

CITY OF MANITOU SPRINGS, COLORADO

FINANCIAL STATEMENTS

December 31, 2017



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Manitou Springs
Manitou Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules – General and Capital Improvements Funds, schedule of proportionate share of the net pension liability, schedule of changes in the City's net pension liability and related ratios, schedules of City contributions and the notes to required supplementary information on pages i – x and 54 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 we 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 City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, and local highway finance report 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated February 12, 2019, on our consideration of the City of Manitou Springs's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manitou Springs's internal control over financial reporting and compliance.

Logan and Associates, LLC

Aurora, Colorado
February 12, 2019

City of Manitou Springs, Colorado Management's Discussion and Analysis

As management of the City of Manitou Springs (the “City”), we offer readers of the City’s Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our basic financial statements.

Introduction

The City of Manitou Springs is a Home Rule City that was incorporated in 1876. The government structure is City Council/Mayor with the seven elected officials being responsible for all policy decisions that affect the City’s financial condition. The appointed City Administrator is responsible for preparing the annual budget, which is adopted and generally amended by the City Council as needed with a final amendment by December 15th. The City Administrator is responsible for financial reporting to the City Council and the public-at-large.

Financial Information

The City’s government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The City’s financial statements for governmental funds have been prepared using the modified accrual basis of accounting. The City’s annual audit is performed by an accounting firm (Logan and Associates, LLC, Certified Public Accountants) with the contents of the audit meeting the requirements set forth by the Colorado State Auditor’s Office. The financial system of the City incorporates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. To ensure budgeting controls, the City Council approves all changes at the fund level by passage of an Ordinance amending the budget.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,627,605 (net position) for the primary reporting entity. Of this amount \$3,432,201 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased by \$2,771,380 during the fiscal year.
- As of the close of the current fiscal year, the City’s *governmental funds* reported combined ending fund balances of \$5,619,964.
- The *governmental funds* reported total unrestricted/unassigned fund balances of \$3,509,163.
- The combined governmental funds remained in a positive financial condition. Based on current year expenditures, excluding the transfers out for debt service payments and capital expenditures made by other funds, the General Fund fund balance would allow the City to cover its governmental operating costs for 141 days, or approximately 4 and 2/3’s months.

City of Manitou Springs, Colorado Management's Discussion and Analysis

- The City's total debt, including accrued compensated absences, decreased by \$84,449 during the current fiscal year. Existing debt was reduced by principal payments (not including compensated absences) totaling \$917,916.00, offset by a new capital lease of \$834,495.
- General Fund sales/use tax revenue in 2017, \$5,916,723 increased by 7.57% or \$416,582, from 2016 sales/use tax revenue of \$5,500,141.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Manitou Springs' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include the following governmental funds: General Fund, Conservation Trust Fund, Rural Transportation Authority Fund, Law Enforcement Fund, El Paso/Beckers Park Fund, Open Space Fund, Capital Improvements Fund, and the Downtown Public Facilities Fund. The business related activities of the City include Water, Sewer, and Storm Drainage utilities. In addition to the governmental and business related activities, which are the primary government, the financial statements include the discrete presentation of a component unit of the City. The Manitou Springs Urban Renewal Authority, "URA", was created to reduce, eliminate and prevent the

City of Manitou Springs, Colorado Management's Discussion and Analysis

spread of blight and to stimulate growth and investment within the area to the east of Highway 24. It is fiscally dependent upon the City due to its revenues being provided by tax-increment financing through property and sales taxes. On a yearly basis, City Council may allocate municipal sales tax increments to the URA when it submits a financing plan to council. Tax-increment financing is also considered evidence of financial burden (commitment of the primary government's taxing power.)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflow and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvements Fund, and the nonmajor funds. Individual fund data for nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm drainage activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

City of Manitou Springs, Colorado Management's Discussion and Analysis

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City uses a fiduciary fund to account for the Manitou Springs Metropolitan District.

Notes to the financial statements. The notes provide additional information that is essential to a better understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Combining individual fund financial statements and schedules are presented immediately following the required supplementary information for additional financial analysis.

Government-wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,627,605 at the close of the fiscal year.
- The City's net investment in capital assets is \$26,524,144. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The balance of *unrestricted net position* \$3,437,201 may be used to meet the governments ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF MANITOU SPRINGS NET POSITION

Governmental activities: Governmental activities increased the City's net position by \$491,978. In 2017, general sales tax/use revenues, \$6,332,436, comprised approximately 73.5% of all general revenues and transfers. This is a decrease in percentage of 3.5% over 2016, which was 77% of all general revenues and transfers. This is attributed to a greater increase in other revenues than in sales and use tax.

**City of Manitou Springs, Colorado
Management's Discussion and Analysis**

CITY OF MANITOU SPRINGS NET POSITION (Continued)

Governmental activities transfer out to Business-Type activities exceeded transfers in, in what is a short term situation. This is due to the General Fund providing grant matches for flood & other hazard mitigation grants which are being recorded in the Storm Drainage fund.

Business-Type activities: Business-type activities increased the City's net position by \$2,279,402. The Storm Drainage Fund continued to be the conduit for flood & hazard mitigation grants, from National Resources Conservation Service (NRCS), Community Development Block Grants-Disaster Recovery (CDBG-DR), Federal Emergency Management Agency (FEMA), and the Colorado Department of Local Affairs (DOLA) Energy/Mineral Impact grants totaling \$3,376,065. The water fund had a loss of \$442,918 but the sewer fund, for the second year in a row, reflected a gain of \$129,907. In order to maintain healthy funds the City has implemented a multi-year rate increase to gradually bring water and sewer rates up to cover the increased costs of these Enterprises.

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$5,693,037	\$8,317,165	\$2,462,090	\$4,082,450	\$8,155,127	\$12,399,615
Non-current assets	14,257,286	14,659,366	15,742,792	17,558,317	30,000,078	32,217,683
Total assets	19,950,323	22,976,531	18,204,882	21,640,767	38,155,205	44,617,298
Deferred Outflow of Resources	1,085,185	932,220	291,912	219,352	1,377,097	1,151,572
Total current liabilities	545,231	1,835,700	549,791	1,644,933	1,095,022	3,480,633
Total non-current liabilities	5,576,043	6,643,952	4,149,522	4,141,872	9,725,565	10,785,824
Total Liabilities	6,121,274	8,479,652	4,699,313	5,786,805	10,820,587	14,266,457
Deferred Inflow of Resources	851,921	874,808	3,569	0	855,490	874,808
Net Position:						
Net Investment in Capital Assets	11,583,737	11,753,934	12,635,780	14,770,210	24,219,517	26,524,144
Restricted	218,566	666,260	-	-	218,566	666,260
Unrestricted	2,260,010	2,134,097	1,158,132	1,303,104	3,418,142	3,437,201
Total net position	\$14,062,313	\$14,554,291	\$13,793,912	\$16,073,314	\$27,856,225	\$30,627,605

**City of Manitou Springs, Colorado
Management's Discussion and Analysis**

CHANGES IN NET POSITION

Revenues:	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program Revenues:						
Charges for Services	\$1,909,529	\$1,881,706	\$2,736,970	\$2,861,849	\$4,646,499	\$4,743,555
Operating Grants and Contributions	197,161	212,731	-	-	197,161	212,731
Capital Grants and Contributions	621,132	1,123,294	2,537,155	3,417,150	3,158,287	4,540,444
General Revenues						
Taxes	8,041,338	8,665,606	-	-	8,041,338	8,665,606
Investment Income	7,733	33,401			7,733	33,401
Other	81,042	159,846	11,515	201	92,557	160,047
Total General & Program Revenues	10,857,935	12,076,584	5,285,640		16,143,575	12,076,584
Transfers	(494,009)	(240,446)	494,009	240,446	-	-
Total Revenues	10,363,926	11,836,138	5,779,649	6,519,646	16,143,575	18,355,784
Expenses:						
General Government	3,566,190	4,285,757	-	-	3,566,190	4,285,757
Public Safety	3,066,400	3,636,339	-	-	3,066,400	3,636,339
Public Works	1,239,679	2,286,369	-	-	1,239,679	2,286,369
Culture & Recreation	959,419	1,043,340	-	-	959,419	1,043,340
Interest on Long term Debt	113,590	92,355	30,933	27,843	144,523	120,198
Business-type Activities	-	-	4,584,084	4,212,401	4,584,084	4,212,401
Total Expenses	8,945,278	11,344,160	4,615,017	4,240,244	13,560,295	15,584,404
Increase (Decrease) in Net Position	1,418,648	491,978	1,164,632	2,279,402	2,583,280	2,771,380
Beginning Net Position	12,643,665	14,062,313	12,629,280	13,793,912	25,272,945	27,856,225
Ending Net Position	\$14,062,313	\$14,554,291	\$13,793,912	\$16,073,314	\$27,856,225	\$30,627,605

- The City's total net position increased by \$2,771,380 during the current fiscal year.

City of Manitou Springs, Colorado Management's Discussion and Analysis

Financial Analysis of the City's Funds

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,619,964. Approximately 62% of this total amount, \$3,509,163, constitutes *unrestricted/unassigned fund balance*. The remainder of fund balance is *restricted, committed or assigned* to indicate that it is not available for new spending.

General Fund total revenues exceeded expenditures by \$1,133,485. Transfers out totaled \$975,071 and exceeded transfers in of \$204,445 by \$770,626. The net fund balance increased by \$362,859. The General Fund finished 2017 with an ending fund balance of \$3,593,615, this includes restricted, committed, assigned as well as unassigned fund balances. Sales tax increased by \$410,634 over 2016. This was caused by a good summer tourist season and continuing to allow the sale of retail marijuana by two retail marijuana establishments within the City.

The Capital Improvements Fund obtained one lease purchase in 2017, in the amount of \$834,495 with an interest rate of 2.94%, for equipment and vehicles, including a new pumper fire truck for \$554,855, for the police, fire, parking and the public works departments, as well as maintaining debt service payments for several existing lease purchase agreements.

Enterprise Funds

The Storm Drainage Fund's regular operations are funded through an \$11 fee applied to all utilities bills. In May of 2015, the Federal Government made a disaster declaration, FEMA 4229, for soil saturation from rain. This was in addition to the disaster declaration from 2013, FEMA 4145, from flooding. These both involved the City. Manitou Springs received multiple grants from Federal and State funding sources. The expenses, award amounts and grant matches are all being accounted for in the Storm Drainage fund. The fund had an overall increase of \$2,592,413.

The Water Fund serves approximately 2,200 users with a distribution system including a reservoir, fresh water treatment plant and two storage tanks. The distribution system delivered an average of 421,608 gallons of fresh water per day in 2017. The Fund had an overall loss of \$442,918. In order to maintain healthy funds the City has implemented a multi-year rate increase to gradually bring water and sewer rates up to cover the increased costs of these Enterprises.

City of Manitou Springs, Colorado Management's Discussion and Analysis

The Sewer Enterprise Fund serves the same approximate 2,200 utility users, as the water distribution system. The City of Manitou Springs does not have a sewage treatment capability and relies on the neighboring City of Colorado Springs for treatment at their facility. Sewer rates for residential, are determined by water usage per customer during the months of January and February of each year. For commercial users (non-single family dwelling units) the rate is determined by the monthly water usage. The Sewer Fund had an overall increase of \$129,907.

General Fund Budgetary Highlights

As a matter of policy, the City amends its budget twice during each year: once at mid-year and again a final amendment at the end of its fiscal year in December. The City believes that this amendment practice gives the City tight control over expenditures directly related to revenue performance in a timelier manner.

Actual General Fund revenues were less than the amended budget by \$6,214, this is attributed, for the most part, to “charges for services” which includes revenues from the deployment of equipment and contract firefighters for national wildland fire fighting and emergencies for which the Federal government compensates the City. Equipment and personnel were not deployed as often in 2017 as in previous years due to fire danger concerns and the need to keep equipment close at hand. Actual General Fund expenditures were less than the amended budgeted amount by \$382,429, this is mainly attributed to salary savings and a decrease in professional services expenditures in Police and Public Services, a decrease in legal fees in the Legislative department and decreased expenditures in the Planning (community services) department for professional services. Due to time constraints, a planned zoning code amendment and rewriting of subdivision ordinance were not conducted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounted to \$32,217,683 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. Major additions to capital assets in 2017 included storm drainage upgrades: Williams Canyon Phase III Flood Mitigation Project, Pawnee Canyon Detention Pond and Channel Stabilization, Wildcat Gulch Streambed Restoration, a new baby pool at the pool, and sidewalk replacement on Canon Avenue.

