

Comments on Proposed 2024 Budget (including 2022 Actuals and 2023 Est Year End)

Comment Adobe Marked
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		General Fund - Expenditure
		Public Works Dept - Roads
		Admin Operations
	31	9 General Services - \$50,000. Explanation: trucking, tree service...survey shop for fencing \$20,000 (Proposed 2024 Budget)
	32	10 Capital Outlays - Capital Imp - Buildings \$15,000. Explanation: survey for fence w/gate (share w/water) (Proposed 2024 Budget)
1		<u>Comment:</u> During the 13 Oct workshop, Jason spoke about these budget expenses as including costs to be shared with Water Enterprise, for surveys and fencing and gating his building but also several water assets (2 wells, water tank, etc.). The budget for the Water Enterprise cost share should be in the Water Enterprise budget, not here.

2	34	1	Water Fund - Revenue Water Improvement Fee (20-19-4420): \$55,000 (Proposed 2024 Budget) <u>Comment:</u> The Proposed 2024 Budget should be at least \$80,000 since the lowest CIF for 2023/2024 is \$6.71 per month. With a minimum of 1,015 bill payers this comes out to \$81,850.
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		Water Fund - Revenue
	34	1 Water Improvement Fee (20-19-4420): \$55,000 (Proposed 2024 Budget) (but realistically, should be \$80,000 as noted above)
3	34	1 Water Tap Fees (20-19-4440): \$72,000 (Proposed 2024 Budget)
		Comment: For budgeting purposes, these two accounts are revenue specifically for Water Fund Capital expenses and should <i>not</i> be used for O&M as they have in the past.

4	34	1	<p>Water Fund - Revenue</p> <p>CDPHE 2020 WQIF (20-19-4055) - \$25,300 (under Actual 2022)</p> <p>Comment: This grant was applied for and awarded to the General Fund's "High Street Drainage Basin PER". The \$43,000 cost of the PER was appropriately paid out of the General Fund account number 10-21-5109, but the grant amount of \$25,300 was ledgered into the Water Enterprise account 20-19-4055. Refer to Attachment 1. As previously noted in several letters and emails, this is a violation of the CRS, specifically TABOR, and needs to be corrected in the ledger and the 2022 Audit, and here as well.</p>
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5	34	1	<p>Water Fund - Revenue</p> <p>DOLA IEAF Water System PER Grant (20-19-4072) - \$15,000 (under Actual 2022)</p> <p><u>Comment:</u> This is DOLA grant revenue for the Water PER. However the \$15,000 of matching funds was inappropriately paid out of the General Fund's "Professional Services - Engineering" account (10-21-5109) instead of the Water Fund's "Professional Services - Engineering" account (20-71-5109). Refer to Attachment 2. As previously noted in several letters and emails, this is a violation of the CRS, specifically TABOR, and needs to be corrected in the ledger and the 2022 Audit, and here as well.</p>
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Comments on Proposed 2024 Budget (including 2022 Actauls and 2023 Est Year End)

6	34	1	Water Fund - Revenue American Rescue Plan (20-19-4071) - \$249,789 (under Actual 2022)
	36	3	Water Fund - Capital Outlays ARP - Expenses (20-91-6071) - \$- (under Actual 2022)
			<u>Comment:</u> This <i>actual</i> 2022 revenue was officially reported by the Town as \$248,000 to the Federal government in the Compliance Report, as \$249,454 in the draft 2022 Audit, and as other amounts in other spreadsheets. The " <i>actual</i> " amount that is finally determined as the valid total amount of ARP monies used for capital expenses in 2022 should be reflected under Expenses (20-19-6071), and under Revenue (20-19-4071).
7	36	3	Water Fund - Debt Service CWRPDA 2009 Principal (20-71-5810) - \$- (under Actual 2022)
	36	3	CWRPDA 2018 Principal (20-71-5820) - \$- (under Actual 2022)
			<u>Comment:</u> The actual principal amounts paid down on each of these loans should be reflected, versus "-" as shown under the Actual 2022 column.

01-2023

RECEIVED JAN 05 2023

Attachment 1

MEYER & SAMS, INC.
dba GMS, INC., CONSULTING ENGINEERS
611 N. Weber Street, Suite 300
Colorado Springs, CO 80903-1074
719-475-2935 - 719-475-2938 (Fax)

Town of Palmer Lake
P.O. Box 205
Palmer Lake, CO 80133

June 30, 2022
Invoice No: 1

Project 2021-073 Town of Palmer Lake - High Street Master Drainage

Professional Services from July 1, 2021 to April 29, 2022

Phase 100 High Street Master Drainage Plan

Prepare draft Preliminary Engineering Report (PER) for the High Street drainage basin; facilitate a workshop with the Town Board of Trustees and staff to discuss the options for drainage improvements to accommodate stormwater runoff within the basin; incorporate Town Board of Trustee's comments into the PER; finalize PER and present final version to the Town of Board of Trustees for their approval; finalize PER.

