

CITY OF MANITOU SPRINGS, COLORADO

FINANCIAL STATEMENTS

December 31, 2016



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, 2016, 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, 2016, 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 – ix and 53 – 63 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 2, 2018, 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 2, 2018

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, 2016. 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 \$27,856,225 (net position) for the primary reporting entity. Of this amount \$3,418,142 (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 \$2,583,280 during the fiscal year.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$4,318,036.
- The *governmental funds* reported total unrestricted/unassigned fund balances of \$3,146,304.
- 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 154 days, or approximately 5 months.

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

- The City's total debt, including accrued compensated absences, increased by \$228,437 during the current fiscal year. Existing debt was reduced by principal payments (not including compensated absences) totaling \$903,473, offset by two new capital leases of \$1,098,240.
- General Fund sales/use tax revenue in 2016, \$5,500,141, increased by 34% or \$1,399,942, from 2015 sales/use tax revenue of \$4,100,199.

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 \$27,856,225 at the close of the fiscal year.
- The City's net investment in capital assets is \$24,219,517. 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* \$3,418,142 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 \$1,418,648. In 2016, general sales tax/use revenues, \$5,891,802, comprised approximately 77% of all general revenues and transfers. This is a increase in percentage of 7% over 2015, which was 70% of all general revenues and transfers. This is attributed to a good sales tax

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

CITY OF MANITOU SPRINGS NET POSITION (Continued)

year for the City's vendors and particularly the two retail marijuana stores. 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 \$1,164,632. The Storm Drainage Fund continues 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 \$2,449,959. The water fund had a loss of \$169,853 but the sewer fund after several years of losses reflected a gain of \$234,400. 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	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$4,971,294	\$5,693,037	\$1,488,469	\$2,462,090	\$6,459,763	\$8,155,127
Non-current assets	12,908,772	14,257,286	15,528,534	15,742,792	28,437,306	30,000,078
Total assets	17,880,066	19,950,323	17,017,003	18,204,882	34,897,069	38,155,205
Deferred Outflow of Resources	394,718	1,085,185	101,261	291,912	495,979	1,377,097
Total current liabilities	449,371	545,231	415,982	549,791	865,353	1,095,022
Total non-current liabilities	4,399,381	5,576,043	4,072,974	4,149,522	8,472,355	9,725,565
Total Liabilities	4,848,752	6,121,274	4,488,956	4,699,313	9,337,708	10,820,587
Deferred Inflow of Resources	782,367	851,921	28	3,569	782,395	855,490
Net Position:						
Net Investment in Capital Assets	10,453,812	11,583,737	12,172,561	12,635,780	22,626,373	24,219,517
Restricted	262,687	218,566	-	-	262,687	218,566
Unrestricted	1,927,166	2,260,010	456,719	1,158,132	2,383,885	3,418,142
Total net position	\$12,643,665	\$14,062,313	\$12,629,280	\$13,793,912	\$25,272,945	\$27,856,225

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

CHANGES IN NET POSITION

Revenues:	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Program Revenues:						
Charges for Services	\$1,516,577	\$1,909,529	\$2,482,503	\$2,736,970	\$3,999,080	\$4,646,499
Operating Grants and Contributions	214,064	197,161	-	-	214,064	197,161
Capital Grants and Contributions	81,801	621,132	1,545,804	2,537,155	1,627,605	3,158,287
General Revenues						
Taxes	6,433,401	8,041,338	-	-	6,433,401	8,041,338
Investment Income	2,397	7,733			2,397	7,733
Other	442,641	81,042	130,222	11,515	572,863	92,557
Total General & Program Revenues	8,690,881	10,857,935	4,158,529	5,285,640	12,849,410	16,143,575
Transfers	(549,673)	(494,009)	549,673	494,009	-	-
Total Revenues	8,141,208	10,363,926	4,708,202	5,779,649	12,849,410	16,143,575
Expenses:						
General Government	2,884,259	3,566,190	-	-	2,884,259	3,566,190
Public Safety	2,759,708	3,066,400	-	-	2,759,708	3,066,400
Public Works	1,138,919	1,239,679	-	-	1,138,919	1,239,679
Culture & Recreation	914,723	959,419	-	-	914,723	959,419
Interest on Long term Debt	78,303	113,590	-	-	78,303	113,590
Business-type Activities	-	-	3,226,750	4,615,017	3,226,750	4,615,017
Total Expenses	7,775,912	8,945,278	3,226,750	4,615,017	11,002,662	13,560,295
Increase (Decrease) in Net Position	365,296	1,418,648	1,481,452	1,164,632	1,846,748	2,583,280
Beginning Net Position	12,278,369	12,643,665	11,147,828	12,629,280	23,426,197	25,272,945
Ending Net Position	\$12,643,665	\$14,062,313	\$12,629,280	\$13,793,912	\$25,272,945	\$27,856,225

- The City's total net position increased by \$2,583,280 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 \$4,318,036. Approximately 73% of this total amount, \$3,146,304, 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 \$2,034,376. Transfers out totaled \$1,024,092 and exceeded transfers in of \$197,858 by \$826,234. The net fund balance increased by \$1,208,142. The General Fund finished 2016 with an ending fund balance of \$3,230,756, this includes restricted, committed, assigned as well as unassigned fund balances. Sales tax increased by \$1,414,332 over 2015. This was caused by a good summer tourist season with excellent weather and continuing to allow the sale of retail marijuana by two retail marijuana establishments within the City.

The Capital Improvements Fund obtained two lease purchases in 2016, one for the Hiawatha Gardens property, to provide the City with an additional parking lot, in the amount of \$750,000 with an interest rate of 3% and the other in the amount of \$219,496 with an interest rate of 2.348%, for equipment and vehicles for the police, fire and 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 the previous year, 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 \$1,100,085.

The Water Fund serves approximately 2,100 users with a distribution system including a reservoir, fresh water treatment plant and two storage tanks. The distribution system delivered an average of 485,578 gallons of fresh water per day in 2016. The Fund had an overall loss of \$169,853. 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 2,100 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 \$234,400.

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 greater than amended budget by \$686,118, this is attributed, for the most part, to budgeting extremely conservatively for sales tax as the market for retail marijuana is still somewhat of an unknown factor. Also, "charges for services" 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. Due to multiple deployments, this figure was inflated over previous years. Actual General Fund expenditures were greater than the amended budgeted amount by \$130,442, this is mainly attributed to greater Economic Development costs than budgeted because if sales tax revenue is under budgeted, then the URA sales tax TIF is, also, under budgeted. The TIF is based upon sales tax revenue. Due to the sales tax revenues being under budgeted by \$412,284, of which a significant amount was generated in the URA area of the City, the amount budgeted to be given to the URA for sales tax, which is the amount collected over the sales tax generated in the area in 2006, was under budgeted by \$212,669. Also, the area of Parking Enforcement was under budgeted due to not including an incentive fee paid to the third party vendor who enforces the City's parking program. The incentive fee, as per the vendor's contract with the City, is triggered when a certain revenue level is reached in parking revenues.

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, 2016 amounted to \$29,996,477 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. Major additions to capital assets in 2016 includes land, the property now known as Hiawatha Gardens which provides a free parking lot for the city, vehicles and equipment, storm drainage upgrades and infrastructure.

**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	322,253	296,327	618,580
Buildings	1,640,046		1,640,046
Equipment and Vehicles	4,593,489	-	4,593,489
Collection and Distribution Improvements	-	23,847,293	23,847,293
Machinery and Equipment	-	3,003,439	3,003,439
Infrastructure	9,113,189	-	9,113,189
Total	26,741,035	27,194,855	53,935,890
Accumulated Depreciation	(12,487,350)	(11,452,063)	(23,939,413)
Net Capital Assets	\$ 14,253,685	\$ 15,742,792	\$ 29,996,477

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 \$5,776,960 (net of compensated absences). Of this amount, \$645,000 is sales tax revenue bonds, and \$2,094,796 is ARRA non-interest bearing loans for water/sewer improvements. The City added two new Capital Leases in the amount of \$750,000 for the purchase of the Hiawatha Gardens land and \$ 348,240 for vehicles and equipment totaling \$1,098,240 in new leases, for a total of \$2,625,384 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 2016 increased in comparison to those in 2015 by 34%. 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 \$1,239,619.

