

CITY OF MANITOU SPRINGS, COLORADO

FINANCIAL STATEMENTS

December 31, 2011

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FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Manitou Springs as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City of Manitou Springs, as listed in the table of contents. These financial statements are the responsibility of the City of Manitou Springs' management. 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 *Government 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Manitou Springs as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended December 31, 2011, the City of Manitou Springs adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the City of Manitou Springs's internal control over financial reporting and on our tests 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 of internal control over financial reporting and compliance and the results of that 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manitou Springs's financial statements as a whole. The combining and individual fund financial statements and schedules and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 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 the information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Swainson & Company LLC

December 4, 2012

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, 2011. 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 twice per year, in June and 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 of 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 (Swanhorst and Company LLC) 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,951,541 (net assets) for the primary reporting entity. Of this amount \$2,410,733 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$87,322 during the fiscal year.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$1,456,061.
- The *governmental funds* reported a total unrestricted/unassigned fund balance of \$313,673, including \$376,301 in the General Fund and a negative \$62,628 in the other governmental funds.

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

- The combined governmental funds remained in a positive financial condition. The General Fund fund balance would allow the City to cover its governmental operating costs for 41 days. This was determined by dividing total expenditures, for the year \$4,443,397, by 365, then dividing the combined unrestricted and restricted fund balances, \$504,301, by this number, \$12,174.
- The City's total debt, including accrued compensated absences, decreased by \$632,181 during the current fiscal year. Existing debt was reduced by principal payments totaling \$627,793. The City entered no new lease agreements in 2011.
- General Fund sales/use tax revenue in 2011, \$1,992,923 increased by approximately 2.99% over FY2010 sales/use tax revenue of \$1,935,018.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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,

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

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, storm drainage utilities and the Manitou Springs Park Authority. In addition to the governmental and business related activities, which are primary government, the financial statements include discrete presentation of a component unit of the City. The Manitou Springs Urban Renewal Authority was created to reduce, eliminate and prevent the 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 tax and sales tax. 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 and the nonmajor funds. Individual fund data for nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

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

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, storm drainage and park authority activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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 assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$19,951,541 at the close of the fiscal year.
- \$16,771,762 of net assets is invested in capital assets net of accumulated depreciation, related outstanding debt used to acquire those assets and unspent bond proceeds. 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 assets* \$2,410,733 may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF MANITOU SPRINGS NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$2,589,431	\$2,882,090	\$3,969,009	\$2,640,908	\$6,558,440	\$5,522,998
Non-current assets	11,758,783	11,398,452	9,735,316	10,506,964	21,494,099	21,905,416
Total assets	14,348,214	14,280,542	13,704,325	13,147,872	28,052,539	27,428,414
Total current liabilities	1,136,304	1,260,007	599,487	396,518	1,735,791	1,656,525
Total non-current liabilities	2,309,739	2,053,640	4,142,790	3,766,708	6,452,529	5,820,348
Total liabilities	3,446,043	3,313,647	4,742,277	4,163,226	8,188,320	7,476,873
Net Assets:						
Invested in capital assets, net of related debt	9,531,397	9,418,894	7,264,429	7,352,868	16,795,826	16,771,762
Restricted	136,000	769,046	-	-	136,000	769,046
Unrestricted	1,234,774	778,955	1,697,619	1,631,778	2,932,393	2,410,733
Total net assets	\$10,902,171	\$10,966,895	\$8,962,048	\$8,984,646	\$19,864,219	\$19,951,541

- At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.
- The City's net assets increased by \$87,322 during the current fiscal year.

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

CHANGES IN NET ASSETS

Revenues:	Governmental Activities		Business-type Activities		Total		
	2010	2011	2010	2011	2010	2011	
Program Revenues:							
Charges for Services	\$543,064	\$613,059	\$1,953,039	\$1,988,317	\$2,496,103	\$2,601,376	
Operating Grants and Contributions	566,294	522,979	-	-	566,294	522,979	
Capital Grants and Contributions	324,453	286,484	1,750,454	245,868	2,074,907	532,352	
General Revenues							
Taxes	4,055,770	4,138,433	-	-	4,055,770	4,138,433	
Investment Income	1,566	732	2,811	1,305	4,377	2,037	
Other	126,829	173,988	1,780	3,538	128,609	177,526	
Total General Revenues	4,184,165	4,313,153	4,591	4,843	4,184,756	4,317,996	
Transfers	76,316	56,554	(76,316)	(56,554)	-	-	
Total Revenues	\$5,694,292	\$5,792,229	\$3,631,768	\$2,182,474	\$9,326,060	\$7,974,703	
Expenses:							
General Government	\$1,594,735	\$1,699,501	-	-	\$1,594,735	\$1,699,501	
Public Safety	1,765,002	1,880,763	-	-	1,765,002	1,880,763	
Public Works	1,283,500	1,369,467	-	-	1,283,500	1,369,467	
Culture & Recreation	824,056	672,867	-	-	824,056	672,867	
Interest on Long term Debt	80,872	104,907	-	-	80,872	104,907	
Business-type Activities	-	-	1,891,660	2,159,876	1,891,660	2,159,876	
Total Expenses	5,548,165	5,727,505	1,891,660	2,159,876	7,439,825	7,887,381	
Increase (Decrease) in Net Assets	146,127	64,724	1,740,108	22,598	1,886,235	87,322	
Beginning Net Assets	10,756,044	10,902,171	7,221,940	8,962,048	17,977,984	\$19,864,219	
Ending Net Assets	\$10,902,171	\$10,966,895	\$8,962,048	\$8,984,646	\$19,864,219	\$19,951,541	

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

Governmental activities. Governmental activities increased the City's net assets by \$64,724. Please note, due to the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds were merged. The ending 2010 Governmental Activities Fund balances were restated by decreasing them \$36,912, due to this merge. See note 11, for further detail. Most governmental activities were financed by taxpayers through local property taxes and sales and use taxes.

Business-Type activities: Business-type activities increased the City's net assets by \$22,598. Please note, due to the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds were merged. The ending 2010 Business-Type Activities net assets were increased by \$36,912, due to this merge. See note 11, for further detail.

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 \$1,456,061. Approximately 21.5% of this total amount, \$313,673, 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 \$182,238. Despite Net Transfers out totaling \$38,414, net fund balance increased by \$144,024. The General Fund finished FY 2011 with an ending fund balance of \$504,301.

Enterprise Funds

The Water Fund serves approximately 2,100 users with a distribution system that includes a reservoir, fresh water treatment plant and two storage tanks. The distribution system delivers an average of 530,706 gallons of fresh water per day. In 2009, the City was awarded \$3,852,801 in interest-free loans, including \$823,801 in loan forgiveness, for a net increase in long-term debt of \$3,020,000, from the Colorado Water Resources and Power Development Authority to repair aging infrastructure. Of this award, \$575,027 remained as a receivable at the end of 2011. The Fund had an operating loss of \$(44,486), with nonoperating expenses of \$(23,816) and additional revenues of \$21,500 in tap fees and \$18,990 in Capital Grants, less transfers out in the amount of \$85,202, the fund had a decrease in net assets of \$(113,014).

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

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

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. In 2009, the City was awarded \$2,083,401 in an interest-free loan, including \$2,000,000 in loan forgiveness, for a net increase in long-term debt of \$83,401, from the Colorado Water Resources and Power Development Authority to repair aging infrastructure. Of this award, \$14,716 remained as a receivable at the end of 2011. The Sewer Fund had an operating loss of \$(61,072) with additional revenues of \$201 in interest, \$7,350 in tap fees, and \$188,728 in Capital Grant, less transfers out in the amount of \$39,507, the fund had an increase in net assets of \$95,409.

General Fund Budgetary Highlights

Actual General Fund revenues were greater than amended budget by \$18,190 this was due, in most part, to intergovernmental revenues being greater than forecasted. Actual General Fund expenditures were greater than amended budget amounts by \$(31,642). This was due to, again, greater intergovernmental expenditures than forecasted.

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, 2011 amounted to \$21,905,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. Major additions to capital assets in 2011 included completion of the Creekwalk Trail Phase 2, an upgrade of the police evidence room, in improvements to the Barr Trail parking lot (including a new parking kiosk), a new computer server, two new boilers for the pool and four new vehicles for public service, water, sewer and the storm drainage fund. Construction in Progress is comprised of expenditures on bridges, a weight room for the pool and phase 5B of the Downtown Improvement project. Also, ten vehicles in poor condition were auctioned off in 2011. The City has replaced numerous water and sewer lines and at the end of 2011 still had Construction in Progress in business-type activities for design of the new ballast tank which will be installed in 2012.

**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
(Net of Construction in Progress)

	Governmental Activities	Business-type Activities	Total
Land and Improvements	\$ 7,693,416	\$ 987,386	\$8,680,802
Buildings	1,330,290	69,066	1,399,356
Equipment and Vehicles	3,023,664	-	3,023,664
Collection and Distribution Improvements	-	15,422,801	15,422,801
Machinery and Equipment	-	1,814,315	1,814,315
Infrastructure	8,522,274	-	8,522,274
Total	20,569,644	18,293,568	38,863,212
Accumulated Depreciation	(9,393,659)	(7,816,842)	(17,210,501)
Net Capital Assets	\$ 11,175,985	\$ 10,476,726	\$ 21,652,711

Additional information on the City's capital assets can be found in note 5.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,723,397 (net of compensated absences). Of this amount, \$1,295,000 is sales tax revenue bonds, and \$2,870,646 is ARRA non-interest bearing loans for water/sewer improvements.

