per base unit for operating expenses		\$ 4.50		\$ 4.50
Original number of base units available:		9500		9500
Base units conveyed to Town of Lake City per IGA:		1800		1800
Other Base units sold (Hinsdale County)		175		175
Other Base units sold (UGRWCD)		175		175
Remaining base units available for sale:		7350		7350

We, the undersigned officers of the Board of Directors of the Lake San Cristobal Water Activity Enterprise, do hereby certify that the above is a true copy of the 2020 Lake San Cristobal Water Activity Enterprise Budget as adopted by the Board of Directors on May 26, 2020

\_\_\_\_\_  
Michelle Pierce, Chairperson

ATTEST:

\_\_\_\_\_  
William J. Nesbitt, Secretary/Treasurer



**Paul D. Miller CPA, LLC.**  
Certified Public Accountant

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February 28, 2020

Board of Directors  
Lake San Cristobal Water Activity Enterprise  
210 West Spencer Ave. Suite B  
Gunnison, Colorado 81230

I am pleased to submit the following information concerning the audit proposal for the Lake San Cristobal Water Activity Enterprise, (Entity). Included in this proposal are the data you requested and some additional information I feel might be useful in selecting an auditor.

**Scope of Audit**

My audit will be performed in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States of America, and will include tests of the accounting records of the Entity and other procedures I consider necessary to enable me to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of certain assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. I will request written representation from your attorneys, if any, as part of this inquiry. At the conclusion of my audit, I will also request certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, I will plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because I will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by me. I will advise you, however, of any matters of that nature that come to my attention, and will include such matters in a management letter written to you. My responsibility as auditor is limited to the period covered by my audit and does not extend to matters that might arise during any latter periods for which I am not engaged as auditor.

**Audit Cost Proposal**

The audit fee amounts are detailed on the Audit Proposal form enclosed.

The audit fee for each period includes two hours of professional time to the Entity after audit delivery for consultation and communication at **no extra cost.**

Paul D. Miller, C.P.A  
[pauldmiller@live.com](mailto:pauldmiller@live.com)

## **Firm Resume'**

A brief list of some of the governmental organizations for which I have performed audits follows.

Clifton Fire Protection District	1986-present
West Glenwood Water & Sanitation District	1990-present
Grand Valley Irrigation Company	1986-present (Single Audit)
Clifton Sanitation District	2001-present
Palisade Irrigation District	2008-present
Upper Gunnison River Water Conservancy District	2013-present
Orchard Mesa Irrigation District	2015-present

I have been auditing for 30 years and restrict my business to performing governmental and non-profit work as well as preparing the 990 tax return.

## **Additional services**

Additional services that I may help you with will be billed at my standard hourly rate for the level of service being provided. These rates range from \$120 to \$150 per hour. Paul D. Miller, CPA, will be working on your audit.

## **Other Comments**

I thank the Lake San Cristobal Water Activity Enterprise for this opportunity to offer my proposal for auditing services. Please let me know if you have any questions.

Sincerely,

*Paul D. Miller, CPA, LLC*

Paul D. Miller, CPA, LLC.  
Certified Public Accountant

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Approved by:

Option chosen: A \_\_\_\_\_ B \_\_\_\_\_

## AUDIT PROPOSAL

To: Board of Directors  
Lake San Cristobal Water Activity Enterprise

The following proposal is submitted for your review the 27th Day of February, 2020:

### Option A: Annual Audits:

1 <sup>st</sup> year of audit for the period 7/1/18 to 6/30/19	<u>\$ 1,300</u>
* 2 <sup>nd</sup> year of audit for the period 7/1/19 to 6/30/20	<u>\$ 1,200</u>
* 3 <sup>rd</sup> year of audit for the period 7/1/20 to 6/30/21	<u>\$ 1,200</u>

\*Note: 2<sup>nd</sup> through 3<sup>rd</sup> years of contracts are subject to negotiations, based on our previous performance and the Entity's performance.

### Option B: Every Five (5) Years Audits:

The following proposal is submitted for your review for an audit performed once every five (5) years.

The cost of performing an Audit of your organization once every five years would be \$1,700.

FIRM NAME: Paul D. Miller, CPA, LLC  
ADDRESS: P. O. Box 4595  
Grand Junction, CO 81502

BY: Paul D. Miller Shareholder



## *Upper Gunnison River Water Conservancy District*

### **MEMORANDUM**

April 14, 2020

To: Lake San Cristobal Water Activity Enterprise (LSCWAE) Board

From: Sonja Chavez, General Manager

Re: Status Update - Gate Outlet Troubleshooting

Dear Directors,

The Upper Gunnison River Water Conservancy District (District) received the following email communication from Robert Hurd on March 28th, acting in his capacity as consultant to the LSCWAE, and related to his efforts to troubleshoot operational issues of the Lake San Cristobal Gate Outlet Works.

- March 17th – Returned to LSC outlet with information from Obermeyer on procedures to calibrate Inclinometers. Checked all connections on Gate 1 and 2 on the gate mount point at the end of both gates. All connections found to be sealed and in good condition.
- March 18th – Began calibration process and both Inclinometers operating but not reading accurately. Made adjustments and had more accurate readings when finished.
- March 19th – Made additional adjustments which resulted in cubic foot per second / cfs reading very close to that of the United States Geological Survey (USGS) readings.
- March 21st – Checked individual gate cfs readings which were still within 1 cfs of USGS readouts.
- March 24th – With warmer conditions, proceeded to bleed air from bladders. Lake shore bladders showed only a small amount of water which was a good sign. Recommend that bladders be bled at least every three months.



- March 26<sup>th</sup> – Did final calibration check and still receiving accurate cfs readings that are consistent with USGS gage.

Mr. Hurd indicated that he will do weekly site visits to monitor the gates unless more frequent checks are requested by the LSCWAE board or if problems are found during weekly checks. He believes that all gate systems are in good operating conditions and that we are ready to move into spring runoff season.

The District is pleased to report that we believe gate issues are resolved and that the problems that developed were simply due to a lack of regular maintenance.

Moving forward, there are two additional activities that will take place. First, at the recommendation of the LSCWAE Board, the District will be investigating the cost associated with moving the staff gage currently located at the shoreline near the outlet works to a different location that makes it easier and safer to take visual lake level readings. Second, Mr. Hurd will be conducting detailed training on operating, maintaining and troubleshooting gate issues with at least two local government employees (e.g., County Road & Bridge and/or Water Departments).

Please contact me if you have any additional questions or concerns.

Sincerely,



Sonja Chavez,  
General Manager