Since 2012, taxable sales have performed as follows:

FY2012	\$55,377,802
FY2013	\$54,274,599
FY2014	\$66,754,759
FY2015	\$110,803,174
FY2016	\$148,055,471

All of the above facts were considered during the preparing of the City's budget for the 2017 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, 2016

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	MS URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	\$ 3,143,494	\$ 1,599,571	\$ 4,743,065	\$ 2,100,255
Restricted Cash and Investments	127,479	-	127,479	-
Receivables				
Property Taxes	829,770	-	829,770	46,639
Other Governments	864,742	-	864,742	463,951
Accounts	84,542	311,413	395,955	-
Grants	-	1,194,116	1,194,116	-
Internal Balances	643,010	(643,010)	-	-
Net Pension Asset	3,601	-	3,601	-
Capital Assets, Not Depreciated	7,365,084	296,327	7,661,411	-
Capital Assets, Net of Accumulated Depreciation	6,888,601	15,446,465	22,335,066	-
TOTAL ASSETS	19,950,323	18,204,882	38,155,205	2,610,845
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	1,085,185	291,912	1,377,097	-
LIABILITIES				
Accounts Payable	484,473	433,885	918,358	5,986
Accrued Liabilities	60,758	18,522	79,280	-
Unearned Revenue	-	77,537	77,537	-
Accrued Interest	-	19,847	19,847	-
Noncurrent Liabilities				
Due within One Year	552,455	354,445	906,900	-
Due in More Than One Year	2,243,726	2,788,107	5,031,833	-
Net Pension Liability	2,779,862	1,006,970	3,786,832	-
TOTAL LIABILITIES	6,121,274	4,699,313	10,820,587	5,986
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	829,770	-	829,770	46,639
Related to Defined Benefit Pension Plans	22,151	3,569	25,720	-
TOTAL DEFERRED INFLOW OF RESOURCES	851,921	3,569	855,490	46,639
NET POSITION				
Net Investment in Capital Assets	11,583,737	12,635,780	24,219,517	-
Restricted for Emergencies	305,263	-	305,263	26,500
Restricted for Parks and Open Space	216,403	-	216,403	-
Restricted for Law Enforcement	2,163	-	2,163	-
Unrestricted	1,954,747	1,158,132	3,112,879	2,531,720
TOTAL NET POSITION	\$ 14,062,313	\$ 13,793,912	\$ 27,856,225	\$ 2,558,220

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

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CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 3,566,190	\$ 132,518	\$ 11,023	\$ -
Public Safety	3,066,400	289,789	2,620	77,250
Public Works	1,239,679	48,000	183,518	485,308
Culture and Recreation	959,419	1,439,222	-	58,574
Interest on Long-Term Debt	113,590	-	-	-
Total Governmental Activities	<u>8,945,278</u>	<u>1,909,529</u>	<u>197,161</u>	<u>621,132</u>
Business-Type Activities				
Storm Drainage	2,280,825	279,972	-	2,449,959
Water	1,458,012	1,338,773	-	71,026
Sewer	845,247	1,118,225	-	16,170
Interest on Long-Term Debt	30,933	-	-	-
Total Business-Type Activities	<u>4,615,017</u>	<u>2,736,970</u>	<u>-</u>	<u>2,537,155</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,560,295</u>	<u>\$ 4,646,499</u>	<u>\$ 197,161</u>	<u>\$ 3,158,287</u>
COMPONENT UNIT				
MS Urban Renewal Authority	<u>\$ 59,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
Insurance Recoveries
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
\$ (3,422,649)	\$ -	\$ (3,422,649)	\$ -
(2,696,741)	-	(2,696,741)	-
(522,853)	-	(522,853)	-
538,377	-	538,377	-
(113,590)	-	(113,590)	-
(6,217,456)	-	(6,217,456)	-
-	449,106	449,106	-
-	(48,213)	(48,213)	-
-	289,148	289,148	-
-	(30,933)	(30,933)	-
-	659,108	659,108	-
(6,217,456)	659,108	(5,558,348)	-
-	-	-	(59,029)
5,891,802	-	5,891,802	1,239,622
860,044	-	860,044	58,930
854,488	-	854,488	-
141,492	-	141,492	-
293,512	-	293,512	-
68,089	-	68,089	-
-	11,000	11,000	-
7,733	-	7,733	192
12,953	515	13,468	-
(494,009)	494,009	-	-
7,636,104	505,524	8,141,628	1,298,744
1,418,648	1,164,632	2,583,280	1,239,715
12,643,665	12,629,280	25,272,945	1,318,505
\$ 14,062,313	\$ 13,793,912	\$ 27,856,225	\$ 2,558,220

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash and Investments	\$ 2,190,938	\$ 171,989	\$ 780,567	\$ 3,143,494
Restricted Cash and Investments	-	37,459	90,020	127,479
Property Taxes Receivable	679,402	35,486	114,882	829,770
Due From Other Governments	786,171	-	78,571	864,742
Accounts Receivable	84,538	4	-	84,542
Due From Other Funds	668,701	-	-	668,701
TOTAL ASSETS	\$ 4,409,750	\$ 244,938	\$ 1,064,040	\$ 5,718,728
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 438,834	\$ 35,097	\$ 10,542	\$ 484,473
Accrued Liabilities	60,758	-	-	60,758
Due to Other Funds	-	-	25,691	25,691
TOTAL LIABILITIES	499,592	35,097	36,233	570,922
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	679,402	35,486	114,882	829,770
TOTAL DEFERRED INFLOWS OF RESOURCES	679,402	35,486	114,882	829,770
FUND EQUITY				
Fund Balance				
Restricted for Parks and Open Space	-	-	216,403	216,403
Restricted for Law Enforcement	-	-	2,163	2,163
Restricted for Capital Projects	-	37,459	90,020	127,479
Restricted for Emergencies	305,263	-	-	305,263
Committed to Imaging Technology	9,227	-	-	9,227
Assigned to Barr Trail Maintenance	39,893	-	-	39,893
Assigned to Capital Projects	-	136,896	525,759	662,655
Assigned to Open Space Maintenance	-	-	78,580	78,580
Assigned to Parks and Trails	32,174	-	-	32,174
Assigned to Police and Fire	3,158	-	-	3,158
Unassigned	2,841,041	-	-	2,841,041
TOTAL FUND EQUITY	3,230,756	174,355	912,925	4,318,036
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 4,409,750	\$ 244,938	\$ 1,064,040	\$ 5,718,728

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, 2016

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

Total Fund Balances of Governmental Funds	\$ 4,318,036
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	14,253,685
Net Pension Asset is a long-term asset and therefore is not available to pay for current-period expenditures and is not reported in the governmental funds.	3,601
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	508,121
Deferred outflows of resources - difference in expected vs actual experience	43,352
Deferred outflows of resources - changes of assumptions	50,418
Deferred outflows of resources - change in proportionate share of net pension liability	182,631
Deferred outflows of resources - pension contributions from the measurement date	300,663
Deferred inflows of resources - difference in expected vs actual experience	(3,698)
Deferred inflows of resources - change in proportionate share of net pension liability	(10,043)
Deferred inflows of resources - changes of assumptions	(8,410)
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 (\$645,000), Capital Leases (\$2,024,948) and Accrued Compensated Absences (\$126,233).	(2,796,181)
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>(2,779,862)</u>
Net position of governmental activities	<u>\$ 14,062,313</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, 2016

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES				
Taxes	\$ 7,501,798	\$ 34,898	\$ 504,642	\$ 8,041,338
Licenses and Permits	77,290	-	-	77,290
Charges for Services	1,684,974	-	-	1,684,974
Intergovernmental	248,476	75,000	546,132	869,608
Fines and Forfeitures	137,210	-	10,055	147,265
Contributions/Donations	16,774	-	-	16,774
Investment Income	7,584	145	4	7,733
Miscellaneous	11,866	-	1,087	12,953
TOTAL REVENUES	9,685,972	110,043	1,061,920	10,857,935
EXPENDITURES				
General Government	3,025,884	-	-	3,025,884
Public Safety	2,943,807	-	-	2,943,807
Public Works	1,021,968	-	23,399	1,045,367
Culture and Recreation	659,937	-	75,914	735,851
Capital Outlay	-	1,782,905	591,476	2,374,381
Debt Service				
Principal	-	316,581	189,499	506,080
Interest	-	50,917	62,673	113,590
TOTAL EXPENDITURES	7,651,596	2,150,403	942,961	10,744,960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,034,376	(2,040,360)	118,959	112,975
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	949,805	-	949,805
Transfers In	197,858	379,739	-	577,597
Transfers Out	(1,024,092)	-	(47,514)	(1,071,606)
TOTAL OTHER FINANCING SOURCES (USES)	(826,234)	1,329,544	(47,514)	455,796
NET CHANGE IN FUND BALANCES	1,208,142	(710,816)	71,445	568,771
FUND BALANCES, Beginning	2,022,614	885,171	841,480	3,749,265
FUND BALANCES, Ending	<u>\$ 3,230,756</u>	<u>\$ 174,355</u>	<u>\$ 912,925</u>	<u>\$ 4,318,036</u>