<u>Outstanding Long-Term Debt</u>	<u>Total City</u>
Loans Payable	\$ 3,646,259
Sales Tax Revenue Bonds	1,295,000
1998 Series A Bonds	135,000
Capital leases	647,138
Total	<u>\$5,723,397</u>

The City's total debt, net of compensated absences, decreased by \$627,793 during the current fiscal year. The City's debt, due to compensated absences, is \$96,951 and decreased by \$4,388 from fiscal year 2010.

Additional information on the City's long-term debt can be found in note 6.

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

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

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. In FY2011, general sales tax revenue, \$1,917,665, comprised approximately 44% of all general fund revenues and transfers, \$4,369,707.

Taxable sales in FY2011 increased in comparison to those in FY2010 by 3.8%. Since FY2007, taxable sales have performed as follows:

FY2007	\$50,198,667
FY2008	\$49,027,145
FY2009	\$49,374,621
FY2010	\$52,801,163
FY2011	\$54,790,079

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.

All of the above facts were considered during the preparing of the City's budget for the 2012 fiscal year.

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 ASSETS

December 31, 2011

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	UNIT URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	\$ 1,392,413	\$ 1,733,555	\$ 3,125,968	\$ 143,755
Accounts Receivable	135,779	226,297	362,076	-
Grants Receivable	74,258	589,743	664,001	-
Taxes Receivable	1,279,640	-	1,279,640	89,148
Debt Issuance Costs, Net of Accumulated Amortization	-	91,313	91,313	-
Capital Assets, Not Being Depreciated	4,878,847	520,238	5,399,085	-
Capital Assets, Net of Accumulated Depreciation	6,519,605	9,986,726	16,506,331	-
TOTAL ASSETS	14,280,542	13,147,872	27,428,414	232,903
LIABILITIES				
Accounts Payable	170,472	355,568	526,040	-
Accrued Liabilities	99,763	17,071	116,834	-
Accrued Interest Payable	-	17,976	17,976	-
Deferred Revenues	989,772	5,903	995,675	46,004
Noncurrent Liabilities				
Due Within One Year	328,395	409,586	737,981	-
Due in More Than One Year	1,725,245	3,357,122	5,082,367	-
TOTAL LIABILITIES	3,313,647	4,163,226	7,476,873	46,004
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	9,418,894	7,352,868	16,771,762	-
Restricted for Parks and Open Space	621,334	-	621,334	-
Restricted for Law Enforcement	19,712	-	19,712	-
Restricted for Emergencies	128,000	-	128,000	-
Unrestricted	778,955	1,631,778	2,410,733	186,899
TOTAL NET ASSETS	\$ 10,966,895	\$ 8,984,646	\$ 19,951,541	\$ 186,899

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 1,699,501	\$ 38,073	\$ -	\$ -
Public Safety	1,880,763	305,520	47,580	22,890
Public Works	1,369,467	45,175	179,639	239,238
Culture and Recreation	672,867	224,291	295,760	24,356
Interest on Long-Term Debt	104,907	-	-	-
Total Governmental Activities	<u>5,727,505</u>	<u>613,059</u>	<u>522,979</u>	<u>286,484</u>
Business-Type Activities				
Storm Drainage	231,496	237,651	-	9,600
Water	1,063,349	993,462	-	40,490
Sewer	821,141	757,204	-	195,778
Park Authority	43,890	-	-	-
Total Business-Type Activities	<u>2,159,876</u>	<u>1,988,317</u>	<u>-</u>	<u>245,868</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 7,887,381</u>	<u>\$ 2,601,376</u>	<u>\$ 522,979</u>	<u>\$ 532,352</u>
Component Unit				
Manitou Springs Urban Renewal Authority	<u>\$ 7,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Sales and Use Taxes
 Property Taxes
 Amusement and Lodging Taxes
 Franchise Taxes
 Auto Use Taxes
 Intergovernmental Revenues not
 Restricted to Specific Programs
 Investment Income
 Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES
 AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	URBAN RENEWAL AUTHORITY
\$ (1,661,428)	\$ -	\$ (1,661,428)	\$ -
(1,504,773)	-	(1,504,773)	-
(905,415)	-	(905,415)	-
(128,460)	-	(128,460)	-
(104,907)	-	(104,907)	-
<u>(4,304,983)</u>	<u>-</u>	<u>(4,304,983)</u>	<u>-</u>
-	15,755	15,755	-
-	(29,397)	(29,397)	-
-	131,841	131,841	-
<u>-</u>	<u>(43,890)</u>	<u>(43,890)</u>	<u>-</u>
-	74,309	74,309	-
<u>(4,304,983)</u>	<u>74,309</u>	<u>(4,230,674)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,117)</u>
2,212,087	-	2,212,087	43,144
1,052,428	-	1,052,428	41,607
551,588	-	551,588	-
136,270	-	136,270	-
186,060	-	186,060	-
24,318	-	24,318	-
732	1,305	2,037	693
149,670	3,538	153,208	-
56,554	(56,554)	-	-
<u>4,369,707</u>	<u>(51,711)</u>	<u>4,317,996</u>	<u>85,444</u>
64,724	22,598	87,322	78,327
<u>10,902,171</u>	<u>8,962,048</u>	<u>19,864,219</u>	<u>108,572</u>
<u>\$ 10,966,895</u>	<u>\$ 8,984,646</u>	<u>\$ 19,951,541</u>	<u>\$ 186,899</u>

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
ASSETS			
Cash and Investments	\$ 379,885	\$ 1,012,528	\$ 1,392,413
Accounts Receivable	135,779	-	135,779
Grants Receivable	-	74,258	74,258
Taxes Receivable	991,903	287,737	1,279,640
Interfund Receivables	<u>71,053</u>	<u>-</u>	<u>71,053</u>
TOTAL ASSETS	<u>\$ 1,578,620</u>	<u>\$ 1,374,523</u>	<u>\$ 2,953,143</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 139,668	\$ 30,804	\$ 170,472
Accrued Liabilities	99,763	-	99,763
Deferred Revenues	834,888	320,906	1,155,794
Interfund Payables	<u>-</u>	<u>71,053</u>	<u>71,053</u>
TOTAL LIABILITIES	<u>1,074,319</u>	<u>422,763</u>	<u>1,497,082</u>
FUND BALANCES			
Restricted for Parks and Open Space	-	621,334	621,334
Restricted for Law Enforcement	-	19,712	19,712
Restricted for Emergencies	128,000	-	128,000
Assigned to Capital Projects	-	373,342	373,342
Unrestricted, Unassigned	<u>376,301</u>	<u>(62,628)</u>	<u>313,673</u>
TOTAL FUND BALANCES	<u>504,301</u>	<u>951,760</u>	<u>1,456,061</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,578,620</u>	<u>\$ 1,374,523</u>	<u>\$ 2,953,143</u>

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

Total Fund Balances of Governmental Funds	\$ 1,456,061
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,398,452
Certain long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	166,022
Long-term liabilities, including bonds (\$1,295,000), loan (\$37,420), capital lease (\$647,138) and accrued compensated absences (\$74,082), are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(2,053,640)</u>
Total Net Assets of Governmental Activities	<u>\$ 10,966,895</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, 2011

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES			
Taxes	\$ 3,653,811	\$ 484,622	\$ 4,138,433
Licenses and Permits	54,787	-	54,787
Intergovernmental	269,347	688,599	957,946
Charges for Services	390,329	-	390,329
Fines and Forfeitures	146,888	21,055	167,943
Investment Income	100	632	732
Miscellaneous	110,373	39,297	149,670
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	4,625,635	1,234,205	5,859,840
EXPENDITURES			
Current			
General Government	1,358,177	2,729	1,360,906
Public Safety	1,793,002	-	1,793,002
Public Works	815,579	276,593	1,092,172
Culture and Recreation	476,639	94,748	571,387
Capital Outlay	-	453,071	453,071
Debt Service			
Principal	-	247,828	247,828
Interest and Fiscal Charges	-	104,907	104,907
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	4,443,397	1,179,876	5,623,273
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<hr/>	<hr/>	<hr/>
	182,238	54,329	236,567
OTHER FINANCING SOURCES (USES)			
Transfers In	166,398	204,612	371,010
Transfers Out	(204,612)	(109,844)	(314,456)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(38,214)	94,768	56,554
NET CHANGE IN FUND BALANCES	144,024	149,097	293,121
FUND BALANCES, Beginning	<hr/>	<hr/>	<hr/>
	360,277	802,663	1,162,940
FUND BALANCES, Ending	<hr/>	<hr/>	<hr/>
	\$ 504,301	\$ 951,760	\$ 1,456,061

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 OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

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

Net Change in Fund Balances of Governmental Funds	\$	293,121
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$631,648) exceeded capital outlay \$271,317 in the current year.		(360,331)
Revenues that do not provide current financial resources are deferred in governmental funds but are recognized in the statement of activities.		(124,165)
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 governmental funds. This includes the change in accrued compensated absences.		8,271
Repayments of bonds \$100,000, loans \$35,982 and capital leases \$111,846 are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.		<u>247,828</u>
Change in Net Assets of Governmental Activities	\$	<u><u>64,724</u></u>

