



MUNICIPAL FISCAL STEWARDSHIP

YOUR
PART-TIME
CONTROLLER®
The *NONPROFIT* accounting specialists™



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EXPERIENCED PROFESSIONALS

We have over three decades of experience building stronger s



SPECIALIZED SOLUTIONS

We create flexible financial management plans and accounting solutions based on clients' unique needs



AWARD-WINNING FIRM

We are recognized as a “Best Place to Work” and a “Top 100 Firm”



A TRUSTED PARTNER

We serve clients nationwide through our regional offices and remote services



Role of a Board

Fiduciary and financial oversight responsibilities



Key Financial Terms

Accounting terms board members should know



Financial Reporting

Internal and external reporting types



Financial Oversight Best Practices

That support the fiscal health and accountability of municipal organizations



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ROLE OF A BOARD

Fiduciary and financial oversight responsibilities



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Fiduciary responsibility

The responsibility to act in the best interest of another party.

The basics

Board members are held to legal and ethical obligations. Above all else, board members must put the interests of the public first.



Fiduciary Responsibilities

While management is responsible for day-to-day operations, board members are responsible for **strategic decisions** and **governance**

Duty of Care



Duty of Loyalty



Duty of Obedience



TYPICAL BOARD ROLES AND RESPONSIBILITIES

Duty of Care



- ✓ Attending board and committee meetings consistently
- ✓ Preparing by reviewing agendas, staff reports, and financial information
- ✓ Asking questions and exercising independent judgment
- ✓ Considering legal, financial, and community impacts of decisions
- ✓ Showing up, being prepared, and engaging in the public process

Duty of Loyalty

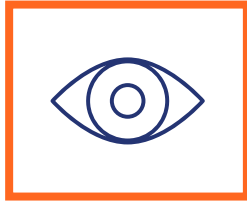


- ✓ Putting public interest above personal, financial, or political interests
- ✓ Avoiding favoritism toward individuals or groups
- ✓ Identifying and disclosing conflicts of interest promptly
- ✓ Recusing oneself when required by law
- ✓ Acting in ways that preserve public trust and confidence

Duty of Obedience



- ✓ Complying with state law, the town charter or code, and local ordinances
- ✓ Following required procedures, including open meetings and public notice laws
- ✓ Acting only where the board has legal authority to do so
- ✓ Respecting adopted policies and ordinances
- ✓ Refraining from actions that are unauthorized, even if well-intentioned



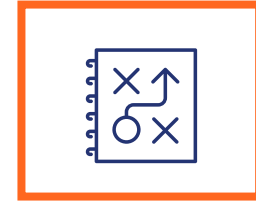
Mayor

- ✓ Presides over Board of Trustees meetings
- ✓ Provides leadership and policy direction with the Board
- ✓ Represents the town publicly and intergovernmentally
- ✓ Signs ordinances, resolutions, and authorized documents
- ✓ Serves as a visible spokesperson for the community



Treasurer

- ✓ Oversees the safekeeping and proper handling of town funds
- ✓ Monitors revenues, expenditures, and cash balances
- ✓ Receives and accounts for taxes, fees, and other municipal income
- ✓ Provides financial reports to the Board of Trustees as required
- ✓ Ensures compliance with state and local financial control requirements



Town Administrator

- ✓ Oversees day-to-day town operations and staff
- ✓ Implements policies and ordinances adopted by the Board
- ✓ Prepares the budget and operational recommendations
- ✓ Advises the Board on legal, financial, and policy issues
- ✓ Acts as liaison between the Board, staff, and the public

Fiduciary responsibilities

Duty of Care: Be present, prepared, and thoughtful in public decision-making.

Duty of Loyalty: Put the community's interests above personal or private interests.

Duty of Obedience: Act within legal authority and follow required laws and procedures.

Board responsibilities

- Set policy direction and adopt ordinances, resolutions, and the budget
- Act in the public interest with care, loyalty, and obedience to law
- Make decisions transparently, lawfully, and on the public record
- Provide oversight of town operations without managing day-to-day work

Key roles

Mayor: Presides over meetings, provides leadership, represents the town, and signs official actions

Treasurer: Oversees safeguarding of town funds and financial reporting

Town Administrator: Runs day-to-day operations, implements board policy, advises the board, and manages staff



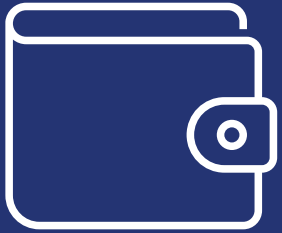
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KEY FINANCIAL TERMS

Accounting terms board members should know



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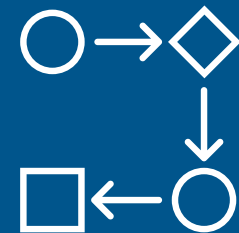


Financial management

The processes of planning, accounting, reporting, and monitoring financial activities for an organization, all centered around a system of internal controls.

