



November 2, 2016

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

We have audited the financial statements of the City of Manitou Springs, Colorado as of and for the year ended December 31, 2015, and have issued our report thereon dated November 2, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs, Colorado as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our responsibility for the supplementary accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. As described in Note 1 to the financial statements the City implemented a change in accounting principle related to the accounting and reporting of pension plans by adopting Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* for the year ended December 31, 2015. We noted no other transactions entered into by the City during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements for the year ended December 31, 2015.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We provided management with a schedule of audit adjustments. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We made several adjustments to the City's financial statements. The more significant of these adjustments were related to grant receivables and revenue. The nature and amount of these audit adjustments made to the City's accounting records indicate a material weakness in the City's accounting and financial reporting. We recommend that the City review its accounting and reporting policies and procedures related to grants to insure transactions are properly recorded and reported in the accounting records that support the financial statements in a timely manner.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no difficulties dealing with management during the audit process.

Conclusion

We would like to thank Rebecca Davis, Nicole Ortega, the finance department staff and other City staff for their assistance during the audit process.

The purpose of this report is solely to inform management and the City Council of the City of Manitou Springs, Colorado about the results of our audit of the financial statements. Accordingly, this report is not suitable for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Logan and Associates, LLC".

Logan and Associates, LLC

CITY OF MANITOU SPRINGS, COLORADO

FINANCIAL STATEMENTS

December 31, 2015



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs (the "City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 the City adopted the standard of the Governmental Accounting Standards Board (GASB) No. 68 *Accounting and Financial Reporting for Pensions* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules – General and Capital Improvements Funds, schedule of proportionate share of the net pension liability, schedule of changes in the City's net pension liability and related ratios, schedules of City contributions and the notes to required supplementary information on pages i – ix and 53 – 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, and local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
November 2, 2016

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information furnished in our basic financial statements.

Introduction

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

Financial Information

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,272,945 (net position) for the primary reporting entity. Of this amount \$2,383,885 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased by \$1,846,748 during the fiscal year.
- As of the close of the current fiscal year, the City’s *governmental funds* reported combined ending fund balances of \$3,749,265.
- The *governmental funds* reported total unrestricted/unassigned fund balances of \$1,923,731.
- The combined governmental funds remained in a positive financial condition. Based on current year expenditures, excluding the transfers out for debt service payments and capital expenditures made by other funds, the General Fund fund balance would allow the City to cover its governmental operating costs for 108 days.

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

- The City's total debt, including accrued compensated absences, increased by \$117,894 during the current fiscal year. Existing debt was reduced by principal payments totaling \$805,243, offset by a new capital lease of \$913,008.
- General Fund sales/use tax revenue in 2015, \$4,100,199, increased by 68% or \$1,646,768, from 2014 sales/use tax revenue of \$2,453,431.

Overview of the Financial Statements

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

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

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

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

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

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

tax-increment financing through property and sales taxes. On a yearly basis, City Council may allocate municipal sales tax increments to the URA when it submits a financing plan to council. Tax-increment financing is also considered evidence of financial burden (commitment of the primary government's taxing power.)

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

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

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

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

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

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

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

support the City's own programs. The City uses a fiduciary fund to account for the Manitou Springs Metropolitan District.

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

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

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

Government-wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,272,954 at the close of the fiscal year.
- The City's net investment in capital assets is \$22,626,373. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The balance of *unrestricted net position* \$2,383,885 may be used to meet the governments ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.
- Restatement-For the years ending December 31, 2014 and 2015, the City of Manitou Springs adopted GASB Statement 68. This statement required the City to record our proportionate share of the unfunded pension liability of the PERA and FPPA pension plans. The City has no legal obligation to fund this shortfall nor does it have any ability to influence the fund, benefits, or annual required contributions to PERA or FPPA. Balances for the year ending December 31, 2014, were restated based on the net pension asset/liability and contributions made from the measurement date to the City's financial statement date.

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

CITY OF MANITOU SPRINGS NET POSITION

Governmental activities: Governmental activities increased the City's net position by \$365,296. In 2015, general sales tax/use revenues, \$4,432,034, comprised approximately 70% of all general revenues and transfers. This is a significant increase in percentage over 2014, which was 51% of all general revenues and transfers, which is attributed to a good sales tax year for a majority of the City's vendors and the addition of two retail marijuana stores. Governmental activities transfer out to Business-Type activities exceeded transfers in what is a short term situation. This is due to the General Fund providing grant matches for flood & other hazard mitigation grants which are being recorded in the Storm Drainage fund.

Business-Type activities: Business-type activities increased the City's net position by \$1,481,452. The Storm Drainage Fund continues to be the conduit for flood & hazard mitigation grants, from National Resources Conservation Service (NRCS), Community Development Block Grants-Disaster Recovery (CDBG-DR), Federal Emergency Management Agency (FEMA), and the Colorado Department of Local Affairs (DOLA) Energy/Mineral Impact grants totaling \$1,512,774. The water fund had a loss of \$252,086 and the sewer fund had a loss of \$10,851. In order to maintain healthy funds the City has implemented a multi-year rate increase to gradually bring water and sewer rates up to cover the increased costs of these Enterprises.

	Governmental Activities		Business-type Activities		Totals	
	2014	2015	2014	2015	2014	2014
Current and other assets	\$3,689,093	\$4,971,294	\$1,468,572	\$1,488,469	\$5,157,665	\$6,459,763
Non-current assets	13,337,137	12,908,772	14,021,741	15,528,534	27,358,878	34,897,069
Total assets	17,026,230	17,880,066	15,490,313	17,017,003	32,516,543	69,794,138
Deferred Outflow of Resources	234,885	394,718	53,614	101,261	288,499	495,979
Total current liabilities	341,494	449,371	232,984	415,982	574,478	865,353
Total non-current liabilities	3,937,451	4,399,381	4,163,115	4,072,974	8,100,566	8,472,355
Total Liabilities	4,278,945	4,848,752	4,396,099	4,488,956	8,675,044	9,337,708
Deferred Inflow of Resources	703,801	782,367		28	703,801	782,395
Net Position:						
Net Investment in Capital Assets	11,204,804	10,453,812	10,504,397	12,172,561	21,709,201	22,626,373
Restricted	640,776	262,687	-	-	640,776	262,687
Unrestricted	432,789	1,927,166	643,431	456,719	1,076,220	2,383,885
Total net position	\$12,278,369	\$12,643,665	\$11,147,828	\$12,629,280	\$23,426,197	\$25,272,945

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

CHANGES IN NET POSITION

Revenues:	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Program Revenues:						
Charges for Services	\$1,578,020	\$1,516,577	\$2,372,293	\$2,482,503	\$3,950,313	\$3,999,080
Operating Grants and Contributions	213,577	214,064	-	-	213,577	214,064
Capital Grants and Contributions	230,398	81,801	5,282,864	1,545,804	5,513,262	1,627,605
General Revenues						
Taxes	4,582,765	6,433,401	-	-	4,582,765	6,433,401
Investment Income	2,052	2,397	492	-	2,544	2,397
Other	78,137	442,641	51,319	130,222	129,456	572,863
Total General Revenues	4,662,954	8,690,881	51,811	-	4,714,765	8,690,881
Transfers	607,339	(549,673)	(607,339)	549,673	-	-
Total Revenues	7,292,288	8,141,208	7,099,629	4,708,202	14,391,917	13,422,273
Expenses:						
General Government	2,725,074	2,884,259	-	-	2,725,074	2,884,259
Public Safety	2,727,952	2,759,708	-	-	2,727,952	2,759,708
Public Works	1,496,579	1,138,919	-	-	1,496,579	1,138,919
Culture & Recreation	1,010,996	914,723	-	-	1,010,996	914,723
Interest on Long term Debt	81,747	78,303	-	-	81,747	78,303
Business-type Activities	-	-	4,566,000	3,226,750	4,566,000	3,226,750
Total Expenses	8,042,348	7,775,912	4,566,000	3,226,750	12,608,348	11,002,662
Increase (Decrease) in Net Position	(750,060)	365,296	2,533,629	1,481,452	1,783,569	1,846,748
Beginning Net Position (as restated)	13,028,429	12,278,369	8,614,199	11,147,828	21,642,628	23,426,197
Ending Net Position	\$12,278,369	\$12,643,665	\$11,147,828	\$12,629,280	\$23,426,197	\$25,272,945

- The City's total net position increased by \$1,846,748 during the current fiscal year.

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

Financial Analysis of the City's Funds

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,749,265. Approximately 51% of this total amount, \$1,923,731, constitutes *unrestricted/unassigned fund balance*. The remainder of fund balance is *restricted, committed or assigned* to indicate that it is not available for new spending.

General Fund total revenues exceeded expenditures by \$1,325,137. Transfers out totaled \$1,124,113 and exceeded transfers in of \$191,960 by \$932,153. The net fund balance increased by \$392,984. The General Fund finished 2015 with an ending fund balance of \$2,022,614, this includes restricted, committed, assigned as well as unassigned fund balances. Sales tax increased by \$1,769,743 over 2014. This was caused by a good summer with excellent weather and allowing the sale of retail marijuana by two retail marijuana establishments for the entire year in the City.

The Capital Improvements Fund obtained a lease purchase in 2015 in the amount of \$703,015 with an interest rate of 2.512% for equipment and vehicles for the police, fire and public works departments, as well as maintaining debt service payments for several existing lease purchase agreements.

Enterprise Funds

The Storm Drainage Fund's regular operations are funded through an \$11 fee applied to all utilities bills. For May 2015, the Federal Government made a disaster declaration, FEMA 4229, for soil saturation from rain. This was in addition to the disaster declaration from 2013, FEMA 4145, from flooding. These both involved the City. Manitou Springs received multiple grants from Federal and State funding sources. The expenses, award amounts and grant matches are all being accounted for in the Storm Drainage fund. The fund had an overall increase of \$1,744,389.