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	STORM DRAINAGE	WATER	SEWER	PARK AUTHORITY	TOTALS
ASSETS					
Current Assets					
Cash and Investments	\$ 27,551	\$ 1,511,545	\$ 194,459	\$ -	\$ 1,733,555
Accounts Receivable	31,638	102,004	92,655	-	226,297
Grants Receivable	-	575,027	14,716	-	589,743
TOTAL CURRENT ASSETS	59,189	2,188,576	301,830	-	2,549,595
Noncurrent Assets					
Debt Issuance Costs, Net of Accumulated Amortization	-	91,313	-	-	91,313
Capital Assets, Not Being Depreciated	-	30,238	-	490,000	520,238
Capital Assets, Net of Accumulated Depreciation	1,393,138	5,988,577	2,435,843	169,168	9,986,726
TOTAL NONCURRENT ASSETS	1,393,138	6,110,128	2,435,843	659,168	10,598,277
TOTAL ASSETS	1,452,327	8,298,704	2,737,673	659,168	13,147,872
LIABILITIES					
Current Liabilities					
Accounts Payable	1,756	295,965	57,847	-	355,568
Accrued Liabilities	3,526	9,497	4,048	-	17,071
Accrued Interest Payable	1,212	16,271	-	493	17,976
Deferred Revenues	-	5,903	-	-	5,903
Compensated Absences, Current Portion	2,653	17,684	2,532	-	22,869
Loans Payable, Current Portion	130,362	187,185	4,170	-	321,717
Revenue Bonds Payable, Current Portion	-	-	-	65,000	65,000
TOTAL CURRENT LIABILITIES	139,509	532,505	68,597	65,493	806,104
Noncurrent Liabilities					
Loans Payable	-	3,214,146	72,976	-	3,287,122
Revenue Bonds Payable	-	-	-	70,000	70,000
TOTAL NONCURRENT LIABILITIES	-	3,214,146	72,976	70,000	3,357,122
TOTAL LIABILITIES	139,509	3,746,651	141,573	135,493	4,163,226
NET ASSETS					
Invested in Capital Assets, Net of Related Debt Unrestricted	1,262,776 50,042	3,192,511 1,359,542	2,373,413 222,687	524,168 (493)	7,352,868 1,631,778
TOTAL NET ASSETS	\$ 1,312,818	\$ 4,552,053	\$ 2,596,100	\$ 523,675	\$ 8,984,646

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 Year Ended December 31, 2011

	STORM DRAINAGE	WATER	SEWER	PARK AUTHORITY	TOTALS
OPERATING REVENUES					
Charges for Services	\$ 237,651	\$ 993,462	\$ 757,204	\$ -	\$ 1,988,317
Miscellaneous	144	529	2,865	-	3,538
TOTAL OPERATING REVENUES	237,795	993,991	760,069	-	1,991,855
OPERATING EXPENSES					
Operations and Maintenance	180,146	710,887	673,421	-	1,564,454
Depreciation and Amortization	43,396	327,590	147,720	32,954	551,660
TOTAL OPERATING EXPENSES	223,542	1,038,477	821,141	32,954	2,116,114
OPERATING INCOME (LOSS)	14,253	(44,486)	(61,072)	(32,954)	(124,259)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	39	1,056	210	-	1,305
Interest Expense	(7,954)	(24,872)	-	(10,936)	(43,762)
TOTAL NONOPERATING REVENUES (EXPENSES)	(7,915)	(23,816)	210	(10,936)	(42,457)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	6,338	(68,302)	(60,862)	(43,890)	(166,716)
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Tap Fees	-	21,500	7,350	-	28,850
Capital Grants	9,600	18,990	188,428	-	217,018
Transfers In	-	-	-	76,155	76,155
Transfers Out	(8,000)	(85,202)	(39,507)	-	(132,709)
CHANGE IN NET ASSETS	7,938	(113,014)	95,409	32,265	22,598
NET ASSETS, Beginning	1,304,880	4,665,067	2,500,691	491,410	8,962,048
NET ASSETS, Ending	\$ 1,312,818	\$ 4,552,053	\$ 2,596,100	\$ 523,675	\$ 8,984,646

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2011

	STORM DRAINAGE	WATER	SEWER	PARK AUTHORITY	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 237,838	\$ 994,112	\$ 757,507	\$ -	\$ 1,989,457
Cash Paid to Suppliers	(57,667)	(383,894)	(564,932)	-	(1,006,493)
Cash Paid to Employees	(119,982)	(318,244)	(122,478)	-	(560,704)
Net Cash Provided (Used) by Operating Activities	<u>60,189</u>	<u>291,974</u>	<u>70,097</u>	<u>-</u>	<u>422,260</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments from Other Funds	-	-	-	76,155	76,155
Payments to Other Funds	(8,000)	(85,202)	(39,507)	-	(132,709)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(8,000)</u>	<u>(85,202)</u>	<u>(39,507)</u>	<u>76,155</u>	<u>(56,554)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(4,796)	(1,086,945)	(418,828)	-	(1,510,569)
Loan Proceeds	-	939,191	123,983	-	1,063,174
Capital Grants Received	9,600	18,990	188,428	-	217,018
Debt Principal Paid	(125,006)	(185,789)	(4,170)	(65,000)	(379,965)
Debt Interest Paid	(9,518)	(25,803)	-	(11,155)	(46,476)
Tap Fees Received	-	21,500	7,350	-	28,850
Net Cash Used by Capital and Related Financing Activities	<u>(129,720)</u>	<u>(318,856)</u>	<u>(103,237)</u>	<u>(76,155)</u>	<u>(627,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	<u>39</u>	<u>1,056</u>	<u>210</u>	<u>-</u>	<u>1,305</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS					
	(77,492)	(111,028)	(72,437)	-	(260,957)
CASH AND CASH EQUIVALENTS, Beginning	<u>105,043</u>	<u>1,622,573</u>	<u>266,896</u>	<u>-</u>	<u>1,994,512</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 27,551</u>	<u>\$ 1,511,545</u>	<u>\$ 194,459</u>	<u>\$ -</u>	<u>\$ 1,733,555</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ <u>14,253</u>	\$ <u>(44,486)</u>	\$ <u>(61,072)</u>	<u>(32,954)</u>	\$ <u>(124,259)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation	43,396	319,980	147,720	32,954	544,050
Amortization	-	7,610	-	-	7,610
Changes in Assets and Liabilities					
Accounts Receivable	43	(1,121)	(2,562)	-	(3,640)
Accounts Payable	1,427	4,162	(10,553)	-	(4,964)
Accrued Liabilities	(109)	(815)	(738)	-	(1,662)
Deferred Revenues	-	1,242	-	-	1,242
Compensated Absences	1,179	5,402	(2,698)	-	3,883
Total Adjustments	<u>45,936</u>	<u>336,460</u>	<u>131,169</u>	<u>32,954</u>	<u>546,519</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 60,189</u>	<u>\$ 291,974</u>	<u>\$ 70,097</u>	<u>\$ -</u>	<u>\$ 422,260</u>

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2011

	<u>AGENCY</u>
ASSETS	
Cash and Investments	\$ 1,372
Taxes Receivable	<u>3,610</u>
TOTAL ASSETS	<u>\$ 4,982</u>
LIABILITIES	
Accounts Payable	\$ 183
Deferred Revenues	3,610
Due to Metropolitan District	<u>1,189</u>
TOTAL LIABILITIES	<u>\$ 4,982</u>

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manitou Springs, Colorado (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 and its component units conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens, on the City. Based on the application of these criteria, the City includes the following entities in its reporting entity.

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.

The *Manitou Springs Urban Renewal Authority* (the “URA”) was created to redevelop or rehabilitate certain blighted areas within the City. 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the 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 provider have been met.

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 revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

In the fund financial statements, the City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund type:

The *Manitou Springs Metropolitan District Agency Fund* 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 and Net Assets/Fund Balances

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.

Interfund Receivables/Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital Assets - Capital assets, which include property, plants, buildings, equipment, and all infrastructure owned by the City, are reported in the applicable governmental or business-type activities columns in 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 \$5,000 or more 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Property and equipment of the City is depreciated using the straight-line method over the following estimated useful lives.

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

Deferred Revenues - Deferred revenues arise when resources are received by the City before it has a legal claim to them or when assets are not available as current financial resources in the governmental funds. Grants received prior to the incurrence of qualifying expenditures and property taxes earned but levied for the subsequent year are included in deferred revenues.

Compensated Absences - Employees of the City are allowed to accumulate unused vacation and sick time. Upon termination of employment from the City, an employee will be compensated for all accrued vacation time but not for accumulated sick time. Therefore, no liability for accrued sick time is reported in the financial statements.

Accrued vacation time is recognized as a current expenditure when earned in the proprietary funds and when due in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued vacation time.

Long-Term Obligations - In the government-wide financial statements, and the proprietary funds in the fund 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 assets. Debt issuance costs are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances - In the government-wide and fund financial statements, net assets and fund balances are restricted when constraints placed on the use of resources are externally imposed.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In the fund financial statements, governmental funds report assigned fund balances when the City Council intends to use resources for a specific purpose but without a formal action. The City has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available, the City uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. 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 revenue are reported at December 31.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At December 31, 2011, the Downtown Public Facilities and the Rural Transportation Authority Funds had negative fund balances of \$56,423 and 6,205, respectively. Management expects these negative balances to be eliminated with future revenues.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2011, follows:

Petty Cash	\$ 2,466
Cash Deposits	1,270,146
Investments	<u>1,998,483</u>
Total	<u>\$ 3,271,095</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments - Primary Government	\$ 3,125,968
Cash and Investments - Urban Renewal Authority	143,755
Cash and Investments - Agency Fund	<u>1,372</u>
Total	<u>\$ 3,271,095</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 3: CASH AND INVESTMENTS (Continued)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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.

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
- Bankers' 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.

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 the Securities and Exchange Commission's Rule 2a7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization (NRSRO). At December 31, 2011, the City had \$71,711 invested in the First American Government Obligation Fund, which was rated AAAM by Standard and Poor's.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pool - At December 31, 2011, the City had \$1,926,772 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. 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.

NOTE 4: INTERFUND BALANCES AND TRANSFERS

Interfund balances at December 31, 2011, were comprised of the following:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General	Downtown Public Facilities	\$ 64,848
General	Rural Transportation Authority	6,205
Total		<u>\$ 71,053</u>

At December 31, 2011, the General Fund had temporarily subsidized the negative cash balances of the Downtown Public Facilities and the Rural Transportation Authority Funds.