Phase Fee	\$43,000.00	
Fee Previously Billed	\$0.00	
Fee Currently Due	\$43,000.00	
Fee to be Billed	\$0.00	
Total This Phase	\$43,000.00	

Total this Invoice \$43,000.00

HISTORY OF \$25,300 LDPHE GRANT:

2023 BUDGET - GRANTS & DONATIONS - REVENUE
COLUMN "2022 BALANCE"
REVENUE OF \$25,300 INTO 10-10-4055

10-21-5109

2024 BUDGET (DRAFT) - WATER FUND - REVENUE
COLUMN "2022 ACTUAL"
REVENUE OF \$25,300 INTO 20-19-4055

* THIS SHOULD NOT BE DEPOSITED
TO H2O FUND, IT WAS FOR
STORMWATER STUDY (GENERAL FUND)

PAID: PAYMENT OF \$43,000 (\$25,300 + \$17,300 MARCH) WAS PAID BY 10-21-5109

04 2022

ATTACHMENT 2

MEYER & SAMS, INC.
dba GMS, INC., CONSULTING ENGINEERS
 611 N. Weber Street, Suite 300
 Colorado Springs, CO 80903-1074
 719-475-2935 - 719-475-2938 (Fax)

Town of Palmer Lake
 P.O. Box 205
 Palmer Lake, CO 80133

November 10, 2022
 Invoice No: 1

Project 2021-062 Town of Palmer Lake-Water System Improvements

Professional Services from July 1, 2021 to October 28, 2022

Phase .100 Preliminary Engineering Report

Prepare Preliminary Engineering Report (PER) addressing the existing and proposed conditions of the Town's water supply, water storage and water distribution system; prepare cost estimates and recommendations; prepare for and make presentation to the Town Board of Directors on July 28, 2022; prepare follow up memorandum to Town staff regarding recommendations and how to proceed utilizing the PER.

Phase Fee	\$30,000.00
Fee Previously Billed	\$0.00
Fee Currently Due	\$30,000.00
Fee to be Billed	\$0.00
Total This Phase	\$30,000.00

HISTORY OF 15K DOLA GRANT:

2023 BUDGET - GRANTS & DONATIONS - REVENUE
 COLUMN "2022 BALANCE"
 REVENUE OF \$15,000 INTO 10-10-4072

Total this Invoice \$30,000.00

2024 BUDGET (DRAFT) - WATER FUND - REVENUE
 COLUMN "ACTUAL 2022"
 REVENUE OF \$15,000 INTO 20-19-4072

10-21-5109 \$15,000

20-71-5109 \$15,000

WJC

BUT FOR PAYMENT OF \$30,000

GENERAL FUND - G2A - PROF FEES/ENGR PAID \$15,000 10-21-5109
 WATER FUND - EXPENSES - PROF FEES/ENGR PAID \$15,000 20-71-5109

GMS, INC.
CONSULTING ENGINEERS
611 NORTH WEBER, SUITE 300
COLORADO SPRINGS, COLORADO 80903-1074

TELEPHONE (719) 475-2835
TELEFAX (719) 475-2838

EDWARD D. MEYER, P.E.
ROGER J. SAMS, P.E.
JASON D. MEYER, P.E.
DAVID R. FRISCH, P.L.S.

THOMAS A. McCLERNAN, P.E.
MARK A. MORTON, P.E.
KEN L. WHITE, P.L.S.

November 10, 2022

Ms. Dawn A. Collins, Town Administrator/Clerk
Town of Palmer Lake
42 Valley Crescent
P.O. Box 208
Palmer Lake, CO 80133

Dear Dawn:

This correspondence and the enclosures are submitted in reference to the Town's Water System Preliminary Engineering Report (PER), funded, in part, through the Department of Local Affairs (DOLA) Energy/Mineral Impact Assistance Fund (EIAF) grant under Contract No. A-0156. We have prepared GMS, Inc. Invoice No. 1 for this project. The invoice totals \$30,000.00 and fully consumes the budget for this report. The areas of activity are itemized on the invoice. Please review and provide comments as appropriate.

We have compiled the first and final EIAF PORTAL Reimbursement Form which totals \$15,000.00. Two (2) copies of the form are enclosed. The Reimbursement Request covers a portion of GMS, Inc. Invoice No. 1 (\$15,000.00). The remainder of GMS, Inc. Invoice No. 1 (\$15,000.00) should be covered with the Town's Local Match funds. Please review this Reimbursement Request at your convenience. If found acceptable, please sign both copies. Retain one (1) copy for the Town's records. Please return the remaining copy to our attention, together with a copy of the check written for the total amount of the invoice. As a reminder, DOLA requires proof of payment with their reimbursement requests. As such, if you provide a copy of the check with the draw, we will forward the Reimbursement Request electronically to Todd Leopold with DOLA through the DOLA Portal, together with a copy of the Preliminary Engineering Report. Once the DOLA funds are received, you should then be able to mail the check.