The Water Fund serves approximately 2,100 users with a distribution system including a reservoir, fresh water treatment plant and two storage tanks. The distribution system delivered an average of 459,059 gallons of fresh water per day in 2015. The Fund had an overall loss of \$252,086. In order to maintain healthy funds the City has implemented a multi-year rate increase to gradually bring water and sewer rates up to cover the increased costs of these Enterprises.

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. The Sewer Fund had an overall loss of \$10,851.

General Fund Budgetary Highlights

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

Actual General Fund revenues were greater than amended budget by \$195,229, this was due, in most part, to sales, amusement, lodging and auto use taxes and charges for services being greater than forecasted. Actual General Fund expenditures were less than the amended budgeted amount by \$20,052, this is attributed to three departments, the Executive, Police and Fire caused by vacancy savings, less overtime and lower medical insurance actual costs than budgeted.

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, 2015 amounted to \$28,208,569 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. Major additions to capital assets in 2015 included vehicles and equipment, water/sewer/storm drainage upgrades and infrastructure.

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

CAPITAL ASSETS

	Governmental Activities	Business-type Activities	Total
Land and Land Improvements	\$ 9,667,647	\$ 47,796	\$9,715,443
Construction in Progress	206,180	248,420	454,600
Buildings	1,640,046		1,640,046
Equipment and Vehicles	3,813,629	-	3,813,629
Collection and Distribution Improvements	-	22,759,739	22,759,739
Machinery and Equipment	-	2,827,118	2,827,118
Infrastructure	9,113,189	-	9,113,189
Total	24,440,691	25,883,073	50,323,764
Accumulated Depreciation	(11,760,656)	(10,354,539)	(22,115,195)
Net Capital Assets	\$ 12,680,035	\$ 15,528,534	\$ 28,208,569

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

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,582,196 (net of compensated absences). Of this amount, \$795,000 is sales tax revenue bonds, and \$2,249,966 is ARRA non-interest bearing loans for water/sewer improvements. The City added one new Capital Lease in the amount of \$913,008, for a total of \$2,083,093 in Capital Leases.

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

Economic Factors and Next Year's Budget

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

Taxable sales in 2015 increased in comparison to those in 2014 by 66%. Please note, the City's Urban Renewal Authority, on the east end, receives the regular sales tax over the amount collected in that area in 2006. Since the City's two retail marijuana stores are located in the east end, a major portion of the additional sales tax received in 2015 went to the urban renewal authority. This payment amount was \$833,756.

Since 2011, taxable sales have performed as follows:

FY2011	\$54,790,079
FY2012	\$55,377,802
FY2013	\$54,274,599
FY2014	\$66,754,759
FY2015	\$110,803,174

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

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BASIC FINANCIAL STATEMENTS

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CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION
December 31, 2015

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	MS URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	\$ 1,018,149	\$ 1,117,050	\$ 2,135,199	\$ 953,116
Restricted Cash and Investments	736,989	60,667	797,656	-
Receivables				
Property Taxes	772,658	-	772,658	58,524
Other Governments	639,681	-	639,681	365,389
Accounts	115,638	284,672	400,310	-
Grants	52,350	1,661,909	1,714,259	-
Internal Balances	1,635,829	(1,635,829)	-	-
Net Pension Asset	228,737	-	228,737	-
Capital Assets, Not Depreciated	5,844,600	248,420	6,093,020	-
Capital Assets, Net of Accumulated Depreciation	6,835,435	15,280,114	22,115,549	-
TOTAL ASSETS	17,880,066	17,017,003	34,897,069	1,377,029
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	394,718	101,261	495,979	-
LIABILITIES				
Accounts Payable	411,733	379,465	791,198	-
Accrued Liabilities	37,638	14,466	52,104	-
Accrued Interest	-	22,051	22,051	-
Noncurrent Liabilities				
Due within One Year	536,711	396,629	933,340	-
Due in More Than One Year	1,792,235	2,984,721	4,776,956	-
Net Pension Liability	2,070,435	691,624	2,762,059	-
TOTAL LIABILITIES	4,848,752	4,488,956	9,337,708	-
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	772,658	-	772,658	58,524
Related to Defined Benefit Pension Plans	9,709	28	9,737	-
TOTAL DEFERRED INFLOW OF RESOURCES	782,367	28	782,395	58,524
NET POSITION				
Net Investment in Capital Assets	10,453,812	12,172,561	22,626,373	-
Restricted for Emergencies	-	-	-	26,500
Restricted for Parks and Open Space	250,985	-	250,985	-
Restricted for Law Enforcement	11,702	-	11,702	-
Unrestricted	1,927,166	456,719	2,383,885	1,292,005
TOTAL NET POSITION	\$ 12,643,665	\$ 12,629,280	\$ 25,272,945	\$ 1,318,505

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,884,259	\$ 133,293	\$ 8,655	\$ -
Public Safety	2,759,708	286,275	6,979	1,400
Public Works	1,138,919	48,000	198,430	30,527
Culture and Recreation	914,723	1,049,009	-	49,874
Interest on Long-Term Debt	78,303	-	-	-
Total Governmental Activities	<u>7,775,912</u>	<u>1,516,577</u>	<u>214,064</u>	<u>81,801</u>
Business-Type Activities				
Storm Drainage	869,743	282,454	-	1,512,774
Water	1,341,733	1,187,644	-	22,250
Sewer	979,397	1,012,405	-	10,780
Interest on Long-Term Debt	35,877	-	-	-
Total Business-Type Activities	<u>3,226,750</u>	<u>2,482,503</u>	<u>-</u>	<u>1,545,804</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 11,002,662</u>	<u>\$ 3,999,080</u>	<u>\$ 214,064</u>	<u>\$ 1,627,605</u>
COMPONENT UNIT				
MS Urban Renewal Authority	<u>\$ 64,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GENERAL REVENUES				
Sales and Use Taxes				
Property Taxes				
Amusement and Lodging Taxes				
Franchise Taxes				
Auto Use Taxes				
Grants and Contributions not Restricted to Specific Programs				
Insurance Recoveries				
Investment Income				
Miscellaneous				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION, Beginning, As Restated				
NET POSITION, Ending				

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	MS URBAN RENEWAL AUTHORITY
\$ (2,742,311)	\$ -	\$ (2,742,311)	\$ -
(2,465,054)	-	(2,465,054)	-
(861,962)	-	(861,962)	-
184,160	-	184,160	-
(78,303)	-	(78,303)	-
<u>(5,963,470)</u>	<u>-</u>	<u>(5,963,470)</u>	<u>-</u>
-	925,485	925,485	-
-	(131,839)	(131,839)	-
-	43,788	43,788	-
-	(35,877)	(35,877)	-
<u>-</u>	<u>801,557</u>	<u>801,557</u>	<u>-</u>
<u>(5,963,470)</u>	<u>801,557</u>	<u>(5,161,913)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,074)</u>
4,432,034	-	4,432,034	833,752
780,520	-	780,520	46,755
780,191	-	780,191	-
139,093	-	139,093	-
301,563	-	301,563	-
440,290	-	440,290	-
-	125,623	125,623	-
2,397	-	2,397	76
2,351	4,599	6,950	-
(549,673)	549,673	-	-
<u>6,328,766</u>	<u>679,895</u>	<u>7,008,661</u>	<u>880,583</u>
365,296	1,481,452	1,846,748	816,509
12,278,369	11,147,828	23,426,197	501,996
<u>\$ 12,643,665</u>	<u>\$ 12,629,280</u>	<u>\$ 25,272,945</u>	<u>\$ 1,318,505</u>

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash and Investments	\$ 96,460	\$ 223,246	\$ 698,443	\$ 1,018,149
Restricted Cash and Investments	-	643,288	93,701	736,989
Property Taxes Receivable	624,007	35,081	113,570	772,658
Due From Other Governments	596,556	-	43,125	639,681
Accounts Receivable	104,251	-	11,387	115,638
Grants Receivable	-	52,350	-	52,350
Due From Other Funds	1,635,829	-	-	1,635,829
TOTAL ASSETS	\$ 3,057,103	\$ 953,965	\$ 960,226	\$ 4,971,294
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 372,844	\$ 33,713	\$ 5,176	\$ 411,733
Accrued Liabilities	37,638	-	-	37,638
TOTAL LIABILITIES	410,482	33,713	5,176	449,371
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	624,007	35,081	113,570	772,658
TOTAL DEFERRED INFLOWS OF RESOURCES	624,007	35,081	113,570	772,658
FUND EQUITY				
Fund Balance				
Restricted for Parks and Open Space	-	-	250,985	250,985
Restricted for Law Enforcement	-	-	11,702	11,702
Restricted for Capital Projects	-	643,288	93,701	736,989
Committed to Imaging Technology	38,217	-	-	38,217
Assigned to Barr Trail Maintenance	47,087	-	-	47,087
Assigned to Capital Projects	-	241,883	426,895	668,778
Assigned to Open Space Maintenance	-	-	58,197	58,197
Assigned to Police, Fire and Trails	13,579	-	-	13,579
Unassigned	1,923,731	-	-	1,923,731
TOTAL FUND EQUITY	2,022,614	885,171	841,480	3,749,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 3,057,103	\$ 953,965	\$ 960,226	\$ 4,971,294

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

CITY OF MANITOU SPRINGS, COLORADO

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2015

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

Total Fund Balances of Governmental Funds	\$ 3,749,265
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	12,680,035
Net Pension Asset is a long-term asset and therefore is not available to pay for current-period expenditures and is not reported in the governmental funds.	228,737
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in projected vs actual investment earnings	83,897
Deferred outflows of resources - difference in expected vs actual experience	19,402
Deferred outflows of resources - change in proportionate share of net pension liability	17,270
Deferred outflows of resources - pension contributions from the measurement date	274,149
Deferred inflows of resources - difference in expected vs actual experience	(4,290)
Deferred inflows of resources - change in proportionate share of net pension liability	(5,419)
Long-term liabilities and related items are not due and payable in the current period and are not reported in the funds. These include Bonds Payable of (\$795,000), Capital Leases (\$1,431,223) and Accrued Compensated Absences (\$102,723).	(2,328,946)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of the net pension liability.	<u>(2,070,435)</u>
Net position of governmental activities	<u>\$ 12,643,665</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, 2015