Interfund transfers for the year ended December 31, 2011, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Storm Drainage	\$ 8,000
General	Water	85,202
General	Sewer	39,507
General	Law Enforcement	1,000
General	El Paso/Beckers Park	32,689
Capital Improvement	General	204,612
Park Authority	El Paso/Beckers Park	76,155
Total		<u>\$ 447,165</u>

During the year ended December 31, 2011, transfers to the General Fund were reimbursements for administrative costs. The General Fund provided funding to the Capital Improvement Fund for the Creekside Trail, Barr Trail and bridge restoration projects. The El Paso/Beckers Park Fund transferred the required lease payments to the Park Authority.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011, is summarized below:

	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 4,656,380	\$ -	\$ -	\$ 4,656,380
Construction in Progress	102,230	131,857	11,620	222,467
Total Capital Assets, Not Being Depreciated	<u>4,758,610</u>	<u>131,857</u>	<u>11,620</u>	<u>4,878,847</u>
Capital Assets, Being Depreciated				
Land Improvements	3,006,254	30,782	-	3,037,036
Buildings	1,315,886	14,404	-	1,330,290
Infrastructure	8,487,933	34,341	-	8,522,274
Equipment and Vehicles	3,163,171	71,553	211,060	3,023,664
Total Capital Assets, Being Depreciated	<u>15,973,244</u>	<u>151,080</u>	<u>211,060</u>	<u>15,913,264</u>
Less Accumulated Depreciation				
Land Improvements	(499,071)	(121,233)	-	(620,304)
Buildings	(1,065,367)	(13,215)	-	(1,078,582)
Infrastructure	(4,842,656)	(325,681)	-	(5,168,337)
Equipment and Vehicles	(2,565,977)	(171,519)	(211,060)	(2,526,436)
Total Accumulated Depreciation	<u>(8,973,071)</u>	<u>(631,648)</u>	<u>(211,060)</u>	<u>(9,393,659)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,000,173</u>	<u>(480,568)</u>	<u>-</u>	<u>6,519,605</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,758,783</u>	<u>\$ (348,711)</u>	<u>\$ 11,620</u>	<u>\$ 11,398,452</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 490,000	\$ -	\$ -	\$ 490,000
Construction in Progress	1,631,581	30,238	1,631,581	30,238
Total Capital Assets, Not Being Depreciated	<u>2,121,581</u>	<u>30,238</u>	<u>1,631,581</u>	<u>520,238</u>
Capital Assets, Being Depreciated				
Land Improvements	497,386	-	-	497,386
Collection and Distribution Systems	12,672,596	2,750,205	-	15,422,801
Buildings	69,066	-	-	69,066
Machinery and Equipment	1,647,479	166,836	-	1,814,315
Total Capital Assets, Being Depreciated	<u>14,886,527</u>	<u>2,917,041</u>	<u>-</u>	<u>17,803,568</u>
Less Accumulated Depreciation				
Land Improvements	(304,734)	(32,544)	-	(337,278)
Collection and Distribution Systems	(5,705,312)	(412,178)	-	(6,117,490)
Buildings	(21,518)	(2,152)	-	(23,670)
Machinery and Equipment	(1,241,228)	(97,176)	-	(1,338,404)
Total Accumulated Depreciation	<u>(7,272,792)</u>	<u>(544,050)</u>	<u>-</u>	<u>(7,816,842)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,613,735</u>	<u>2,372,991</u>	<u>-</u>	<u>9,986,726</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,735,316</u>	<u>\$ 2,403,229</u>	<u>\$ 1,631,581</u>	<u>\$ 10,506,964</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$ 360,667
Public Safety	82,596
Public Works	53,867
Culture and Recreation	<u>134,518</u>
 Total	 <u><u>\$ 631,648</u></u>

NOTE 6: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2011.

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/11</u>	<u>Due Within</u> <u>One Year</u>
2004 Sales and Use Tax Bonds	\$ 1,395,000	\$ -	\$ 100,000	\$ 1,295,000	\$ 110,000
2009 Conservation Trust Loan	73,402	-	35,982	37,420	37,420
Capital Lease Obligations	758,984	-	111,846	647,138	106,893
Compensated Absences	<u>82,353</u>	<u>96,839</u>	<u>105,110</u>	<u>74,082</u>	<u>74,082</u>
 Total	 <u><u>\$ 2,309,739</u></u>	 <u><u>\$ 96,839</u></u>	 <u><u>\$ 352,938</u></u>	 <u><u>\$ 2,053,640</u></u>	 <u><u>\$ 328,395</u></u>

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

During 2004, the City issued \$1,850,000 Sales and Use Tax Revenue Bonds 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 2020. Interest accrues at rates ranging from 2% to 5% per annum. During the year ended December 31, 2011, pledged revenues derived from the dedicated .3% sales and use tax totaling \$164,371 were available to pay annual debt service of \$163,148.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 6: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Future debt service requirements at December 31, 2011, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 110,000	\$ 58,969	\$ 168,969
2013	120,000	54,255	174,255
2014	130,000	48,939	178,939
2015	140,000	43,025	183,025
2016	150,000	36,575	186,575
2017 - 2020	<u>645,000</u>	<u>66,794</u>	<u>711,794</u>
Total	<u>\$ 1,295,000</u>	<u>\$ 308,557</u>	<u>\$ 1,603,557</u>

During 2009, the City entered into a loan agreement with the Colorado Conservation Trust in the principal amount of \$108,000 to finance the acquisition of real property. Principal and interest payments are due annually on December 1, through 2012. Interest accrues at 4% per annum. Future debt service requirements at December 31, 2011, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 37,420</u>	<u>\$ 1,498</u>	<u>\$ 38,918</u>

The City has entered into various lease agreements for land, equipment and vehicles. Capital assets totaling \$801,895 less accumulated depreciation of \$62,253 are reported in the financial statements under the lease agreements. Following is a schedule of future minimum lease payments required under the outstanding capital lease obligations at December 31, 2011.

<u>Year Ended December 31,</u>	
2012	\$ 140,936
2013	113,395
2014	113,395
2015	57,906
2016	57,906
2017 - 2021	289,530
2022	<u>57,906</u>
Total Minimum Lease Payments	830,974
Less: Interest	<u>(183,836)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 647,138</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 6: LONG-TERM DEBT (Continued)

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2011.

	Balance <u>12/31/10</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/11</u>	Due Within <u>One Year</u>
1985 Water Loan	\$ 642,620	\$ -	\$ 34,789	\$ 607,831	\$ 36,185
2003 Tatonka Loan	255,368	-	125,006	130,362	130,362
2009 Water Loan	1,210,327	-	62,068	1,148,259	62,068
2009 Water Loan	1,210,327	-	62,068	1,148,259	62,068
2009 Water Loan	523,846	-	26,864	496,982	26,864
2009 Sewer Loan	81,316	-	4,170	77,146	4,170
1998 Lease Revenue Bonds	200,000	-	65,000	135,000	65,000
Compensated Absences	<u>18,986</u>	<u>29,376</u>	<u>25,493</u>	<u>22,869</u>	<u>22,869</u>
Total	<u>\$ 4,142,790</u>	<u>\$ 29,376</u>	<u>\$ 405,458</u>	<u>\$ 3,766,708</u>	<u>\$ 409,586</u>

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

During 2003, the City entered into a loan agreement with Tatonka Capital in the principal amount of \$1,100,000 to finance repairs and improvements to the City's storm drainage system. Principal and interest payments are due semi-annually on March 15 and September 15, through 2012. Interest accrues at 4.24% per annum.

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, 2011, net revenues of \$305,660 were available to pay annual debt service of \$151,000. Remaining debt service at December 31, 2011, was \$2,793,500.

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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 6: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

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, 2011, net revenues of \$94,208 were available to pay annual debt service of \$4,170. Remaining debt service at December 31, 2011, was \$77,146.

Annual debt service requirements for the loans at December 31, 2011, are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 321,717	\$ 28,567	\$ 350,284
2013	192,808	22,954	215,762
2014	194,320	21,442	215,762
2015	195,892	19,870	215,762
2016	197,527	18,235	215,762
2017 - 2021	1,014,550	64,260	1,078,810
2022 - 2026	948,930	14,521	963,451
2027 - 2030	<u>543,095</u>	<u>-</u>	<u>543,095</u>
Total	<u>\$ 3,608,839</u>	<u>\$ 189,849</u>	<u>\$ 3,798,688</u>

During 1998, the Manitou Springs Park Authority issued Lease Revenue Bonds in the principal amount of \$765,000 for the acquisition and construction of certain public facilities and real property. The City is obligated under a lease agreement to make semi-annual lease payments to the Authority for using the public facilities and real property. The Authority is required to make equal payments to the Trustee, for payment of the bonds. Principal and interest payments are due semi-annually on June 1 and December 1, through 2013. Interest accrues at rates ranging from 4.3% to 5.1% per annum. Future debt service requirements at December 31, 2011, were as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 65,000	\$ 5,228	\$ 70,228
2013	<u>70,000</u>	<u>1,785</u>	<u>71,785</u>
Total	<u>\$ 135,000</u>	<u>\$ 7,013</u>	<u>\$ 142,013</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 7: RISK MANAGEMENT

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 a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to State statute.

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

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

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 CIRSA.

NOTE 8: RETIREMENT COMMITMENTS

Defined Benefit Multiple-Employer Pension Plan

Plan Description - The City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by contacting PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado, 80203.