You should receive the funds electronically into the Town's designated account. Thus, you will need to monitor your bank account to determine when the funds have been received. Upon receipt of the funds, please make the following distributions.

No.	Description	Amount	Funding Source
1.	GMS, Inc. Invoice No. 1 (partial)	\$15,000.00	DOLA Grant
2.	GMS, Inc. Invoice No. 1 (partial)	\$15,000.00	Local Match
	Total	\$30,000.00	

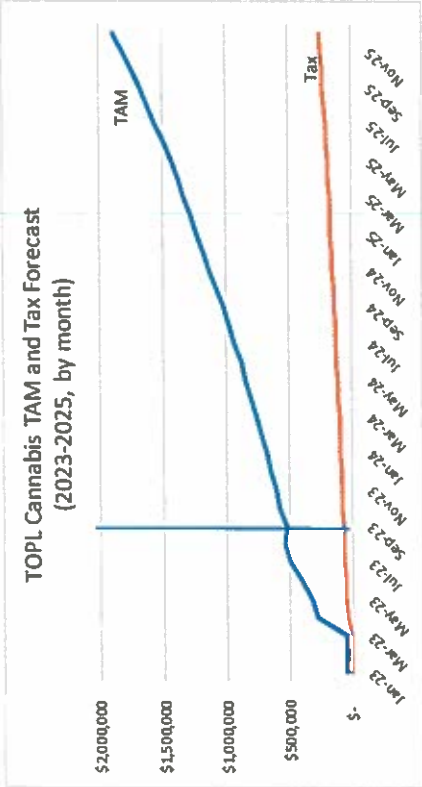
→ Taken from General Fund

We are enjoying working closely with you, the Town staff and Town Board on this report. We look forward to partnering with the Town to implement the improvements recommended in the report. If you have any questions on the project, please feel free to contact this office.

Sincerely,


for
David R. Frisch, P.L.S.

DRF/me
Enclosures



Forecasts	TAM	Tax
2023	\$ 3.8mm	\$ 465k
2024	\$10.9mm	\$1.37mm
2025	\$18.0mm	\$2.35mm

CORA REQUEST INFO FROM TOPL (11/6/2023)			
Month	2022	2023	
Jan	All Sales/Use/Excise Tax	\$ 102,267	
Feb		\$ 110,959	
Mar		\$ 80,800	
Apr		\$ 12,210	
May		\$ 85,262	
Jun		\$ 134,480	
Jul		\$ 159,000	
Aug		\$ 148,873	
Sep		\$ 169,998	
Oct		-	
Nov		-	
Dec		-	
Total	\$ 1,230,124	\$ 1,003,849	

FY: The drop in the spring of this year is related to state withholding tax (overpayment from previous years) being returned to Peak Structural, per the state.

Potential Revenue Forecasts					
Adult Use Cannabis Sales Tax Only					
	2023	2024	2025	2026	2027
Adult Use Cannabis	800,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Income Total	3,411,764.25	3,704,395.30	3,903,469.82	3,918,682.00	4,037,777.21
Expense Totals	4,694,085.24	5,130,981.43	5,524,764.90	5,902,598.41	6,032,357.45
Balance	-1,282,320.99	-1,426,586.05	-1,716,545.08	-1,983,916.41	-2,094,580.24
Expense to Income %	137.85%	138.44%	141.07%	149.87%	164.29%

Presented to TOPL in

From the TOPL website "Mayor's Message, November 2023"

The Board of Trustees and staff are working in unison to present a cohesive balanced budget for 2024. Sales tax revenue is down substantially from previous years and, as a result, departments will hold all new hires and limit capital equipment/improvement purchases to balance the increased operating costs with the anticipated lower revenue. We will budget conservatively for 2024. Generally, families are staying in due to the significant rise in the cost of living. As such, the town revenue from sales tax and revenue from land use development has taken a downward turn. Retail marijuana sales had a slow start, and the town should have a better grasp on this new revenue stream in the new year. While this revenue source is needed, it is clear that the initial forecast of retail marijuana sales tax has not come to fruition as anticipated.

marty mmbrodzik.com

From: marty mmbrodzik.com
Sent: Sunday, November 5, 2023 10:19 AM
To: dawn@palmer-lake.org; matt@kroblaw.com
Cc: dgreen@greencpafirm.com; ghavenar@palmer-lake.org; dstern@palmer-lake.org
Subject: FW: 2022 Audit - Inconsistencies and Inaccuracies FOLLOW UP
Attachments: ① 2022 Audit - Inconsistencies (1).pdf; ② 2022 audit Palmer Lake reply.pdf; ③ 2023-10-25 2022 Audit Discrepancies (2).pdf

Dawn,

It's been almost two weeks since I sent the email below with my attached letter regarding open questions on the 2022 audit.