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES				
Taxes	\$ 5,964,688	\$ 32,303	\$ 436,410	\$ 6,433,401
Licenses and Permits	63,323	-	-	63,323
Charges for Services	1,268,998	-	-	1,268,998
Intergovernmental	310,893	1,000	80,801	392,694
Fines and Forfeitures	160,230	-	24,026	184,256
Contributions/Donations	343,461	-	-	343,461
Investment Income	2,381	12	4	2,397
Miscellaneous	1,953	-	398	2,351
TOTAL REVENUES	8,115,927	33,315	541,639	8,690,881
EXPENDITURES				
General Government	2,519,364	-	-	2,519,364
Public Safety	2,581,787	-	-	2,581,787
Public Works	1,049,536	-	5,014	1,054,550
Culture and Recreation	640,103	-	57,619	697,722
Capital Outlay	-	299,623	73,528	373,151
Debt Service				
Principal	-	256,557	177,322	433,879
Interest	-	13,094	65,209	78,303
TOTAL EXPENDITURES	6,790,790	569,274	378,692	7,738,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,325,137	(535,959)	162,947	952,125
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	703,015	-	703,015
Transfers In	191,960	428,791	-	620,751
Transfers Out	(1,124,113)	-	(46,311)	(1,170,424)
TOTAL OTHER FINANCING SOURCES (USES)	(932,153)	1,131,806	(46,311)	153,342
NET CHANGE IN FUND BALANCES	392,984	595,847	116,636	1,105,467
FUND BALANCES, Beginning	1,629,630	289,324	724,844	2,643,798
FUND BALANCES, Ending	<u>\$ 2,022,614</u>	<u>\$ 885,171</u>	<u>\$ 841,480</u>	<u>\$ 3,749,265</u>

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

CITY OF MANITOU SPRINGS, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended December 31, 2015

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,105,467
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense, (\$750,489) exceeded capital outlay \$268,633 in the current period.	(481,856)
Capital lease proceeds are reported as other financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(703,015)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include bond payments of \$140,000 and payments of capital leases of \$293,879.	433,879
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities.	19,452
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences	<u>(8,631)</u>
Change in Net Position of Governmental Activities	<u>\$ 365,296</u>

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2015

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
ASSETS				
Current Assets				
Cash and Investments	\$ -	\$ 651,318	\$ 465,732	\$ 1,117,050
Restricted Cash and Investments	15,168	27,302	18,197	60,667
Accounts Receivable	36,416	122,969	125,287	284,672
Grants Receivable	1,652,659	9,250	-	1,661,909
Total Current Assets	1,704,243	810,839	609,216	3,124,298
Noncurrent Assets				
Capital Assets, Not Depreciated	248,420	-	-	248,420
Capital Assets, Net of Accumulated Depreciation	7,023,205	5,620,145	2,636,764	15,280,114
Total Noncurrent Assets	7,271,625	5,620,145	2,636,764	15,528,534
TOTAL ASSETS	8,975,868	6,430,984	3,245,980	18,652,832
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	36,018	48,864	16,379	101,261
LIABILITIES				
Current Liabilities				
Accounts Payable	245,184	58,189	76,092	379,465
Accrued Liabilities	6,096	7,253	1,117	14,466
Due to Other Funds	1,635,829	-	-	1,635,829
Accrued Compensated Absences	8,162	16,023	1,192	25,377
Accrued Interest Payable	2,423	15,991	3,637	22,051
Leases Payable, Current Portion	46,647	71,389	55,689	173,725
Loans Payable, Current Portion	-	193,357	4,170	197,527
Total Current Liabilities	1,944,341	362,202	141,897	2,448,440
Noncurrent Liabilities				
Leases Payable	139,796	110,994	227,355	478,145
Loans Payable	-	2,450,280	56,296	2,506,576
Net Pension Liability	246,014	333,743	111,867	691,624
Total Noncurrent Liabilities	385,810	2,895,017	395,518	3,676,345
TOTAL LIABILITIES	2,330,151	3,257,219	537,415	6,124,785
DEFERRED INFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	10	14	4	28
NET POSITION				
Net Investment in Capital Assets	7,085,182	2,794,125	2,293,254	12,172,561
Unrestricted	(403,457)	428,490	431,686	456,719
TOTAL NET POSITION	\$ 6,681,725	\$ 3,222,615	\$ 2,724,940	\$ 12,629,280

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2015

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUES				
Charges for Services	\$ 282,454	\$ 1,187,644	\$ 1,012,405	\$ 2,482,503
Miscellaneous	4,500	-	99	4,599
TOTAL OPERATING REVENUES	<u>286,954</u>	<u>1,187,644</u>	<u>1,012,504</u>	<u>2,487,102</u>
OPERATING EXPENSES				
Operations and Maintenance	800,056	781,463	790,977	2,372,496
Depreciation	69,687	560,270	188,420	818,377
TOTAL OPERATING EXPENSES	<u>869,743</u>	<u>1,341,733</u>	<u>979,397</u>	<u>3,190,873</u>
OPERATING INCOME (LOSS)	<u>(582,789)</u>	<u>(154,089)</u>	<u>33,107</u>	<u>(703,771)</u>
NON-OPERATING REVENUES (EXPENSES)				
Insurance Recoveries	125,623	-	-	125,623
Interest Expenses	(6,541)	(21,847)	(7,489)	(35,877)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>119,082</u>	<u>(21,847)</u>	<u>(7,489)</u>	<u>89,746</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(463,707)</u>	<u>(175,936)</u>	<u>25,618</u>	<u>(614,025)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions				
Tap Fees	-	13,000	10,780	23,780
Capital Grants	1,512,774	9,250	-	1,522,024
Transfers In	695,322	-	-	695,322
Transfers (Out)	-	(98,400)	(47,249)	(145,649)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>2,208,096</u>	<u>(76,150)</u>	<u>(36,469)</u>	<u>2,095,477</u>
CHANGE IN NET POSITION	<u>1,744,389</u>	<u>(252,086)</u>	<u>(10,851)</u>	<u>1,481,452</u>
NET POSITION, Beginning, As Restated	<u>4,937,336</u>	<u>3,474,701</u>	<u>2,735,791</u>	<u>11,147,828</u>
NET POSITION, Ending	<u>\$ 6,681,725</u>	<u>\$ 3,222,615</u>	<u>\$ 2,724,940</u>	<u>\$ 12,629,280</u>

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

Year Ended December 31, 2015
 Increase (Decrease) in Cash and Cash Equivalents

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 281,495	\$ 1,176,471	\$ 1,012,327	\$ 2,470,293
Cash Received from Others	(8,628)	-	99	(8,529)
Cash Paid to Suppliers	(399,069)	(310,107)	(621,300)	(1,330,476)
Cash Paid to Employees	(269,852)	(415,484)	(128,034)	(813,370)
Net Cash Provided (Used) by Operating Activities	<u>(396,054)</u>	<u>450,880</u>	<u>263,092</u>	<u>317,918</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments from Other Funds	1,083,270	-	-	1,083,270
Payments to Other Funds	-	(98,400)	(47,249)	(145,649)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,083,270</u>	<u>(98,400)</u>	<u>(47,249)</u>	<u>937,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and Construction of Capital Assets	(1,817,559)	(282,585)	(225,026)	(2,325,170)
Insurance Recoveries	125,623	-	-	125,623
Lease Proceeds	73,041	91,302	45,650	209,993
Long-term Debt Principal Paid	(47,549)	(264,107)	(59,708)	(371,364)
Interest Paid	(5,898)	(22,392)	(7,498)	(35,788)
Capital Contributions - Grants	999,882	-	-	999,882
Tap Fees Received	-	13,000	10,780	23,780
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(672,460)</u>	<u>(464,782)</u>	<u>(235,802)</u>	<u>(1,373,044)</u>
Net (Decrease) in Cash and Cash Equivalents	14,756	(112,302)	(19,959)	(117,505)
CASH AND CASH EQUIVALENTS, Beginning	<u>412</u>	<u>790,922</u>	<u>503,888</u>	<u>1,295,222</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 15,168</u>	<u>\$ 678,620</u>	<u>\$ 483,929</u>	<u>\$ 1,177,717</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (582,789)	\$ (154,089)	\$ 33,107	\$ (703,771)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	69,687	560,270	188,420	818,377
Net Pension Liability Adjustments	7,867	10,670	3,576	22,113
Changes in Assets and Liabilities				
Accounts Receivable	(959)	(2,469)	221	(3,207)
Accounts Payable	113,278	41,756	39,369	194,403
Accrued Liabilities	5,318	4,673	645	10,636
Unearned Revenue	(13,128)	(8,704)	(299)	(22,131)
Accrued Compensated Absences	4,672	(1,227)	(1,947)	1,498
Total Adjustments	<u>186,735</u>	<u>604,969</u>	<u>229,985</u>	<u>1,021,689</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (396,054)</u>	<u>\$ 450,880</u>	<u>\$ 263,092</u>	<u>\$ 317,918</u>

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

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
Year Ended December 31, 2015

	<u>AGENCY</u>
ASSETS	
Cash and Investments	\$ 146,627
Taxes Receivable	3,474
Accounts Receivable	34
Prepaid Expenses	<u>2,792</u>
 TOTAL ASSETS	 <u>\$ 152,927</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
LIABILITIES	
Due to Metropolitan District	<u>\$ 149,453</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	<u>3,474</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>\$ 152,927</u>

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City adopted GASB statement No. 68 *Accounting and Financial Reporting for Pensions* ("GASB 68"), for the year ended December 31, 2015. Adoption of this statement revised and established new reporting requirements for pension benefits provided by the City to its employees (See NOTE 10). Following is a summary of the City's more significant accounting policies follows.