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, 2016

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 568,771
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 \$2,300,344 exceeded depreciation (\$726,694) in the current period.	1,573,650
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.	(949,805)
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 \$150,000 and payments of capital leases of \$356,080.	506,080
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.	(256,538)
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>(23,510)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,418,648</u></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, 2016

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
ASSETS				
Current Assets				
Cash and Investments	\$ -	\$ 790,654	\$ 808,917	\$ 1,599,571
Restricted Cash and Investments	-	-	-	-
Accounts Receivable	35,875	137,791	137,747	311,413
Grants Receivable	1,194,116	-	-	1,194,116
Total Current Assets	1,229,991	928,445	946,664	3,105,100
Noncurrent Assets				
Capital Assets, Not Depreciated	296,327	-	-	296,327
Capital Assets, Net of Accumulated Depreciation	7,884,875	5,101,585	2,460,005	15,446,465
Total Noncurrent Assets	8,181,202	5,101,585	2,460,005	15,742,792
TOTAL ASSETS	9,411,193	6,030,030	3,406,669	18,847,892
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	103,824	140,856	47,232	291,912
LIABILITIES				
Current Liabilities				
Accounts Payable	364,756	31,309	37,820	433,885
Accrued Liabilities	9,595	6,226	2,701	18,522
Due to Other Funds	643,010	-	-	643,010
Unearned Revenue	77,537	-	-	77,537
Accrued Compensated Absences	13,632	17,847	4,061	35,540
Accrued Interest Payable	3,135	13,833	2,879	19,847
Leases Payable, Current Portion	57,942	19,021	42,715	119,678
Loans Payable, Current Portion	-	195,057	4,170	199,227
Total Current Liabilities	1,169,607	283,293	94,346	1,547,246
Noncurrent Liabilities				
Leases Payable	204,147	91,971	184,640	480,758
Loans Payable	-	2,255,223	52,126	2,307,349
Net Pension Liability	358,184	485,913	162,873	1,006,970
Total Noncurrent Liabilities	562,331	2,833,107	399,639	3,795,077
TOTAL LIABILITIES	1,731,938	3,116,400	493,985	5,342,323
DEFERRED INFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	1,269	1,724	576	3,569
NET POSITION				
Net Investment in Capital Assets	7,919,113	2,540,313	2,176,354	12,635,780
Unrestricted	(137,303)	512,449	782,986	1,158,132
TOTAL NET POSITION	\$ 7,781,810	\$ 3,052,762	\$ 2,959,340	\$ 13,793,912

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, 2016

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUES				
Charges for Services	\$ 279,972	\$ 1,338,773	\$ 1,118,225	\$ 2,736,970
Miscellaneous	250	100	165	515
TOTAL OPERATING REVENUES	280,222	1,338,873	1,118,390	2,737,485
OPERATING EXPENSES				
Operations and Maintenance	1,954,968	881,305	650,287	3,486,560
Depreciation	325,857	576,707	194,960	1,097,524
TOTAL OPERATING EXPENSES	2,280,825	1,458,012	845,247	4,584,084
OPERATING INCOME (LOSS)	(2,000,603)	(119,139)	273,143	(1,846,599)
NON-OPERATING REVENUES (EXPENSES)				
Insurance Recoveries	11,000	-	-	11,000
Interest Expenses	(4,624)	(20,178)	(6,131)	(30,933)
TOTAL NON-OPERATING REVENUES (EXPENSES)	6,376	(20,178)	(6,131)	(19,933)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,994,227)	(139,317)	267,012	(1,866,532)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions				
Tap Fees	-	66,110	16,170	82,280
Capital Grants	2,449,959	4,916	-	2,454,875
Transfers In	644,353	-	-	644,353
Transfers (Out)	-	(101,562)	(48,782)	(150,344)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	3,094,312	(30,536)	(32,612)	3,031,164
CHANGE IN NET POSITION	1,100,085	(169,853)	234,400	1,164,632
NET POSITION, Beginning	6,681,725	3,222,615	2,724,940	12,629,280
NET POSITION, Ending	\$ 7,781,810	\$ 3,052,762	\$ 2,959,340	\$ 13,793,912

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, 2016
Increase (Decrease) in Cash and Cash Equivalents

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 280,513	\$ 1,333,201	\$ 1,105,765	\$ 2,719,479
Cash Received from Others	77,787	100	165	78,052
Cash Paid to Suppliers	(1,245,053)	(474,460)	(510,400)	(2,229,913)
Cash Paid to Employees	(535,751)	(371,040)	(152,983)	(1,059,774)
Net Cash Provided (Used) by Operating Activities	<u>(1,422,504)</u>	<u>487,801</u>	<u>442,547</u>	<u>(492,156)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments from Other Funds	(348,466)	-	-	(348,466)
Payments to Other Funds	-	(101,562)	(48,782)	(150,344)
Net Cash Used by Noncapital Financing Activities	<u>(348,466)</u>	<u>(101,562)</u>	<u>(48,782)</u>	<u>(498,810)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and Construction of Capital Assets	(1,235,434)	(58,147)	(18,197)	(1,311,778)
Insurance Recoveries	11,000	-	-	11,000
Lease Proceeds	148,435	-	-	148,435
Long-term Debt Principal Paid	(72,789)	(264,748)	(59,859)	(397,396)
Interest Paid	(3,912)	(22,336)	(6,891)	(33,139)
Capital Contributions - Grants	2,908,502	4,916	-	2,913,418
Tap Fees Received	-	66,110	16,170	82,280
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,755,802</u>	<u>(274,205)</u>	<u>(68,777)</u>	<u>1,412,820</u>
Net (Decrease) in Cash and Cash Equivalents	(15,168)	112,034	324,988	421,854
CASH AND CASH EQUIVALENTS, Beginning	<u>15,168</u>	<u>678,620</u>	<u>483,929</u>	<u>1,177,717</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ -</u>	<u>\$ 790,654</u>	<u>\$ 808,917</u>	<u>\$ 1,599,571</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (2,000,603)</u>	<u>\$ (119,139)</u>	<u>\$ 273,143</u>	<u>\$ (1,846,599)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	325,857	576,707	194,958	1,097,522
Net Pension Liability Adjustments	45,623	61,888	20,725	128,236
Changes in Assets and Liabilities				
Accounts Receivable	541	(5,572)	(12,460)	(17,491)
Accounts Payable	119,572	(26,880)	(38,272)	54,420
Accrued Liabilities	3,499	(1,027)	1,584	4,056
Unearned Revenue	77,537	-	-	77,537
Accrued Compensated Absences	5,470	1,824	2,869	10,163
Total Adjustments	<u>578,099</u>	<u>606,940</u>	<u>169,404</u>	<u>1,354,443</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,422,504)</u>	<u>\$ 487,801</u>	<u>\$ 442,547</u>	<u>\$ (492,156)</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, 2016

	<u>AGENCY</u>
ASSETS	
Cash and Investments	\$ 218,273
Taxes Receivable	3,471
Accounts Receivable	<u>12,811</u>
TOTAL ASSETS	<u><u>\$ 234,555</u></u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
LIABILITIES	
Accounts Payable	\$ 4,729
Due to Metropolitan District	<u>226,355</u>
TOTAL LIABILITIES	<u>231,084</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	<u>3,471</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 234,555</u></u>

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016.

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, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016

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, 2016.
- 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 emergency reserves, 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, 2016 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, 2016 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, 2016

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, 2016, follows:

Petty Cash	\$ 650
Cash Deposits	5,047,254
Cash Held by Third Party	40,990
Investments	<u>2,100,178</u>
Total	<u>\$ 7,189,072</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash is reported in the financial statements as follows:

Cash and Investments – Primary Government	\$ 4,743,065
Restricted Cash and Investments – Primary Government	127,479
Cash and Investments – Urban Renewal Authority	2,100,255
Cash and Investments – Agency Fund	<u>218,273</u>
Total	<u>\$ 7,189,072</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, 2016, the City and component unit had bank deposits totaling \$5,828,375 of which \$500,000 were FDIC insured and \$5,328,375 were collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

The City is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. The City's investment policy follows State statutes.