Please:

- a.) Confirm you received the email with attachments, and
- b.) Provide me an estimated date as to when I can expect a response. As always, I am willing to meet with you to review discuss the questions since it may be easier.

Additionally, when I drafted the 25 Oct 2023 letter (and specifically regarding my Original Question 2.a) I alluded to the fact that CDPHE WQIF awarded a grant of \$25,300 for the High Street Master Drainage Plan Study, but the staff incorrectly (and in violation of TABOR, in that an enterprise must be self-supporting and independent of other Town revenues) gave the grant to the Water Enterprise, while the payment of \$43,000 for the Study was made out of General Fund. I also failed to mention that although the \$15,000 DOLA grant for the Water PER was correctly given to the Water Enterprise that the \$15,000 matching funds for this Water PER was incorrectly made from the General Fund, again in violation of TABOR.

R,
Martha Brodzik

From: marty mmbrodzik.com
Sent: Wednesday, October 25, 2023 4:30 PM
To: dawn@palmer-lake.org; dgreen@greencpafirm.com
Cc: ghavenar@palmer-lake.org; dstern@palmer-lake.org
Subject: FW: 2022 Audit - Inconsistencies and Inaccuracies

Ms Collins

As mentioned in an email yesterday, I just came upon your email response (with attached letter from Mr Green) on my questions on the 2022 audit. Thank you both.

However, questions remain. Please refer to my attached letter.

If it's easier to review this with you, I can come up to the Town Offices upon request.

Mr Green,

I noted you stated in your 1 Aug letter that I should refer any additional questions to the Town (Ms Collins); however, since you were contracted and paid by the Town for the 2022 Audit you maintain responsibility to the Town.

R,
Martha Brodzik

From: Dawn Collins <dawn@palmer-lake.org>
Sent: Thursday, August 3, 2023 2:30 PM
To: marty mmbrodzik.com <marty@mmbrodzik.com>
Subject: RE: 2022 Audit - Inconsistencies and Inaccuracies

Enclosed is the response offered by Mr. David Green to your letter.

Dawn A. Collins, CMC
Town Administrator/Clerk



Town of Palmer Lake
42 Valley Crescent
PO Box 208
Palmer Lake CO 80133
719.481.2953
dawn@palmer-lake.org
www.townofpalmerlake.com

From: marty mmbrodzik.com <marty@mmbrodzik.com>
Sent: Monday, July 31, 2023 1:43 PM
To: dgreen@greencpafirm.com; Dawn Collins <dawn@palmer-lake.org>
Cc: Glant Havenar <ghavenar@palmer-lake.org>; Dennis Stern <dstern@palmer-lake.org>
Subject: 2022 Audit - Inconsistencies and Inaccuracies

-----WARNING: This email originated from outside the Town of Palmer Lake. DO NOT CLICK on any attachments or links from unknown senders or unexpected emails. Always check the sender's display name and email address are correct before you communicate.-----

Mr Green and Ms Collins,

Please refer to my attached letter. I'm requesting written responses to the errors and inconsistencies identified between the 2022 Audit and the adopted/submitted 2022 Budget, the annual federal reports on ARP funds, the 2022 Audit itself, etc.

Respectfully,
Martha M Brodzik

Acht 1

30 Jul 2022

Mr David Green
Green & Associates, LLC
PO Box 865
Longmont, CO 80502

Ms Dawn Collins
Administrator/Clerk Town of Palmer Lake
42 Valley Crescent
Palmer Lake, CO 80133

Mr Green and Ms Collins,

After reviewing the 2022 Audit for the Town of Palmer Lake, I have several comments/questions regarding inconsistencies between the Audit, Town Code and various documents and reports the Town submitted to the State and federal governments:

1. Resolution 56-2021 signed on 9 Dec 2021, adopted the 2022 Budget. The Town submitted the 2022 adopted Budget to the Colorado Department of Local Affairs on 28 Dec 2021.
 - a. The adopted and submitted budget reflects the Water Enterprise Fund with a balanced budget of \$1,823,029 of total revenue and \$1,823,029 of total expenses. The budget in the 2022 Audit reflects an *unbalanced* budget of \$1,871,102 of total revenue and \$2,214,174 of total expenses. Explain the differences (provide the rationale for the unbalanced budget and the total revenue and total expenses being different in the Audit).
 - b. The adopted and submitted budget reflects \$376,145 in grant revenue (American Rescue Plan funds) while the budget in the 2022 Audit reflects \$290,089 in grant revenue. Explain the difference.
 - c. The adopted and submitted budget reflects \$412,645 in capital outlay while the budget in the 2022 Audit reflects \$803,799 in capital outlay. Explain the difference.
2. The Town received ARP funds (grants) in two deposits of \$376,144.91 each, from the federal government via the State on 18 Jun 2021 and 6 Jul 2022, respectively. To date, the required annual reports (SLFRF Compliance Report) filed by the Town with the federal government reflect 2021 Total Expenditure of \$167,114.42 and 2022 Total Expenditures of \$248,000.