Reporting Entity

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

Manitou Springs Park Authority

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

Manitou Springs Urban Renewal Authority

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund type:

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

Assets, Liabilities, Fund Balance/Net Position

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position reports a separate section for *deferred outflows of resources*. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expenses) until then. The City has four items related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plans as a whole at December 31, 2015.

In addition to assets, the balance sheet – governmental funds and statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement classification represents an acquisition of fund balance or net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until then. The City has an item related to property taxes levied in the current year to be collected in the following year and items related to pension actuarial activity and the change in proportion of pension participation in relation to the pension plans as a whole at December 31, 2015.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources at December 31, 2015.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City had classified emergency reserves as being restricted because State statute requires this restriction. In addition, the City had restricted amounts for open space, law enforcement and capital improvements because of voter approved taxes for these purposes.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the City Council. The constraint may be removed or changed only through formal action of the City Council. The City had committed resources at December 31, 2015 for future document imaging.
- Assigned – This classification includes amounts that are constrained by the City's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The City had assigned resources at December 31, 2015 for future Barr Trail maintenance, capital improvements, police, fire and trails.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Property Taxes

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

Pensions

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

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2015, follows:

Petty Cash	\$ 3,650
Cash Deposits	2,227,645
Cash Held by Third Party	705,650
Investments	<u>1,095,653</u>
Total	<u>\$ 4,032,598</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash is reported in the financial statements as follows:

Cash and Investments – Primary Government	\$ 2,135,199
Restricted Cash and Investments – Primary Government	797,656
Cash and Investments – Urban Renewal Authority	953,116
Cash and Investments – Agency Fund	<u>146,627</u>
Total	<u>\$ 4,032,598</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2015, the City and component unit had bank deposits totaling \$2,535,824 of which \$2,035,824 were collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk – State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization (“NRSROs”). At December 31, 2015, the City had \$93,701 invested in the First American Government Obligation Fund, which was rated AAAM by Standard & Poor’s. *Local Government Investment Pools* - At December 31, 2015, the City had \$1,001,952 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds. Colotrust operates in conformity with the Securities and Exchange Commission’s Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Restricted cash and investments consist of unspent lease proceeds of \$643,288, \$15,168, \$27,302, and \$18,197 in the Capital Improvements, Storm Drainage, Water and Sewer Funds, respectively. In addition, \$93,701 is restricted in the Downtown Public Facilities Fund for payment of debt principal and interest.

NOTE 3: INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2015, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Downtown Public Facilities	\$ 1,167
General	Open Space	5,830
General	Law Enforcement	1,167
General	El Paso/Beckers Park	38,147
General	Water	98,400
General	Sewer	47,249
Capital Improvements	General	428,791
Storm Drainage	General	<u>695,322</u>
Total		<u>\$ 1,316,073</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3: INTERFUND BALANCES AND TRANSFERS (Continued)

During the year ended December 31, 2015, transfers to the General Fund were reimbursements for administrative costs. The General Fund transferred funds to the Capital Improvements Fund for capital projects and debt service payments. The General Fund transferred funds to the Storm Drainage for the ongoing repairs to storm drainage infrastructure that was damaged by recent flooding.

Interfund balances - At December 31, 2015, the General Fund temporarily subsidized the negative cash balances of the Storm Drainage Fund by \$1,635,829.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, is summarized below:

	Balances 12/31/2014	Additions/ Transfers	Deletions	Balances 12/31/2015
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 5,638,420	\$ -	\$ -	\$ 5,638,420
Construction in Progress	287,863	31,181	112,864	206,180
Total Capital Assets, not being depreciated	<u>5,926,283</u>	<u>31,181</u>	<u>112,864</u>	<u>5,844,600</u>
Capital Assets, being depreciated				
Land Improvements	4,029,227	-	-	4,029,227
Buildings	1,610,182	29,864	-	1,640,046
Infrastructure	9,042,633	70,556	-	9,113,189
Equipment and Vehicles	3,563,733	249,896	-	3,813,629
Total Capital Assets, being depreciated	<u>18,245,775</u>	<u>350,316</u>	<u>-</u>	<u>18,596,091</u>
Less accumulated depreciation				
Land Improvements	(1,071,911)	(187,293)	-	(1,259,204)
Buildings	(1,134,594)	(27,683)	-	(1,162,277)
Infrastructure	(6,139,186)	(299,166)	-	(6,438,352)
Equipment and Vehicles	(2,664,476)	(236,347)	-	(2,900,823)
Total accumulated depreciation	<u>(11,010,167)</u>	<u>(750,489)</u>	<u>-</u>	<u>(11,760,656)</u>
Total Capital Assets, being depreciated, net	<u>7,235,608</u>	<u>(400,173)</u>	<u>-</u>	<u>6,835,435</u>
Governmental Activities Capital Assets, net	<u>\$ 13,161,891</u>	<u>\$ (368,992)</u>	<u>\$ 112,864</u>	<u>\$ 12,680,035</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4: CAPITAL ASSETS (Continued)

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

General Government	\$ 330,125
Public Safety	138,096
Public Works	73,599
Culture and Recreation	<u>208,669</u>
Total	<u>\$ 750,489</u>

	<u>Balances</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2015</u>
Business-type Activities:				
Capital Assets, not being depreciated				
Construction in Progress	\$ 4,029,040	\$ 248,420	\$ 4,029,040	\$ 248,420
Capital Assets, being depreciated				
Land Improvements	38,596	9,200	-	47,796
Collection and Distribution Systems	16,819,653	5,940,086	-	22,759,739
Machinery and Equipment	2,670,614	156,504	-	2,827,118
Total Capital Assets, being depreciated	<u>19,528,863</u>	<u>6,105,790</u>	<u>-</u>	<u>25,634,653</u>
Less accumulated depreciation				
Land Improvements	(7,487)	(1,742)	-	(9,229)
Collection and Distribution Systems	(7,875,027)	(638,343)	-	(8,513,370)
Machinery and Equipment	(1,653,648)	(178,292)	-	(1,831,940)
Total accumulated depreciation	<u>(9,536,162)</u>	<u>(818,377)</u>	<u>-</u>	<u>(10,354,539)</u>
Total Capital Assets, being depreciated, net	<u>9,992,701</u>	<u>5,287,413</u>	<u>-</u>	<u>15,280,114</u>
Business-type Activities Capital Assets, net	<u><u>\$ 14,021,741</u></u>	<u><u>\$ 5,535,833</u></u>	<u><u>\$ 4,029,040</u></u>	<u><u>\$ 15,528,534</u></u>

Subsequent to the year ended December 31, 2015, the City purchased two properties in the amounts of \$350,299 and \$1,050,000, respectively, to be used for City services. In addition, the City received a GOCO grant in the amount of \$293,000 and \$300,000 from the Pikes Peak Rural Transportation Authority to assist in the purchases of the two properties.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2015.

	<u>Balance</u> <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
2004 Sales and Use Tax Bonds	\$ 935,000	\$ -	\$ 140,000	\$ 795,000	\$ 150,000
Capital Leases	1,022,087	703,015	293,879	1,431,223	283,988
Accrued Compensated Absences	94,092	136,660	128,029	102,723	102,723
	<u><u>\$ 2,051,179</u></u>	<u><u>\$ 839,675</u></u>	<u><u>\$ 561,908</u></u>	<u><u>\$ 2,328,946</u></u>	<u><u>\$ 536,711</u></u>

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

Sales and Use Tax Revenue Bonds

\$1,850,000 Sales and Use Tax Revenue Bonds, Series 2004, were issued to finance capital improvements related to the City's Downtown Master Plan. Principal and interest payments are due semi-annually on February 1 and August 1 through February 1, 2020. Interest accrues at rates ranging from 2% to 5% per annum. During the year ended December 31, 2015, pledged revenues derived from the dedicated 0.3% sales and use tax totaling \$251,067 were available to pay annual debt service of \$183,025.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 150,000	\$ 36,575	\$ 186,575
2017	165,000	29,500	194,500
2018	175,000	21,544	196,544
2019	190,000	12,875	202,875
2020	115,000	2,875	117,875
	<u><u>\$ 795,000</u></u>	<u><u>\$ 103,369</u></u>	<u><u>\$ 898,369</u></u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Capital Leases

The City has entered into several capital lease agreements to purchase land, equipment and vehicles. These leases bear interest at rates ranging from 1.725% to 4.120% per annum, and mature between March, 2016 and April, 2024. Capital assets totaling \$1,065,656 less accumulated depreciation of \$317,375 are reported in the financial statements under these lease agreements.

Following is a schedule of future minimum lease payments required under the outstanding capital leases at December 31, 2015.

<u>Year Ended December 31</u>	
2016	\$ 328,399
2017	222,205
2018	210,668
2019	189,923
2020	165,968
2021 - 2024	<u>498,497</u>
Total Minimum Lease Payments	1,615,660
Less: Interest	<u>(184,437)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 1,431,223</u></u>

Business-type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2015.

	Balance <u>12/31/2014</u>	Additions	Deletions	Balance <u>12/31/2015</u>	Due Within <u>One Year</u>
Business-type Activities					
1985 Water Loan	\$ 494,858	\$ -	\$ 40,721	\$ 454,137	\$ 40,721
2009 Water Loan	962,055	-	62,068	899,987	62,068
2009 Water Loan	962,055	-	62,068	899,987	62,068
2009 Water Loan	416,390	-	26,864	389,526	26,864
2009 Sewer Loan	64,636	-	4,170	60,466	4,170
Capital Leases	617,350	209,993	175,473	651,870	175,361
Accrued Compensated Absences	23,879	36,222	34,724	25,377	25,377
	<u><u>\$ 3,541,223</u></u>	<u><u>\$ 246,215</u></u>	<u><u>\$ 406,088</u></u>	<u><u>\$ 3,381,350</u></u>	<u><u>\$ 396,629</u></u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Water Loans

During 1985, the City entered into a \$1,200,000 loan agreement with the Colorado Water Conservation Board for construction certain water supply improvements. Principal and interest payments are due annually on May1, through 2025. Interest accrues at 4.02% 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, 2015, net revenues of \$444,924 were available to pay annual debt service of \$151,000. Remaining debt service at December 31, 2015 was \$2,189,500.