- 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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The City does not have a policy for managing credit risk or interest rate risk.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk – State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization (“NRSROs”). At December 31, 2016, the City had \$90,020 invested in the First American Government Obligation Fund, which was rated AAAM by Standard & Poor’s. *Local Government Investment Pools* - At December 31, 2016, the City had \$2,010,158 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. Colotrust operates in conformity with the Securities and Exchange Commission’s Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

The City measure and records its investments using fair market value measurement guidelines established by generally accepted accounting principles. 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.

First American Government Obligation Fund is a money market fund that is valued at fair value based on quoted market prices and is categorized as a Level 1 investment. Colotrust is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

Restricted Cash and Investments

Restricted cash and investments consist of unspent lease proceeds of \$37,459 in the Capital Improvements Fund. In addition, \$90,020 is restricted in the Downtown Public Facilities Fund for payment of debt principal and interest.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3: INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2016, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Downtown Public Facilities	\$ 1,197
General	Open Space	5,981
General	Law Enforcement	1,197
General	El Paso/Beckers Park	39,139
General	Water	101,562
General	Sewer	48,782
Capital Improvements	General	379,739
Storm Drainage	General	<u>644,353</u>
Total		<u>\$ 1,221,950</u>

During the year ended December 31, 2016, 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, 2016, the General Fund temporarily subsidized the negative cash balances until grant reimbursements are received, of the Storm Drainage and RTA Funds by \$643,010 and \$25,691, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is summarized below:

	Balances 12/31/2015	Additions	Deletions	Balances 12/31/2016
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 5,638,420	\$ 1,404,411	\$ -	\$ 7,042,831
Construction in Progress	206,180	123,573	7,500	322,253
Total Capital Assets, not being depreciated	<u>5,844,600</u>	<u>1,527,984</u>	<u>7,500</u>	<u>7,365,084</u>
Capital Assets, being depreciated				
Land Improvements	4,029,227	-	-	4,029,227
Buildings	1,640,046	-	-	1,640,046
Infrastructure	9,113,189	-	-	9,113,189
Equipment and Vehicles	3,813,629	779,860	-	4,593,489
Total Capital Assets, being depreciated	<u>18,596,091</u>	<u>779,860</u>	<u>-</u>	<u>19,375,951</u>
Less accumulated depreciation				
Land Improvements	(1,259,204)	(160,182)	-	(1,419,386)
Buildings	(1,162,277)	(28,170)	-	(1,190,447)
Infrastructure	(6,438,352)	(298,759)	-	(6,737,111)
Equipment and Vehicles	(2,900,823)	(239,583)	-	(3,140,406)
Total accumulated depreciation	<u>(11,760,656)</u>	<u>(726,694)</u>	<u>-</u>	<u>(12,487,350)</u>
Total Capital Assets, being depreciated, net	<u>6,835,435</u>	<u>53,166</u>	<u>-</u>	<u>6,888,601</u>
Governmental Activities Capital Assets, net	<u><u>\$ 12,680,035</u></u>	<u><u>\$ 1,581,150</u></u>	<u><u>\$ 7,500</u></u>	<u><u>\$ 14,253,685</u></u>

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

General Government	\$ 365,249
Public Safety	128,359
Public Works	57,819
Culture and Recreation	<u>175,267</u>
Total	<u><u>\$ 726,694</u></u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: CAPITAL ASSETS (Continued)

	Balances 12/31/2015	Additions	Deletions	Balances 12/31/2016
Business-type Activities:				
Capital Assets, not being depreciated				
Construction in Progress	\$ 248,420	\$ 296,327	\$ 248,420	\$ 296,327
Capital Assets, being depreciated				
Land Improvements	47,796	-	-	47,796
Collection and Distribution Systems	22,759,739	1,087,554	-	23,847,293
Machinery and Equipment	2,827,118	176,321	-	3,003,439
Total Capital Assets, being depreciated	25,634,653	1,263,875	-	26,898,528
Less accumulated depreciation				
Land Improvements	(9,229)	(2,110)	-	(11,339)
Collection and Distribution Systems	(8,513,370)	(920,132)	-	(9,433,502)
Machinery and Equipment	(1,831,940)	(175,282)	-	(2,007,222)
Total accumulated depreciation	(10,354,539)	(1,097,524)	-	(11,452,063)
Total Capital Assets, being depreciated, net	15,280,114	166,351	-	15,446,465
Business-type Activities Capital Assets, net	<u>\$ 15,528,534</u>	<u>\$ 462,678</u>	<u>\$ 248,420</u>	<u>\$ 15,742,792</u>

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, 2016.

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Due Within One Year
Governmental Activities					
2004 Sales and Use Tax Bonds	\$ 795,000	\$ -	\$ 150,000	\$ 645,000	\$ 165,000
Capital Leases	1,431,223	949,805	356,080	2,024,948	261,222
Accrued Compensated Absences	102,723	141,534	118,024	126,233	126,233
	<u>\$ 2,328,946</u>	<u>\$ 1,091,339</u>	<u>\$ 624,104</u>	<u>\$ 2,796,181</u>	<u>\$ 552,455</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

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

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, 2016, pledged revenues derived from the dedicated 0.3% sales and use tax totaling \$251,067 were available to pay annual debt service of \$183,025.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	\$ 29,500	\$ 194,500
2018	175,000	21,544	196,544
2019	190,000	12,875	202,875
2020	115,000	2,875	117,875
	<u>\$ 645,000</u>	<u>\$ 66,794</u>	<u>\$ 711,794</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 2025. Capital assets totaling \$2,259,672 less accumulated depreciation of \$500,516 are reported in the financial statements under these lease agreements.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016.

Year Ended December 31

2017	\$	322,820
2018		308,016
2019		287,270
2020		263,315
2021		235,582
2022 - 2026		671,747
2027 - 2030		248,609
Total Minimum Lease Payments		2,337,359
Less: Interest		(312,411)
Present Value of Future Minimum Lease Payments	\$	<u>2,024,948</u>

Business-type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2016.

	Balance <u>12/31/2015</u>	Additions	Deletions	Balance <u>12/31/2016</u>	Due Within <u>One Year</u>
Business-type Activities					
1985 Water Loan	\$ 454,137	\$ -	\$ 42,357	\$ 411,780	\$ 44,057
2009 Water Loan	899,987	-	62,068	837,919	62,068
2009 Water Loan	899,987	-	62,068	837,919	62,068
2009 Water Loan	389,526	-	26,864	362,662	26,864
2009 Sewer Loan	60,466	-	4,170	56,296	4,170
Capital Leases	651,870	148,435	199,869	600,436	119,678
Accrued Compensated Absences	25,377	49,564	39,401	35,540	35,540
	<u>\$ 3,381,350</u>	<u>\$ 197,999</u>	<u>\$ 436,797</u>	<u>\$ 3,142,552</u>	<u>\$ 354,445</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, 2016

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, 2016, net revenues of \$523,678 were available to pay annual debt service of \$151,000. Remaining debt service at December 31, 2016 was \$2,038,500.

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, 2016, net revenues of \$484,271 were available to pay annual debt service of \$4,170. Remaining debt service at December 31, 2016 was \$56,296.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 199,227	\$ 16,534	\$ 215,761
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 - 2026	948,929	14,525	963,454
2027 - 2030	543,096	-	543,096
	<u>\$ 2,506,576</u>	<u>\$ 78,780</u>	<u>\$ 2,585,356</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 2030. Capital assets totaling \$1,278,929 less accumulated depreciation of \$523,683 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, 2016.

Year Ended December 31

2017	\$	133,793
2018		114,246
2019		95,850
2020		88,693
2021		68,094
2022 - 2025		152,752
Total Minimum Lease Payments		653,428
Less: Interest		(52,992)
Present Value of Future Minimum Lease Payments	<u>\$</u>	<u>600,436</u>

Subsequent to the year ended December 31, 2016, the City entered into a lease agreement for the purchase of equipment and vehicles in the amount of \$834,495.

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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: PUBLIC ENTITY RISK POOL (Continued)

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.

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, 2016

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, 2016

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 \$252,803 for the year ended December 31, 2016.