**City of Manitou Springs, Colorado
Management's Discussion and Analysis**

Capital assets at the end of the current fiscal year included the following:

CAPITAL ASSETS

	Governmental Activities	Business-type Activities	Total
Land and Land Improvements	\$ 11,072,058	\$ 47,796	\$11,119,854
Construction in Progress	1,019,652	1,812,197	2,831,849
Buildings	1,668,046		1,668,046
Equipment and Vehicles	4,635,292	-	4,635,292
Collection and Distribution Improvements	-	25,258,496	25,258,496
Machinery and Equipment	-	3,036,224	3,036,224
Infrastructure	9,447,674	-	9,447,674
Total	27,842,722	30,154,713	57,997,435
Accumulated Depreciation	(13,183,356)	(12,596,396)	(25,779,752)
Net Capital Assets	\$ 14,659,366	\$ 17,558,317	\$ 32,217,683

Additional information on the City's capital assets can be found in Note 4.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,693,539 (net of compensated absences). Of this amount, \$420,000 is sales tax revenue bonds, and \$1,939,626 is ARRA non-interest bearing loans for water/sewer improvements. The City added a Capital Lease in the amount of \$834,495 for vehicles and equipment, for a total of \$2,966,190 in Capital Leases.

Additional information on the City's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budget

As a tourism based economy, general sales tax collection has been considered a leading barometer of economic activity within the City of Manitou Springs. The City of Manitou Springs is not a self-collecting entity but relies upon the Colorado Department of Revenue for the collection of the City's sales taxes. This reliance results in a two-month lag between a taxable sale and the remittance of the corresponding sales tax to the City. Additionally, the City's prime industry is tourism with seasonal characteristics.

Taxable sales in 2017 increased in comparison to those in 2016 by 7.46%. Please note, the City's Urban Renewal Authority, on the east end, receives the regular sales tax over the amount collected in that area in 2006. Since the City's two retail marijuana stores are located in the east end, a major portion of the additional sales tax received in 2016 went to the urban renewal authority. This payment amount was \$1,387,663.

Since 2013, taxable sales have performed as follows:

FY2013	\$54,274,599
FY2014	\$66,754,759
FY2015	\$110,803,174
FY2016	\$148,055,471
FY2017	\$159,096,255

All of the above facts were considered during the preparing of the City's budget for the 2018 fiscal year.

**City of Manitou Springs, Colorado
Management's Discussion and Analysis**

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Office
City of Manitou Springs
606 Manitou Avenue
Manitou Springs, CO 80829
or call (719) 685-2548

BASIC FINANCIAL STATEMENTS

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION
December 31, 2017

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	MS URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	\$ 3,737,826	\$ 2,104,123	\$ 5,841,949	\$ 2,146,954
Restricted Cash and Investments	830,179	-	830,179	-
Receivables				
Property Taxes	861,501	-	861,501	75,985
Other Governments	885,301	-	885,301	942,841
Accounts	920,627	311,433	1,232,060	-
Grants	-	2,748,625	2,748,625	-
Internal Balances	1,081,731	(1,081,731)	-	-
Capital Assets, Not Depreciated	8,062,483	1,812,197	9,874,680	-
Capital Assets, Net of Accumulated Depreciation	6,596,883	15,746,120	22,343,003	-
TOTAL ASSETS	22,976,531	21,640,767	44,617,298	3,165,780
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	932,220	219,352	1,151,572	-
LIABILITIES				
Accounts Payable	1,735,889	1,603,518	3,339,407	8,892
Accrued Liabilities	99,811	24,427	124,238	-
Accrued Interest	-	16,988	16,988	-
Noncurrent Liabilities				
Due within One Year	650,096	334,864	984,960	-
Due in More Than One Year	2,381,837	2,487,487	4,869,324	-
Net Pension Liability	3,612,019	1,319,521	4,931,540	-
TOTAL LIABILITIES	8,479,652	5,786,805	14,266,457	8,892
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	861,501	-	861,501	75,985
Related to Defined Benefit Pension Plans	13,307	-	13,307	-
TOTAL DEFERRED INFLOW OF RESOURCES	874,808	-	874,808	75,985
NET POSITION				
Net Investment in Capital Assets	11,753,934	14,770,210	26,524,144	-
Restricted for Emergencies	-	-	-	44,000
Restricted for Parks and Open Space	665,733	-	665,733	-
Restricted for Law Enforcement	527	-	527	-
Unrestricted	2,134,097	1,303,104	3,437,201	3,036,903
TOTAL NET POSITION	\$ 14,554,291	\$ 16,073,314	\$ 30,627,605	\$ 3,080,903

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 4,285,757	\$ 131,027	\$ 10,957	\$ -
Public Safety	3,636,339	530,446	15,365	1,012,595
Public Works	2,286,369	48,000	186,409	57,775
Culture and Recreation	1,043,340	1,172,233	-	52,924
Interest on Long-Term Debt	92,355	-	-	-
Total Governmental Activities	11,344,160	1,881,706	212,731	1,123,294
Business-Type Activities				
Storm Drainage	1,510,532	331,593	-	3,376,065
Water	1,769,490	1,421,523	-	33,000
Sewer	932,379	1,108,733	-	8,085
Interest on Long-Term Debt	27,843	-	-	-
Total Business-Type Activities	4,240,244	2,861,849	-	3,417,150
TOTAL PRIMARY GOVERNMENT	\$ 15,584,404	\$ 4,743,555	\$ 212,731	\$ 4,540,444
COMPONENT UNIT				
MS Urban Renewal Authority	\$ 930,189	\$ -	\$ -	\$ -

GENERAL REVENUES
Sales and Use Taxes
Property Taxes
Amusement and Lodging Taxes
Franchise Taxes
Auto Use Taxes
Grants and Contributions not Restricted to Specific Programs
Investment Income
Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	MS URBAN RENEWAL AUTHORITY
\$ (4,143,773)	\$ -	\$ (4,143,773)	\$ -
(2,077,933)	-	(2,077,933)	-
(1,994,185)	-	(1,994,185)	-
181,817	-	181,817	-
(92,355)	-	(92,355)	-
(8,126,429)	-	(8,126,429)	-
-	2,197,126	2,197,126	-
-	(314,967)	(314,967)	-
-	184,439	184,439	-
-	(27,843)	(27,843)	-
-	2,038,755	2,038,755	-
(8,126,429)	2,038,755	(6,087,674)	-
-	-	-	(930,189)
6,332,436	-	6,332,436	1,387,663
938,531	-	938,531	64,860
835,966	-	835,966	-
223,942	-	223,942	-
334,731	-	334,731	-
124,052	-	124,052	-
33,401	-	33,401	349
35,794	201	35,995	-
(240,446)	240,446	-	-
8,618,407	240,647	8,859,054	1,452,872
491,978	2,279,402	2,771,380	522,683
14,062,313	13,793,912	27,856,225	2,558,220
\$ 14,554,291	\$ 16,073,314	\$ 30,627,605	\$ 3,080,903

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash and Investments	\$ 2,800,653	\$ 77,776	\$ 859,397	\$ 3,737,826
Restricted Cash and Investments	-	765,609	64,570	830,179
Property Taxes Receivable	704,768	36,988	119,745	861,501
Due From Other Governments	787,884	-	97,417	885,301
Accounts Receivable	241,830	678,797	-	920,627
Due From Other Funds	1,106,731	-	-	1,106,731
TOTAL ASSETS	\$ 5,641,866	\$ 1,559,170	\$ 1,141,129	\$ 8,342,165
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,243,672	\$ 469,858	\$ 22,359	\$ 1,735,889
Accrued Liabilities	99,811	-	-	99,811
Due to Other Funds	-	-	25,000	25,000
TOTAL LIABILITIES	1,343,483	469,858	47,359	1,860,700
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	704,768	36,988	119,745	861,501
TOTAL DEFERRED INFLOWS OF RESOURCES	704,768	36,988	119,745	861,501
FUND EQUITY				
Fund Balance				
Restricted for Parks and Open Space	-	-	665,733	665,733
Restricted for Law Enforcement	-	-	527	527
Restricted for Capital Projects	-	765,609	64,570	830,179
Committed to Imaging Technology	9,227	-	-	9,227
Assigned to Barr Trail Maintenance	39,893	-	-	39,893
Assigned to Capital Projects	-	286,715	243,195	529,910
Assigned to Parks and Trails	32,174	-	-	32,174
Assigned to Police and Fire	3,158	-	-	3,158
Unassigned	3,509,163	-	-	3,509,163
TOTAL FUND EQUITY	3,593,615	1,052,324	974,025	5,619,964
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 5,641,866	\$ 1,559,170	\$ 1,141,129	\$ 8,342,165

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances of Governmental Funds	\$ 5,619,964
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	14,659,366
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in projected vs actual investment earnings	413,951
Deferred outflows of resources - difference in expected vs actual experience	37,667
Deferred outflows of resources - changes of assumptions	89,009
Deferred outflows of resources - change in proportionate share of net pension liability	64,078
Deferred outflows of resources - pension contributions from the measurement date	327,515
Deferred inflows of resources - difference in expected vs actual experience	(4,395)
Deferred inflows of resources - change in proportionate share of net pension liability	(8,912)
Long-term liabilities and related items are not due and payable in the current period and are not reported in the funds. These include Bonds Payable of (\$420,000), Capital Leases (\$2,485,432) and Accrued Compensated Absences (\$126,501).	(3,031,933)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of the net pension liability.	<u>(3,612,019)</u>
Net position of governmental activities	<u>\$ 14,554,291</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES				
Taxes	\$ 8,105,751	\$ 34,016	\$ 525,839	\$ 8,665,606
Licenses and Permits	67,663	-	-	67,663
Charges for Services	1,420,466	-	-	1,420,466
Intergovernmental	316,781	1,011,245	112,049	1,440,075
Fines and Forfeitures	381,587	-	11,990	393,577
Contributions/Donations	20,002	-	-	20,002
Investment Income	31,753	1,555	93	33,401
Miscellaneous	33,707	-	2,087	35,794
TOTAL REVENUES	10,377,710	1,046,816	652,058	12,076,584
EXPENDITURES				
General Government	3,632,481	-	-	3,632,481
Public Safety	3,291,042	-	-	3,291,042
Public Works	1,664,971	-	56,455	1,721,426
Culture and Recreation	655,731	-	71,950	727,681
Capital Outlay	-	1,205,178	99,531	1,304,709
Debt Service				
Principal	-	332,209	266,802	599,011
Interest	-	43,814	48,541	92,355
TOTAL EXPENDITURES	9,244,225	1,581,201	543,279	11,368,705
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,133,485	(534,385)	108,779	707,879
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	834,495	-	834,495
Transfers In	204,445	577,859	-	782,304
Transfers Out	(975,071)	-	(47,679)	(1,022,750)
TOTAL OTHER FINANCING SOURCES (USES)	(770,626)	1,412,354	(47,679)	594,049
NET CHANGE IN FUND BALANCES	362,859	877,969	61,100	1,301,928
FUND BALANCES, Beginning	3,230,756	174,355	912,925	4,318,036
FUND BALANCES, Ending	\$ 3,593,615	\$ 1,052,324	\$ 974,025	\$ 5,619,964

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended December 31, 2017

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,301,928
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,134,472 exceeded depreciation (\$703,228) and the net transfer of capital assets \$(25,563) to Storm Drainage Fund in the current period.	405,681
Capital lease proceeds are reported as other financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(834,495)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include bond payments of \$225,000 and payments of capital leases of \$374,011.	599,011
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities.	(979,879)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences	<u>(268)</u>
Change in Net Position of Governmental Activities	<u>\$ 491,978</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2017