Internal controls

System of policies, procedures, and processes designed to protect an organization's assets and prevent errors. To be effective, internal controls must be carried out entity-wide.





GAAP

Generally Accepted Accounting Principles

Common accounting rules and regulations in the United States for financial reporting

Primary **accounting methods**

Modified Accrual

Governmental Funds

- Focuses on current financial resources, not long-term assets or liabilities
- Emphasizes budgetary control and short-term fiscal accountability

Full Accrual

Government-wide and Enterprise

- Revenues and expenses recognized when earned or incurred
- Long-term view of the town's financial health
- Designed to show whether services are self-supporting

THE BUILDING BLOCKS OF FINANCIAL STATEMENTS

Throughout the year, transactions post to accounts, creating balances that appear in the financial statements



Statement of Net Position

- **Full Accrual**
- **Fund Type:** Government-wide and enterprise activities.
- Reports assets, liabilities, and net position / fund balance at a point in time
- **Shows overall long-term financial health of the town**

Statement of Activities

- **Full Accrual**
- **Fund Type:** Government-wide and enterprise activities.
- Shows revenues, expenses, and net change by function or program
- **Focuses on cost of services and how they are funded**

Statement of Revenues, Expenditures and Changes in Fund Balances

- **Modified Accrual**
- **Fund type:** Governmental funds (e.g., General Fund)
- Shows current-year inflows, outflows, and ending fund balance
- **Emphasizes budgetary and short-term financial accountability**

WHICH FINANCIAL STATEMENT SHOULD TRUSTEES USE?

Statement of Net Position

- Long-term financial health and sustainability
- Debt capacity and major capital investments
- Overall asset condition and liabilities
- Whether the town is strengthening or weakening over time
- **Best for:** Big-picture, long-term stewardship questions

Statement of Activities

- Cost of services (e.g., public works, parks, administration)
- Whether programs are funded by fees or require tax support
- Program expansion, reduction, or restructuring
- Understanding where subsidies are occurring
- **Best for:** Evaluating what services truly cost and how they're paid for

Statement of Revenues, Expenditures and Changes in Fund Balances

- Annual budgeting and fiscal discipline
- Whether revenues covered expenses this year
- Fund balance levels and reserves
- Short-term affordability of new spending
- **Best for:** Annual budget, cash flow, and “can we afford this now?” questions

Exchange Transactions

- **Examples:**
- Utility fees (water/sewer) paid in direct exchange for ongoing utility service.
- Building or zoning permit fees paid for plan review, inspection, and approval services.
- Facility or park rentals paid to reserve and use town-owned spaces or amenities.

The Basics

- Represents earned income
- Reciprocal transaction
- Primary benefit to the customer

Recognition

- Revenue is recognized as performance obligations are satisfied
- Recognition could occur over time or at a point in time

Contributions

- **Examples:**
- State grants for trail improvements, parks, wildfire mitigation, or transportation safety
- County distributions (e.g., El Paso County pass-through funds for specific projects)
- Federal grants for infrastructure, emergency preparedness, or environmental restoration

The Basics

- Represents contributed income
- Non-reciprocal & voluntary
- Primary benefit to the public

Recognition

- Recognized when eligibility requirements are met
- Recognized only when the amount is known and it will be received in time to use it for current bills.

Financial management

- Accounting rules are known as GAAP
- Primary methods of accounting are full accrual and modified accrual

Building blocks

- Transactions can be reciprocal or non-reciprocal
- There are five account types: assets, liabilities, net position / fund balance, revenues, and expenses

Revenue recognition

- Two main sources of revenue are **exchange transactions** and **contributions**
- If payment is **required by law** and **not tied to a specific service**, it's a contribution (non-exchange) transaction (e.g. taxes)
- If payment is **voluntary** and **tied to a direct service**, it's an exchange transaction e.g. fees, permits, utilities





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FINANCIAL REPORTING

Internal and external reporting types



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Two main types of **financial reporting**

Internal

- Monthly budget-to-actual and cash reports
- Fund balance and departmental spending summaries
- Capital project and utility operating reports

Used for: day-to-day management and board oversight

External

- Audited financial statements / ACFR
- State-required filings and grant reports
- Adopted budgets and public financial disclosures

Used for: transparency, compliance, and public accountability

TOWN OF PALMER LAKE

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL

WATER ENTERPRISE FUND

For the One Month Ended January 31, 2026

UNAUDITED

Internal budget reports



Key Features

Date: covers 1 month of activity

Fund: results for a single fund

Focus: this is prepared with a focus on operating results vs budget

Comparison: budget vs. actual results with variances

Excess of Revenue: this is the “net income” for the fund for the period.