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

At December 31, 2016, the City reported a liability of \$3,379,093 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the City's proportion was 0.30675%, which was an increase of 0.04781% from its proportion measured as of December 31, 2014. For the year ended December 31, 2016, the City recognized pension expense of \$430,235.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

At December 31, 2016, 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	\$ 4,907	\$ -
Changes in assumptions or other inputs	-	(11,979)
Net difference between projected and actual earnings on pension plan investments	466,935	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	255,022	-
Contributions subsequent to measurement date	<u>252,803</u>	<u>-</u>
Total	<u>\$ 979,667</u>	<u>\$ (11,979)</u>

\$252,803 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, 2016. 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,

2017	\$ 342,715
2018	237,501
2019	134,669

Actuarial assumptions. The total pension liability in the December 31, 2013 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%

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

Mortality rates 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.

The actuarial assumptions used in the December 31, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

The LGDTF's long-term expected rate of return on pension plan investments was determined using 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 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 15, 2013 adoption of the 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	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

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 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:

- 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 3.90%.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

- 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.
- Employee contributions were assumed to be made at the current member 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 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.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current 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. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

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 7.50%, 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 (6.50%) or 1-percentage-point 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>
Proportionate Share of Net Pension Liability	<u>\$ 5,180,494</u>	<u>\$ 3,379,093</u>	<u>\$ 1,885,009</u>

Pension plan fiduciary net position. Detailed information about the LGDTF’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 FPPA Statewide Defined Benefit Pension Plan (the “Plan”) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Benefits provided. 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 this 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 this Plan and their employers are contributing at the rate of 8.5% of base salary for a total contribution rate of 16.5% through 2015. 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 reentry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry 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%.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

The City and employees have made contributions as a percentage of regular pay to this plan as follows: 2014 – 8% City and 8% employee; 2015 – 8% City and 8.5% employee; 2016 – 8% City and 9% employee. Contributions to the Plan from the City were \$59,089, \$54,665 and \$48,393 for the years ended December 31, 2016, 2015 and 2014, respectively.

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

At December 31, 2016, the City reported a net pension liability (asset) of (\$2,461) for its proportionate share of the net pension liability (asset). The net pension asset was measured as of December 31, 2015, 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, 2015, the City’s proportion was 0.1396%, which was an increase of 0.0051 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$3,832. At December 31, 2016, 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	\$ 17,744	\$ (2,473)
Changes in assumptions or other inputs	34,461	-
Net difference between projected and actual earnings on pension plan investments	102,607	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(6,247)
Contributions subsequent to the measurement date	59,089	-
Total	<u>\$ 213,901</u>	<u>\$ (8,720)</u>

\$59,089 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, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Police Officers 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,

2017	\$	32,493
2018		32,494
2019		29,501
2020		29,501
2021		5,346
Thereafter		16,757

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation, based on a date of January 1, 2016, 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 3% inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.0%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every 5 years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA’s actuaries, Gabriel, Roder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%
Total	100.00%	

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, 2015, are summarized in the above table.

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 Fire & Police Pension Association 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:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 344,777	\$ (2,461)	\$ (290,484)

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

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.

Firefighters Statewide Defined Benefit Pension Plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

Benefits provided. 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

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 this 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 this Plan and their employers are contributing at the rate of 8.5% of base salary for a total contribution rate of 16.5% through 2015. 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 reentry group has a combined contribution rate of 20.5% of base salary through 2015. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry 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%.

The City and employees have made contributions as a percentage of regular pay to this plan as follows: 2014 – 8% City and 8% employee; 2015 – 8% City and 8.5% employee; 2016 – 8% City and 9% employee. Contributions to the Plan from the City were \$26,307, \$26,670 and \$24,522 for the years ended December 31, 2016, 2015 and 2014, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, the City reported a net pension liability (asset) of (\$1,140) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, 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, 2015, the City's proportion was 0.0646%, which was a decrease of 0.0036 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$9,038. At December 31, 2016, 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	\$ 8,216	\$ (1,253)
Changes in assumptions or other inputs	15,957	-
Net difference between projected and actual earnings on pension plan investments	43,300	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,578	(3,796)
Contributions subsequent to measurement date	<u>26,307</u>	<u>-</u>
Total	<u>\$ 97,358</u>	<u>\$ (5,049)</u>

\$26,307 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, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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,

2017	\$	17,661
2018		17,661
2019		16,145
2020		2,723
2021		2,723
Thereafter		9,089

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation, based on a date of January 1, 2016, 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 3% inflation
Projected salary increases	4.0% - 14.0%
Cost of living adjustment	0.0%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

At least every 5 years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2015 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%
Total	100.00%	

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, 2015, are summarized in the above table.

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 Fire & Police Pension Association 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:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	<u>\$ 159,650</u>	<u>\$ (1,140)</u>	<u>\$ (134,509)</u>

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.57 percent. The single discount rate for the plans was 7.50 percent.

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.

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,

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

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, 2016, the City reported a net pension liability of \$179,869. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

For the year ended December 31, 2016, the City recognized pension expense/(income) of (\$61,663). At December 31, 2016, 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	\$ 16,447
Contributions subsequent to the measurement date	<u>21,799</u>
Total deferred outflows of resources related to pensions	<u>\$ 38,246</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, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2017	\$ 4,221
2018	4,221
2019	4,222
2020	<u>3,783</u>
Total	<u>\$ 16,447</u>

Actuarial assumptions. The January 1, 2016 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2015.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.57%

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. 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Total	<u>100.0%</u>	

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:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

	1% Decrease <u>6.5%</u>	Current Single Discount Rate 7.5%	1% Increase <u>8.5%</u>
City's Net Pension Liability	<u>\$ 230,166</u>	<u>\$ 179,869</u>	<u>\$ 136,880</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.

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, 2015, 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At December 31, 2016, the City reported a net pension liability of \$227,870. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

For the year ended December 31, 2016, the City recognized pension expense of \$3,360. At December 31, 2016, the City reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between expected and actual experience of the total pension liability	\$ 13,949
Net difference between projected and actual earnings on pension plan investments	17,977
Contributions subsequent to the measurement date	<u>16,000</u>
 Total deferred outflows of resources related to pensions	 <u>\$ 47,926</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, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2017	\$ 10,094
2018	10,094
2019	7,683
2020	<u>4,055</u>
 Total	 <u>\$ 31,926</u>

Actuarial assumptions. The January 1, 2016 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2015. The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.57%

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan (Continued)

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. 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	<u>2.0%</u>	0.0%
Total	<u>100.0%</u>	

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>\$ 281,256</u>	<u>\$ 227,870</u>	<u>\$ 182,594</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan (Continued)

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.

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, 2016, City Administrator's contributions totaled \$8,681 and the City recognized pension expense of \$13,633 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, 2014, 2015 and 2016, the City's contributions to

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

the HCTF were \$14,911, \$17,763 and \$20,162 respectively, equal to their required contributions for each year.

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.

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, 2016, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales and Use	\$ 4,009,000	\$ 5,072,000	\$ 5,500,141	\$ 428,141
Property	698,227	711,450	712,165	715
Amusement and Lodging	737,500	835,000	854,488	19,488
Franchise	137,675	139,000	141,492	2,492
Auto Use	277,400	302,460	293,512	(8,948)
Licenses and Permits	58,602	75,821	77,290	1,469
Charges for Services	1,203,934	1,482,519	1,684,974	202,455
Intergovernmental	200,126	243,071	248,476	5,405
Fines and Forfeitures	194,300	123,150	137,210	14,060
Contributions/Donations	-	6,295	16,774	10,479
Interest	1,500	6,000	7,584	1,584
Miscellaneous	2,314	3,088	11,866	8,778
TOTAL REVENUES	7,520,578	8,999,854	9,685,972	686,118
EXPENDITURES				
General Government				
Legislative	225,569	283,375	262,757	20,618
Judicial	71,417	73,325	69,438	3,887
Executive	484,205	480,670	471,664	9,006
Administrative	405,787	394,282	380,363	13,919
Community Services	351,912	309,548	293,711	15,837
Economic Development	871,177	1,283,627	1,496,296	(212,669)
Intergovernmental	18,587	20,274	18,724	1,550
Document Retrieval	-	40,000	32,231	7,769
Council Programs and Projects	6,100	680	700	(20)
Total General Governments	2,434,754	2,885,781	3,025,884	(140,103)
Public Safety				
Police	1,449,481	1,424,415	1,379,369	45,046
Fire	792,710	873,400	869,220	4,180
Other Police and Fire	-	4,005	6,283	(2,278)
Code Enforcement	62,631	13,316	13,208	108
Parking Enforcement	555,873	610,193	675,727	(65,534)
Total Public Safety	2,860,695	2,925,329	2,943,807	(18,478)
Public Works				
Streets	964,712	1,040,213	1,021,968	18,245
Total Public Works	964,712	1,040,213	1,021,968	18,245