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
ASSETS				
Current Assets				
Cash and Investments	\$ -	\$ 929,521	\$ 1,174,602	\$ 2,104,123
Accounts Receivable	41,930	140,198	129,305	311,433
Grants Receivable	2,748,625	-	-	2,748,625
Total Current Assets	2,790,555	1,069,719	1,303,907	5,164,181
Noncurrent Assets				
Capital Assets, Not Depreciated	1,782,897	29,300	-	1,812,197
Capital Assets, Net of Accumulated Depreciation	8,938,885	4,550,114	2,257,121	15,746,120
Total Noncurrent Assets	10,721,782	4,579,414	2,257,121	17,558,317
TOTAL ASSETS	13,512,337	5,649,133	3,561,028	22,722,498
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	77,990	105,819	35,543	219,352
LIABILITIES				
Current Liabilities				
Accounts Payable	1,434,219	121,034	48,265	1,603,518
Accrued Liabilities	13,377	7,885	3,165	24,427
Due to Other Funds	1,081,731	-	-	1,081,731
Accrued Compensated Absences	10,796	20,099	3,349	34,244
Accrued Interest Payable	2,474	12,161	2,353	16,988
Leases Payable, Current Portion	40,392	17,040	46,362	103,794
Loans Payable, Current Portion	-	196,826	-	196,826
Total Current Liabilities	2,582,989	375,045	103,494	3,061,528
Noncurrent Liabilities				
Leases Payable	163,755	74,931	142,448	381,134
Loans Payable	-	2,058,397	47,956	2,106,353
Net Pension Liability	469,360	636,735	213,426	1,319,521
Total Noncurrent Liabilities	633,115	2,770,063	403,830	3,807,008
TOTAL LIABILITIES	3,216,104	3,145,108	507,324	6,868,536
NET POSITION				
Net Investment in Capital Assets	10,517,635	2,232,220	2,020,355	14,770,210
Unrestricted	(143,412)	377,624	1,068,892	1,303,104
TOTAL NET POSITION	\$ 10,374,223	\$ 2,609,844	\$ 3,089,247	\$ 16,073,314

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2017

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUES				
Charges for Services	\$ 331,593	\$ 1,421,523	\$ 1,108,733	\$ 2,861,849
Miscellaneous	-	100	101	201
TOTAL OPERATING REVENUES	<u>331,593</u>	<u>1,421,623</u>	<u>1,108,834</u>	<u>2,862,050</u>
OPERATING EXPENSES				
Operations and Maintenance	1,127,128	1,211,445	729,495	3,068,068
Depreciation	383,404	558,045	202,884	1,144,333
TOTAL OPERATING EXPENSES	<u>1,510,532</u>	<u>1,769,490</u>	<u>932,379</u>	<u>4,212,401</u>
OPERATING INCOME (LOSS)	<u>(1,178,939)</u>	<u>(347,867)</u>	<u>176,455</u>	<u>(1,350,351)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Expenses	(1,925)	(20,731)	(5,187)	(27,843)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,925)</u>	<u>(20,731)</u>	<u>(5,187)</u>	<u>(27,843)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(1,180,864)</u>	<u>(368,598)</u>	<u>171,268</u>	<u>(1,378,194)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions				
Tap Fees	-	33,000	8,085	41,085
Capital Grants	3,376,065	-	-	3,376,065
Transfers In	397,212	-	-	397,212
Transfers (Out)	-	(107,320)	(49,446)	(156,766)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,773,277</u>	<u>(74,320)</u>	<u>(41,361)</u>	<u>3,657,596</u>
CHANGE IN NET POSITION	<u>2,592,413</u>	<u>(442,918)</u>	<u>129,907</u>	<u>2,279,402</u>
NET POSITION, Beginning	<u>7,781,810</u>	<u>3,052,762</u>	<u>2,959,340</u>	<u>13,793,912</u>
NET POSITION, Ending	<u>\$ 10,374,223</u>	<u>\$ 2,609,844</u>	<u>\$ 3,089,247</u>	<u>\$ 16,073,314</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2017
 Increase (Decrease) in Cash and Cash Equivalents

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 325,538	\$ 1,419,116	\$ 1,117,175	\$ 2,861,829
Cash Received from Others	(77,537)	100	101	(77,336)
Cash Paid to Suppliers	619,714	(588,748)	(504,458)	(473,492)
Cash Paid to Employees	(540,692)	(344,926)	(153,174)	(1,038,792)
Net Cash Provided (Used) by Operating Activities	<u>327,023</u>	<u>485,542</u>	<u>459,644</u>	<u>1,272,209</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments from (to) Other Funds	<u>835,933</u>	<u>(107,320)</u>	<u>(49,446)</u>	<u>679,167</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and Construction of Capital Assets	(2,923,984)	(35,874)	-	(2,959,858)
Long-term Debt Principal Paid	(57,942)	(214,078)	(46,885)	(318,905)
Interest Paid	(2,586)	(22,403)	(5,713)	(30,702)
Capital Contributions - Grants	1,821,556	-	-	1,821,556
Tap Fees Received	-	33,000	8,085	41,085
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,162,956)</u>	<u>(239,355)</u>	<u>(44,513)</u>	<u>(1,446,824)</u>
Net Increase in Cash and Cash Equivalents	-	138,867	365,685	504,552
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>	<u>790,654</u>	<u>808,917</u>	<u>1,599,571</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ 929,521</u>	<u>\$ 1,174,602</u>	<u>\$ 2,104,123</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (1,178,939)</u>	<u>\$ (347,867)</u>	<u>\$ 176,455</u>	<u>\$ (1,350,351)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	383,404	558,045	202,884	1,144,333
Net Pension Liability Adjustments	135,741	184,135	61,666	381,542
Changes in Assets and Liabilities				
Accounts Receivable	(6,055)	(2,407)	8,442	(20)
Accounts Payable	1,069,463	89,725	10,445	1,169,633
Accrued Liabilities	3,782	1,659	464	5,905
Unearned Revenue	(77,537)	-	-	(77,537)
Accrued Compensated Absences	(2,836)	2,252	(712)	(1,296)
Total Adjustments	<u>1,505,962</u>	<u>833,409</u>	<u>283,189</u>	<u>2,622,560</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 327,023</u>	<u>\$ 485,542</u>	<u>\$ 459,644</u>	<u>\$ 1,272,209</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
Year Ended December 31, 2017

	<u>AGENCY</u>
ASSETS	
Cash and Investments	\$ 220,164
Taxes Receivable	3,885
Accounts Receivable	<u>25,536</u>
TOTAL ASSETS	<u><u>\$ 249,585</u></u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
LIABILITIES	
Accounts Payable	\$ 7,455
Due to Metropolitan District	<u>238,281</u>
TOTAL LIABILITIES	<u>245,736</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	<u>3,849</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 249,585</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The City of Manitou Springs (the "City") is a home-rule municipality governed by a council-manager form of government through a Mayor and six-member City Council elected by the residents.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the City's more significant accounting policies follows.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the City includes the following entities in its reporting entity.

Manitou Springs Park Authority

The Manitou Springs Park Authority (the "Authority") was formed to provide financing for the redevelopment of parklands and mineral springs exclusively for the City. The City Council, City Clerk and City Treasurer serve as the governing board of the Authority. The Authority is blended into the financial statements as a proprietary fund. Separate financial statements are not issued by the Authority.

Manitou Springs Urban Renewal Authority

The Manitou Springs Urban Renewal Authority (the "URA") was created to redevelop or rehabilitate certain blighted areas within City limits. The URA has a separate governing board with members appointed by the City Council. Although the URA is legally separate from the City, the URA's primary revenue source, tax increment financing, can only be established by the City. The URA does not issue separate financial statements and is discretely presented in the City's financial statements.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from the legally separate component unit for which the City is financially accountable.

The statement of net position reports all financial, capital and debt resources of the City. The difference between assets plus deferred outflows, and liabilities plus deferred inflows of the City is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses and allocated indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the City's government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable and available". Revenues are considered to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenue and interest associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Grants and similar items are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds in the fund financial statements:

General Fund – The General Fund is used to account for the general operations and specific programs of the City.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Capital Improvements Fund – The Capital Improvements Fund accounts for the .556 property tax mill levy used to fund capital projects and repayment of capital related debt of the City.

The City reports the following major proprietary funds:

Storm Drainage Fund – The Storm Drainage Fund accounts for storm drainage fees used for the construction and maintenance of storm drainage facilities and the provision of ongoing storm water monitoring.

Water Fund – The Water Fund accounts for the financial activities associated with the provision of water services.

Sewer Fund – The Sewer Fund accounts for the financial activities associated with the provision of sewer services.

Additionally, the City reports the following fund type:

Manitou Springs Metropolitan District – Agency Fund – The Manitou Springs Metropolitan District accounts for the collection of taxes and parking fees related to the District's parking facilities. The City is the collection agent and holds all resources in a purely custodial capacity.

Assets, Liabilities, Fund Balance/Net Position

Cash and Investments – Cash equivalents include investments with original maturities of three months or less. Pooled cash and investments are considered cash equivalents. Investments are reported at fair value.

Internal Balances and Due to/from Other Funds – During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as due to/from other funds. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Grants, Other Governments and Accounts Receivable – Grants, other governments and accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Fund Balance/Net Position (Continued)

Capital Assets – Capital assets, which include property, plant, buildings and related improvements, equipment, vehicles, and all infrastructure owned by the City, are reported in the applicable government-wide or business-type activities columns of the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	15 – 25 years
Buildings and Improvements	20 – 40 years
Infrastructure	25 – 55 years
Collection and Distribution Systems	5 – 40 years
Equipment and Vehicles	3 – 10 years

Unearned Revenue – Unearned revenue includes receipts from customers for water services that will be provided in the following year. In addition, grants that have been collected but the corresponding expenditures have not been incurred are also reported as unearned revenue.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position reports a separate section for *deferred outflows of resources*. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expenses) until then. The City has four items related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plans as a whole at December 31, 2017.

In addition to liabilities, the balance sheet – governmental funds and statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement classification represents an acquisition of fund balance or net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until then. The City has an item related to property taxes levied in the current year to be collected in the following year and items related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plans as a whole at December 31, 2017.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Compensated Absences - Employees of the City are allowed to accumulate unused vacation and sick time. Employees will be paid for all accrued vacation time, but not accumulated sick time, upon separation of employment. Therefore, no liability for accumulated sick time is reported in the financial statements. Accrued vacation time is recognized as current salary costs when earned in the proprietary funds and when due in the governmental funds. A long-term liability is reported in the government-wide financial statements for the accrued vacation time.

Long-Term Debt - In the government-wide financial statements, and the proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Debt premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide and proprietary funds, debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Net Position - In the government-wide and proprietary fund financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets - this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position - this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position - this classification includes assets that do not have any third party limitation on their use.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources at December 31, 2017.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City had classified emergency reserves as being restricted because State statute requires this restriction. In addition, the City had restricted amounts for open space, law enforcement and capital improvements because of voter approved taxes for these purposes.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority, the City Council. The constraint may be removed or changed only through formal action of the City Council. The City had committed resources at December 31, 2017 for future document imaging.
- Assigned – This classification includes amounts that are constrained by the City’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The City had assigned resources at December 31, 2017 for future Barr Trail maintenance, capital improvements, police, fire, parks and trails.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the City uses restricted fund balance first, followed by committed, assigned and unassigned.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Pensions

The City participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"), and the Fire and Police Statewide Defined Benefit Plan ("FPSDBP") administered by the Fire and Police Pension Association of Colorado ("FPPA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF and the FPSDBP have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2017, follows:

Petty Cash	\$ 650
Cash Deposits	3,148,307
Cash Held by Third Party	780,348
Investments	<u>5,109,941</u>
Total	<u>\$ 9,039,246</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash is reported in the financial statements as follows:

Cash and Investments – Primary Government	\$ 5,841,949
Restricted Cash and Investments – Primary Government	830,179
Cash and Investments – Urban Renewal Authority	2,146,954
Cash and Investments – Agency Fund	<u>220,164</u>
Total	<u>\$ 9,039,246</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017, the City and component unit had bank deposits totaling \$3,256,383 of which \$500,000 were FDIC insured and \$2,756,383 were collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

The City has not adopted a formal investment policy; however, the City follows State statutes regarding investments. The City generally limits its concentration of investments to Local Government Investment Pools, obligations of the United States and certain U.S. government agency securities, which are believed to have a minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the City is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the City Council, such actions are generally associated with debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The City measures and records its investments using fair market value measurement guidelines established by generally accepted accounting principles, except for local government investment pools, which are recorded using the net asset value method. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investment in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The City had invested \$64,570 in the First American Government Obligation Fund, which is a money market fund that is valued at fair value based on quoted market prices and is categorized as a Level 1 investment.