Funding Policy - The contribution requirements of Plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The City's contribution rate for the years ended December 31, 2011, 2010 and 2009 was 13.7%, 13.7% and 12.8% of covered salaries, respectively. A portion of the City's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 9). The City's contributions to the LGDTF for the years ended December 31, 2011, 2010 and 2009 were \$214,517, \$207,361 and \$187,788, respectively, equal to the required contributions for each year.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 8: RETIREMENT COMMITMENTS (Continued)

Volunteer Firefighter's Pension Plan

Plan Description - The City has established a single-employer defined benefit pension plan for volunteer firefighters as authorized by State statute. The Plan is administered by a Board of Trustees composed of City Council members and firefighters. City Council establishes the Plan benefits. Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension, currently \$225. 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. The Plan is affiliated with, and administered by, the Fire and Police Pension Association of Colorado (FPPA). The FPPA issues publicly available financial statements and required supplementary information. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 100, Englewood, CO 80111, or by calling 1-800-332-3772.

Funding Policy - The Plan may receive contributions from the City in an amount not to exceed one-half mill of property tax revenue. As established by the State Legislature, the State of Colorado contributes ninety percent of the City's contribution. The contribution requirements of the City and Plan members are established and may be amended by the City Council. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2011, 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, for the present Plan.

Actuarial assumptions included the following:

Actuarial Cost Method - Entry age

Interest Rate - 8% per annum, compounded annually

Retirement - Age 50 and 20 years of service

Disability - Age Range 20 to 55, Rate per, 1,000 Range .10 to 8.1

Mortality - 1994 Group Annuity Mortality Table

Marital Status - 90% married

Age Difference - Males assumed to be 3 years older

Asset Valuation - Three year smoothed fair market value

Based on an amortization period of fourteen years using the level dollar method on an open basis, the Plan's expected contributions exceed the amount recommended to eliminate the unfunded actuarial accrued liability. During the year ended December 31, 2011, the City and the State contributed \$16,000 and \$14,400, respectively, to the Plan, equal to the required contributions.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 8: RETIREMENT COMMITMENTS (Continued)

Volunteer Firefighter’s Pension Plan (Continued)

Trend information of the Plan follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$30,400	100%	\$ -
12/31/10	30,400	100%	-
12/31/09	30,400	100%	-

Funded Status and Funding Progress - At January 1, 2011, the most recent actuarial valuation date, the Plan was 62.8% funded. The actuarial value of assets was \$361,599, and the actuarial accrued liability for benefits was \$575,929, resulting in an unfunded actuarial accrued liability (UAAL) of \$214,330.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police and Fire Pension Plan

Plan Description - The City contributes to the Statewide Defined Benefit Plan, a cost sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA), for its police and fire employees. Death and disability coverage is provided for members through the Statewide Death and Disability Plan, which is also administered by FPPA. All full-time paid police and firefighters of the City are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Colorado statutes assign the authority to establish benefit provisions to the State legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by writing to FPPA, 5290 DTC Parkway, Suite 100, Englewood, CO 80111, or by calling 1-800-332-3772.

Funding Policy - The contribution requirements of the Plan members and the City are established by State statute. The contribution rate was 8% of covered salaries for all Plan members and the City for the past three years. The City’s contributions to the Plan for the years ended December 31, 2011, 2010 and 2009 were \$66,992, \$69,168 and \$69,294, respectively, equal to the required contributions.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 8: RETIREMENT COMMITMENTS (Continued)

Old Hire Fire Pension Plan

Plan Description - The City has established a single-employer defined benefit pension plan for volunteer firefighters hired prior to April 8, 1978. The Plan has two retired beneficiaries and is closed to future participation. A Board of Trustees composed of City Council members and firefighters oversees the Plan. 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 100, Englewood, CO 80111, or by calling 1-800-332-3772.

Funding Policy - The contribution requirements of the City and Plan members are established and may be amended by the City Council. Contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2010, 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, for the present Plan. During the year ended December 31, 2011, the City contributed \$10,143 to the Plan, equal to the required contributions.

Actuarial assumptions include the following:

Actuarial Cost Method - Entry age

Interest Rate - 8% per annum, compounded annually

Retirement - Age 50 and 20 years of service

Disability - Age Range 20 to 80, Rate per, 1,000 Range 10.6 to 107.68

Mortality - 1994 Group Annuity Mortality Table

Marital Status - 90% married

Age Difference - Retirees assumed to be 3 years older than beneficiaries

Asset Valuation - Three year smoothed fair market value

Based on an amortization period of eighteen years using the level dollar method on an open basis, the Plan's expected contributions exceed the amount recommended to eliminate the unfunded actuarial accrued liability.

Trend information of the Plan follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$9,857	103%	(\$10,903)
12/31/10	2,745	118%	(11,189)
12/31/09	2,794	107%	(11,751)

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 8: RETIREMENT COMMITMENTS (Continued)

Old Hire Fire Pension Plan (Continued)

Funded Status and Funding Progress - At January 1, 2010, the most recent actuarial valuation date, the Plan was 81.5% funded. The actuarial value of assets was \$406,711, and the actuarial accrued liability for benefits was \$498,856, resulting in an unfunded actuarial accrued liability (UAAL) of \$92,145.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The City was required to contribute at a rate of 1.02% of covered salaries 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 CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS as amended. The City's apportionment to the HCTF for the years ended December 31, 2011, 2010 and 2009 were \$15,971, \$15,439 and \$14,964, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has several active capital projects at December 31, 2011. These projects include construction of water infrastructure and street and trail improvements, among others. At December 31, 2011, the City's only significant commitment for capital projects remaining is the water project of approximately \$460,000.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. 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 year 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 has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$128,000 was reported as restricted fund balance in the General Fund.

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.

Property Tax Refund

During 2011, the City determined that property tax revenues collected under the public works mill levy were in excess of permitted limits. The City estimated that approximately \$210,000 will be refunded through a temporary reduction in the General Fund property taxes over the next four years.

Claims and Judgements

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, 2011, 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.

Litigation

The City is involved in various litigation. The outcome of this litigation cannot be determined at this time.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 11: RESTATEMENT

For the year ended December 31, 2011, the City adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, certain funds were merged for reporting purposes, as follows.

	<u>General</u>	<u>Capital Improvement</u>	<u>Governmental Activities</u>	<u>Water</u>	<u>Business-Type Activities</u>
Fund Balance/Net Assets, December 31, 2010, as Originally Stated	\$ 399,961	\$ 179,023	\$ 10,939,083	\$ 4,628,155	\$ 8,925,136
Parks and Recreation	(39,684)	-	-	-	-
Structure Stabilization	-	121,629	-	-	-
Mineral Pool	-	-	(36,912)	36,912	36,912
Fund Balance/Net Assets, December 31, 2010, as Restated	<u>\$ 360,277</u>	<u>\$ 300,652</u>	<u>\$ 10,902,171</u>	<u>\$ 4,665,067</u>	<u>\$ 8,962,048</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FUNDING PROGRESS
VOLUNTEER FIREFIGHTER'S PENSION PLAN
 Year Ended December 31, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/11	\$ 361,599	\$ 575,929	\$ 214,330	62.8%	NA	NA
1/1/09	374,358	612,539	238,181	61.1%	NA	NA
1/1/07	438,406	422,118	(16,288)	103.9%	NA	NA
1/1/05	398,850	448,448	49,598	88.9%	NA	NA
1/1/03	418,572	456,070	37,498	91.8%	NA	NA
1/1/01	473,924	266,654	(207,270)	177.7%	NA	NA

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FUNDING PROGRESS

OLD HIRE FIRE PENSION PLAN

Year Ended December 31, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/10	\$ 406,711	\$ 498,856	\$ 92,145	81.5%	NA	NA
1/1/08	487,716	519,727	32,011	93.8%	NA	NA
1/1/06	442,414	510,837	68,423	86.6%	NA	NA
1/1/04	401,327	502,783	101,456	79.8%	NA	NA
1/1/02	484,063	650,298	166,235	74.4%	NA	NA

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales and Use	\$ 2,054,096	\$ 2,006,857	\$ 1,992,923	\$ (13,934)
Property	788,751	784,560	786,970	2,410
Amusement and Lodging	545,000	564,973	551,588	(13,385)
Franchise	127,000	132,267	136,270	4,003
Auto Use	185,000	197,024	186,060	(10,964)
Licenses and Permits	71,700	50,823	54,787	3,964
Intergovernmental	204,254	226,245	269,347	43,102
Charges for Services	290,000	377,888	390,329	12,441
Fines and Forfeitures	188,500	173,408	146,888	(26,520)
Investment Income	200	55	100	45
Miscellaneous	40,050	93,345	110,373	17,028
TOTAL REVENUES	<u>4,494,551</u>	<u>4,607,445</u>	<u>4,625,635</u>	<u>18,190</u>
EXPENDITURES				
General Government				
Legislative	150,016	132,580	108,391	24,189
Judicial	50,787	50,017	48,706	1,311
Executive	318,916	301,950	322,523	(20,573)
Administrative	311,444	319,819	319,575	244
Community Services	220,555	211,694	208,541	3,153
Economic Development	252,000	270,000	293,144	(23,144)
Intergovernmental	6,126	6,126	48,515	(42,389)
Council Programs and Projects	25,000	10,000	8,782	1,218
Total General Government	<u>1,334,844</u>	<u>1,302,186</u>	<u>1,358,177</u>	<u>(55,991)</u>
Public Safety				
Police	949,327	963,499	931,842	31,657
Communications	208,947	200,287	195,455	4,832
Fire	524,387	552,760	578,317	(25,557)
Parking Enforcement	86,866	85,112	87,388	(2,276)
Total Public Safety	<u>1,769,527</u>	<u>1,801,658</u>	<u>1,793,002</u>	<u>8,656</u>
Public Works				
Streets	942,515	838,468	815,579	22,889
Total Public Works	<u>942,515</u>	<u>838,468</u>	<u>815,579</u>	<u>22,889</u>
Culture and Recreation				
Parks and Recreation	298,854	304,137	304,127	10
Library	175,872	165,306	172,512	(7,206)
Total Culture and Recreation	<u>474,726</u>	<u>469,443</u>	<u>476,639</u>	<u>(7,196)</u>
TOTAL EXPENDITURES	<u>4,521,612</u>	<u>4,411,755</u>	<u>4,443,397</u>	<u>(31,642)</u>