(Continued)

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Culture and Recreation				
Parks and Recreation	\$ 406,902	\$ 394,125	\$ 400,789	\$ (6,664)
Trails	294,692	275,706	259,148	16,558
Total Culture and Recreation	<u>701,594</u>	<u>669,831</u>	<u>659,937</u>	<u>9,894</u>
 TOTAL EXPENDITURES	 <u>6,961,755</u>	 <u>7,521,154</u>	 <u>7,651,596</u>	 <u>(130,442)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>558,823</u>	 <u>1,478,700</u>	 <u>2,034,376</u>	 <u>555,676</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	197,858	197,858	197,858	-
Transfers Out	<u>(1,143,449)</u>	<u>(1,065,683)</u>	<u>(1,024,092)</u>	<u>41,591</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(945,591)</u>	<u>(867,825)</u>	<u>(826,234)</u>	<u>41,591</u>
 NET CHANGE IN FUND BALANCE	 (386,768)	 610,875	 1,208,142	 597,267
 FUND BALANCE, Beginning	 <u>1,755,516</u>	 <u>1,971,140</u>	 <u>2,022,614</u>	 <u>51,474</u>
 FUND BALANCE, Ending	 <u>\$ 1,368,748</u>	 <u>\$ 2,582,015</u>	 <u>\$ 3,230,756</u>	 <u>\$ 648,741</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENTS FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 34,876	\$ 34,876	\$ 34,898	\$ 22
Intergovernmental	1,337,243	120,500	75,000	(45,500)
Interest	-	-	145	145
TOTAL REVENUES	1,372,119	155,376	110,043	(45,333)
EXPENDITURES				
Capital Outlay	1,874,213	382,571	1,782,905	(1,400,334)
Debt Service				
Principal	347,479	329,182	316,581	12,601
Interest and Fiscal Charges	26,417	48,317	50,917	(2,600)
TOTAL EXPENDITURES	2,248,109	760,070	2,150,403	(1,390,333)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(875,990)	(604,694)	(2,040,360)	(1,435,666)
OTHER FINANCING SOURCES				
Proceeds from Issuance of Debt	176,864	176,864	949,805	772,941
Transfers In	499,096	421,330	379,739	(41,591)
TOTAL OTHER FINANCING SOURCES	675,960	598,194	1,329,544	731,350
NET CHANGE IN FUND BALANCE	(200,030)	(6,500)	(710,816)	(704,316)
FUND BALANCE, Beginning	285,312	274,669	885,171	610,502
FUND BALANCE, Ending	\$ 85,282	\$ 268,169	\$ 174,355	\$ (93,814)

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*

	2015	2014	2013
<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>			
Proportion of the Net Pension Liability (Asset)	0.30675%	0.25894%	0.25360%
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,379,093	\$ 2,320,884	\$ 2,086,887
Covered Employee Payroll	\$ 1,976,677	\$ 1,741,473	\$ 1,418,864
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	170.95%	133.27%	147.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.87%	80.72%	77.66%
Total Pension Liability	\$ 4,762,090,000	\$ 4,647,777,000	\$ 4,517,239,000
Plan Fiduciary Net Position	3,660,509,000	3,751,468,000	3,508,312,000
Adjustment for Memorial Health systems	-	-	(186,006,000)
Net Pension Liability	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 822,921,000</u>
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>			
Proportion of the Net Pension Liability (Asset)	0.13961%	0.13452%	0.13306%
Proportionate Share of the Net Pension Liability (Asset)	\$ (2,461)	\$ (151,810)	\$ (118,980)
Covered Employee Payroll	\$ 738,608	\$ 604,912	\$ 577,324
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-0.33%	-25.10%	-20.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.10%	106.83%	105.83%
Total Pension Liability	\$ 1,846,961,999	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	1,848,724,853	1,765,758,630	1,623,049,809
Net Pension Liability	<u>\$ (1,762,854)</u>	<u>\$ (112,857,546)</u>	<u>\$ (89,418,668)</u>
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>			
Proportion of the Net Pension Liability (Asset)	0.06465%	0.06816%	0.06292%
Proportionate Share of the Net Pension Liability (Asset)	\$ (1,140)	\$ (76,927)	\$ (56,266)
Covered Employee Payroll	\$ 328,841	\$ 306,525	\$ 273,302
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-0.35%	-25.10%	-20.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.10%	106.83%	105.83%
Total Pension Liability	\$ 1,846,961,999	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	1,848,724,853	1,765,758,630	1,623,049,809
Net Pension Liability	<u>\$ (1,762,854)</u>	<u>\$ (112,857,546)</u>	<u>\$ (89,418,668)</u>

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

OLD HIRE FIRE PENSION PLAN

Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Interest on the Total Pension Liability	\$ 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>(39,914)</u>	<u>(46,540)</u>
Net Change in Total Pension Liability	(60,234)	(5,526)
Total Pension Liability - Beginning	<u>564,174</u>	<u>569,700</u>
Total Pension Liability - Ending	<u><u>\$ 503,940</u></u>	<u><u>\$ 564,174</u></u>
Plan Fiduciary Net Position		
Employer Contributions	\$ 21,799	\$ 19,672
Pension Plan Net Investment Income	5,687	22,581
Benefit Payments	(39,914)	(46,540)
Pension Plan Administrative Expense	<u>(837)</u>	<u>(3,655)</u>
Net Change in Plan Fiduciary Net Position	(13,265)	(7,942)
Plan Fiduciary Net Position - Beginning	<u>337,336</u>	<u>345,278</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 324,071</u></u>	<u><u>\$ 337,336</u></u>
Net Pension Liability (Asset)		
Total Pension Liability - Ending	\$ 503,940	\$ 564,174
Plan Fiduciary Net Position - Ending	<u>324,071</u>	<u>337,336</u>
Net Pension Liability (Asset)	<u><u>\$ 179,869</u></u>	<u><u>\$ 226,838</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.3%	59.8%
Covered Employee Payroll	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

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

NOTE: Information for the prior eight 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*

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

* - The amounts presented for each fiscal year were determined as of the Plan measurement date,
 NOTE: Information for the prior eight 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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 252,803	\$ 220,819	\$ 179,912
Contributions in Relation to the Contractually Required Contribution	<u>252,803</u>	<u>220,819</u>	<u>179,912</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,976,677	\$ 1,741,473	\$ 1,418,864
Contributions as a Percentage of Covered Employee Payroll	12.79%	12.68%	12.68%
<hr/>			
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 59,089	\$ 54,665	\$ 48,393
Contributions in Relation to the Contractually Required Contribution	<u>59,089</u>	<u>54,665</u>	<u>48,393</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 738,608	\$ 683,311	\$ 604,912
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%
<hr/>			
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 26,307	\$ 26,670	\$ 24,522
Contributions in Relation to the Contractually Required Contribution	<u>26,307</u>	<u>26,670</u>	<u>24,522</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 328,841	\$ 333,375	\$ 306,525
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%

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 CITY CONTRIBUTIONS
OLD HIRE FIRE 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	\$ 19,672	\$ 19,672	\$ -	NA	NA
2015	\$ 21,799	\$ 21,799	\$ -	NA	NA
2016	\$ 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: 1/1/2014

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: 3%

Salary Increases: N/A

Investment Rate of Return: 7.5%

Retirement Age: Any remaining actives are assumed to retire immediately

Mortality: Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment
 Disabled (pre-1980): RP-2000 Disabled Mortality Table
 All tables projected with Scale AA.

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 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

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

NOTES:

Actuarial Valuation Date: 1/1/2015

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.

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, 2016

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, 2016, the General, Capital Improvements, Law Enforcement and Downtown Public Facilities Funds actual expenditures and transfers out exceeded budgeted expenditures and transfers out by \$88,851, \$1,390,333, \$647 and \$10,542, respectively. These may be violations of State statutes.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

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 2016 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.