At December 31, 2017, the City had \$5,045,371 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the City records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Restricted cash and investments consist of unspent lease proceeds of \$765,609 in the Capital Improvements Fund. In addition, \$64,570 is restricted in the Downtown Public Facilities Fund for payment of debt principal and interest.

NOTE 3: INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Downtown Public Facilities	\$ 1,220
General	Open Space	6,100
General	Law Enforcement	1,220
General	El Paso/Beckers Park	39,139
General	Water	107,320
General	Sewer	49,446
Capital Improvements	General	577,859
Storm Drainage	General	<u>397,212</u>
Total		<u>\$ 1,179,516</u>

During the year ended December 31, 2017, transfers to the General Fund were reimbursements for administrative costs. The General Fund transferred funds to the Capital Improvements Fund for capital projects and debt service payments. The General Fund transferred funds to the Storm Drainage for the ongoing repairs to storm drainage infrastructure that was damaged by recent flooding.

Interfund balances - At December 31, 2017, the General Fund temporarily subsidized the negative cash balances until grant reimbursements are received, of the Storm Drainage and RTA Funds by \$1,081,731 and \$25,000, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, is summarized below:

	Balances 12/31/2016	Additions	Deletions	Balances 12/31/2017
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 7,042,831	\$ -	\$ -	\$ 7,042,831
Construction in Progress	322,253	798,822	101,423	1,019,652
Total Capital Assets, not being depreciated	<u>7,365,084</u>	<u>798,822</u>	<u>101,423</u>	<u>8,062,483</u>
Capital Assets, being depreciated				
Land Improvements	4,029,227	-	-	4,029,227
Buildings	1,640,046	28,000	-	1,668,046
Infrastructure	9,113,189	334,485	-	9,447,674
Equipment and Vehicles	4,593,489	74,588	32,785	4,635,292
Total Capital Assets, being depreciated	<u>19,375,951</u>	<u>437,073</u>	<u>32,785</u>	<u>19,780,239</u>
Less accumulated depreciation				
Land Improvements	(1,419,386)	(158,246)	-	(1,577,632)
Buildings	(1,190,447)	(28,736)	-	(1,219,183)
Infrastructure	(6,737,111)	(266,640)	-	(7,003,751)
Equipment and Vehicles	(3,140,406)	(249,606)	(7,222)	(3,382,790)
Total accumulated depreciation	<u>(12,487,350)</u>	<u>(703,228)</u>	<u>(7,222)</u>	<u>(13,183,356)</u>
Total Capital Assets, being depreciated, net	<u>6,888,601</u>	<u>(266,155)</u>	<u>25,563</u>	<u>6,596,883</u>
Governmental Activities Capital Assets, net	<u>\$ 14,253,685</u>	<u>\$ 532,667</u>	<u>\$ 126,986</u>	<u>\$ 14,659,366</u>

Depreciation expense was charged to the functions/programs as follows:

General Government	\$ 333,263
Public Safety	145,964
Public Works	52,052
Culture and Recreation	<u>171,949</u>
Total	<u>\$ 703,228</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4: CAPITAL ASSETS (Continued)

Business-type Activities:

Capital Assets, not being depreciated

Construction in Progress	\$ 296,327	\$ 1,759,286	\$ 243,416	\$ 1,812,197
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Capital Assets, being depreciated

Land Improvements	47,796	-	-	47,796
Collection and Distribution Systems	23,847,293	1,411,203	-	25,258,496
Machinery and Equipment	3,003,439	32,785	-	3,036,224
Total Capital Assets, being depreciated	<u>26,898,528</u>	<u>1,443,988</u>	<u>-</u>	<u>28,342,516</u>

Less accumulated depreciation

Land Improvements	(11,339)	(2,110)	-	(13,449)
Collection and Distribution Systems	(9,433,502)	(963,528)	-	(10,397,030)
Machinery and Equipment	(2,007,222)	(178,695)	-	(2,185,917)
Total accumulated depreciation	<u>(11,452,063)</u>	<u>(1,144,333)</u>	<u>-</u>	<u>(12,596,396)</u>

Total Capital Assets, being depreciated, net	<u>15,446,465</u>	<u>299,655</u>	<u>-</u>	<u>15,746,120</u>
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Business-type Activities Capital Assets, net	<u>\$ 15,742,792</u>	<u>\$ 2,058,941</u>	<u>\$ 243,416</u>	<u>\$ 17,558,317</u>
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NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017	Due Within One Year
Governmental Activities					
2004 Sales and Use Tax Bonds	\$ 645,000	\$ -	\$ 225,000	\$ 420,000	\$ 175,000
Capital Leases	2,024,948	834,495	374,011	2,485,432	348,595
Accrued Compensated Absences	126,233	187,398	187,130	126,501	126,501
	<u>\$ 2,796,181</u>	<u>\$ 1,021,893</u>	<u>\$ 786,141</u>	<u>\$ 3,031,933</u>	<u>\$ 650,096</u>

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Sales and Use Tax Revenue Bonds

\$1,850,000 Sales and Use Tax Revenue Bonds, Series 2004, were issued to finance capital improvements related to the City's Downtown Master Plan. Principal and interest payments are due semi-annually on February 1 and August 1 through February 1, 2020. Interest accrues at rates ranging from 2% to 5% per annum. During the year ended December 31, 2017, pledged revenues derived from the dedicated 0.3% sales and use tax totaling \$313,795 were available to pay annual debt service of \$255,100.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 175,000	\$ 21,544	\$ 196,544
2019	190,000	12,875	202,875
2020	55,000	1,375	56,375
	<u>\$ 420,000</u>	<u>\$ 35,794</u>	<u>\$ 455,794</u>

Capital Leases

The City has entered into several capital lease agreements to purchase land, equipment and vehicles. These leases bear interest at rates ranging from 1.725% to 4.120% per annum and mature between June 2022 and June 2026. Capital assets totaling \$2,027,034 less accumulated depreciation of \$480,963 are reported in the financial statements under these lease agreements.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Following is a schedule of future minimum lease payments required under the outstanding capital leases at December 31, 2017.

Year Ended December 31

2018	\$	423,400
2019		396,974
2020		373,020
2021		345,287
2022		313,521
2023 - 2027		798,635
2028 - 2030		186,694
Total Minimum Lease Payments		<u>2,837,531</u>
Less: Interest		<u>(352,099)</u>
Present Value of Future Minimum Lease Payments	\$	<u>2,485,432</u>

Business-type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2017.

	Balance <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2017</u>	<u>Due Within One Year</u>
Business-type Activities					
1985 Water Loan	\$ 411,780	\$ -	\$ 44,057	\$ 367,723	\$ 45,826
2009 Water Loan	837,919	-	62,068	775,851	62,068
2009 Water Loan	837,919	-	62,068	775,851	62,068
2009 Water Loan	362,662	-	26,864	335,798	26,864
2009 Sewer Loan	56,296	-	4,170	52,126	4,170
Capital Leases	600,436	-	119,678	480,758	99,624
Accrued Compensated Absences	35,540	48,252	49,548	34,244	34,244
	<u>\$ 3,142,552</u>	<u>\$ 48,252</u>	<u>\$ 368,453</u>	<u>\$ 2,822,351</u>	<u>\$ 334,864</u>

Water Loans

During 1985, the City entered into a \$1,200,000 loan agreement with the Colorado Water Conservation Board for construction certain water supply improvements. Principal and interest payments are due annually on May 1, through 2025. Interest accrues at 4.02% per annum.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

During 2009, the City entered into two loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA), each in the principal amount of \$1,241,361, for construction and improvements to the water delivery systems. Principal payments are due semi-annually on May 1 and November 1, through May 1, 2030. The loans are non-interest bearing.

During 2009, the City entered into a third loan agreement with the CWRPDA in the principal amount of \$537,278 for construction and improvements to the water delivery systems. Principal payments are due semi-annually on May 1 and November 1, through May 1, 2030. The loan is non-interest bearing.

The three CWRPDA water loans are payable solely from revenues of the City's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2017, net revenues of \$135,858 were available to pay annual debt service of \$151,000. Remaining debt service at December 31, 2017 was \$1,887,500.

Sewer Loans

During 2009, the City entered into a loan agreement with the CWRPDA in the principal amount of \$83,401 to finance repairs to the City's sewer treatment systems. Principal payments are due semi-annually on May 1 and November 1, through May 1, 2030. The loan is non-interest bearing.

This loan is payable solely from revenues of the City's sewer utility system, after deducting operation and maintenance costs. During the year ended December 31, 2017, net revenues of \$337,978 were available to pay annual debt service of \$4,170. Remaining debt service at December 31, 2017 was \$52,126.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 200,996	\$ 14,765	\$ 215,761
2019	202,837	12,925	215,762
2020	204,750	11,011	215,761
2021	206,741	9,020	215,761
2022	208,812	6,950	215,762
2022 - 2026	895,287	7,575	902,862
2027 - 2030	387,926	-	387,926
	<u>\$ 2,307,349</u>	<u>\$ 62,246</u>	<u>\$ 2,369,595</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Capital Leases

The City has entered into several capital lease agreements to purchase equipment and vehicles. These leases bear interest at rates ranging from 1.725% to 2.120% per annum and mature between June 2022 and June 2025. Capital assets totaling \$986,264 less accumulated depreciation of \$369,830 are reported in the financial statements under these lease agreements. Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2017.

Year Ended December 31

2018	\$	111,039
2019		95,850
2020		88,693
2021		68,094
2022		67,793
2023 - 2025		88,165
Total Minimum Lease Payments		519,634
Less: Interest		(38,876)
Present Value of Future Minimum Lease Payments	<u>\$</u>	<u>480,758</u>

NOTE 6: PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: PUBLIC ENTITY RISK POOL (Continued)

It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the City does not approve budgets nor does it have the ability to significantly affect the operations of entity.

NOTE 7: PENSION PLANS

Eligible City employees may participate in one of six following pension plans, depending on occupation and date of hire:

Nonemergency Employees

- Local Government Division Trust Fund Defined Benefit Plan (PERA)

Police Officers

- Police Officers Statewide Defined Benefit Plan (FPPA)

Firefighters

- Firefighters Statewide Defined Benefit Plan (FPPA)
- Old Hire Firefighters Pension Plan (FPPA)
- Volunteer Firefighters Pension Plan (FPPA)

City Administrator

- ICMA-RC Money Purchase Management Plan – Defined Contribution

Nonemergency Employees

Plan description. Eligible nonemergency employees of the City are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

Contributions. Eligible nonemergency employees and the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	<u>Rate</u>
Employer Contribution Rate	(1) 10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%
Amount Apportioned to the LGDTF	<u>8.98%</u>
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	<u>1.50%</u>
Total Employer Contribution Rate to the SCHDTF	<u><u>12.68%</u></u>

(1) - Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$286,261 for the year ended December 31, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a liability of \$4,427,922 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the City's proportion was 0.32791%, which was an increase of 0.02116% from its proportion measured as of December 31, 2015. For the year ended December 31, 2017, the City recognized pension expense of \$898,563.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,032	\$ -
Changes in assumptions or other inputs	38,571	-
Net difference between projected and actual earnings on pension plan investments	315,954	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	86,620	-
Contributions subsequent to measurement date	<u>286,261</u>	<u>-</u>
Total	<u>\$ 736,439</u>	<u>\$ -</u>

\$286,261 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,

2018	\$ 305,407
2019	139,720
2020	5,050

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 10.85%
Long-term investment Rate of Return, net of Pension plan investment expenses, including price inflation:	7.50%
Discount Rate	7.50%

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

Future post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07 2.00%

PERA Benefit Structure hired after 12/31/06

(ad hoc, substantively automatic)

Financed by the
Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial Cost Method:

Entry age

Price inflation:

2.40%

Real wage growth:

1.10%

Wage inflation:

3.50%

Salary increases, including wage inflation:

3.50% – 9.70%

Long-term investment Rate of Return,
net of pension plan investment expenses,
including price inflation:

7.25%

Discount rate:

5.26%

Post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07: 2.00%

PERA Benefit Structure hired after 12/31/06

(ad hoc, substantively automatic):

Financed by the
Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disable retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rate were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016 as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

- Price inflation assumption decreased from 2.80% per to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decrease from 3.90% per year to 3.50% per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTR, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return, by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions as show above. In addition, the following methods and assumptions were used in the projection of cash flows:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

Based on the above actuarial cost method and assumptions, the LGDTR’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to all periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate Share of Net Pension Liability	<u>\$ 6,528,768</u>	<u>\$ 4,427,922</u>	<u>\$ 2,688,191</u>

Pension plan fiduciary net position. Detailed information about the LGDTR’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Police Officers Statewide Defined Benefit Pension Plan

Plan description. The City contributes to the Statewide Defined Benefit Pension Plan (SWDB) (the “Plan”), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The SWDB provides retirement benefits for members and beneficiaries.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Colorado Revised Statutes Title 31, Article 31 assigns the authority to establish benefit provisions to the State legislature. FPPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWDB. This report can be obtained at www.fppaco.org.

Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership. Members of the SWDB and their employers are contributing at the rate of 9.5% and 8%, respectively, of base salary for a total contribution rate of 17.5% through 2017. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5% of base salary through 2015. The City Council determines who pays the additional contribution. In accordance with the aforementioned election, the re-entry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24% of base salary.

The City and employees have made contributions as a percentage of regular pay to this plan as follows: 2015 – 8% City and 8% employee; 2016 – 8% City and 8.5% employee; 2017 – 8% City and 9.5% employee. Contributions to the Plan from the City were \$60,806, \$59,089, and \$54,665 for the years ended December 31, 2017, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a net pension liability of \$52,019 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the City's proportion was 0.14396%, which was an increase of 0.00435 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$48,282. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 15,607	\$ (2,146)
Changes in assumptions or other inputs	30,263	-
Net difference between projected and actual earnings on pension plan investments	112,408	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(5,560)
Contributions subsequent to the measurement date	<u>60,806</u>	<u>-</u>
Total	<u>\$ 219,083</u>	<u>\$ (7,706)</u>

\$60,806 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,

2018	\$ 41,734
2019	38,741
2020	38,741
2021	14,586
2022	5,349
Thereafter	11,420

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation, based on a date of January 1, 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial method	Entry Age Normal
Amortization method	Level % of Payroll, Open
Amortization period	30 years
Investment rate of return	7.50%, including 2.5% inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.0%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

For post-retirement members ages 55 through 64, a blend of the previous tables was used. All tables were projected with Scale BB. The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation of January 1, 2016, based upon the actuary's analysis and recommendations from the 2015 Experience Study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	36.00%	9.25%
Equity Long/Short	10.00%	7.35%
Illiquid Alternatives	23.00%	10.75%
Fixed Income	15.00%	4.10%
Absolute Return	10.00%	6.55%
Managed Futures	4.00%	5.50%
Cash*	2.00%	0.00%
Total	<u>100.00%</u>	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50%) or 1-percentagepoint higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	<u>\$ 442,600</u>	<u>\$ 52,019</u>	<u>\$ 272,377</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report, which may be obtained at www.fppaco.org.

Firefighters Statewide Defined Benefit Pension Plan

Plan description. The City contributes to the Statewide Defined Benefit Pension Plan (SWDB) (the “Plan”), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The SWDB provides retirement benefits for members and beneficiaries. Colorado Revised Statutes Title 31, Article 31 assigns the authority to establish benefit provisions to the State legislature. FPPA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the SWDB. This report can be obtained at www.fppaco.org.

Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2% of the average of the member’s highest three years’ base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership. Members of the SWDB and their employers are contributing at the rate of 9.5% and 8%, respectively, of base salary for a total contribution rate of 17.5% through 2017. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5% of base salary through 2015. The City Council determines who pays the additional contribution. In accordance with the aforementioned election, the re-entry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24% of base salary.

The City and employees have made contributions as a percentage of regular pay to this plan as follows: 2015 – 8% City and 8% employee; 2016 – 8% City and 8.5% employee; 2017 – 8% City and 9.5% employee. Contributions to the Plan from the City were \$27,954, \$26,307, and \$26,670 for the years ended December 31, 2017, 2016 and 2015, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a net pension liability of \$23,176 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the City's proportion was 0.06414%, which was a decrease of 0.00051 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$25,504. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 7,226	\$ (1,087)
Changes in assumptions or other inputs	14,013	-
Net difference between projected and actual earnings on pension plan investments	43,177	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,190	(3,352)
Contributions subsequent to measurement date	27,954	-
	<u> </u>	<u> </u>
Total	<u>\$ 95,560</u>	<u>\$ (4,439)</u>

\$27,954 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,

2018	\$	22,602
2019		21,085
2020		7,663
2021		2,724
2022		2,724
Thereafter		6,368

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation, based on a date of January 1, 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial method	Entry Age Normal
Amortization method	Level % of Payroll, Open
Amortization period	30 years
Investment rate of return	7.50%, including 2.5% inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.0%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used. All tables were projected with Scale BB. The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation of January 1, 2016, based upon the actuary's analysis and recommendations from the 2015 Experience Study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2016, are summarized in the following table:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	36.00%	9.25%
Equity Long/Short	10.00%	7.35%
Illiquid Alternatives	23.00%	10.75%
Fixed Income	15.00%	4.10%
Absolute Return	10.00%	6.55%
Managed Futures	4.00%	5.50%
Cash*	2.00%	0.00%
Total	100.00%	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50%) or 1-percentagepoint higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 197,188	\$ 23,176	\$ 121,350

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report, which may be obtained at www.fppaco.org.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan

Plan Description. The City's firefighters hired prior to April 8, 1978, are covered by an agent multiple-employer defined benefit pension plan. The Plan is affiliated with and administered by the Fire and Police Pension Association of Colorado (FPPA). Assets of the plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund. The Plan has one retiree and one retiree's beneficiary and is closed to future participation.

The authority under which benefit provisions are established or amended are provided within Colorado Revised Statutes (C.R.S. 31-30.5-210). The Board of Trustees is made up of City Council members and firefighters who along with the Board of Directors of the Colorado FPPA must approve Plan amendments. Any modification must maintain or enhance the actuarial soundness of the plan and cannot adversely affect the benefits of Members.

Benefits Provided. A firefighter's normal retirement date shall be the date on which he has attained fifty years of age and completed twenty years of active service. Any firefighter who elects to retire on or after his normal retirement date is eligible for a monthly pension payment equivalent to one-half of his monthly salary at the date of his retirement. For each year after a firefighter continues working past the normal retirement date, his benefit will increase by 4% of his monthly salary to a maximum benefit of 74%. If a firefighter dies, the surviving spouse receives, until death or remarriage, a monthly pension equal to one-third of the salary of a first grade firefighter at the time of retirement.

Contributions. The Plan receives contributions from the City based on an actuarially determined amount, as required by State statute. The actuarial study as of January 1, 2016, indicated that the current level of contributions to the Plan are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, of the present Plan. The City contribution amount for the Plan has been historically determine by biennial actuarial studies.

Administrative costs of the plan are paid from the pension fund. There are no investments in, loans to or leases with parties related to the Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At December 31, 2017, the City reported a net pension liability of \$179,826. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

For the year ended December 31, 2017, the City recognized pension expense/(income) of (\$1,103). At December 31, 2017, the City reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 17,507
Contributions subsequent to the measurement date	<u>21,799</u>
Total deferred outflows of resources related to pensions	<u>\$ 39,306</u>

\$21,799 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2017	\$ 5,541
2018	5,542
2019	5,103
2020	<u>1,321</u>
Total	<u>\$ 17,507</u>

Actuarial assumptions. The January 1, 2016 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2016.

The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.78%

Long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	0.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash *	<u>2.0%</u>	0.0%
Total	<u>100.0%</u>	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

Single Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net pension was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Net Pension Asset to Changes in the Single Discount Rate. The following presents the City's net pension liability/(asset) calculated using the single discount rate of 7.5%, as well as what the City's net pension liability/(asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>6.5%</u>	Current Single Discount Rate 7.5%	1% Increase <u>8.5%</u>
City's Net Pension Liability	<u>\$ 228,538</u>	<u>\$ 179,826</u>	<u>\$ 138,038</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in FPPA's comprehensive annual financial report at www.fppaco.org/PDF/annual-reports/14.annual.report.pdf.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan

Plan Description. The Volunteer Firefighter's Pension Plan is a defined benefit, agent multiple-employer plan affiliated with the Colorado Fire and Police Pension Association (FPPA). Assets of the Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund, an agent multiple-employer defined benefit pension plan administered by FPPA. The Plan is administered by a Board of Trustees composed of City Council members and firefighters. City Council establishes the Plan benefits. The Plan is affiliated with and administered by the Fire and Police Pension Association of Colorado (FPPA). FPPA issues publicly available financial statements and required supplementary information. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 190, Englewood, CO 80111 or by calling 1-800-332-3772.

Benefits Provided. Any firefighter who has attained both the age of fifty and completed twenty years of active service shall be eligible for a monthly pension from the City and the State of Colorado, currently at \$225 and \$300, respectively. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by City Council.

Contributions. The Plan receives contributions from the City and the State of Colorado based on an actuarially determined amount, as required by State statute. The actuarial study as of January 1, 2017, indicated that the current level of contributions to the Plan are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, of the present Plan. The City contribution amount for the Plan has been historically determined by biennial actuarial studies.

Administrative costs of the plan are paid from the pension fund. There are no investments in, loans to or leases with parties related to the Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At December 31, 2017, the City reported a net pension liability of \$248,597. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2017, the City recognized pension expense of \$8,633. At December 31, 2017, the City reported deferred outflows of resources from the following sources:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Net difference between expected and actual experience of the total pension liability	\$ 8,496	\$ (1,162)
Net difference between projected and actual earnings on pension plan investments	19,055	-
Changes in assumptions or other inputs	17,631	-
Contributions subsequent to the measurement date	<u>16,000</u>	<u>-</u>
 Total deferred outflows/inflows of resources related to pensions	 <u>\$ 61,182</u>	 <u>\$ (1,162)</u>

\$16,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2018	\$ 15,415
2019	13,004
2020	9,376
2021	5,320
2022	<u>905</u>
 Total	 <u>\$ 44,020</u>

Actuarial assumptions. The January 1, 2017 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2016. The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.78%

Long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter’s Pension Plan

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of December 31, 2015 are summarized in the following table:

Long-term <u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global equity	36.0%	6.75%
Equity Long/Short	10.0%	4.85%
Illiquid Alternatives	23.0%	8.25%
Fixed Income	15.0%	0.50%
Absolute Return	10.0%	4.05%
Managed Futures	4.0%	3.00%
Cash *	<u>2.0%</u>	0.00%
Total	<u>100.0%</u>	

* - While the expected inflation exceeds the expected rate of return for cash, a 0.0% real rate of return is utilized.

Single Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net pension was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Net Pension Asset to Changes in the Single Discount Rate. The following presents the City’s net pension liability/(asset) calculated using the single discount rate of 7.5%, as well as what the City’s net pension liability/(asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease 6.5%</u>	<u>Current Single Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
City’s Net Pension Liability	<u>\$ 303,023</u>	<u>\$ 248,597</u>	<u>\$ 202,378</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in FPPA’s comprehensive annual financial report at www.fppaco.org/PDF/annual-reports/14.annual.report.pdf.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 7: PENSION PLANS (Continued)

Defined Contribution Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the City Administrator. The contribution requirements of Plan participant and the City are established and may be amended by City Council. The Plan is administered by ICMA-RC. The City is required to contribute 13.7% of the City Administrator's eligible compensation and the City Administrator contributes 8% of eligible compensation. For the year ended December 31, 2017, City Administrator's contributions totaled \$8,180 and the City recognized pension expense of \$14,008 and there were no plan forfeitures. The City Administrator is immediately vested in his own contributions and earnings on those contributions, and fully vested in the City's contributions and earnings on City contributions after five years. Non-vested City contributions are forfeited upon termination of employment.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment health care plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The City is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2015, 2016 and 2017, the City's contributions to the HCTF were \$17,763, \$20,162 and \$22,936 respectively, equal to their required contributions for each year.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to the City. Revenue in excess of the fiscal spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The City's management believes it is in compliance with the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

In November 1997, voters within the City authorized the City to collect, retain and expend all revenues and other funds in excess of the revenue limitations of the Amendment.

The City determined a state of emergency, approved by Resolution No. 2713, as a result of flooding in 2013. The resolution authorized the use of the TABOR emergency reserve for expenses directly related to the recovery efforts and to mitigate the risk of future flooding. The City will determine when the state of emergency is lifted and will re-establish, within one year, an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment.