Sewer Loans

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

This loan is payable solely from revenues of the City's sewer utility system, after deducting operation and maintenance costs. During the year ended December 31, 2015, net revenues of \$235,906 were available to pay annual debt service of \$4,170. Remaining debt service at December 31, 2015 was \$60,466.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 197,527	\$ 18,235	\$ 215,762
2017	199,227	16,534	215,761
2018	200,996	14,765	215,761
2019	202,837	12,925	215,762
2020	204,750	11,011	215,761
2021 - 2025	1,000,500	23,545	1,024,045
2026 - 2030	698,266	-	698,266
	<u>\$ 2,704,103</u>	<u>\$ 97,015</u>	<u>\$ 2,801,118</u>

Capital Leases

The City has entered into several capital lease agreements to purchase equipment and vehicles. These leases bear interest at rates ranging from 1.725% to 2.120% per annum, and mature between March, 2016 and April, 2024. Capital assets totaling \$1,163,278 less accumulated depreciation of \$407,539 are reported in the financial statements under these lease agreements. Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2015.

Year Ended December 31

2016	188,946
2017	106,931
2018	88,104
2019	69,708
2020	62,551
2021 - 2024	<u>195,539</u>
Total Minimum Lease Payments	711,779
Less: Interest	<u>(59,909)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 651,870</u></u>

Subsequent to the year ended December 31, 2015, the City entered into lease agreements for the purchase of property, equipment and vehicles in the amounts of \$750,000 and \$348,240, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 6: PUBLIC ENTITY RISK POOL

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

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

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

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

NOTE 7: PENSION PLANS

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

Nonemergency Employees

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

Police Officers

- Police Officers Statewide Defined Benefit Plan (FPPA)

Firefighters

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

City Administrator

- ICMA-RC Money Purchase Management Plan – Defined Contribution

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

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

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

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

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$220,819 for the year ended December 31, 2015.

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

At December 31, 2015, the City reported a liability of \$2,320,884 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the City's proportion was 0.2589%, which was an increase of 0.0053% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$272,901. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ (99)
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	94,396	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	24,598	-
Contributions subsequent to the measurement date	220,819	-
	<u> </u>	<u> </u>
Total	<u>\$ 339,813</u>	<u>\$ (99)</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

\$220,819 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	50,736
2017	36,695
2018	31,464

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 10.85%
Long-term investment Rate of Return, net of Pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

The LGDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Nonemergency Employees (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	<u>\$ 3,790,258</u>	<u>\$ 2,320,884</u>	<u>\$ 1,095,856</u>

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

Police Officers Statewide Defined Benefit Pension Plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2014 has 212 participating employer fire and police departments.

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

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

Benefits provided. The annual normal retirement benefit is 2% of the average of the member’s highest three years’ base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3% or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0.0%. The reentry Separate Retirement Account contribution rate was set at 3.60%.

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

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2014 was \$50,095,678. This amount was not included in the SWDB Plan Net Position.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20% of base salary through 2014. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

The contribution rate for members and employers of affiliated social security employers is 4% of base salary for a total contribution rate of 8% effective January 1, 2007 through 2014. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Contributions to the Plan from the City were \$54,665 for the year ended December 31, 2015.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

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

At December 31, 2015, the City reported an asset of \$151,810 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the City's proportion was 0.1345%, which was an increase of 0.0014 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$10,565. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (2,800)
Net difference between projected and actual earnings on pension plan investments	8,976	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(1,179)
Contributions subsequent to the measurement date	<u>54,665</u>	<u>-</u>
Total	<u>\$ 63,641</u>	<u>\$ (3,979)</u>

\$54,665 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

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

Year Ended December 31,	
2016	\$ 2,542
2017	2,542
2018	2,542
2019	(450)
2020	(450)
Thereafter	(1,729)

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, compounded annually net of Operating expenses, including inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.0%
Inflation	3.0%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5% to 3.0%.
- Reduced the normal investment return assumption from 8.0% to 7.5%.
- Revised the post-retirement mortality tables to reflect increased longevity.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	40.00%	8.90%
Equity Long/Short	10.00%	7.50%
Illiquid Alternatives	18.00%	10.50%
Fixed Income	15.00%	4.60%
Absolute Return	12.00%	6.50%
Managed Futures	4.00%	5.50%
Cash	1.00%	2.50%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2014, are summarized in the above table.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability (Asset)	<u>\$ 143,129</u>	<u>\$ (151,810)</u>	<u>\$ (397,828)</u>

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.65 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

Firefighters Statewide Defined Benefit Pension Plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2014 has 212 participating employer fire and police departments.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

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

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

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

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result, their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0.0%. The reentry Separate Retirement Account contribution rate was set at 3.60%.

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2014 was \$50,095,678. This amount was not included in the SWDB Plan Net Position.

Contributions. The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8% of base salary for a total contribution rate of 16% through 2014. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20% of base salary through 2014. It is a local decision on who pays the additional 4% contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5% annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24%.

The contribution rate for members and employers of affiliated social security employers is 4% of base salary for a total contribution rate of 8% effective January 1, 2007 through 2014. Per the 2014 member election, the affiliated social security

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

group will also have their required member contribution rate increase 0.25% annually beginning in 2015 through 2022 to a total of 6% of base salary. Employer contributions will remain at 4% resulting in a combined contribution rate of 10% in 2022.

Contributions to the Plan from the City were \$26,670 for the year ended December 31, 2015.

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

At December 31, 2015, the City reported an asset of \$76,927 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the City's proportion was 0.0682%, which was an increase of 0.0053 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$4,971. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,419)
Net difference between projected and actual earnings on pension plan investments	4,549	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(4,240)
Contributions subsequent to the measurement date	26,670	-
Total	<u>\$ 31,219</u>	<u>\$ (5,659)</u>

\$26,670 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

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

Year Ended December 31,		
2016		\$ 906
2017		906
2018		907
2019		(610)
2020		(610)
Thereafter		(2,609)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, compounded annually net of Operating expenses, including inflation
Projected salary increases	4.0% – 14.0%
Cost of living adjustment	0.0%
Inflation	3.0%

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5% to 3.0%.
- Reduced the normal investment return assumption from 8.0% to 7.5%.
- Revised the post-retirement mortality tables to reflect increased longevity.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	40.00%	8.90%
Equity Long/Short	10.00%	7.50%
Illiquid Alternatives	18.00%	10.50%
Fixed Income	15.00%	4.60%
Absolute Return	12.00%	6.50%
Managed Futures	4.00%	5.50%
Cash	1.00%	2.50%
Total	<u>100.00%</u>	

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2014, are summarized in the above table.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability (Asset)	<u>\$ 72,528</u>	<u>\$ (76,927)</u>	<u>\$ (201,592)</u>

* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.65 percent. The single discount rate for the plans was 7.50 percent.

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan

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

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

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

Contributions. The Plan receives contributions from the City based on an actuarially determined amount, as required by State statute. The actuarial study as of January 1, 2014, indicated that the current level of contributions to the Plan are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, of the present Plan. The City contribution amount for the Plan has been historically determine by biennial actuarial studies.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At December 31, 2015, the City reported a net pension liability of \$226,838. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$20,335. At December 31, 2015, the City reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,753
Contributions subsequent to the measurement date	<u>21,799</u>
Total deferred outflows of resources related to pensions	<u>\$ 23,552</u>

\$21,799 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2016	\$ 438
2017	438
2018	438
2019	<u>439</u>
Total	<u>\$ 1,753</u>

Actuarial assumptions. The January 1, 2014 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2014. The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.65%

Long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2014 are summarized in the following table:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	40.0%	8.9%
Equity Long/Short	10.0%	7.5%
Illiquid Alternatives	18.0%	10.5%
Fixed Income	15.0%	4.6%
Absolute Return	12.0%	6.5%
Managed Futures	4.0%	5.5%
Cash	<u>1.0%</u>	2.5%
Total	<u>100.0%</u>	

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

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

	<u>1% Decrease</u>	<u>Current Single Discount Rate 7.5%</u>	<u>1% Increase</u>
	<u>6.5%</u>		<u>8.5%</u>
City's Net Pension Liability	<u>\$ 277,874</u>	<u>\$ 226,838</u>	<u>\$ 182,725</u>

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan

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

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

Contributions. The Plan receives contributions from the City and the State of Colorado based on an actuarially determined amount, as required by State statute. The actuarial study as of January 1, 2015, indicated that the current level of contributions to the Plan are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, of the present Plan. The City contribution amount for the Plan has been historically determined by biennial actuarial studies.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At December 31, 2015, the City reported a net pension liability of \$214,337. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$11,729. At December 31, 2015, the City reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between expected and actual experience of the total pension liability	\$ 19,402
Net difference between projected and actual earnings on pension plan investments	2,351
Contributions subsequent to the measurement date	<u>16,000</u>
Total deferred outflows of resources related to pensions	<u>\$ 37,753</u>

\$16,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2016	\$ 6,041
2017	6,041
2018	6,041
2019	<u>3,630</u>
Total	<u>\$ 21,753</u>

Actuarial assumptions. The January 1, 2015 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2014. The valuation used the following actuarial assumption and other inputs:

Long-term investment rate of return	7.50%
Municipal bond rate	3.65%

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter’s Pension Plan (Continued)

each major asset class included in the Fund’s target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global equity	40.0%	8.9%
Equity Long/Short	10.0%	7.5%
Illiquid Alternatives	18.0%	10.5%
Fixed Income	15.0%	4.6%
Absolute Return	12.0%	6.5%
Managed Futures	4.0%	5.5%
Cash	<u>1.0%</u>	2.5%
Total	<u>100.0%</u>	

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

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

	<u>1% Decrease</u>	<u>Current Single Discount Rate 7.5%</u>	<u>1% Increase</u>
	<u>6.5%</u>		<u>8.5%</u>
City’s Net Pension Liability	<u>\$ 268,002</u>	<u>\$ 214,337</u>	<u>\$ 168,736</u>

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7: PENSION PLANS (Continued)

Defined Contribution Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the City Administrator. The contribution requirements of Plan participant and the City are established and may be amended by City Council. The Plan is administered by ICMA-RC. The City is required to contribute 13.7% of the City Administrator's eligible compensation and the City Administrator contributes 8% of eligible compensation. For the year ended December 31, 2015, City Administrator's contributions totaled \$7,873 and the City recognized pension expense of \$13,482 and there were no plan forfeitures.