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

CITY OF MANITOU SPRINGS, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
ASSETS				
Cash and Investments	\$ 20,089	\$ 192,041	\$ 3,063	\$ 443,426
Restricted Cash and Investments	-	-	-	-
Property Taxes Receivable	51,059	-	-	63,823
Due From Other Governments	13,223	-	-	5
TOTAL ASSETS	\$ 84,371	\$ 192,041	\$ 3,063	\$ 507,254
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ -	\$ 8,950	\$ 900	\$ 17
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	-	8,950	900	17
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	51,059	-	-	63,823
FUND EQUITY				
Restricted for Parks and Open Space	33,312	183,091	-	-
Restricted for Law Enforcement	-	-	2,163	-
Restricted for Capital Projects	-	-	-	-
Assigned to Open Space Maintenance	-	-	-	78,580
Assigned to Capital Projects	-	-	-	364,834
TOTAL FUND EQUITY	33,312	183,091	2,163	443,414
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 84,371	\$ 192,041	\$ 3,063	\$ 507,254

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS

DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 121,948	\$ -	\$ 780,567
90,020	-	90,020
-	-	114,882
39,652	25,691	78,571
<u>\$ 251,620</u>	<u>\$ 25,691</u>	<u>\$ 1,064,040</u>
\$ 675	\$ -	\$ 10,542
-	25,691	25,691
675	25,691	36,233
-	-	114,882
-	-	216,403
-	-	2,163
90,020	-	90,020
-	-	78,580
160,925	-	525,759
250,945	-	912,925
<u>\$ 251,620</u>	<u>\$ 25,691</u>	<u>\$ 1,064,040</u>

EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
REVENUES				
Taxes	\$ 146,246	\$ -	\$ -	\$ 62,767
Intergovernmental	258,181	58,574	2,250	-
Fines and Forfeitures	-	-	10,055	-
Investment Income	-	-	-	-
Miscellaneous	794	293	-	-
TOTAL REVENUES	405,221	58,867	12,305	62,767
EXPENDITURES				
Public Works	23,399	-	-	-
Culture and Recreation	-	66,083	-	9,831
Capital Outlay	343,702	-	20,647	-
Debt Service				
Principal	39,499	-	-	-
Interest and Fiscal Charges	20,006	-	-	-
TOTAL EXPENDITURES	426,606	66,083	20,647	9,831
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,385)	(7,216)	(8,342)	52,936
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(5,981)	-	(1,197)	(39,139)
CHANGE IN FUND BALANCES	(27,366)	(7,216)	(9,539)	13,797
FUND BALANCES, Beginning	60,678	190,307	11,702	429,617
FUND BALANCES, Ending	<u>\$ 33,312</u>	<u>\$ 183,091</u>	<u>\$ 2,163</u>	<u>\$ 443,414</u>

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS		
DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 295,629	\$ -	\$ 504,642
-	227,127	546,132
-	-	10,055
4	-	4
-	-	1,087
<u>295,633</u>	<u>227,127</u>	<u>1,061,920</u>
-	-	23,399
-	-	75,914
-	227,127	591,476
150,000	-	189,499
42,667	-	62,673
<u>192,667</u>	<u>227,127</u>	<u>942,961</u>
102,966	-	118,959
(1,197)	-	(47,514)
101,769	-	71,445
149,176	-	841,480
<u>\$ 250,945</u>	<u>\$ -</u>	<u>\$ 912,925</u>

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Tax	\$ 75,674	\$ 87,300	\$ 96,032	\$ 8,732
Property Taxes	50,182	50,182	50,214	32
Intergovernmental - Grants	-	258,181	258,181	-
Miscellaneous	-	-	794	794
TOTAL REVENUES	125,856	395,663	405,221	9,558
EXPENDITURES				
Public Works	46,300	24,833	23,399	1,434
Capital Outlay	108,500	343,702	343,702	-
Debt Service				
Principal	39,499	38,939	39,499	(560)
Interest	19,907	20,467	20,006	461
TOTAL EXPENDITURES	214,206	427,941	426,606	1,335
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(88,350)	(32,278)	(21,385)	10,893
OTHER FINANCING SOURCES (USES)				
Transfers Out	(5,982)	(5,982)	(5,981)	1
NET CHANGE IN FUND BALANCE	(94,332)	(38,260)	(27,366)	10,894
FUND BALANCE, Beginning	50,610	60,678	60,678	-
FUND BALANCE, Ending	\$ (43,722)	\$ 22,418	\$ 33,312	\$ 10,894

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CONSERVATION TRUST FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Lottery Revenues	\$ 50,500	\$ 55,750	\$ 58,574	\$ 2,824
Interest	-	-	293	293
TOTAL REVENUES	50,500	55,750	58,867	3,117
EXPENDITURES				
Parks and Recreation	83,000	83,000	66,083	16,917
TOTAL EXPENDITURES	83,000	83,000	66,083	16,917
NET CHANGE IN FUND BALANCE	(32,500)	(27,250)	(7,216)	20,034
FUND BALANCE, Beginning	134,665	190,307	190,307	-
FUND BALANCE, Ending	\$ 102,165	\$ 163,057	\$ 183,091	\$ 20,034

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Fines and Forfeitures	\$ 31,000	\$ 14,715	\$ 10,055	\$ (4,660)
Intergovernmental	-	2,250	2,250	-
TOTAL REVENUES	<u>31,000</u>	<u>16,965</u>	<u>12,305</u>	<u>(4,660)</u>
EXPENDITURES				
Capital Outlay	<u>30,550</u>	<u>20,000</u>	<u>20,647</u>	<u>(647)</u>
TOTAL EXPENDITURES	<u>30,550</u>	<u>20,000</u>	<u>20,647</u>	<u>(647)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	450	(3,035)	(8,342)	(5,307)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(1,197)</u>	<u>(1,197)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	450	(4,232)	(9,539)	(5,307)
FUND BALANCE, Beginning	<u>17,193</u>	<u>8,831</u>	<u>11,702</u>	<u>2,871</u>
FUND BALANCE, Ending	<u>\$ 17,643</u>	<u>\$ 4,599</u>	<u>\$ 2,163</u>	<u>\$ (2,436)</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 62,727	\$ 62,727	\$ 62,767	\$ 40
TOTAL REVENUES	62,727	62,727	62,767	40
EXPENDITURES				
Culture and Recreation	64,758	21,575	9,831	11,744
TOTAL EXPENDITURES	64,758	21,575	9,831	11,744
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,031)	41,152	52,936	11,784
OTHER FINANCING SOURCES (USES)				
Transfers Out	(39,139)	(39,139)	(39,139)	-
NET CHANGE IN FUND BALANCE	(41,170)	2,013	13,797	11,784
FUND BALANCE, Beginning	406,812	429,715	429,617	(98)
FUND BALANCE, Ending	\$ 365,642	\$ 431,728	\$ 443,414	\$ 11,686