The URA is not subject to the Amendment. See: Marian L. Olson v. City of Golden, et. al. 53 P.3d 747 (Co. App.), certiorari denied. However, the URA reported an emergency reserve of \$44,000 for the year ended December 31, 2017.

Claims and Judgments

The City participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2017, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales and Use	\$ 5,072,000	\$ 5,927,854	\$ 5,916,723	\$ (11,131)
Property	769,274	784,902	794,389	9,487
Amusement and Lodging	810,000	828,474	835,966	7,492
Franchise	140,000	238,425	223,942	(14,483)
Auto Use	316,000	329,665	334,731	5,066
Licenses and Permits	76,300	73,676	67,663	(6,013)
Charges for Services	1,469,759	1,476,592	1,420,466	(56,126)
Intergovernmental	319,379	308,160	316,781	8,621
Fines and Forfeitures	125,150	331,030	381,587	50,557
Contributions/Donations	-	17,118	20,002	2,884
Interest	6,000	34,000	31,753	(2,247)
Miscellaneous	27,000	34,028	33,707	(321)
TOTAL REVENUES	9,130,862	10,383,924	10,377,710	(6,214)
EXPENDITURES				
General Government				
Legislative	333,346	288,706	268,476	20,230
Judicial	76,810	76,154	68,512	7,642
Executive	642,331	665,387	656,585	8,802
Administrative	415,002	434,324	436,772	(2,448)
Community Services	335,989	385,089	354,884	30,205
Economic Development	1,450,069	1,730,019	1,792,085	(62,066)
Intergovernmental	45,962	48,500	43,825	4,675
Document Retrieval	-	10,744	10,744	-
Council Programs and Projects	6,100	900	598	302
Total General Governments	3,305,609	3,639,823	3,632,481	7,342
Public Safety				
Police	1,755,193	1,736,493	1,575,203	161,290
Fire	899,554	920,585	919,706	879
Other Police and Fire	-	15,233	12,348	2,885
Code Enforcement	76,343	66,399	59,851	6,548
Parking Enforcement	629,767	723,682	723,934	(252)
Total Public Safety	3,360,857	3,462,392	3,291,042	171,350
Public Works				
Streets	1,628,827	1,823,614	1,664,971	158,643
Total Public Works	1,628,827	1,823,614	1,664,971	158,643

(Continued)

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Culture and Recreation				
Parks and Recreation	\$ 425,853	\$ 446,260	\$ 425,519	\$ 20,741
Trails	264,135	254,565	230,212	24,353
Total Culture and Recreation	<u>689,988</u>	<u>700,825</u>	<u>655,731</u>	<u>45,094</u>
 TOTAL EXPENDITURES	 <u>8,985,281</u>	 <u>9,626,654</u>	 <u>9,244,225</u>	 <u>382,429</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>145,581</u>	 <u>757,270</u>	 <u>1,133,485</u>	 <u>376,215</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	204,445	204,445	204,445	-
Transfers Out	<u>(1,576,012)</u>	<u>(1,237,378)</u>	<u>(975,071)</u>	<u>262,307</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,371,567)</u>	<u>(1,032,933)</u>	<u>(770,626)</u>	<u>262,307</u>
 NET CHANGE IN FUND BALANCE	 (1,225,986)	 (275,663)	 362,859	 638,522
 FUND BALANCE, Beginning	 <u>2,577,099</u>	 <u>3,146,303</u>	 <u>3,230,756</u>	 <u>84,453</u>
 FUND BALANCE, Ending	 <u>\$ 1,351,113</u>	 <u>\$ 2,870,640</u>	 <u>\$ 3,593,615</u>	 <u>\$ 722,975</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENTS FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 35,663	\$ 35,485	\$ 34,016	\$ (1,469)
Intergovernmental	1,506,052	992,519	1,011,245	18,726
Interest	-	-	1,555	1,555
TOTAL REVENUES	1,541,715	1,028,004	1,046,816	18,812
EXPENDITURES				
Capital Outlay	2,872,206	2,351,093	1,205,178	1,145,915
Debt Service				
Principal	311,399	332,294	332,209	85
Interest and Fiscal Charges	46,330	46,580	43,814	2,766
TOTAL EXPENDITURES	3,229,935	2,729,967	1,581,201	1,148,766
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,688,220)	(1,701,963)	(534,385)	1,167,578
OTHER FINANCING SOURCES				
Proceeds from Issuance of Debt	767,766	767,766	834,495	66,729
Transfers In	701,956	890,166	577,859	(312,307)
TOTAL OTHER FINANCING SOURCES	1,469,722	1,657,932	1,412,354	(245,578)
NET CHANGE IN FUND BALANCE	(218,498)	(44,031)	877,969	922,000
FUND BALANCE, Beginning	49,671	49,671	174,355	124,684
FUND BALANCE (DEFICIT), Ending	\$ (168,827)	\$ 5,640	\$ 1,052,324	\$ 1,046,684

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)

	Last Ten Years*			
	2016	2015	2014	2013
<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>				
Proportion of the Net Pension Liability (Asset)	0.32791%	0.30675%	0.25894%	0.25360%
Proportionate Share of the Net Pension Liability (Asset)	\$ 4,427,922	\$ 3,379,093	\$ 2,320,884	\$ 2,086,887
Covered Employee Payroll	\$ 2,248,623	\$ 1,976,677	\$ 1,741,473	\$ 1,418,864
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	196.92%	170.95%	133.27%	147.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.65%	76.87%	80.72%	77.66%
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>				
Proportion of the Net Pension Liability (Asset)	0.14396%	0.13961%	0.13452%	0.13306%
Proportionate Share of the Net Pension Liability (Asset)	\$ 52,019	\$ (2,461)	\$ (151,810)	\$ (118,980)
Covered Employee Payroll	\$ 760,073	\$ 738,608	\$ 604,912	\$ 577,324
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	6.84%	-0.33%	-25.10%	-20.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.21%	100.10%	106.83%	105.83%
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>				
Proportion of the Net Pension Liability (Asset)	0.06414%	0.06465%	0.06816%	0.06292%
Proportionate Share of the Net Pension Liability (Asset)	\$ 23,176	\$ (1,140)	\$ (76,927)	\$ (56,266)
Covered Employee Payroll	\$ 349,428	\$ 328,841	\$ 306,525	\$ 273,302
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	6.63%	-0.35%	-25.10%	-20.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.21%	100.10%	106.83%	105.83%

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS

OLD HIRE FIRE PENSION PLAN

Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Interest on the Total Pension Liability	\$ 36,383	\$ 40,843	\$ 41,014
Difference between expected and actual experience of the Total Pension Liability	-	(87,449)	-
Changes of Assumptions	-	26,286	-
Benefit Payments	<u>(38,357)</u>	<u>(39,914)</u>	<u>(46,540)</u>
Net Change in Total Pension Liability	(1,974)	(60,234)	(5,526)
Total Pension Liability - Beginning	<u>503,940</u>	<u>564,174</u>	<u>569,700</u>
Total Pension Liability - Ending	<u>\$ 501,966</u>	<u>\$ 503,940</u>	<u>\$ 564,174</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 21,799	\$ 21,799	\$ 19,672
Pension Plan Net Investment Income	17,007	5,687	22,581
Benefit Payments	(38,357)	(39,914)	(46,540)
Pension Plan Administrative Expense	<u>(2,380)</u>	<u>(837)</u>	<u>(3,655)</u>
Net Change in Plan Fiduciary Net Position	(1,931)	(13,265)	(7,942)
Plan Fiduciary Net Position - Beginning	<u>324,071</u>	<u>337,336</u>	<u>345,278</u>
Plan Fiduciary Net Position - Ending	<u>\$ 322,140</u>	<u>\$ 324,071</u>	<u>\$ 337,336</u>
Net Pension Liability (Asset)			
Total Pension Liability - Ending	\$ 501,966	\$ 503,940	\$ 564,174
Plan Fiduciary Net Position - Ending	<u>322,140</u>	<u>324,071</u>	<u>337,336</u>
Net Pension Liability (Asset)	<u>\$ 179,826</u>	<u>\$ 179,869</u>	<u>\$ 226,838</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.2%	64.3%	59.8%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee F	N/A	N/A	N/A

* - The amounts presented for each fiscal year were determined as of the Plan measurement date,

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER FIREFIGHTER'S PENSION PLAN
 Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 6,563	\$ 6,563	\$ 5,274
Interest on the Total Pension Liability	41,496	42,160	40,957
Difference between expected and actual experience of the Total Pension Liability	(1,436)	-	24,855
Changes of assumptions	21,796	-	-
Benefit Payments	<u>(57,225)</u>	<u>(57,905)</u>	<u>(53,550)</u>
Net Change in Total Pension Liability	11,194	(9,182)	17,536
Total Pension Liability - Beginning	<u>578,155</u>	<u>587,337</u>	<u>569,801</u>
Total Pension Liability - Ending	<u>\$ 589,349</u>	<u>\$ 578,155</u>	<u>\$ 587,337</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 16,000	\$ 16,000	\$ 16,000
Pension Plan Net Investment Income	18,105	6,628	24,145
Benefit Payments	(57,225)	(57,905)	(53,550)
Pension Plan Administrative Expense	(813)	(1,838)	(941)
State of Colorado supplemental discretionary payment	<u>14,400</u>	<u>14,400</u>	<u>14,400</u>
Net Change in Plan Fiduciary Net Position	(9,533)	(22,715)	54
Plan Fiduciary Net Position - Beginning	<u>350,285</u>	<u>373,000</u>	<u>372,946</u>
Plan Fiduciary Net Position - Ending	<u>\$ 340,752</u>	<u>\$ 350,285</u>	<u>\$ 373,000</u>
Net Pension Liability (Asset)			
Total Pension Liability - Ending	\$ 589,349	\$ 578,155	\$ 587,337
Plan Fiduciary Net Position - Ending	<u>340,752</u>	<u>350,285</u>	<u>373,000</u>
Net Pension Liability (Asset)	<u>\$ 248,597</u>	<u>\$ 227,870</u>	<u>\$ 214,337</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.8%	60.6%	63.5%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

* - The amounts presented for each fiscal year were determined as of the Plan measurement date,
 NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF CITY CONTRIBUTIONS
PERA - LOCAL GOVERNMENT DIVISION TRUST FUND AND
FPPA STATEWIDE DEFINED BENEFIT POLICE & FIRE
 Last Ten Fiscal Years

<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 286,261	\$ 252,803	\$ 220,819	\$ 179,912
Contributions in Relation to the Contractually Required Contribution	<u>286,261</u>	<u>252,803</u>	<u>220,819</u>	<u>179,912</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,257,579	\$ 1,993,715	\$ 1,741,473	\$ 1,418,864
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%
<hr/>				
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 60,806	\$ 59,089	\$ 54,665	\$ 48,393
Contributions in Relation to the Contractually Required Contribution	<u>60,806</u>	<u>59,089</u>	<u>54,665</u>	<u>48,393</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 760,073	\$ 738,608	\$ 683,311	\$ 604,912
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%
<hr/>				
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 27,954	\$ 26,307	\$ 26,670	\$ 24,522
Contributions in Relation to the Contractually Required Contribution	<u>27,954</u>	<u>26,307</u>	<u>26,670</u>	<u>24,522</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 349,428	\$ 328,841	\$ 333,375	\$ 306,525
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%

NOTE: Information for the prior six years was not available to report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OLD HIRE FIRE PENSION PLAN
 Last Ten Fiscal Years

<u>Fiscal Year Ending December 31,</u>	<u>Actuarially Determined Contribution*</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
	(a)	(b)	(a) - (b)		
2014	\$ 19,672	\$ 19,672	\$ -	NA	NA
2015	\$ 21,799	\$ 21,799	\$ -	NA	NA
2016	\$ 21,799	\$ 21,799	\$ -	NA	NA
2017	\$ 21,799	\$ 21,799	\$ -	NA	NA

* - Actuarially Determined Contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.

NOTES:

Actuarial Valuation Date: 1/1/2016

Actuarially determined contribution rates are calculated as of January 1 of even numbered years.

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar, Open

Remaining Amortization Period: 19 years *

Asset Valuation Method: 5-Year Smoothed Market

Inflation: 2.50%

Salary Increases: N/A

Investment Rate of Return: 7.5%

Retirement Age: Any remaining actives are assumed to retire immediately

Mortality: Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.
 Disabled (pre-1980): RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

* - Plans that are heavily weighted with retiree liabilities use an amortization period based on expected remaining lifetime of the participants.