The City Administrator is immediately vested in his own contributions and earnings on those contributions, and fully vested in the City's contributions and earnings on City contributions after five years. Non-vested City contributions are forfeited upon termination of employment.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy. The City is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2013, 2014 and 2015, the City's contributions to the HCTF were \$14,460, \$14,911 and \$17,763 respectively, equal to their required contributions for each year.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to the City.

Revenue in excess of the fiscal spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The City's management believes it is in compliance with the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

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

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

The URA is not subject to the Amendment. See: Marian L. Olson v. City of Golden, et. al. 53 P.3d 747 (Co. App.), certiorari denied.

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 years 2012 through 2015.

Claims and Judgments

The City participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2015, 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF ERROR

The City participates in cost-sharing multiple-employer defined benefit pension plans, and agent multiple-employer defined benefit pension plans administered by PERA and FPPA (NOTE 8). As discussed in NOTE 1, the City adopted Statement No. 68 for the year ended December 31, 2015. Statement No. 68 requires the City to record their proportionate share of the unfunded pension liability/(asset) of the pension plans. In addition, the City restated the water fund for correction of accounts receivable previously reported in error.

The City has restated beginning net position of the governmental activities, the business-type activities and the proprietary funds as follows:

	Governmental Activities	Business-type Activities		
		Storm Drainage Fund	Water Fund	Sewer Fund
Beginning Net Position, As Previously Reported, January 1, 2015	\$ 13,754,510	\$ 5,139,475	\$ 3,802,489	\$ 2,827,707
GASB 68 Implementation:				
Deferred Outflows of Resources - Contributions subsequent to measurement date, December 31, 2014:				
PERA	126,298	19,071	25,871	8,672
FPPA - Police Statewide Plan	48,393	-	-	-
FPPA - Fire Statewide Plan	24,522	-	-	-
FPPA - Old Hire Firefighter's Plan	19,672	-	-	-
FPPA - Volunteer Firefighter's Plan	16,000	-	-	-
Net Pension Asset:				
FPPA - Police Statewide Plan	118,980	-	-	-
FPPA - Fire Statewide Plan	56,266	-	-	-
Net Pension Liability				
PERA	(1,464,995)	(221,210)	(300,094)	(100,588)
FPPA - Old Hire Firefighter's Plan	(224,422)	-	-	-
FPPA - Volunteer Firefighter's Plan	(196,855)	-	-	-
Correction of Accounts Receivable	-	-	(53,565)	-
Beginning Net Position, As Restated January 1, 2015	<u>\$ 12,278,369</u>	<u>\$ 4,937,336</u>	<u>\$ 3,474,701</u>	<u>\$ 2,735,791</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales and Use	\$ 2,760,317	\$ 3,931,025	\$ 4,100,199	\$ 169,174
Property	642,632	644,154	643,642	(512)
Amusement and Lodging	667,496	752,500	780,191	27,691
Franchise	138,675	139,108	139,093	(15)
Auto Use	260,000	277,400	301,563	24,163
Licenses and Permits	61,610	62,493	63,323	830
Charges for Services	1,210,583	1,213,387	1,268,998	55,611
Intergovernmental	333,043	379,229	310,893	(68,336)
Fines and Forfeitures	294,300	179,300	160,230	(19,070)
Contributions/Donations	-	339,471	343,461	3,990
Interest	1,500	2,200	2,381	181
Miscellaneous	8,040	431	1,953	1,522
TOTAL REVENUES	6,378,196	7,920,698	8,115,927	195,229
EXPENDITURES				
General Government				
Legislative	149,568	224,573	205,777	18,796
Judicial	71,179	68,905	63,079	5,826
Executive	468,661	513,142	456,057	57,085
Administrative	352,051	379,555	376,612	2,943
Community Services	333,245	349,434	330,022	19,412
Economic Development	593,693	898,158	1,083,755	(185,597)
Intergovernmental	85,270	3,587	3,342	245
Council Programs and Projects	6,100	3,100	720	2,380
Total General Governments	2,059,767	2,440,454	2,519,364	(78,910)
Public Safety				
Police	1,340,489	1,299,085	1,236,392	62,693
Fire	748,824	795,318	749,970	45,348
Other Police and Fire	-	7,518	9,377	(1,859)
Code Enforcement	63,279	62,785	58,683	4,102
Parking Enforcement	502,150	528,890	527,365	1,525
Total Public Safety	2,654,742	2,693,596	2,581,787	111,809
Public Works				
Streets	983,760	1,039,474	1,049,536	(10,062)
Total Public Works	983,760	1,039,474	1,049,536	(10,062)

(Continued)

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Culture and Recreation				
Parks and Recreation	\$ 405,998	\$ 392,152	\$ 383,223	\$ 8,929
Trails	222,000	245,166	256,880	(11,714)
Total Culture and Recreation	<u>627,998</u>	<u>637,318</u>	<u>640,103</u>	<u>(2,785)</u>
 TOTAL EXPENDITURES	 <u>6,326,267</u>	 <u>6,810,842</u>	 <u>6,790,790</u>	 <u>20,052</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>51,929</u>	 <u>1,109,856</u>	 <u>1,325,137</u>	 <u>215,281</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	201,296	231,960	191,960	(40,000)
Transfers Out	(584,952)	(1,170,883)	(1,124,113)	46,770
TOTAL OTHER FINANCING SOURCES (USES)	<u>(383,656)</u>	<u>(938,923)</u>	<u>(932,153)</u>	<u>6,770</u>
 NET CHANGE IN FUND BALANCE	 (331,727)	 170,933	 392,984	 222,051
 FUND BALANCE, Beginning	 <u>1,494,532</u>	 <u>1,572,534</u>	 <u>1,629,630</u>	 <u>57,096</u>
 FUND BALANCE, Ending	 <u>\$ 1,162,805</u>	 <u>\$ 1,743,467</u>	 <u>\$ 2,022,614</u>	 <u>\$ 279,147</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENTS FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 32,517	\$ 32,517	\$ 32,303	\$ (214)
Intergovernmental	337,243	75,000	1,000	(74,000)
Interest	-	-	12	12
TOTAL REVENUES	369,760	107,517	33,315	(74,202)
EXPENDITURES				
Capital Outlay	1,418,855	1,016,889	299,623	717,266
Debt Service				
Principal	263,144	254,274	256,557	(2,283)
Interest and Fiscal Charges	14,310	14,310	13,094	1,216
TOTAL EXPENDITURES	1,696,309	1,285,473	569,274	716,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,326,549)	(1,177,956)	(535,959)	641,997
OTHER FINANCING SOURCES				
Lease Proceeds	745,183	745,183	703,015	(42,168)
Transfers In	373,027	428,791	428,791	-
TOTAL OTHER FINANCING SOURCES	1,118,210	1,173,974	1,131,806	(42,168)
NET CHANGE IN FUND BALANCE	(208,339)	(3,982)	595,847	599,829
FUND BALANCE, Beginning, As Restated	292,096	285,341	289,324	3,983
FUND BALANCE, Ending	\$ 83,757	\$ 281,359	\$ 885,171	\$ 603,812

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

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

Last Ten Years*

	<u>2014</u>	<u>2013</u>
<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>		
Proportion of the Net Pension Liability (Asset)	0.25894%	0.25360%
Proportionate Share of the Net Pension Liability (Asset)	\$ 2,320,884	\$ 2,086,887
Covered Employee Payroll	\$ 1,741,473	\$ 1,418,864
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	133.27%	147.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.72%	77.66%
Total Pension Liability	\$ 4,647,777,000	\$ 4,517,239,000
Plan Fiduciary Net Position	3,751,468,000	3,508,312,000
Adjustment for Memorial Health systems	-	(186,006,000)
Net Pension Liability	<u>896,309,000</u>	<u>822,921,000</u>
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>		
Proportion of the Net Pension Liability (Asset)	0.13452%	0.13306%
Proportionate Share of the Net Pension Liability (Asset)	\$ (151,810)	\$ (118,980)
Covered Employee Payroll	\$ 604,912	\$ 577,324
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-25.10%	-20.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.83%	105.83%
Total Pension Liability	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	1,765,758,630	1,623,049,809
Net Pension Liability	<u>(112,857,546)</u>	<u>(89,418,668)</u>
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>		
Proportion of the Net Pension Liability (Asset)	0.06816%	0.06292%
Proportionate Share of the Net Pension Liability (Asset)	\$ (76,927)	\$ (56,266)
Covered Employee Payroll	\$ 306,525	\$ 273,302
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-25.10%	-20.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.83%	105.83%
Total Pension Liability	\$ 1,652,901,084	\$ 1,533,631,141
Plan Fiduciary Net Position	1,765,758,630	1,623,049,809
Net Pension Liability	<u>(112,857,546)</u>	<u>(89,418,668)</u>