18 Jun 2021	ARP Funds deposited via State	\$376,144.91
29 Apr 2022	SLFRF Compliance Report (2021)	<u>167,114.42</u>
	Deferred Revenue (reflected in 2021 Audit)	209,030.49
6 Jul 2022	ARP Funds deposited via State	<u>376,144.91</u>
	Balance	585,175.40
19 Apr 2022	SLFRF Compliance Report (2022)	<u>248,000.00</u>
	Balance as of 31 Dec 2022 (<i>actual deferred revenue</i>)	\$337,175.40

Additionally, in a 15 Feb 2023 email. Ms Collins notified the Board of Trustees that the total ARP funds expensed in 2022 totaled \$248,000 (refer to Attachment 1), consistent with the submitted SLFRF Compliance Report for 2022.

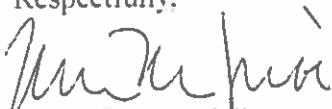
Question 2a: Why does the 2022 Audit reflect grant revenue of \$290,089 (the monthly financial reports reflect all grant revenue as ARP funds)?

Question 2b: The 2022 Audit reflects deferred revenue inconsistently within the Audit itself as \$335,722 and \$126,691. Furthermore, the *actual deferred revenue* should be \$337,175.40. Explain why the deferred revenue is inconsistent within the 2022 Audit, and explain why both of the Audit figures are inconsistent with deferred revenue based on all formal reporting.

3. The 2022 Audit reflects "water tap fees and development charges" of \$81,690. However, this figure *only* represents the nonoperating revenue of tap fees (per the monthly financial reports and the 2023 submitted budget showing 2022 actuals). The development charges (e.g., "capital improvement fee") total approximately \$54,250 for 2022 but the 2022 Audit incorrectly includes them in "water sales and fees" as operating revenue. This error was also made in previous years' Audits. Throughout 2022 and to this day user's monthly bills reflect funds charged as the "capital improvement fee". As a result, the 2022 Audit should reflect the "capital improvement fee" collected as nonoperating revenue under "water tap fees and development charges" and *not* under operating revenue. Explain why the 2022 Audit doesn't accurately reflect "capital improvement fees" as nonoperating revenue.

If you need additional information regarding any the references noted, I can be reached at 719.439.9890.

Respectfully,


Martha M. Brodzik

Atch:

1. 15 Feb 2023 Email from Ms Collins to the BoT, forwarded by Ms Havenar to Ms Brodzik (attachments to this email available upon request or from Staff)

marty mmbrodzik.com

From: Glant Havenar <ghavenar@palmer-lake.org> <ghavenar@palmer-lake.org> on behalf of Glant Havenar
Sent: Wednesday, February 15, 2023 4:18 PM
To: marty@mmbrodzik.com
Subject: Fw: Follow Up to the Public Comments at 2/9 Meeting
Attachments: Copy of Glenside Project.xlsx; ARP Transfer 2022.xlsx
Categories: Red category

Thought you would find these attachments and timeline informative.

Glant Havenar
Mayor of Palmer Lake
(303) 246-4552



ghavenar@palmer-lake.org
Town of Palmer Lake
42 Valley Crescent/PO BOX 208
Palmer Lake CO 80133
www.townofpalmerlake.com

From: Dawn Collins <dawn@palmer-lake.org>
Sent: Wednesday, February 15, 2023 3:39 PM
To: Glant Havenar <ghavenar@palmer-lake.org>; Dennis Stern <dstern@palmer-lake.org>; Sam Padgett <spadgett@palmer-lake.org>; Jessica Farr <jfarr@palmer-lake.org>; Shana Ball <sball@palmer-lake.org>; Kevin Dreher <kdreher@palmer-lake.org>
Cc: matt@kroblaw.com <matt@kroblaw.com>
Subject: Follow Up to the Public Comments at 2/9 Meeting

Board members,

This message is follow up to the questions presented by Mr. Moseley at the 2/9 meeting.

A bit of background for those hearing about ARP funds for the first time. The state determined to issue Covid "recovery" funds to municipalities only for specific reasons. There were restrictions how the funds could be used. Early on, the one unchanging (as we were told by the state) was for infrastructure improvement (water, sewer, drainage), although the state spent nearly one year modifying the ARP rules. In comparison, the town received a small portion; however, enough to make an impact on addressing infrastructure improvement for the water system. The funds were distributed through the County in two lump sum amounts in 2021 and 2022.

At the 2/9 meeting, Mr. Moseley asked that the Board consider two general questions.