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
VOLUNTEER FIREFIGHTERS PENSION PLAN
 Last Ten Fiscal Years

Fiscal Year Ending December 31,	Actuarially Determined Contribution*	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
	(a)	(b)	(a) - (b)		
2014	\$ 25,311	\$ 30,400	\$ (5,089)	NA	NA
2015	\$ 26,859	\$ 30,400	\$ (3,541)	NA	NA
2016	\$ 26,859	\$ 30,400	\$ (3,541)	NA	NA
2017	\$ 26,859	\$ 30,400	\$ (3,541)	NA	NA

* - Actuarially Determined Contribution is net of employee contributions. Actual contribution is from the employer State of Colorado Supplemental Discretionary Payment.

NOTES:

Actuarial Valuation Date: 1/1/2017

Actuarially determined contribution rates are calculated as of January 1 of even numbered years.

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar, Open

Remaining Amortization Period: 20 years *

Asset Valuation Method: 5-Year Smoothed Market

Inflation: 3%

Salary Increases: N/A

Investment Rate of Return: 7.5%

Retirement Age: 50% per year of eligibility until 100% at age 65.

Mortality: Pre-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment, 40% multiplier for off duty-mortality.
 Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment.
 Disabled: RP-2000 Disabled Mortality Table
 All tables projected with Scale AA.

* - Plans that are heavily weighted with retiree liabilities use an amortization period based on expected remaining lifetime of the participants.

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are legally adopted for all funds of the City. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay and long-term debt principal are budgeted as expenditures and depreciation is not budgeted.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer and public comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Budgets amended by the City Council during the year have been presented in the budgetary comparison schedules for each fund amended.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures must be approved by the City Council.
- All budget appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

Legal Compliance

For the year ended December 31, 2017, the Open Space and Water Funds actual expenditures and transfers out exceeded budgeted expenditures and transfers out by \$1,355 and \$220,832, respectively. These may be violations of State statutes.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 2: DEFINED BENEFIT PENSION PLANS

FPPA POLICE AND FIRE STATEWIDE DEFINED BENEFIT PLANS

Changes in Plan Provisions. The plan provisions have not changed since the prior valuation. The member contribution rate increased in 2017 as a result of member election.

Benefit Adjustments. Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the FPPA Board of Directors discretion and can range from 0% to 3%. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months to October 1.

Changes of Assumptions. Beginning in the January 1, 2014, the married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MANITOU SPRINGS, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
ASSETS				
Cash and Investments	\$ 53,020	\$ 187,753	\$ 1,242	\$ 415,434
Restricted Cash and Investments	-	-	-	-
Property Taxes Receivable	53,220	-	-	66,525
Due From Other Governments	13,751	-	-	-
TOTAL ASSETS	\$ 119,991	\$ 187,753	\$ 1,242	\$ 481,959
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 4,208	\$ -	\$ 715	\$ 17
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	4,208	-	715	17
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	53,220	-	-	66,525
FUND EQUITY				
Restricted for Parks and Open Space	62,563	187,753	-	415,417
Restricted for Law Enforcement	-	-	527	-
Restricted for Capital Projects	-	-	-	-
Assigned to Capital Projects	-	-	-	-
TOTAL FUND EQUITY	62,563	187,753	527	415,417
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 119,991	\$ 187,753	\$ 1,242	\$ 481,959

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS

DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 201,948	\$ -	\$ 859,397
64,570	-	64,570
-	-	119,745
41,247	42,419	97,417
<u>\$ 307,765</u>	<u>\$ 42,419</u>	<u>\$ 1,141,129</u>
\$ -	\$ 17,419	\$ 22,359
-	25,000	25,000
-	42,419	47,359
-	-	119,745
-	-	665,733
-	-	527
64,570	-	64,570
243,195	-	243,195
307,765	-	974,025
<u>\$ 307,765</u>	<u>\$ 42,419</u>	<u>\$ 1,141,129</u>

CITY OF MANITOU SPRINGS, COLORADO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
REVENUES				
Taxes	\$ 150,863	\$ -	\$ -	\$ 61,181
Intergovernmental	-	52,924	1,350	-
Fines and Forfeitures	-	-	11,990	-
Investment Income	-	-	-	-
Miscellaneous	438	1,649	-	-
TOTAL REVENUES	151,301	54,573	13,340	61,181
EXPENDITURES				
Public Works	56,455	-	-	-
Culture and Recreation	-	49,911	-	22,039
Capital Outlay	-	-	13,756	28,000
Debt Service				
Principal	41,802	-	-	-
Interest and Fiscal Charges	17,693	-	-	-
TOTAL EXPENDITURES	115,950	49,911	13,756	50,039
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,351	4,662	(416)	11,142
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(6,100)	-	(1,220)	(39,139)
CHANGE IN FUND BALANCES	29,251	4,662	(1,636)	(27,997)
FUND BALANCES, Beginning	33,312	183,091	2,163	443,414
FUND BALANCES, Ending	\$ 62,563	\$ 187,753	\$ 527	\$ 415,417

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS		
DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 313,795	\$ -	\$ 525,839
-	57,775	112,049
-	-	11,990
93	-	93
-	-	2,087
<u>313,888</u>	<u>57,775</u>	<u>652,058</u>
-	-	56,455
-	-	71,950
-	57,775	99,531
225,000	-	266,802
30,848	-	48,541
<u>255,848</u>	<u>57,775</u>	<u>543,279</u>
58,040	-	108,779
<u>(1,220)</u>	<u>-</u>	<u>(47,679)</u>
56,820	-	61,100
250,945	-	912,925
<u>\$ 307,765</u>	<u>\$ -</u>	<u>\$ 974,025</u>

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Tax	\$ 90,000	\$ 95,000	\$ 101,918	\$ 6,918
Property Taxes	51,314	51,058	48,945	(2,113)
Miscellaneous	-	-	438	438
TOTAL REVENUES	141,314	146,058	151,301	5,243
EXPENDITURES				
Public Works	91,815	55,090	56,455	(1,365)
Debt Service				
Principal	41,802	41,802	41,802	-
Interest	17,703	17,703	17,693	10
TOTAL EXPENDITURES	151,320	114,595	115,950	(1,355)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,006)	31,463	35,351	3,888
OTHER FINANCING SOURCES (USES)				
Transfers Out	(6,100)	(6,100)	(6,100)	-
NET CHANGE IN FUND BALANCE	(16,106)	25,363	29,251	3,888
FUND BALANCE, Beginning	22,418	22,418	33,312	10,894
FUND BALANCE, Ending	\$ 6,312	\$ 47,781	\$ 62,563	\$ 14,782

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CONSERVATION TRUST FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Lottery Revenues	\$ 55,750	\$ 50,000	\$ 52,924	\$ 2,924
Interest	-	-	1,649	1,649
TOTAL REVENUES	55,750	50,000	54,573	4,573
EXPENDITURES				
Parks and Recreation	147,000	60,000	49,911	10,089
TOTAL EXPENDITURES	147,000	60,000	49,911	10,089
NET CHANGE IN FUND BALANCE	(91,250)	(10,000)	4,662	14,662
FUND BALANCE, Beginning	163,057	163,057	183,091	20,034
FUND BALANCE, Ending	\$ 71,807	\$ 153,057	\$ 187,753	\$ 34,696

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Fines and Forfeitures	\$ 15,000	\$ 15,000	\$ 11,990	\$ (3,010)
Intergovernmental	1,350	1,350	1,350	-
TOTAL REVENUES	<u>16,350</u>	<u>16,350</u>	<u>13,340</u>	<u>(3,010)</u>
EXPENDITURES				
Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>13,756</u>	<u>6,244</u>
TOTAL EXPENDITURES	<u>20,000</u>	<u>20,000</u>	<u>13,756</u>	<u>6,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,650)	(3,650)	(416)	3,234
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,220)</u>	<u>(1,220)</u>	<u>(1,220)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(4,870)	(4,870)	(1,636)	3,234
FUND BALANCE, Beginning	<u>4,599</u>	<u>4,599</u>	<u>2,163</u>	<u>(2,436)</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ (271)</u>	<u>\$ (271)</u>	<u>\$ 527</u>	<u>\$ 798</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 EL PASO/BECKERS PARK FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 64,142	\$ 63,823	\$ 61,181	\$ (2,642)
TOTAL REVENUES	64,142	63,823	61,181	(2,642)
EXPENDITURES				
Culture and Recreation	27,837	26,522	22,039	4,483
Capital Outlay	141,402	71,760	28,000	43,760
TOTAL EXPENDITURES	169,239	98,282	50,039	48,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,097)	(34,459)	11,142	45,601
OTHER FINANCING SOURCES (USES)				
Transfers Out	(39,139)	(39,139)	(39,139)	-
NET CHANGE IN FUND BALANCE	(144,236)	(73,598)	(27,997)	45,601
FUND BALANCE, Beginning	431,728	431,728	443,414	11,686
FUND BALANCE, Ending	\$ 287,492	\$ 358,130	\$ 415,417	\$ 57,287

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
DOWNTOWN PUBLIC FACILITIES FUND
Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Taxes	\$ 270,000	\$ 301,735	\$ 305,754	\$ 4,019
Use Taxes	7,800	7,530	8,041	511
Federal Grants	3,275,250	-	-	-
Interest	-	-	93	93
TOTAL REVENUES	<u>3,553,050</u>	<u>309,265</u>	<u>313,888</u>	<u>4,623</u>
EXPENDITURES				
Capital Outlay	3,275,250	-	-	-
Debt Service				
Principal	165,000	225,600	225,000	600
Interest and Fiscal Charges	35,050	30,250	30,848	(598)
TOTAL EXPENDITURES	<u>200,050</u>	<u>255,850</u>	<u>255,848</u>	<u>2</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,353,000	53,415	58,040	4,625
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,220)</u>	<u>(1,220)</u>	<u>(1,220)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	3,351,780	52,195	56,820	4,625
FUND BALANCE, Beginning	<u>235,670</u>	<u>235,670</u>	<u>250,945</u>	<u>15,275</u>
FUND BALANCE, Ending	<u>\$ 3,587,450</u>	<u>\$ 287,865</u>	<u>\$ 307,765</u>	<u>\$ 19,900</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 RURAL TRANSPORTATION AUTHORITY FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,790,686	\$ 695,912	\$ 57,775	\$ (638,137)
EXPENDITURES				
Capital Outlay	1,790,686	695,912	57,775	638,137
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 STORM DRAINAGE FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 282,454	\$ 327,461	\$ 331,593	\$ 4,132
Capital Grants	6,362,599	3,949,459	3,376,065	(573,394)
Transfers In	944,056	427,212	397,212	(30,000)
TOTAL REVENUES	<u>7,589,109</u>	<u>4,704,132</u>	<u>4,104,870</u>	<u>(599,262)</u>
EXPENDITURES				
Operations and Maintenance	1,233,776	991,332	1,127,128	(135,796)
Capital Outlay	6,298,913	3,656,380	2,923,984	732,396
Debt Service				
Principal	51,381	51,381	57,942	(6,561)
Interest and Fiscal Charges	5,038	5,038	1,925	3,113
TOTAL EXPENDITURES	<u>7,589,108</u>	<u>4,704,131</u>	<u>4,110,979</u>	<u>593,152</u>
NET INCOME, Budget Basis	<u>\$ 1</u>	<u>\$ 1</u>	(6,109)	<u>\$ (6,110)</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay			2,923,984	
Depreciation			(383,404)	
Principal Paid on Long-Term Debt			57,942	
NET INCOME, GAAP Basis			2,592,413	
NET POSITION, Beginning			<u>7,781,810</u>	
NET POSITION, Ending			<u>\$ 10,374,223</u>	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 WATER FUND
 Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,427,500	\$ 1,421,374	\$ 1,421,523	\$ 149
Tap Fees	33,000	11,000	33,000	22,000
Miscellaneous	-	100	100	-
TOTAL REVENUES	1,460,500	1,432,474	1,454,623	22,149
EXPENDITURES				
Operations and Maintenance	1,324,204	966,431	1,211,445	(245,014)
Capital Outlay	257,000	62,000	35,874	26,126
Debt Service				
Principal	213,680	213,680	214,078	(398)
Interest	19,185	19,185	20,731	(1,546)
Transfers Out	107,320	107,320	107,320	-
TOTAL EXPENDITURES	1,921,389	1,368,616	1,589,448	(220,832)
NET INCOME, Budget Basis	\$ (460,889)	\$ 63,858	(134,825)	\$ (198,683)
GAAP BASIS ADJUSTMENTS				
Capital Outlay			35,874	
Depreciation			(558,045)	
Principal Paid on Long-Term Debt			214,078	
NET INCOME, GAAP Basis			(442,918)	
NET ASSETS, Beginning			3,052,762	
NET ASSETS, Ending			\$ 2,609,844	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
SEWER FUND
Year Ended December 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,112,945	\$ 1,121,345	\$ 1,108,733	\$ (12,612)
Tap Fees	10,775	5,390	8,085	2,695
Miscellaneous	132	132	101	(31)
TOTAL REVENUES	<u>1,123,852</u>	<u>1,126,867</u>	<u>1,116,919</u>	<u>(9,948)</u>
EXPENDITURES				
Operations and Maintenance	823,641	802,680	729,495	73,185
Capital Outlay	102,200	-	-	-
Debt Service				
Principal	46,536	46,536	46,885	(349)
Interest	5,590	5,590	5,187	403
Transfers Out	49,446	49,446	49,446	-
TOTAL EXPENDITURES	<u>1,027,413</u>	<u>904,252</u>	<u>831,013</u>	<u>73,239</u>
NET INCOME, Budget Basis	<u>\$ 96,439</u>	<u>\$ 222,615</u>	285,906	<u>\$ 63,291</u>
GAAP BASIS ADJUSTMENTS				
Depreciation			(202,884)	
Principal Paid on Long-Term Debt			46,885	
NET INCOME, GAAP Basis			129,907	
NET ASSETS, Beginning			<u>2,959,340</u>	
NET ASSETS, Ending			<u>\$ 3,089,247</u>	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CHANGES IN ASSETS, LIABILITIES AND
DEFERRED INFLOWS OF RESOURCES
AGENCY FUND
Year Ended December 31, 2017