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

OLD HIRE FIRE PENSION PLAN

Last Ten Fiscal Years*

	<u>2014</u>
Total Pension Liability	
Interest on the Total Pension Liability	\$ 41,014
Benefit Payments	<u>(46,540)</u>
Net Change in Total Pension Liability	(5,526)
Total Pension Liability - Beginning	<u>569,700</u>
Total Pension Liability - Ending	<u>\$ 564,174</u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 19,672
Pension Plan Net Investment Income	22,581
Benefit Payments	(46,540)
Pension Plan Administrative Expense	<u>(3,655)</u>
Net Change in Plan Fiduciary Net Position	(7,942)
Plan Fiduciary Net Position - Beginning	<u>345,278</u>
Plan Fiduciary Net Position - Ending	<u>\$ 337,336</u>
Net Pension Liability (Asset)	
Total Pension Liability - Ending	\$ 564,174
Plan Fiduciary Net Position - Ending	<u>337,336</u>
Net Pension Liability (Asset)	<u>\$ 226,838</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.8%
Covered Employee Payroll	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A

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

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

VOLUNTEER FIREFIGHTER'S PENSION PLAN

Last Ten Fiscal Years*

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 5,274
Interest on the Total Pension Liability	40,957
Difference between expected and actual experience of the Total Pension Liability	24,855
Benefit Payments	<u>(53,550)</u>
Net Change in Total Pension Liability	17,536
Total Pension Liability - Beginning	<u>569,801</u>
Total Pension Liability - Ending	<u>\$ 587,337</u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 16,000
Pension Plan Net Investment Income	24,145
Benefit Payments	(53,550)
Pension Plan Administrative Expense	(941)
State of Colorado supplemental discretionary payment	<u>14,400</u>
Net Change in Plan Fiduciary Net Position	54
Plan Fiduciary Net Position - Beginning	<u>372,946</u>
Plan Fiduciary Net Position - Ending	<u>\$ 373,000</u>
Net Pension Liability (Asset)	
Total Pension Liability - Ending	\$ 587,337
Plan Fiduciary Net Position - Ending	<u>373,000</u>
Net Pension Liability (Asset)	<u>\$ 214,337</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.5%
Covered Employee Payroll	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	N/A

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

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

<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 220,819	\$ 179,912
Contributions in Relation to the Contractually Required Contribution	<u>220,819</u>	<u>179,912</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,741,473	\$ 1,418,864
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%
<hr/>		
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 54,665	\$ 48,393
Contributions in Relation to the Contractually Required Contribution	<u>54,665</u>	<u>48,393</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 683,311	\$ 604,912
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%
<hr/>		
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 26,670	\$ 24,522
Contributions in Relation to the Contractually Required Contribution	<u>26,670</u>	<u>24,522</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 333,375	\$ 306,525
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

NOTES:

Actuarial Valuation Date: 1/1/2014

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

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar, Open

Remaining Amortization Period: 20 years

Asset Valuation Method: 5-Year Smoothed Market

Inflation: 3%

Salary Increases: N/A

Investment Rate of Return: 7.5%

Retirement Age: Any remaining actives are assumed to retire immediately

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

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

NOTES:

Actuarial Valuation Date: 1/1/2015

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

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar, Open

Remaining Amortization Period: 20 years

Asset Valuation Method: 5-Year Smoothed Market

Inflation: 3%

Salary Increases: N/A

Investment Rate of Return: 7.5%

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

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

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

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

Legal Compliance

For the year ended December 31, 2015, the Downtown Public Facilities and Sewer Funds actual expenditures and transfers out exceeded budgeted expenditures and transfers out by \$1,271, \$13,508, respectively. These may be violations of State statutes.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

NOTE 2: DEFINED BENEFIT PENSION PLANS

FPPA POLICE AND FIRE STATEWIDE DEFINED BENEFIT PLANS

Changes in Plan Provisions. The plan provisions have not changed since the prior valuation. The member contribution rate increased in 2015 as a result of member election.

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
ASSETS				
Cash and Investments	\$ 51,055	\$ 182,745	\$ 11,864	\$ 429,646
Restricted Cash and Investments	-	-	-	-
Property Taxes Receivable	50,476	-	-	63,094
Due From Other Governments	10,783	-	-	-
Accounts Receivable	-	11,387	-	-
TOTAL ASSETS	\$ 112,314	\$ 194,132	\$ 11,864	\$ 492,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,160	\$ 3,825	\$ 162	\$ 29
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	50,476	-	-	63,094
FUND EQUITY				
Restricted for Parks and Open Space	60,678	190,307	-	-
Restricted for Law Enforcement	-	-	11,702	-
Restricted for Capital Projects	-	-	-	-
Assigned to Open Space Maintenance	-	-	-	58,197
Assigned to Capital Projects	-	-	-	371,420
TOTAL FUND EQUITY	60,678	190,307	11,702	429,617
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 112,314	\$ 194,132	\$ 11,864	\$ 492,740

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS

DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 23,133	\$ -	\$ 698,443
93,701	-	93,701
-	-	113,570
32,342	-	43,125
-	-	11,387
<u>\$ 149,176</u>	<u>\$ -</u>	<u>\$ 960,226</u>
\$ -	\$ -	\$ 5,176
-	-	113,570
-	-	250,985
-	-	11,702
93,701	-	93,701
-	-	58,197
55,475	-	426,895
<u>149,176</u>	<u>-</u>	<u>841,480</u>
<u>\$ 149,176</u>	<u>\$ -</u>	<u>\$ 960,226</u>

CITY OF MANITOU SPRINGS, COLORADO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	SPECIAL REVENUE FUNDS			
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND
REVENUES				
Taxes	\$ 127,247	\$ -	\$ -	\$ 58,096
Intergovernmental	-	49,874	400	-
Fines and Forfeitures	-	-	24,026	-
Investment Income	-	-	-	-
Miscellaneous	217	181	-	-
TOTAL REVENUES	127,464	50,055	24,426	58,096
EXPENDITURES				
Public Works	5,014	-	-	-
Culture and Recreation	-	52,408	-	5,211
Capital Outlay	13,000	-	28,230	-
Debt Service				
Principal	37,322	-	-	-
Interest and Fiscal Charges	22,184	-	-	-
TOTAL EXPENDITURES	77,520	52,408	28,230	5,211
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49,944	(2,353)	(3,804)	52,885
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(5,830)	-	(1,167)	(38,147)
CHANGE IN FUND BALANCES	44,114	(2,353)	(4,971)	14,738
FUND BALANCES, Beginning	16,564	192,660	16,673	414,879
FUND BALANCES, Ending	\$ 60,678	\$ 190,307	\$ 11,702	\$ 429,617

See the accompanying Independent Auditor's Report.

CAPITAL PROJECTS FUNDS		
DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
\$ 251,067	\$ -	\$ 436,410
-	30,527	80,801
-	-	24,026
4	-	4
-	-	398
<u>251,071</u>	<u>30,527</u>	<u>541,639</u>
-	-	5,014
-	-	57,619
1,771	30,527	73,528
140,000	-	177,322
43,025	-	65,209
<u>184,796</u>	<u>30,527</u>	<u>378,692</u>
66,275	-	162,947
<u>(1,167)</u>	<u>-</u>	<u>(46,311)</u>
65,108	-	116,636
84,068	-	724,844
<u>\$ 149,176</u>	<u>\$ -</u>	<u>\$ 841,480</u>

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Tax	\$ 71,824	\$ 74,776	\$ 80,768	\$ 5,992
Property Taxes	46,788	46,788	46,479	(309)
Miscellaneous	-	217	217	-
TOTAL REVENUES	118,612	121,781	127,464	5,683
EXPENDITURES				
Public Works	9,500	9,500	5,014	4,486
Capital Outlay	13,000	13,000	13,000	-
Debt Service				
Principal	37,322	37,322	37,322	-
Interest	22,084	22,084	22,184	(100)
TOTAL EXPENDITURES	81,906	81,906	77,520	4,386
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36,706	39,875	49,944	10,069
OTHER FINANCING SOURCES (USES)				
Transfers Out	(6,232)	(5,830)	(5,830)	-
NET CHANGE IN FUND BALANCE	30,474	34,045	44,114	10,069
FUND BALANCE, Beginning	20,524	16,565	16,564	(1)
FUND BALANCE, Ending	\$ 50,998	\$ 50,610	\$ 60,678	\$ 10,068

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CONSERVATION TRUST FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Lottery Revenues	\$ 51,000	\$ 50,000	\$ 49,874	\$ (126)
Interest	-	-	181	181
TOTAL REVENUES	<u>51,000</u>	<u>50,000</u>	<u>50,055</u>	<u>55</u>
EXPENDITURES				
Parks and Recreation	<u>91,000</u>	<u>107,995</u>	<u>52,408</u>	<u>55,587</u>
TOTAL EXPENDITURES	<u>91,000</u>	<u>107,995</u>	<u>52,408</u>	<u>55,587</u>
NET CHANGE IN FUND BALANCE	(40,000)	(57,995)	(2,353)	55,642
FUND BALANCE, Beginning	<u>163,873</u>	<u>192,660</u>	<u>192,660</u>	-
FUND BALANCE, Ending	<u>\$ 123,873</u>	<u>\$ 134,665</u>	<u>\$ 190,307</u>	<u>\$ 55,642</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Fines and Forfeitures	\$ 31,000	\$ 31,000	\$ 24,026	\$ (6,974)
Intergovernmental	-	1,611	400	(1,211)
TOTAL REVENUES	<u>31,000</u>	<u>32,611</u>	<u>24,426</u>	<u>(8,185)</u>
EXPENDITURES				
Capital Outlay	<u>30,550</u>	<u>30,925</u>	<u>28,230</u>	<u>2,695</u>
TOTAL EXPENDITURES	<u>30,550</u>	<u>30,925</u>	<u>28,230</u>	<u>2,695</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	450	1,686	(3,804)	(5,490)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(1,167)</u>	<u>(1,167)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	450	519	(4,971)	(5,490)
FUND BALANCE, Beginning	<u>16,417</u>	<u>16,674</u>	<u>16,673</u>	<u>(1)</u>
FUND BALANCE, Ending	<u>\$ 16,867</u>	<u>\$ 17,193</u>	<u>\$ 11,702</u>	<u>\$ (5,491)</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 EL PASO/BECKERS PARK FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 58,485	\$ 58,485	\$ 58,096	\$ (389)
TOTAL REVENUES	58,485	58,485	58,096	(389)
EXPENDITURES				
Culture and Recreation	28,404	28,404	5,211	23,193
TOTAL EXPENDITURES	28,404	28,404	5,211	23,193
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,081	30,081	52,885	22,804
OTHER FINANCING SOURCES (USES)				
Transfers Out	(38,147)	(38,147)	(38,147)	-
NET CHANGE IN FUND BALANCE	(8,066)	(8,066)	14,738	22,804
FUND BALANCE, Beginning	414,486	414,878	414,879	1
FUND BALANCE, Ending	\$ 406,420	\$ 406,812	\$ 429,617	\$ 22,805