It was asked (A) – generally what capital improvement work (of water fund) did we not do in 2022?

In response, a primary project we did not complete in 2022 was the Buena Vista water line replacement due to the project's late start in the year. There was a water line break on Buena Vista that needed an emergency repair. Those costs of \$47,584.99 were covered by ARP (infrastructure improvement). Steve is estimating at least \$100K for the Buena Vista project in 2023. It will not start until after school lets out for the summer, expecting the project to continue for the remainder of the year.

It was implied that ARP funds are generally used for operating expenses. This is false. ARP funds are allocated for on the grant page of the budget/financials.

It was asked (B) – how are the ARP funds being accounted for/expended?

In response, it is very specific how/where ARP funds are spent because it was required to report to the state what they will be used for – infrastructure improvement. When these projects are completed – necessary water line replacement of old infrastructure, required treatment technology upgrades, the D2 redrill, the emergency interconnect valve on the Monument water line – the funds are transferred to cover the specific cost of the project.

Below is a brief breakdown of the use of ARP funds in 2021 and 2022. The Buena Vista water line replacement is an example of a project that is anticipated in 2023, along with costs for the emergency interconnect installation and the ongoing treatment plant technology upgrades. Also enclosed for your reference is the details to support the expenditures.

\$	752,290	Total ARP Funds to Town (dist in 2 lump sum)
\$	376,145	2021 Deposit
\$	(167,114)	Water Expenditures applied 2021 – note enclosed "glenside project" details
\$	209,031	
\$	376,145	2022 Deposit
\$	585,176	
\$	(248,000)	Water Expenditures applied 2022 – note the "transfer 2022" details
\$	337,176	
\$	(259,238)	Future Water Expenditures applied 2023
\$	77,938	Roll forward to 2024

Board, please know that town staff is committed to appropriating funds properly. If you have specific questions, do not hesitate to reach out on this.

Dawn A. Collins, CMC
Town Administrator/Clerk
Town of Palmer Lake



www.townofpalmerlake.com

V: 719-481-2953
42 Valley Crescent, PO Box 208
Palmer Lake, CO 80133

Att 2

Green & Associates LLC

Certified Public Accountants & Business Consultants

August 1, 2023

Ms. Brodzik

I have received your letter dated July 30, 2022 and received in my office on July 31, 2023 with questions and comments relating to the preparation of the 2022 audited financial statements in which my firm expressed an unmodified opinion. Below I will address your questions in the order they were presented in the original inquiry.

1) Budget to Actual Comparison

You have indicated differences between the adopted budget and the budget as presented in the financial statements. The differences arise from multiple items. The revenue number that you have provided of \$1,823,029 includes the line item Water Reserve Colotrust of \$343,072. Review of the budget and discussion with the Town is this line item is a transfer from Colotrust which means it was a revenue in prior years and is not a revenue in the current year; therefore it has not been included in the audited financial statements. You have also omitted the revenues on page 13 of the budget for ARPA grant funds and DOLA grant funds in the water fund totaling \$391,145. When the transfers are removed, and the grant funds included in your number, we arrive at budgeted revenues of \$1,871,102, which agrees to page 39 of the audited financial statements.

In your inquiry you have also questioned the expenditures in the budget vs. the audited financial statements. In your calculation you have omitted the budgeted expenditures of \$391,145 relating to the grant funds on page 13 of the budget. When these are included the total expenditures are \$2,214,174, which agrees to page 39 of the audited financial statements.

Under part (b) of your request you have indicated that the budget shows \$376,145 and the audited financial statements show \$290,089 of budgeted ARPA revenues. This statement is incorrect. The audited financial statements show \$391,145 of budgeted grant revenues and \$290,089 of actual revenues. The difference between budget and actual relates to the recognition of deferred revenues under GAAP, and not when the funds were received.

Part (c) of your inquiry relates to the capital outlay included on page 39 of the audited financial statements. Your inquiry indicates capital outlay per the budget of \$412,645 however when combining the three line items labeled capital on page 11 of the budget it totals \$412,654. With the addition of the \$391,145 on page 13 of the grant fund expenditures it totals \$803,799, which agrees to page 39 of the audited financial statements.

2) ARPA Funds Deferred Revenue.