	BALANCE 12/31/2016	ADDITIONS	DELETIONS	BALANCE 12/31/2017
ASSETS				
Cash and Investments	\$ 218,273	\$ 242,864	\$ 240,973	\$ 220,164
Taxes Receivable	3,471	414	-	3,885
Accounts Receivable	12,811	12,725	-	25,536
TOTAL ASSETS	\$ 234,555	\$ 256,003	\$ 240,973	\$ 249,585
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts Payable	\$ 4,729	\$ 2,726	\$ -	\$ 7,455
Due to Metropolitan District	226,355	255,625	243,699	238,281
TOTAL LIABILITIES	231,084	258,351	243,699	245,736
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenues	3,471	378	-	3,849
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 234,555	\$ 258,729	\$ 243,699	\$ 249,585

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
 COMPONENT UNIT
 December 31, 2017

	<u>MS URBAN RENEWAL AUTHORITY</u>
ASSETS	
Cash and Investments	\$ 2,146,954
Taxes Receivable	75,985
Due from Other Governments	<u>942,841</u>
TOTAL ASSETS	<u><u>\$ 3,165,780</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	<u>\$ 8,892</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	<u>75,985</u>
FUND BALANCE	
Restricted for Emergencies	44,000
Unassigned	<u>3,036,903</u>
TOTAL FUND BALANCE	<u>3,080,903</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 3,165,780</u></u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNIT
Year Ended December 31, 2017

	<u>MS URBAN RENEWAL AUTHORITY</u>
REVENUES	
Sales Tax Increment	\$ 1,387,663
Property Taxes	64,860
Investment Income	349
	<hr/>
TOTAL REVENUES	1,452,872
	<hr/>
EXPENDITURES	
Administrative	50,173
Shuttle Contribution	100,000
Improvement Projects	780,016
	<hr/>
TOTAL EXPENDITURES	930,189
	<hr/>
NET CHANGE IN FUND BALANCE	522,683
FUND BALANCE, Beginning	<hr/> 2,558,220
FUND BALANCE, Ending	<hr/> <u>\$ 3,080,903</u>

See the accompanying Independent Auditor's Report.

COMPLIANCE SECTION

STATE COMPLIANCE

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County:
		YEAR ENDING : December 2017
This Information From The Records Of (example - City of _ or County of City of Manitou Springs)	Prepared By: Phone:	Rebecca Davis 719-685-1597

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	391,499
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	351,690
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	22,432
2. General fund appropriations	1,373,329	b. Snow and ice removal	
3. Other local imposts (from page 2)	485,456	c. Other	106,771
4. Miscellaneous local receipts (from page 2)	122,234	d. Total (a. through c.)	129,203
5. Transfers from toll facilities		4. General administration & miscellaneous	32,724
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,017,850
a. Bonds - Original Issues		6. Total (1 through 5)	1,922,966
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	30,100
7. Total (1 through 6)	1,981,019	b. Redemption	225,000
B. Private Contributions		c. Total (a. + b.)	255,100
C. Receipts from State government (from page 2)	197,047	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,178,066	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	255,100
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
		2,178,066	

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	645,000		225,000	420,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
0	2,178,066	2,178,066		0

Notes and Comments:

See the accompanying Independent Auditor's Report.

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2017	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	44,133
1. Sales Taxes	363,541	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	78,101
5. Specific Ownership &/or Other	121,915	g. Other Misc. Receipts	
6. Total (1. through 5.)	485,456	h. Other - PPRTA	0
c. Total (a. + b.)	485,456	i. Total (a. through h.)	122,234
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	156,870	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	19,178	d. Federal Transit Admin	
d. Other (Specify) - Road & Bridge	10,361	e. U.S. Corps of Engineers	
e. Other (Specify)-Police Traffic Grant	10,638	f. Other Federal	
f. Total (a. through e.)	40,177	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	197,047	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		43,477	43,477
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		348,022	348,022
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		348,022	348,022
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		391,499	391,499
			(Carry forward to page 1)
Notes and Comments:			

SINGLE AUDIT REPORTS AND SCHEDULES



Honorable Mayor and Members of City Council
City of Manitou Springs, Colorado
Manitou Springs, Colorado

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manitou Springs (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-002 we identified deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Logan and Associates, LLC

Aurora, Colorado
February 12, 2019



Honorable Mayor and Members of City Council
City of Manitou Springs, Colorado
Manitou Springs, Colorado

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited the City of Manitou Springs' (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Manitou Springs. We issued our report thereon dated February 12, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manitou Springs's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and its results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Logan and Associates, LLC

Aurora, Colorado
February 12, 2019

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

14.269 Hurricane Sandy Community Development Block Grant – Disaster Recovery Grants

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee.

yes no

(Continued)

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Financial Reporting Findings

2017-001 Schedule of Expenditures of Federal Awards

Criteria	The City is responsible for designing and implementing internal control in order to provide timely prepared, accurate and complete schedule of expenditures of federal awards.
Condition	Significant adjustments to the City's schedule of expenditures of federal awards were necessary to accurately report the federal awards expended by the City for the year ended December 31, 2017.
Context	During the performance of our audit procedures, the schedule of expenditures of federal awards was not available to us until five months after year end. We identified several undetected errors that materially misstated the schedule of expenditures of federal awards. Adjustments were necessary in order to correct and accurately report federal awards expenditures.
Effect	The issuance of the City's single audit and schedule of expenditures of federal awards has been delayed beyond the deadlines established by the Uniform Guidance. In addition, the risk of misstatements to the City's schedule of expenditures of federal awards due to error or fraud is significantly increased when internal control is inadequate and personnel lack skills, knowledge and time to adequately report the City's federal award expenditure transactions.
Cause	The City finance staff do not have the knowledge to accurately prepare the schedule of expenditures of federal awards and haven't received the necessary training required to accurately complete the schedule. In addition, City finance staff didn't perform a thorough review the schedule of expenditures for accuracy before giving the report to the auditors.
Recommendation	We recommend that the City establish a process for training all staff involved in preparing the schedule of expenditures of federal awards. In addition, procedures need to be established for preparing and reviewing the schedule of expenditures of federal awards by the Finance Department.

View of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Financial Reporting Findings

2017-002 Financial Reporting

Criteria	The City is responsible for designing and implementing internal control in order to provide timely prepared, accurate and complete financial information.
Condition	Significant adjustments to the City's accounting records were necessary to accurately report the financial statements in accordance with generally accepted accounting principles for the year ended December 31, 2017.
Context	During the performance of our audit procedures, we identified material misstatements and proposed significant adjustments to the City's accounting records. These adjustments were necessary in order to correct undetected errors, and to accurately report capital assets, grant related expenditures and accounts payables.
Effect	The issuance of the City's financial statements has been delayed beyond the deadlines established by State statutes. In addition, the risk of misstatements to the City's financial statements due to error or fraud is significantly increased when internal controls are inadequate and personnel lack the time, skills and knowledge to adequately report the transactions in the City's accounting records.
Cause	The City's processes for tracking and recording expenditures related grant projects and capital assets. In addition the City's finance staff do not perform reviews of the City's Fund financial statements for accuracy and completeness.
Recommendation	We recommend that the City seek training in governmental accounting procedures to provide skills and knowledge for the existing staff. Supervisory reviews over the accounting functions and financial reporting should be performed on a consistent basis to detect and correct errors in a timely manner.

View of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.



2017-001 Corrective Action Plan

In late 2018, City Council decided to hire the accounting firm, CliftonLarsonAllen LLP in early 2019 to assess the City's Finance Department for weaknesses, efficiencies, cross training and appropriate separation of duties. After the assessment, they will recommend improvements including outsourcing of various functions.

Included in their scope of work under "Preparation services – annual" is the following:

If an audit is required, we will prepare the year-end financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information if applicable, which collectively comprise the basic financial statements of the City, and the related notes to the financial statements. The year-end financial statements, including the related notes to the financial statements, will be prepared for use by the City's auditors.

By this method, the City will ensure that the Schedule of Expenditures of Federal Awards will be correctly prepared.



2017-002 Corrective Action Plan

In late 2018, City Council decided to hire the accounting firm, CliftonLarsonAllen LLP in early 2019 to assess the City's Finance Department for weaknesses, efficiencies, cross training and appropriate separation of duties. After the assessment, they will recommend improvements including outsourcing of various functions.

Included in their scope of work under "Preparation services – annual" is the following:

If an audit is required, we will prepare the year-end financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information if applicable, which collectively comprise the basic financial statements of the City, and the related notes to the financial statements. The year-end financial statements, including the related notes to the financial statements, will be prepared for use by the City's auditors.

By this method, the City will ensure that the Financial Reporting will be correctly prepared.

CITY OF MANITOU SPRINGS, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2017

Finding No. 2016-1 Financial Reporting

We proposed similar adjustments to the City's schedule of expenditures of federal awards.
See Finding No. 2017-001.

CITY OF MAINTOU SPRINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

	<u>Grant Award Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Homeland Security			
Passed through Colorado Department of Public Safety:			
Disaster Grants - Public Assistance(Presidentially Declared Disasters)	FEMA4229	97.036	<u>\$ 127,362</u>
U. S. Department of Agriculture - National Resources Conservation Service			
Direct Program			
Emergency Watershed Protection Program	68-8B05-16-207	10.923	58,397
Passed through Colorado Water Conservation Board:			
Emergency Watershed Protection Program	68-8B05-16-210	10.923	<u>302,943</u>
Total U.S. Department of Agriculture			<u><u>361,340</u></u>
U.S. Department of Housing and Urban Development			
Passed through Colorado Department of Local Affairs:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	CDBG-DR P15-081	14.269 *	180,544
Passed through Colorado Department of Public Safety - Division of Homeland Security and Emergency Mangement:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	R1-20-14 & 15	14.269 *	<u>2,190,934</u>
			<u>2,371,478</u>
Passed through El Paso County, Colorado:			
Community Development Block Grants	4161310	14.218	<u>126,950</u>
Total U.S. Department of Housing and Urban Development			<u><u>2,498,428</u></u>
U.S. Department of Transportation			
Passed through the Colorado Department of Transportation			
Highway Planning and Construction	17-HA2-ZH-00154	20.205	<u>505,059</u>
U.S. Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program		16.607	<u>1,350</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,493,539</u></u>

* - tested as major funds.

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.