Good to Know: variances may reflect timing, not permanent savings

	2026 Original Budget	Actual	Variance Favorable (Unfavorable)	Percent of Budget (YTD 8%)
REVENUE				
Water Billing	\$ 1,109,736	\$ 106,140	\$ (1,003,596)	10%
Water Meter/Parts	1,700	-	(1,700)	0%
Late Fees/Service Fees	16,000	1,729	(14,271)	11%
Interest	12,188	1,063	(11,125)	9%
Total Revenue	<u>\$ 1,139,624</u>	<u>\$ 108,932</u>	<u>\$ (1,030,692)</u>	<u>10%</u>
EXPENDITURES				
Salaries and Benefits	\$ 488,734	\$ 35,879	\$ 452,855	7%
Professional Services	121,500	9,602	111,898	8%
Administrative/Operations	510,450	34,526	475,924	7%
Other Uses	902,575	-	902,575	0%
Total Expenditures	<u>\$ 2,023,259</u>	<u>\$ 80,007</u>	<u>\$ 1,943,252</u>	<u>4%</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (883,635)</u>	<u>\$ 28,925</u>	<u>\$ 912,560</u>	
FUND BALANCE - BEGINNING OF YEAR		<u>\$1,680,773</u>		
FUND BALANCE - END OF YEAR		<u>\$ 1,709,698</u>		
Less: Restricted Operating Reserve - 3 months		(216,571)	<i>Note 1</i>	
FUND BALANCE - END OF YEAR - Unrestricted		<u><u>\$ 1,493,127</u></u>		

Note 1: CWR&PDA Loan Requirement

Town of Palmer Lake, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2024

Statement of Net Position

	<u>Water</u>	
Assets		
Current Assets		
Cash and Investments	\$ 1,257,829	
Restricted Cash and Investments	103,486	←
Accounts Receivable	124,702	
Due from Other Governments	290,699	
Prepaid Expenses	1,257	
Total Current Assets	<u>1,777,973</u>	
Non-Current Assets		
Capital Assets, <i>Not Being Depreciated</i>	560,000	
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>5,790,853</u>	
Total Noncurrent Assets	<u>6,350,853</u>	
Total Assets	<u>\$ 8,128,826</u>	
Liabilities		
Current Liabilities		
Accounts Payable	\$ 8,356	
Accrued Salaries	6,196	
Accrued Interest	9,904	
Due to Other Funds	485,628	
Long-Term Debt, <i>Current Portion</i>	<u>150,389</u>	
Total Current Liabilities	<u>660,473</u>	
Non-Current Liabilities		
Compensated Absences	35,829	
Bonds Payable	<u>1,226,547</u>	
Total Non-current Liabilities	<u>1,262,376</u>	
Total Liabilities	<u>1,922,849</u>	
Net Position		
Investment in Capital Assets	5,124,306	
Restricted for Debt Service	103,486	
Unrestricted	<u>978,185</u>	
Total Net Position	<u>\$ 6,205,977</u>	

Key Features

- Date:** as of a specific date
- Fund:** what fund this relates to
- Balance:** Assets = Liabilities + Net Position
- Grouping:** assets and liabilities are classified as current or noncurrent based on whether they are expected to be settled within one year or beyond one year.
- Good to Know:** restricted cash reduces the amount of cash otherwise available for general expenditures

Town of Palmer Lake, Colorado
Statement of Activities
For the Year Ended December 31, 2024