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
DOWNTOWN PUBLIC FACILITIES FUND
Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Taxes	\$ 251,396	\$ 262,000	\$ 288,098	\$ 26,098
Use Taxes	7,816	7,816	7,531	(285)
Interest	-	-	4	4
TOTAL REVENUES	<u>259,212</u>	<u>269,816</u>	<u>295,633</u>	<u>25,817</u>
EXPENDITURES				
Debt Service				
Principal	140,000	140,000	150,000	(10,000)
Interest and Fiscal Charges	38,272	42,125	42,667	(542)
TOTAL EXPENDITURES	<u>178,272</u>	<u>182,125</u>	<u>192,667</u>	<u>(10,542)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,940	87,691	102,966	15,275
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(1,197)	(1,197)	-
NET CHANGE IN FUND BALANCE	80,940	86,494	101,769	15,275
FUND BALANCE (DEFICIT), Beginning	<u>98,732</u>	<u>149,176</u>	<u>149,176</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 179,672</u>	<u>\$ 235,670</u>	<u>\$ 250,945</u>	<u>\$ 15,275</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
RURAL TRANSPORTATION AUTHORITY FUND
Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,428,317	\$ 475,097	\$ 227,127	\$ (247,970)
EXPENDITURES				
Capital Outlay	1,428,317	475,097	227,127	247,970
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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 280,385	\$ 280,385	\$ 279,972	\$ (413)
Miscellaneous	-	-	250	250
Capital Grants	3,108,230	3,302,310	2,449,959	(852,351)
Lease Proceeds	-	-	148,435	148,435
Insurance Recoveries	-	-	11,000	11,000
Transfers In	644,353	644,353	644,353	-
TOTAL REVENUES	4,032,968	4,227,048	3,533,969	(693,079)
EXPENDITURES				
Operations and Maintenance	3,371,255	4,229,229	1,954,968	2,274,261
Capital Outlay	808,000	360,000	1,235,434	(875,434)
Debt Service				
Principal	72,452	75,686	72,789	2,897
Interest and Fiscal Charges	3,713	3,713	4,624	(911)
TOTAL EXPENDITURES	4,255,420	4,668,628	3,267,815	1,400,813
NET INCOME, Budget Basis	\$ (222,452)	\$ (441,580)	266,154	\$ 707,734
GAAP BASIS ADJUSTMENTS				
Lease Proceeds			(148,435)	
Capital Outlay			1,235,434	
Depreciation			(325,857)	
Principal Paid on Long-Term Debt			72,789	
NET INCOME, GAAP Basis			1,100,085	
NET POSITION, Beginning			6,681,725	
NET POSITION, Ending			\$ 7,781,810	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 WATER FUND
 Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,280,893	\$ 1,344,448	\$ 1,338,773	\$ (5,675)
Tap Fees	13,000	66,110	66,110	-
Miscellaneous	-	100	100	-
Capital Grants	60,000	9,250	4,916	(4,334)
TOTAL REVENUES	1,353,893	1,419,908	1,409,899	(10,009)
EXPENDITURES				
Operations and Maintenance	892,106	863,592	881,305	(17,713)
Capital Outlay	340,000	85,000	58,147	26,853
Debt Service				
Principal	271,820	254,515	264,748	(10,233)
Interest	22,159	22,159	20,178	1,981
Transfers Out	101,562	101,562	101,562	-
TOTAL EXPENDITURES	1,627,647	1,326,828	1,325,940	888
NET INCOME, Budget Basis	\$ (273,754)	\$ 93,080	83,959	\$ (9,121)
GAAP BASIS ADJUSTMENTS				
Capital Outlay			58,147	
Depreciation			(576,707)	
Principal Paid on Long-Term Debt			264,748	
NET INCOME, GAAP Basis			(169,853)	
NET ASSETS, Beginning			3,222,615	
NET ASSETS, Ending			\$ 3,052,762	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
SEWER FUND
Year Ended December 31, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,071,088	\$ 1,083,700	\$ 1,118,225	\$ 34,525
Tap Fees	9,065	13,475	16,170	2,695
Miscellaneous	132	132	165	33
TOTAL REVENUES	1,080,285	1,097,307	1,134,560	37,253
EXPENDITURES				
Operations and Maintenance	708,951	665,833	650,287	15,546
Capital Outlay	202,000	2,000	18,199	(16,199)
Debt Service				
Principal	42,707	70,490	59,859	10,631
Interest	2,167	4,687	6,131	(1,444)
Transfers Out	48,476	48,476	48,782	(306)
TOTAL EXPENDITURES	1,004,301	791,486	783,258	8,228
NET INCOME, Budget Basis	\$ 75,984	\$ 305,821	351,302	\$ 45,481
GAAP BASIS ADJUSTMENTS				
Capital Outlay			18,199	
Depreciation			(194,960)	
Principal Paid on Long-Term Debt			59,859	
NET INCOME, GAAP Basis			234,400	
NET ASSETS, Beginning			2,724,940	
NET ASSETS, Ending			\$ 2,959,340	

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, 2016

	BALANCE 12/31/15	ADDITIONS	DELETIONS	BALANCE 12/31/16
ASSETS				
Cash and Investments	\$ 146,627	\$ 269,868	\$ 198,222	\$ 218,273
Taxes Receivable	3,474	3,471	3,474	3,471
Accounts Receivable	34	12,811	34	12,811
Prepaid Expenses	2,792	-	2,792	-
TOTAL ASSETS	\$ 152,927	\$ 286,150	\$ 204,522	\$ 234,555
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts Payable	\$ -	\$ 4,729	\$ -	\$ 4,729
Due to Metropolitan District	149,453	269,868	192,966	226,355
TOTAL LIABILITIES	149,453	274,597	192,966	231,084
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenues	3,474	3,471	3,474	3,471
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 152,927	\$ 278,068	\$ 196,440	\$ 234,555

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
 COMPONENT UNIT
 December 31, 2016

	<u>MS URBAN RENEWAL AUTHORITY</u>
ASSETS	
Cash and Investments	\$ 2,100,255
Taxes Receivable	46,639
Due from Other Governments	<u>463,951</u>
TOTAL ASSETS	<u>\$ 2,610,845</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	<u>\$ 5,986</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	<u>46,639</u>
FUND BALANCE	
Restricted for Emergencies	26,500
Unassigned	<u>2,531,720</u>
TOTAL FUND BALANCE	<u>2,558,220</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,610,845</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, 2016

	<u>MS URBAN RENEWAL AUTHORITY</u>
REVENUES	
Sales Tax Increment	\$ 1,239,622
Property Taxes	58,930
Investment Income	192
	<u>1,298,744</u>
TOTAL REVENUES	
EXPENDITURES	
Administrative	59,029
	<u>59,029</u>
TOTAL EXPENDITURES	
NET CHANGE IN FUND BALANCE	1,239,715
FUND BALANCE, Beginning	<u>1,318,505</u>
FUND BALANCE, Ending	<u><u>\$ 2,558,220</u></u>

See the accompanying Independent Auditor's Report.

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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 2016
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)	223,327
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	271,760
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	23,757
2. General fund appropriations	828,887	b. Snow and ice removal	
3. Other local imposts (from page 2)	385,610	c. Other	72,055
4. Miscellaneous local receipts (from page 2)	307,651	d. Total (a. through c.)	95,812
5. Transfers from toll facilities		4. General administration & miscellaneous	16,118
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	916,391
a. Bonds - Original Issues		6. Total (1 through 5)	1,523,408
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	36,575
7. Total (1 through 6)	1,522,148	b. Redemption	144,936
B. Private Contributions		c. Total (a. + b.)	181,511
C. Receipts from State government (from page 2)	182,771	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,704,919	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	181,511
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
			1,704,919

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	789,936		144,936	645,000
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	1,704,919	1,704,919		0

Notes and Comments:

See the accompanying Independent Auditor's Report.

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2016	
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	31,674
1. Sales Taxes	288,098	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	52,650
5. Specific Ownership &/or Other	97,512	g. Other Misc. Receipts	
6. Total (1. through 5.)	385,610	h. Other - PPRTA	223,327
c. Total (a. + b.)	385,610	i. Total (a. through h.)	307,651
	(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	153,424	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	19,077	d. Federal Transit Admin	
d. Other (Specify) - Road & Bridge	10,270	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	29,347	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	182,771	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		12,155	12,155
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		211,172	211,172
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	211,172
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		12,155	223,327
			(Carry forward to page 1)
Notes and Comments:			

COMPLIANCE SECTION

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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, 2016, 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 2, 2018.

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 2016-001 we identified a deficiency in internal control that we consider to be a material weakness.

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 finding 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 2, 2018



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, 2016. 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, 2016.

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, 2016, 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 2, 2018, 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 2, 2018

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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:

10.923 Emergency Watershed Protection Program

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, 2016

Financial Reporting Findings

2016-001 **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, 2016.
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 had a new staff person prepare the schedule of expenditures of federal awards and didn't provide the necessary training required to accurately complete the schedule. In addition, City finance staff didn't 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.



2016-001 Corrected Action Plan

It is felt that the Grant Administrator and Deputy Finance Director are now more familiar with how to track and report the expenditures and revenues for the Schedule of Federal Awards. However, in order to insure that proper review of the Schedule is performed, before giving the report to the auditors, a SEFA seminar will be actively sought out for not only the Grant Administrator and the Deputy Finance Director but also the Finance Director who has ultimate responsibility for the Schedule.

CITY OF MANITOU SPRINGS, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2016

Finding No. 2014-1 Financial Reporting

This finding has been resolved.

Finding No. 2014-2 Schedule of Expenditures of Federal Awards Reporting

We proposed similar adjustments to the City's schedule of expenditures of federal awards. See Finding No. 2016-001.

Finding No. 2014-3 Procurement, Suspension and Debarment

This finding has been resolved.

CITY OF MAINTOU SPRINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

	<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)		97.036	<u>\$ 47,192</u>
U. S. Department of Agriculture - National Resources Conservation Service			
Direct Program			
Emergency Watershed Protection Program	68-8B05-16-207	10.923 *	976,639
Passed through Colorado Water Conservation Board:			
Emergency Watershed Protection Program	68-8B05-16-210	10.923 *	<u>207,163</u>
			<u>1,183,802</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	296,902
Passed through Colorado Department of Homeland Security and Emergency Mangement:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	R1-20-14 & 15	14.269	<u>298,707</u>
			<u>595,609</u>
U.S. Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program		16.607	<u>2,250</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,828,853</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, 2016

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.