(Continued)

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,061)	195,690	182,238	(13,452)
OTHER FINANCING SOURCES (USES)				
Transfers In	165,457	168,398	166,398	(2,000)
Transfers Out	(204,612)	(204,612)	(204,612)	-
TOTAL OTHER FINANCING SOURCES (USES)	(39,155)	(36,214)	(38,214)	(2,000)
NET CHANGE IN FUND BALANCE	(66,216)	159,476	144,024	(15,452)
FUND BALANCE, Beginning	406,912	263,967	360,277	96,310
FUND BALANCE, Ending	\$ <u>340,696</u>	\$ <u>423,443</u>	\$ <u>504,301</u>	\$ <u>80,858</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are legally adopted for all funds of the City. A budget is not presented for the Manitou Springs Park Authority, a component unit. Budgets for the 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:

- Management submits to 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 comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by City Council.
- All budget appropriations lapse at year end.

Legal Compliance

For the year ended December 31, 2011, the General and Water Fund expenditures exceeded the budgeted amounts by \$31,642 and \$122,674, respectively. These may be violations of State statutes.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MANITOU SPRINGS, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	SPECIAL REVENUE			
	OPEN SPACE	LAW ENFORCEMENT	CONSERVATION TRUST	EL PASO/ BECKERS PARK
ASSETS				
Cash and Investments	\$ 50,726	\$ 19,712	\$ 152,000	\$ 412,878
Grants Receivable	-	-	-	-
Taxes Receivable	54,619	-	-	179,698
TOTAL ASSETS	<u>\$ 105,345</u>	<u>\$ 19,712</u>	<u>\$ 152,000</u>	<u>\$ 592,576</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	48,909	-	-	179,678
Interfund Payables	-	-	-	-
TOTAL LIABILITIES	<u>48,909</u>	<u>-</u>	<u>-</u>	<u>179,678</u>
FUND BALANCES				
Restricted for Parks and Open Space	56,436	-	152,000	412,898
Restricted for Law Enforcement	-	19,712	-	-
Assigned to Capital Projects	-	-	-	-
Unrestricted, Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>56,436</u>	<u>19,712</u>	<u>152,000</u>	<u>412,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105,345</u>	<u>\$ 19,712</u>	<u>\$ 152,000</u>	<u>\$ 592,576</u>

See the accompanying Independent Auditors' Report.

CAPITAL PROJECTS

CAPITAL IMPROVEMENT	DOWNTOWN PUBLIC FACILITIES	RURAL TRANSPORTATION AUTHORITY	TOTALS
\$ 377,212	\$ -	\$ -	\$ 1,012,528
15,236	48,748	10,274	74,258
<u>33,297</u>	<u>20,123</u>	<u>-</u>	<u>287,737</u>
<u>\$ 425,745</u>	<u>\$ 68,871</u>	<u>\$ 10,274</u>	<u>\$ 1,374,523</u>
\$ 19,106	\$ 11,698	\$ -	\$ 30,804
33,297	48,748	10,274	320,906
<u>-</u>	<u>64,848</u>	<u>6,205</u>	<u>71,053</u>
<u>52,403</u>	<u>125,294</u>	<u>16,479</u>	<u>422,763</u>
-	-	-	621,334
-	-	-	19,712
373,342	-	-	373,342
<u>-</u>	<u>(56,423)</u>	<u>(6,205)</u>	<u>(62,628)</u>
<u>373,342</u>	<u>(56,423)</u>	<u>(6,205)</u>	<u>951,760</u>
<u>\$ 425,745</u>	<u>\$ 68,871</u>	<u>\$ 10,274</u>	<u>\$ 1,374,523</u>

CITY OF MANITOU SPRINGS, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2011

	SPECIAL REVENUE			
	OPEN SPACE	LAW ENFORCEMENT	CONSERVATION TRUST	EL PASO/ BECKERS PARK
REVENUES				
Taxes	\$ 103,539	\$ -	\$ -	\$ 182,834
Intergovernmental	-	-	46,079	-
Fines and Forfeitures	-	21,055	-	-
Investment Income	49	21	94	275
Miscellaneous	29,888	-	-	-
TOTAL REVENUES	<u>133,476</u>	<u>21,076</u>	<u>46,173</u>	<u>183,109</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	11,936	82,812
Capital Outlay	3,432	29,161	-	-
Debt Service				
Principal	90,750	-	-	-
Interest and Fiscal Charges	32,948	-	-	-
TOTAL EXPENDITURES	<u>127,130</u>	<u>29,161</u>	<u>11,936</u>	<u>82,812</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,346</u>	<u>(8,085)</u>	<u>34,237</u>	<u>100,297</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(1,000)	-	(108,844)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>(108,844)</u>
NET CHANGE IN FUND BALANCES	<u>6,346</u>	<u>(9,085)</u>	<u>34,237</u>	<u>(8,547)</u>
FUND BALANCES, Beginning	<u>50,090</u>	<u>28,797</u>	<u>117,763</u>	<u>421,445</u>
FUND BALANCES, Ending	<u>\$ 56,436</u>	<u>\$ 19,712</u>	<u>\$ 152,000</u>	<u>\$ 412,898</u>

See the accompanying Independent Auditors' Report.

CAPITAL PROJECTS

CAPITAL IMPROVEMENT	DOWNTOWN PUBLIC FACILITIES	RURAL TRANSPORTATION AUTHORITY	TOTALS
\$ 33,878	\$ 164,371	\$ -	\$ 484,622
269,847	102,285	270,388	688,599
-	-	-	21,055
193	-	-	632
-	9,409	-	39,297
<u>303,918</u>	<u>276,065</u>	<u>270,388</u>	<u>1,234,205</u>
-	2,729	-	2,729
-	-	276,593	276,593
-	-	-	94,748
369,951	50,527	-	453,071
57,078	100,000	-	247,828
8,811	63,148	-	104,907
<u>435,840</u>	<u>216,404</u>	<u>276,593</u>	<u>1,179,876</u>
<u>(131,922)</u>	<u>59,661</u>	<u>(6,205)</u>	<u>54,329</u>
204,612	-	-	204,612
-	-	-	(109,844)
<u>204,612</u>	<u>-</u>	<u>-</u>	<u>94,768</u>
72,690	59,661	(6,205)	149,097
<u>300,652</u>	<u>(116,084)</u>	<u>-</u>	<u>802,663</u>
<u>\$ 373,342</u>	<u>\$ (56,423)</u>	<u>\$ (6,205)</u>	<u>\$ 951,760</u>

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULEOPEN SPACE FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Taxes				
Sales	\$ 55,545	\$ 54,966	\$ 54,793	\$ (173)
Property	49,730	49,730	48,746	(984)
Investment Income	250	-	49	49
Miscellaneous	-	-	29,888	29,888
TOTAL REVENUES	<u>105,525</u>	<u>104,696</u>	<u>133,476</u>	<u>28,780</u>
EXPENDITURES				
Capital Outlay	546,250	541,929	3,432	538,497
Debt Service				
Principal	123,731	118,241	90,750	27,491
Interest	5,458	5,458	32,948	(27,490)
TOTAL EXPENDITURES	<u>675,439</u>	<u>665,628</u>	<u>127,130</u>	<u>538,498</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(569,914)	(560,932)	6,346	567,278
OTHER FINANCING SOURCES				
Debt Proceeds	540,000	540,000	-	(540,000)
NET CHANGE IN FUND BALANCE	(29,914)	(20,932)	6,346	27,278
FUND BALANCE, Beginning	<u>44,965</u>	<u>44,965</u>	<u>50,090</u>	<u>5,125</u>
FUND BALANCE, Ending	<u>\$ 15,051</u>	<u>\$ 24,033</u>	<u>\$ 56,436</u>	<u>\$ 32,403</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

LAW ENFORCEMENT FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Fines and Forfeitures	\$ 23,000	\$ 20,000	\$ 21,055	\$ 1,055
Investment Income	50	30	21	(9)
TOTAL REVENUES	<u>23,050</u>	<u>20,030</u>	<u>21,076</u>	<u>1,046</u>
EXPENDITURES				
Capital Outlay	<u>28,000</u>	<u>38,000</u>	<u>29,161</u>	<u>8,839</u>
TOTAL EXPENDITURES	<u>28,000</u>	<u>38,000</u>	<u>29,161</u>	<u>8,839</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,950)	(17,970)	(8,085)	9,885
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,950)	(18,970)	(9,085)	9,885
FUND BALANCE, Beginning	<u>29,373</u>	<u>28,797</u>	<u>28,797</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 23,423</u>	<u>\$ 9,827</u>	<u>\$ 19,712</u>	<u>\$ 9,885</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
 Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 51,000	\$ 45,000	\$ 46,079	\$ 1,079
Investment Income	<u>175</u>	<u>175</u>	<u>94</u>	<u>(81)</u>
TOTAL REVENUES	<u>51,175</u>	<u>45,175</u>	<u>46,173</u>	<u>998</u>
EXPENDITURES				
Culture and Recreation	<u>66,000</u>	<u>37,564</u>	<u>11,936</u>	<u>25,628</u>
TOTAL EXPENDITURES	<u>66,000</u>	<u>37,564</u>	<u>11,936</u>	<u>25,628</u>
NET CHANGE IN FUND BALANCE	(14,825)	7,611	34,237	26,626
FUND BALANCE, Beginning	<u>102,799</u>	<u>117,762</u>	<u>117,763</u>	<u>1</u>
FUND BALANCE, Ending	<u>\$ 87,974</u>	<u>\$ 125,373</u>	<u>\$ 152,000</u>	<u>\$ 26,627</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