Statement of Activities

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 955,512	\$ 67,289	\$ -	\$ -	\$ (888,223)	\$ -	\$ (888,223)
Public Safety	1,741,993	76,002	319,982	49,901	(1,296,108)	-	(1,296,108)
Highways & Streets	507,788	1,989	-	-	(505,799)	-	(505,799)
Culture and Recreation	93,630	-	32,656	-	(60,974)	-	(60,974)
Total Governmental Activities	3,298,923	145,280	352,638	49,901	(2,751,104)	-	(2,751,104)
Business-Type Activities							
Water	1,266,093	1,404,196	-	685,067	-	823,170	823,170
Total Business-Type Activities	1,266,093	1,404,196	-	685,067	-	823,170	823,170
Total Primary Government	\$ 4,565,016	\$ 1,549,476	\$ 352,638	\$ 734,968	(2,751,104)	823,170	(1,927,934)
General Revenues							
Property Taxes				1,243,755	-		1,243,755
Specific Ownership Taxes				120,866	-		120,866
Sales and Use Taxes				1,563,950	-		1,563,950
Highway User Taxes				119,166	-		119,166
Franchise and Other Taxes				1,017,617	-		1,017,617
Intergovernmental				852,857	-		852,857
Tap Fees & Development Charges				-	73,057		73,057
Investment Income				99,508	33,391		132,899
Other				22,766	795		23,561
Transfers				40,300	(40,300)		-
Total General Revenues				5,080,585	66,943		5,147,528
Change in Net Position				2,329,481	890,113		3,219,594
Net Position, Beginning of Year				7,756,146	5,315,864		13,072,010
Net Position, End of Year				\$ 10,085,627	\$ 6,205,977		\$ 16,291,604

Key Features

- Date:** for a range of dates
- Change in Net Position:** this is the net income for the year
- Functions:** expenses and revenues are shown by the type of program or purpose
- Net (Expense) or Revenue:** Shows how much each function is supported by fees and grants versus general revenues
- Good to Know:** General revenues (such as taxes) are reported separately from program revenues and are not tied to specific functions

Purpose

- **Definition** - an examination of the financial statements by an independent CPA
- **Purpose** - to ensure reports are accurate, complete, and comply with applicable accounting standards
- **Goal** – “clean” audit opinion with no proposed adjustments

Objectives

- **Objective** - to provide reasonable assurance that financial statements are free of material misstatements
- **Reasons for an audit:**
 - Provide credibility to reports
 - Increase user confidence
 - Meet funder requirements
 - Law in some states
 - Comply with bank covenants

Auditor Process

- **Planning and risk assessment** – design audit approach
- **Internal control evaluation** – walkthroughs and tests of controls
- **Testing** – analytical procedures and tests of account balances
- **Completion/Review** – issuance of audit report

1

Independent Auditor's Report

- Confirms whether the audit received an unmodified (clean) opinion
- Flags any material issues with financial reporting or compliance
- This is the board's primary assurance document

2

Management's Discussion & Analysis (MD&A)

- Explains key financial changes from the prior year
- Highlights major drivers of results, capital activity, and fund balance changes
- Written for non-financial readers and essential context

3

Government-Wide Financial Statements

- Statement of Net Position (long-term financial health)
- Statement of Activities (cost of services and reliance on taxes/fees)
- Shows the big picture beyond the annual budget

4

Fund Financial Statements & Reconciliations

- Useful when drilling into specific funds (General Fund, Water Enterprise Fund)
- Timing and accounting differences explain variances from the government-wide view

5

Notes to the Financial Statements

- Review selectively for:
 - Debt obligations
 - Cash and investments
 - Pensions and long-term liabilities
- Important for risk awareness, not cover-to-cover reading

6

Required & Other Supplementary Information

- Budget-to-actual schedules, pension schedules, highway finance report
- Compliance-focused, review for any issues flagged

Types of financial reporting

- Internal reporting is designed for internal parties such as an organization's management, board members, and staff
- External reporting is designed for external parties such as regulators, creditors, and the general public

Basic set of municipal financial reports

- Statement of Net Position
- Statement of Activities
- Governmental Funds Statements
- Enterprise (Proprietary) Fund Statements
- Notes to the Financial Statements





4

FINANCIAL MANAGEMENT BEST PRACTICES

How to support fiscal health and accountability



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Board members play a crucial role in overseeing and reviewing these key financial documents:

- Annual budget
- Monthly financial statements
- Financial statement audit

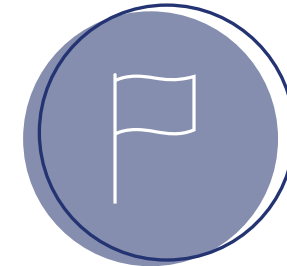
Let's talk about these responsibilities and potential red flags.

ANNUAL BUDGET



Board Responsibility

- Set fiscal priorities and policy direction before the budget is finalized.
- Review assumptions, revenue projections, expenditures, and reserves.
- Formally adopt the budget and any material amendments.