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 DOWNTOWN PUBLIC FACILITIES FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Taxes	\$ 210,000	\$ 231,612	\$ 242,303	\$ 10,691
Use Taxes	72,562	7,975	8,764	789
Interest	-	-	4	4
TOTAL REVENUES	282,562	239,587	251,071	11,484
EXPENDITURES				
Capital Outlay	500	500	1,771	(1,271)
Debt Service				
Principal	140,000	140,000	140,000	-
Interest and Fiscal Charges	43,025	43,025	43,025	-
TOTAL EXPENDITURES	183,525	183,525	184,796	(1,271)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	99,037	56,062	66,275	10,213
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(1,167)	(1,167)	-
NET CHANGE IN FUND BALANCE	99,037	54,895	65,108	10,213
FUND BALANCE (DEFICIT), Beginning	(34,828)	43,837	84,068	40,231
FUND BALANCE, Ending	\$ 64,209	\$ 98,732	\$ 149,176	\$ 50,444

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
RURAL TRANSPORTATION AUTHORITY FUND
Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,032,091	\$ 584,803	\$ 30,527	\$ (554,276)
EXPENDITURES				
Capital Outlay	1,032,091	584,803	30,527	554,276
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 STORM DRAINAGE FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 280,275	\$ 280,275	\$ 282,454	\$ 2,179
Miscellaneous	-	4,500	4,500	-
Capital Grants	-	1,712,735	1,512,774	(199,961)
Lease Proceeds	3,000	75,000	73,041	(1,959)
Insurance Recoveries	122,600	-	125,623	125,623
Transfers In	146,133	695,322	695,322	-
TOTAL REVENUES	552,008	2,767,832	2,693,714	(74,118)
EXPENDITURES				
Operations and Maintenance	230,672	1,114,688	800,056	314,632
Capital Outlay	506,025	1,603,173	1,817,559	(214,386)
Debt Service				
Principal	47,840	46,954	47,549	(595)
Interest and Fiscal Charges	3,026	3,026	6,541	(3,515)
Transfers Out	9,336	-	-	-
TOTAL EXPENDITURES	796,899	2,767,841	2,671,705	96,136
NET INCOME, Budget Basis	\$ (244,891)	\$ (9)	22,009	\$ 22,018
GAAP BASIS ADJUSTMENTS				
Capital Outlay			1,817,559	
Depreciation			(69,687)	
Proceeds from Issuance of Debt			(73,041)	
Principal Paid on Long-Term Debt			47,549	
NET INCOME, GAAP Basis			1,744,389	
NET POSITION, Beginning, As Restated			4,937,336	
NET POSITION, Ending			\$ 6,681,725	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 WATER FUND
 Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,200,528	\$ 1,200,528	\$ 1,187,644	\$ (12,884)
Tap Fees	22,540	13,000	13,000	-
Lease Proceeds	117,000	204,000	91,302	(112,698)
Capital Grants	-	45,004	9,250	(35,754)
TOTAL REVENUES	1,340,068	1,462,532	1,301,196	(161,336)
EXPENDITURES				
Operations and Maintenance	893,947	961,734	781,463	180,271
Capital Outlay	232,000	359,006	282,585	76,421
Debt Service				
Principal	267,884	288,969	264,107	24,862
Interest	24,780	24,781	21,847	2,934
Transfers Out	94,804	98,403	98,400	3
TOTAL EXPENDITURES	1,513,415	1,732,893	1,448,402	284,491
NET INCOME, Budget Basis	\$ (173,347)	\$ (270,361)	(147,206)	\$ 123,155
GAAP BASIS ADJUSTMENTS				
Capital Outlay			282,585	
Depreciation			(560,270)	
Proceeds from Issuance of Debt			(91,302)	
Principal Paid on Long-Term Debt			264,107	
NET INCOME, GAAP Basis			(252,086)	
NET ASSETS, Beginning, As Restated			3,474,701	
NET ASSETS, Ending			\$ 3,222,615	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
SEWER FUND
Year Ended December 31, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,010,947	\$ 1,010,947	\$ 1,012,405	\$ 1,458
Tap Fees	2,690	2,690	10,780	8,090
Capital Grants	-	26,481	-	(26,481)
Lease Proceeds	-	-	45,650	45,650
Miscellaneous	193	193	99	(94)
TOTAL REVENUES	1,013,830	1,040,311	1,068,934	28,623
EXPENDITURES				
Operations and Maintenance	677,520	760,112	790,977	(30,865)
Capital Outlay	205,000	240,308	225,026	15,282
Debt Service				
Principal	60,793	60,109	59,708	401
Interest	5,588	5,588	7,489	(1,901)
Transfers Out	44,761	47,248	47,249	(1)
TOTAL EXPENDITURES	993,662	1,113,365	1,130,449	(17,084)
NET INCOME, Budget Basis	\$ 20,168	\$ (73,054)	(61,515)	\$ 11,539
GAAP BASIS ADJUSTMENTS				
Capital Outlay			225,026	
Depreciation			(188,420)	
Proceeds from Issuance of Debt			(45,650)	
Principal Paid on Long-Term Debt			59,708	
NET INCOME, GAAP Basis			(10,851)	
NET ASSETS, Beginning			2,735,791	
NET ASSETS, Ending			\$ 2,724,940	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CHANGES IN ASSETS, LIABILITIES AND
DEFERRED INFLOWS OF RESOURCES
AGENCY FUND
Year Ended December 31, 2015

	BALANCE 12/31/13	ADDITIONS	DELETIONS	BALANCE 12/31/14
ASSETS				
Cash and Investments	\$ 66,180	\$ 218,637	\$ 138,190	\$ 146,627
Taxes Receivable	3,468	3,474	3,468	3,474
Accounts Receivable	16,571	34	16,571	34
Prepaid Expenses	-	2,792	-	2,792
TOTAL ASSETS	\$ 86,219	\$ 224,937	\$ 158,229	\$ 152,927
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts Payable	\$ 9,501	\$ -	\$ 9,501	\$ -
Due to Metropolitan District	73,281	218,637	142,465	149,453
TOTAL LIABILITIES	82,782	218,637	151,966	149,453
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenues	3,437	3,474	3,437	3,474
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 86,219	\$ 222,111	\$ 155,403	\$ 152,927

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
 COMPONENT UNIT
 December 31, 2015

	<u>MS URBAN RENEWAL AUTHORITY</u>
ASSETS	
Cash and Investments	\$ 953,116
Taxes Receivable	58,524
Due from Other Governments	<u>365,389</u>
 TOTAL ASSETS	 <u>\$ 1,377,029</u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
 DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	 <u>\$ 58,524</u>
 FUND BALANCE	
Restricted for Emergencies	26,500
Unassigned	<u>1,292,005</u>
 TOTAL FUND BALANCE	 <u>1,318,505</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 1,377,029</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNIT
Year Ended December 31, 2015

	<u>MS URBAN RENEWAL AUTHORITY</u>
REVENUES	
Sales Tax Increment	\$ 833,752
Property Taxes	46,755
Investment Income	<u>76</u>
TOTAL REVENUES	<u>880,583</u>
EXPENDITURES	
Administrative	63,074
Redevelopment	<u>1,000</u>
TOTAL EXPENDITURES	<u>64,074</u>
NET CHANGE IN FUND BALANCE	816,509
FUND BALANCE, Beginning	<u>501,996</u>
FUND BALANCE, Ending	<u><u>\$ 1,318,505</u></u>

See the accompanying Independent Auditor's Report.

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COMPLIANCE SECTION

STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT		City or County: CITY OF MANITOU SPRINGS
		YEAR ENDING : December 2015
This Information From The Records Of (example - City of _ or County of City of Manitou Springs	Prepared By: Phone:	Rebecca Davis -2546.95

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)	97,130
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	234,205
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	8,458
2. General fund appropriations	813,510	b. Snow and ice removal	
3. Other local imposts (from page 2)	324,399	c. Other	92,092
4. Miscellaneous local receipts (from page 2)	126,540	d. Total (a. through c.)	100,550
5. Transfers from toll facilities		4. General administration & miscellaneous	22,474
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	821,383
a. Bonds - Original Issues		6. Total (1 through 5)	1,275,742
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	43,025
7. Total (1 through 6)	1,264,449	b. Redemption	140,000
B. Private Contributions		c. Total (a. + b.)	183,025
C. Receipts from State government (from page 2)	194,318	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,458,767	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	183,025
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
			1,458,767

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	929,936		140,000	789,936
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
		1,458,767	1,458,767		0

Notes and Comments:

See the accompanying Independent Auditor's Report.

LOCAL HIGHWAY FINANCE REPORT		STATE: City of Manitou Springs YEAR ENDING (mm/yy): December 2015	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	40,858
1. Sales Taxes	242,303	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	55,155
5. Specific Ownership &/or Other	82,096	g. Other Misc. Receipts	
6. Total (1. through 5.)	324,399	h. Other	30,527
c. Total (a. + b.)	324,399	i. Total (a. through h.)	126,540
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	165,799	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	19,019	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)	9,500	f. Other Federal	
f. Total (a. through e.)	28,519	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	194,318	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	21,240		21,240
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		75,890	75,890
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	75,890	75,890
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	21,240	75,890	97,130
			(Carry forward to page 1)
Notes and Comments:			