EL PASO/BECKERS PARK FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 184,236	\$ 184,236	\$ 182,834	\$ (1,402)
Intergovernmental	42,515	42,515	-	
Investment Income	<u>575</u>	<u>575</u>	<u>275</u>	<u>(300)</u>
TOTAL REVENUES	<u>227,326</u>	<u>227,326</u>	<u>183,109</u>	<u>(1,702)</u>
EXPENDITURES				
Culture and Recreation	<u>89,449</u>	<u>89,449</u>	<u>82,812</u>	<u>6,637</u>
TOTAL EXPENDITURES	<u>89,449</u>	<u>89,449</u>	<u>82,812</u>	<u>6,637</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,877	137,877	100,297	(37,580)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(106,991)</u>	<u>(106,991)</u>	<u>(108,844)</u>	<u>(1,853)</u>
NET CHANGE IN FUND BALANCE	30,886	30,886	(8,547)	(39,433)
FUND BALANCE, Beginning	<u>424,206</u>	<u>421,804</u>	<u>421,445</u>	<u>(359)</u>
FUND BALANCE, Ending	<u>\$ 455,092</u>	<u>\$ 452,690</u>	<u>\$ 412,898</u>	<u>\$ (39,792)</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 34,145	\$ 34,094	\$ 33,878	\$ (216)
Intergovernmental	-	139,572	269,847	130,275
Investment Income	200	200	193	(7)
TOTAL REVENUES	<u>34,345</u>	<u>173,866</u>	<u>303,918</u>	<u>130,052</u>
EXPENDITURES				
Capital Outlay	789,051	465,668	369,951	95,717
Debt Service				
Principal	171,461	111,486	57,078	54,408
Interest	536	8,811	8,811	-
TOTAL EXPENDITURES	<u>961,048</u>	<u>585,965</u>	<u>435,840</u>	<u>150,125</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(926,703)</u>	<u>(412,099)</u>	<u>(131,922)</u>	<u>280,177</u>
OTHER FINANCING SOURCES				
Debt Proceeds	652,151	202,937	-	(202,937)
Transfers In	204,612	204,612	204,612	-
TOTAL OTHER FINANCING SOURCES	<u>856,763</u>	<u>407,549</u>	<u>204,612</u>	<u>(202,937)</u>
NET CHANGE IN FUND BALANCE	<u>(69,940)</u>	<u>(4,550)</u>	<u>72,690</u>	<u>77,240</u>
FUND BALANCE, Beginning	<u>179,022</u>	<u>179,022</u>	<u>300,652</u>	<u>121,630</u>
FUND BALANCE, Ending	<u>\$ 109,082</u>	<u>\$ 174,472</u>	<u>\$ 373,342</u>	<u>\$ 198,870</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
DOWNTOWN PUBLIC FACILITIES FUND
 Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Sales Taxes	\$ 152,411	\$ 164,898	\$ 164,371	\$ (527)
Intergovernmental	-	91,947	102,285	10,338
Miscellaneous	-	-	9,409	9,409
TOTAL REVENUES	<u>152,411</u>	<u>256,845</u>	<u>276,065</u>	<u>19,220</u>
EXPENDITURES				
General Government	500	-	2,729	(2,729)
Capital Outlay	-	88,572	50,527	38,045
Debt Service				
Principal	100,000	100,000	100,000	-
Interest and Fiscal Charges	63,148	63,148	63,148	-
TOTAL EXPENDITURES	<u>163,648</u>	<u>251,720</u>	<u>216,404</u>	<u>35,316</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,237)	5,125	59,661	54,536
OTHER FINANCING SOURCES				
Transfers In	-	112,425	-	(112,425)
NET CHANGE IN FUND BALANCE	(11,237)	117,550	59,661	(57,889)
FUND BALANCE, Beginning	<u>(116,082)</u>	<u>-</u>	<u>(116,084)</u>	<u>(116,084)</u>
FUND BALANCE, Ending	<u>\$ (127,319)</u>	<u>\$ 117,550</u>	<u>\$ (56,423)</u>	<u>\$ (173,973)</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
RURAL TRANSPORTATION AUTHORITY
 Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 259,738	\$ 254,813	\$ 270,388	\$ 15,575
TOTAL REVENUES	<u>259,738</u>	<u>254,813</u>	<u>270,388</u>	<u>15,575</u>
EXPENDITURES				
Public Works	<u>227,506</u>	<u>393,533</u>	<u>276,593</u>	<u>116,940</u>
TOTAL EXPENDITURES	<u>227,506</u>	<u>393,533</u>	<u>276,593</u>	<u>116,940</u>
NET CHANGE IN FUND BALANCE	32,232	(138,720)	(6,205)	132,515
FUND BALANCE, Beginning	<u>763,781</u>	<u>780,451</u>	<u>-</u>	<u>(780,451)</u>
FUND BALANCE, Ending	<u>\$ 796,013</u>	<u>\$ 641,731</u>	<u>\$ (6,205)</u>	<u>\$ (647,936)</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

STORM DRAINAGE FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Charges for Services	\$ 234,460	\$ 234,460	\$ 237,651	\$ 3,191
Miscellaneous	-	144	144	-
Investment Income	70	70	39	(31)
Capital Grants	-	9,600	9,600	-
Debt Proceeds	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
TOTAL REVENUES	<u>274,530</u>	<u>284,274</u>	<u>247,434</u>	<u>(36,840)</u>
EXPENDITURES				
Operations and Maintenance	158,469	168,288	180,146	(11,858)
Capital Outlay	60,000	56,090	4,796	51,294
Debt Service				
Principal	134,502	132,879	125,006	7,873
Interest	9,516	9,516	7,954	1,562
Transfers Out	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>370,487</u>	<u>374,773</u>	<u>325,902</u>	<u>48,871</u>
CHANGE IN NET ASSETS, Budgetary Basis	<u>\$ (95,957)</u>	<u>\$ (90,499)</u>	(78,468)	<u>\$ 12,031</u>
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay			4,796	
Debt Principal			125,006	
Depreciation			<u>(43,396)</u>	
CHANGE IN NET ASSETS, GAAP Basis			7,938	
NET ASSETS, Beginning			<u>1,304,880</u>	
NET ASSETS, Ending			<u>\$ 1,312,818</u>	

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

WATER FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 972,200	\$ 998,564	\$ 993,462	\$ (5,102)
Miscellaneous	400	400	529	129
Investment Income	1,250	1,250	1,056	(194)
Tap Fees	25,000	25,000	21,500	(3,500)
Capital Grants	-	18,990	18,990	-
Debt Proceeds	<u>127,200</u>	<u>127,000</u>	<u>-</u>	<u>(127,000)</u>
TOTAL REVENUES	<u>1,126,050</u>	<u>1,171,204</u>	<u>1,035,537</u>	<u>(135,667)</u>
EXPENDITURES				
Operations and Maintenance	619,441	643,999	710,887	(66,888)
Capital Outlay	210,000	792,586	1,006,699	(214,113)
Debt Service				
Principal	342,985	343,185	185,789	157,396
Interest	25,803	25,803	24,872	931
Transfers Out	<u>84,121</u>	<u>85,202</u>	<u>85,202</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,282,350</u>	<u>1,890,775</u>	<u>2,013,449</u>	<u>(122,674)</u>
CHANGE IN NET ASSETS, Budgetary Basis	<u>\$ (156,300)</u>	<u>\$ (719,571)</u>	(977,912)	<u>\$ (258,341)</u>
ADJUSTMENTS TO GAAP BASIS				
Debt Principal			185,789	
Capital Outlay			1,006,699	
Depreciation and Amortization			<u>(327,590)</u>	
CHANGE IN NET ASSETS, GAAP Basis			(113,014)	
NET ASSETS, Beginning			<u>4,665,067</u>	
NET ASSETS, Ending			<u>\$ 4,552,053</u>	

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE

SEWER FUND

Year Ended December 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Charges for Services	\$ 779,459	\$ 767,077	\$ 757,204	\$ (9,873)
Miscellaneous	17,000	17,000	2,865	(14,135)
Investment Income	1,700	800	210	(590)
Tap Fees	-	-	7,350	7,350
Capital Grants	-	271,829	188,428	(83,401)
TOTAL REVENUES	<u>798,159</u>	<u>1,056,706</u>	<u>956,057</u>	<u>(100,649)</u>
EXPENDITURES				
Operations and Maintenance	620,791	779,576	673,421	106,155
Capital Outlay	210,000	360,144	304,203	55,941
Debt Service				
Principal	-	-	4,170	(4,170)
Interest	19,553	19,553	-	19,553
Transfers Out	-	-	39,507	(39,507)
TOTAL EXPENDITURES	<u>850,344</u>	<u>1,159,273</u>	<u>1,021,301</u>	<u>137,972</u>
CHANGE IN NET ASSETS, Budgetary Basis	<u>\$ (52,185)</u>	<u>\$ (102,567)</u>	(65,244)	<u>\$ 37,323</u>
ADJUSTMENTS TO GAAP BASIS				
Debt Principal			4,170	
Capital Outlay			304,203	
Depreciation			<u>(147,720)</u>	
CHANGE IN NET ASSETS, GAAP Basis			95,409	
NET ASSETS, Beginning			<u>2,500,691</u>	
NET ASSETS, Ending			<u>\$ 2,596,100</u>	