As part of the audit we tested the expenditures of the ARPA funds to ensure they were eligible under the program and to determine the amount of deferred revenues. There was an adjustment made to the revenue as part of the audit which likely has led to the differences that you are referencing. It is not uncommon to have changes occur during the audit or corrections made throughout the year. There was \$249,454 of expenditures that were deemed eligible and therefore recognized as revenue during the period

123 North College Ave Suite 215
Fort Collins, CO 80524

Green & Associates • LLC

PHONE (720) 839-6458
www.GreenCPAfirm.com

Certified Public Accountants & Business Consultants

1/2

ended December 31, 2022. This is slightly different than the amount provided in your inquiry of \$248,000. Although there is a small difference between the earlier compliance report and the GL, based on our testing we believe the ARPA funding is fairly presented. The calculation for deferred revenue is below:

ARP funds received 2021	376,145
Arp funds received 2022	<u>376,145</u>
Total Received	<u>752,290</u>
2021 exp	167,114
2022 exp	<u>249,454</u>
Total expenses	<u>416,568</u>
ARP remaining	<u>335,722</u>

Item 2(a) questions the amounts in grant revenue of \$290,089. This includes the ARPA grants mentioned above as well as additional grand funds from DOLA and CDPHE.

For question 2(b) this is not a discrepancy. These are two different statements that are prepared using different methods. The cash flow statement is on a cash basis of accounting and the Statement of Net Position is on an accrual basis of accounting. They are not designed to agree.

3) Capital Improvement Fees

The presentation of these fees is consistent dating back to the inception of the fees. The fee is included on the water bill and is based on a portion of the water used making it an exchange transaction. The presentation of operating revenues vs. non-operating revenues is governed by GASB Statement No. 34 paragraph 102. Under that paragraph it indicates "Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported." It should also be reported consistently year to year, which it has been. Since this is a portion of the water bill and based on usage it was treated in manner similar to the other items on the bill. This was an election that was made by management years ago and it would appear to be appropriate under accounting standards and consistently applied. Therefore, they were included in the operations as it was a revenue resulting from providing water to customers which is the primary operating activity of the water fund. There have been sufficient capital expenditures throughout the years to fully exhaust all of these funds so no restriction of assets is presented.

If there are additional questions please send them to the Town directly.

Sincerely,



David Green, CPA

Attch 3

PO Box 446
Palmer Lake, CO 80133
25 Oct 2023

Ms Dawn Collins
Administrator/Clerk Town of Palmer Lake
42 Valley Crescent Rd
Palmer Lake, CO 80133

Mr David Green
Green & Associates, LLC
PO Box 865
Longmont, CO 80502

Ms Collins and Mr Green,

Thank you for your 1 Aug 2023 response to my 30 Jul 2023 letter regarding comments and inconsistencies between the Town's 2022 Audit and various other documents (budget, compliance reports, etc.). Unfortunately, I just found the 3 Aug 2023 email your letter was attached to in my SPAM folder yesterday. At any rate, questions remain.

Original Question 1(a): It took some time to decipher your response due to your incorrect reference to page 13 of the *budget* for ARPA grant funds (\$376,145 from the 2022 ARPA funds) received and the DOLA grant funds (\$15,000 for the EIAF Water System PER) as the referenced \$391,145 is on page 39. Although I have asked on numerous occasions what the "Water Reserve Colorado Trust" is, no one has ever answered my question; I still don't know but now understand that it is revenue from prior years. After sorting through this, *your response is satisfactory.*

Original Question 1(b): Page 13 reflects Grant Income as \$290,089. Furthermore, you state that you "tested" the (capital) expenditures eligible for ARPA funds and came up with \$249,454 (versus the \$248,000 previously reported to the BoT and residents, in a memo from Ms Collins earlier this year, and in the 2022 SLFRF Compliance Report submitted on 19 Apr 2023). The DOLA EIAF Grant for the Water PER was \$15,000. This implies Grant Income of \$264,454. *Please explain the difference.*

Original Question 1(c): Page 13 does not show Grant Fund Expenditures; page 13 shows grant income of \$290,089. Page 10 of the budget shows \$391,145 in grants. *Please explain.*

Original Question 2(a): I've submitted a CORA to understand the difference between the 2022 ARPA funds expensed as stated in the 2022 Compliance Report (\$248,000) and the \$249,454 stated in the audit. However, even using the audit stated \$249,454 of ARPA funds, the Water Fund grant revenue only received an additional \$15,000 from the DOLA EIAF grant for the Water PER. This totals \$264,454, not \$290,089. Your response also references the 2020 CDPHE WQIF grant; however, GMS applied for this grant for use of the High Street Master Drainage Plan Study, and the grant was awarded accordingly as General Fund monies not Water Enterprise monies. Your explanation and the audit imply that the General Fund monies paid for the grant amount of the study (\$25,300) and the actual CDPHE grant monies were given to the Water Fund. This needs to be corrected in both the 2022 audit (for both the General Fund and

the Water Enterprise), and the Town's accounting ledger. Please provide written confirmation of both of these actions.