Red Flags

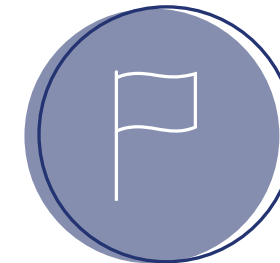
- Ongoing costs funded with one-time revenues.
- Declining fund balance without a clear rationale or recovery plan.
- Revenue or expense assumptions that are optimistic or undocumented.

MONTHLY FINANCIAL STATEMENTS



Board Responsibility

- Review budget-to-actual results and cash position regularly.
- Ask questions about significant or recurring variances.
- Use reports to identify trends early and adjust policy or direction if needed.



Red Flags

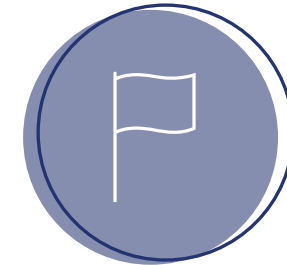
- Large unexplained variances month after month.
- Delayed, unclear, or inconsistent reporting.
- Spending patterns that indicate the budget will not balance by year-end.

FINANCIAL STATEMENT AUDIT



Board Responsibility

- Select and oversee the independent auditor.
- Review the audit opinion and key results.
- Ensure issues are addressed promptly.



Red Flags

- Anything other than a clean opinion.
- Repeat findings or control weaknesses.
- Late or delayed audit completion.

Additional items to check when reviewing an audit or set of financial statements. These checks help answer not just “Are the numbers right?” but “Is the town financially resilient?”



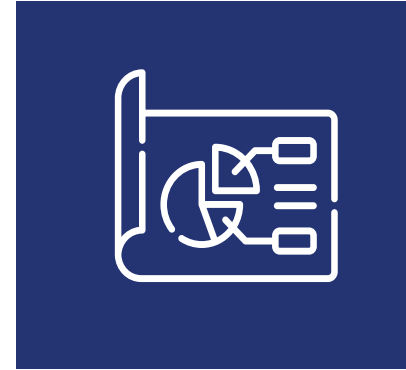
Sufficient cash for operations

- Are current assets greater than current liabilities?



Revenue diversity

- How concentrated are revenues in property tax, sales tax, or fees?



Reserve position

- Are reserves consistent with policy and reasonable for the town's size?



Infrastructure condition

- Are assets being maintained, or are future maintenance costs building up?

1

Set a positive **tone**
at the top

2

Maintain **good governance**
over financial management
systems

3

Define **strategy** and
guide a **sustainability**
plan

4

Ensure an efficiently functioning
finance department

5

Cultivate **transparency** &
accountability

1



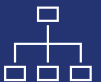
Model ethical behavior



Safeguard public resources



Implement and enforce financial policies and procedures



Ensure the right people are in place

Questions to ask:

- Does any ONE person have too much control over the financial functions of the town?
- Are approvals required and documented for expenditures and contracts?
- Who prepares and who independently reviews bank reconciliations and payroll?

2



Train Board members appropriately



Prepare clear agendas



Keep accurate minutes



Require Board member orientation

Questions to ask:

- Where are agendas, packets, and minutes stored for public access?
- What training is provided on financial statements and municipal obligations?
- What are attendance and participation expectations?

3



Adopt multi-year planning



Monitor performance against the annual budget, prior periods, and peers



Evaluate liquidity, reserves, and infrastructure needs

Questions to ask:

- How does our financial performance compare to similar towns?
- Are revenues sufficient and stable to support service levels?
- Are reserves adequate for emergencies and capital needs?
- Are we deferring maintenance or future costs?

4



Hire the right people



Promote efficient systems – e.g., automation



Ensure bank and other reconciliations completed monthly



Expect timely and accurate monthly reports

Questions to ask:

- Do we have the right talent handling the town's finances?
- Who prepares financial reports, and who reviews them?
- Are reports consistent and understandable?

5



Publish budget and audit on website



Review and approve compensation for key management positions



Invite finance staff to Board meetings



Comply with public records laws and reporting obligations

Questions to ask:

- Are town discussions and decisions happening only in properly noticed public meetings, with executive sessions used narrowly and lawfully?
- Are agendas, materials, minutes, and votes posted timely so the public can clearly see how decisions were made?
- Would our records withstand a CORA request or public scrutiny without confusion or explanation?

QUESTIONS FROM AUDIENCE