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended December 31, 2011

	<u>BALANCE</u> 12/31/10	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 12/31/11
ASSETS				
Cash and Investments	\$ 22,217	\$ 150,264	\$ 171,109	\$ 1,372
Taxes Receivable	<u>3,604</u>	<u>3,610</u>	<u>3,604</u>	<u>3,610</u>
TOTAL ASSETS	<u>\$ 25,821</u>	<u>\$ 153,874</u>	<u>\$ 174,713</u>	<u>\$ 4,982</u>
LIABILITIES				
Accounts Payable	\$ 816	\$ 183	\$ 816	\$ 183
Deferred Revenues	3,604	3,610	3,604	3,610
Due to Metropolitan District	<u>21,401</u>	<u>150,081</u>	<u>170,293</u>	<u>1,189</u>
TOTAL LIABILITIES	<u>\$ 25,821</u>	<u>\$ 153,874</u>	<u>\$ 174,713</u>	<u>\$ 4,982</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
COMPONENT UNIT
 December 31, 2011

	<u>URBAN RENEWAL AUTHORITY</u>
ASSETS	
Cash and Investments	\$ 143,755
Taxes Receivable	<u>89,148</u>
TOTAL ASSETS	<u>\$ 232,903</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred Revenues	\$ <u>46,004</u>
TOTAL LIABILITIES	<u>46,004</u>
FUND BALANCE	
Unrestricted, Unassigned	<u>186,899</u>
TOTAL FUND BALANCE	<u>186,899</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 232,903</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNIT

Year Ended December 31, 2011

	<u>URBAN RENEWAL AUTHORITY</u>
REVENUES	
Sales Taxes	\$ 43,144
Property Taxes	41,607
Investment Income	<u>693</u>
TOTAL REVENUES	<u>85,444</u>
EXPENDITURES	
Current	
Redevelopment	<u>7,117</u>
TOTAL EXPENDITURES	<u>7,117</u>
NET CHANGE IN FUND BALANCE	78,327
FUND BALANCE, Beginning	<u>108,572</u>
FUND BALANCE, Ending	<u>\$ 186,899</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

SINGLE AUDIT



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Manitou Springs as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City of Manitou Springs, and have issued our report thereon dated December 4, 2012. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Manitou Springs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manitou Springs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manitou Springs' internal control over financial reporting.

Our consideration of the City of Manitou Springs' internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 of Manitou Springs' financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2011-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manitou Springs' 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*.

We noted certain matters that we reported to the City Council and management of the City of Manitou Springs in a separate letter dated December 4, 2012.

The City of Manitou Springs' response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the City of Manitou Springs' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Swanlund & Company LLC

December 4, 2012



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the City of Manitou Springs' compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City of Manitou Springs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Manitou Springs' management. Our responsibility is to express an opinion on the City of Manitou Springs' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Manitou Springs' 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. Our audit does not provide a legal determination of the City of Manitou Springs' compliance with those requirements.

In our opinion, the City of Manitou Springs complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

Internal Control Over Compliance

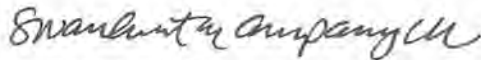
Management of the City of Manitou Springs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Manitou Springs' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Manitou Springs' 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.

Our consideration of the City of Manitou Springs' 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Manitou Springs' response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the City of Manitou Springs' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 4, 2012

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

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 auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

- 66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds
- 66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

(Continued)

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Financial Statement Findings

2011-1 Financial Reporting

Criteria	The City is responsible to implement internal controls designed to ensure that financial information is accurate and complete.
Condition	Significant adjustments to the City's accounting records were necessary to accurately report financial statements in accordance with generally accepted accounting principles.
Context	As a result of our audit work, we proposed significant adjustments to the City's accounting records. These adjustments were required to properly report capital assets, accounts payable, and grant revenues and receivables.
Effect	The risk of misstatements in the City's financial statements is significantly increased when internal controls are inadequate and personnel lack the appropriate skills and knowledge.
Cause	Because of its small size, the City has limited staff performing the accounting functions. In addition, because of personnel turnover and staff reductions, limited oversight of the accounting process existed.
Recommendation	We recommend that the City strengthen its internal controls over financial reporting. Supervisory reviews of the financial statements, journal entries, reconciliations, etc., should be performed on a consistent, ongoing basis to detect and correct errors in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

(Continued)

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Federal Awards Findings and Questioned Costs

2011-2 Cash Management

U.S. Environmental Protection Agency

Passed through Colorado Water Resources and Power Development Authority

66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds

66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds

Criteria In accordance with federal regulations, when entities are funded with federal awards on a reimbursement basis, program costs must be paid with entity funds before reimbursement is requested from the federal government.

Condition The City received federal award reimbursements for two invoices before payment was made to the vendor.

Questioned Costs \$172,421

Context The City utilizes a contract project manager that prepares reimbursement requests on behalf of the City. The reimbursement requests and the supporting vendor invoices are submitted to City management for approval. City management approved and submitted the reimbursement requests to the federal government. However, the vendor invoices were not processed for payment.

Effect The City received federal awards before vendor invoices were paid, in violation of federal regulations.

Cause The City has incurred personnel turnover and staff reductions that have weakened the internal controls in place. Specifically, limited oversight and monitoring of the accounting processes has increased the risk of errors.

Recommendation We recommend that the City strengthen its internal controls over the accounting process. Supervisory reviews should be performed on a consistent, ongoing basis to detect and correct errors in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

CITY OF MANITOU SPRINGS, COLORADO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2011

2010-1 Financial Reporting

We proposed similar adjustments to the City's financial statements as a result of our audit procedures. See 2011-1.

City of Manitou Springs, Colorado
Corrective Action Plan
For the Year ended December 31, 2011

2011-1 Financial Reporting

The City had hoped to have new modern accounting software by mid-2012 which will allow for greater efficiencies within the accounting department allowing for more Supervisory reviews of the financial statements, journal entries, reconciliations, etc. This accounting software will be incorporated in 2013. Also, an additional employee will be added after the first quarter of 2013 allowing for greater separation of duties.

2011-2 Cash Management

The City hired a contract project manager in order to insure that all federal regulations were followed. Due to turnover in personnel, the City contact point with the contract project manager has changed. City personnel will review all reimbursement requests to assure that all invoices have been paid.



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

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Manitou Springs as of and for the year ended December 31, 2011, and have issued our report thereon dated December 4, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the City of Manitou Springs' management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for purpose of forming opinions on the financial statements that collectively comprise the City of Manitou Springs's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 the information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Swanhorst & Company LLC

December 4, 2012

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
U. S. Department of Transportation			
Passed through Colorado Department of Transportation			
Highway Planning and Construction		20.205	\$ 52,349
Safety Belt Performance		20.609	<u>8,955</u>
Total U. S. Department of Transportation			<u>61,304</u>
U. S. Department of the Interior			
Passed through Colorado Department of Natural Resources			
Sport Fish Restoration Program		15.605	<u>22,356</u>
U. S. Department of Homeland Security			
Assistance to Firefighters Grant		97.044	47,580
Passed through Colorado Department of Natural Resources			
National Dam Safety Program		97.041	<u>9,000</u>
Total U. S. Department of Homeland Security			<u>56,580</u>
Institute of Museum and Library Services			
Passed through the Colorado Department of Education			
Grants to States		45.310	<u>7,168</u>
U. S. Environmental Protection Agency			
Passed through Colorado Water Resources and Power Development Authority			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	2W97880801A	66.458	271,829
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	2F97881401	66.468	<u>833,426</u>
Total U. S. Environmental Protection Agency			<u>1,105,255</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,252,663</u>

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

NOTE 2: SUBRECIPIENTS

For the year ended December 31, 2011, the City provided federal awards to subrecipients as follows:

45.310 Institute of Museum and Library Services	<u>\$ 7,168</u>
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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: City of Manitou Springs
		YEAR ENDING : December 2011
This Information From The Records Of (example - City of _ or County of City of Manitou Springs)	Prepared By: Phone:	Rebecca Davis 719-685-2548

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)	421,458
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	183,816
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	11,245
2. General fund appropriations	564,427	b. Snow and ice removal	
3. Other local imposts (from page 2)	298,530	c. Other	95,463
4. Miscellaneous local receipts (from page 2)	360,086	d. Total (a. through c.)	106,708
5. Transfers from toll facilities		4. General administration & miscellaneous	19,500
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	692,890
a. Bonds - Original Issues		6. Total (1 through 5)	1,424,372
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,223,043	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	201,329	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,424,372	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,424,372

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,395,000		100,000	1,295,000
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	1,424,372	1,424,372		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2011	
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	48,746	a. Interest on investments	30
b. Other local imposts:		b. Traffic Fines & Penalties	41,226
1. Sales Taxes	164,371	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	48,442
5. Specific Ownership &/or Other	85,413	g. Other Misc. Receipts	
6. Total (1. through 5.)	249,784	h. Other PPRTA Allocation	270,388
c. Total (a. + b.)	298,530	i. Total (a. through h.)	360,086
	(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	151,634	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	17,961	d. Federal Transit Admin	
d. Other (Specify) - CDOT grants	21,690	e. U.S. Corps of Engineers	
e. Other (Specify)- Road & Bridge	10,044	f. Other Federal	
f. Total (a. through e.)	49,695	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	201,329	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	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	50,527		50,527
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		370,931	370,931
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	370,931	370,931
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	50,527	370,931	421,458
			(Carry forward to page 1)
Notes and Comments:			