Original Question 3: Palmer Lake *has a policy* in the Town Code pertaining to operating revenues and expenses and non-operating (capital) revenues and expenses. Per the emergency Ordinance 2008-5, "An additional charge equal to ten percent of the minimum rate charge will be added to each bill and the proceeds from this additional charge will be placed in the *Water Capital Improvement Fund* and utilized for *capital improvement projects*." The dismissal of using and accounting for these non-operating capital revenues inappropriately year after year, even after it was discussed and brought to the attention of the Board of Trustees and Town staff at many BoT meetings is unfounded. The 2022 audit needs to reflect the capital improvement fee as it legally is, non-operating revenue. The 2022 Capital Improvement Fees collected (capital improvement fees of ~\$58,000 and tap fees of ~\$80,000) need to be deposited into a *separate* bank account. The remainder of your response is irrelevant. Whether or not it was accounted for incorrectly in the past does not relieve the Town of complying with your GSAB reference, particularly because the Town has defined the sources and uses of all revenue (operating and non-operating capital) in the Town Code (refer to my first sentence in this paragraph.) Please provide written confirmation of these two actions.

Respectfully,



Martha Brodzik

9 Nov 2023 Palmer Lake BoT Meeting

Item 13 Authorize Rate Study for Consider Stormwater Enterprise

For those in that audience, I wanted to let you know that this past week I proposed an option to the Board on how to fund the stormwater infrastructure.

The proposal included using the General Fund for a number of reasons:

1. From a financial perspective it eliminates most overhead costs associated with an Enterprise approach
2. It eliminates the issue of who pays a fee for actually getting a service which is required by an Enterprise. For example, we have areas in Town that need infrastructure, areas that already paid to for their infrastructure, areas that are not impacted, and moving forward areas that will be required to pay their way due to the Town's 2021 adoption of the County ECM which addresses stormwater.

Additionally, I proposed that the Town consider a special election for a very minimal mill increase to fund the stormwater infrastructure. However, with Proposition HH failing this week, I was reminded by Dennis Stern that there will already be additional 2025 General Fund property tax revenue coming in for 2024 property taxes, which you all know increased on the order of approximately 40%.

Martha Brodzik

A Fiscally Responsible and Sustainable Approach to Fund Stormwater Projects

Various parts of the Town have differing stormwater infrastructure:

- The hillside areas (i.e., High St, Milton, the Glen) have several stormwater issues due to inadequate and unmaintained (i.e., culverts) stormwater infrastructure where development continues up to higher and steeper ground, and more lots are divided and developed creating additional impervious areas.
 - This results in road damage and continual maintenance costs, flooding of private property, etc.
 - Areas such as the Glen do not have easements to install infrastructure.
- Several flat parts of Town either designed stormwater infrastructure into the development (owners already paid), do not have drainage infrastructure issues, or the impervious area to total area of the property is small (Pioneer Preserve, Recovery Village, Mission Training International, Biblica, etc.)
- All new development will pay its own way for infrastructure since the Town adopted El Paso County's Engineering Criteria Manual in 2021 which includes stormwater drainage requirements.

The Town considered two options to fund stormwater infrastructure projects—using the General Fund or establishing a separate Enterprise—but each of these have variations not yet explored or discussed.

The 2022 ballot measure for increasing General Fund mills from 11.238 to 41.238 was poorly written.

- Poor communications on *why* a mill increase was needed (i.e., stating tax revenues were needed for water and sewer which are *not* funded with taxes but are *self-sustained*, like private businesses).
- Allowed for a *blank check* to increase the mills by 30, whether needed or not.
- Still allowed the BoT to establish Enterprise(s), thereby getting additional monies.

Aside from needing to provide a *service* for charging a *fee*, Enterprises come with added indirect (overhead) costs, which in the big picture provide no value added, while efficiencies are gained by budgeting and paying as you go with General Fund monies.

	Enterprise	General Fund
Admin costs	Yes, standalone	Minimal, same as other departments
Billing costs	Yes	None, County collects
Costs to apply for loans	Yes (i.e, GMS)	None
Borrowing costs	Yes (interest)	None

One variation of using the General Fund—educate the residents, then hold a *special election* with a *realistic* ballot measure for increasing the mills *dedicated* to Stormwater (in the way the Fire Dept is funded), for example:

- 1 mill increase = 4.7% property tax increase = \$45,421 annual tax revenue to the Town*
- 2 mill increase = 9.4% property tax increase = \$90,843 annual tax revenue to the Town*

Explain to voters/residents the choice and benefits between increasing mills *dedicated* to Stormwater Dept versus establishing a Stormwater Enterprise.

In the meantime, capitalize on “low hanging fruit” by enforcing the Code; start digging/re-digging ditches and installing/reinstalling culverts (and per Code, expense back to individual property owners) at minimal cost to the Town to help with stormwater drainage issues.

How much municipal debt is too much? Taking on additional debit for *every major project* is a downward spiral that no municipality can sustain:

- The Town already has three (Water Enterprise) loans, with principal balances totaling \$2.08M
- The Town is discussing applying for a fourth (Water Enterprise) loan to fund a third well.

*Based on actual 2022 General Fund property tax revenue

MARZHA BRODZIK

3 Nov 2023