

CITY OF MANITOU SPRINGS, COLORADO

FINANCIAL STATEMENTS

December 31, 2018

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs as of December 31, 2018, 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. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) for the year ended December 31, 2018. 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 – x and 73 – 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated September 27, 2019, on our consideration of the City of Manitou Springs's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manitou Springs's internal control over financial reporting and compliance.

Logan and Associates, LLC

Aurora, Colorado
September 27, 2019

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

As management of the City of Manitou Springs (the "City"), we offer readers of the City's Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. 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 \$35,069,682 (net position) for the primary reporting entity. Of this amount \$3,060,104 (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 \$4,138,773 during the fiscal year.
- As of the close of the current fiscal year, the City's *governmental funds* reported combined ending fund balances of \$5,506,035.
- The *governmental funds* reported total unrestricted/unassigned fund balances of \$1,964,822.
- 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 85 days, or approximately 2 and 2/3 months.

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

- The City's total debt, including accrued compensated absences, decreased by \$582,916 during the current fiscal year. Existing debt was reduced by principal payments (not including compensated absences) totaling \$1,115,248, offset by a new capital lease of \$559,207.
- General Fund sales/use tax revenue in 2018, \$5,891,537 decreased by .43% or \$25,186, from 2017 sales/use tax revenue of \$5,916,723.

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, and the Capital Improvements 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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,069,682 at the close of the fiscal year.
- The City's net investment in capital assets is \$30,441,544. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- The balance of *unrestricted net position* \$3,060,104 may be used to meet the governments ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF MANITOU SPRINGS NET POSITION

Governmental activities: Governmental activities increased the City's net position by \$1,060,487. In 2018, general sales tax/use revenues, \$6,311,231, comprised approximately 77% of all general revenues and transfers. This is an increase in percentage of 3.5% over 2017, which was 73.5% of all general fund revenues and transfers. This is attributed to a decrease in amusement tax due to the Pikes Peak Cog Railway not operating in 2018.

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

CITY OF MANITOU SPRINGS NET POSITION (Continued)

Business-Type activities: Business-type activities increased the City's net position by \$3,078,286. The Storm Drainage Fund continued to be the conduit for flood & hazard mitigation grants, from Community Development Block Grants-Disaster Recovery (CDBG-DR), Federal Emergency Management Agency (FEMA), and the Colorado Department of Local Affairs (DOLA) Energy/Mineral Impact grants totaling \$3,285,011. The Water Fund had an increase in net position of \$3,807,557 but the majority of this was contributed capital from the Storm Drainage Fund in the form of long-term assets, the raw water and Peakview pipelines. The Sewer Fund reflected a gain of \$48,132. 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	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$8,317,165	\$6,855,807	\$4,085,450	\$3,792,216	\$12,399,615	\$10,648,023
Non-current assets	14,659,366	16,145,563	17,558,317	19,672,703	32,217,683	35,818,266
Total assets	22,976,531	23,001,370	21,640,767	23,464,919	44,617,298	46,466,289
Deferred Outflows of Resources	932,220	1,012,373	219,352	248,521	1,151,572	1,260,894
Total current liabilities	1,835,700	529,817	1,644,933	428,310	3,480,633	958,127
Total non-current liabilities	6,643,952	6,170,467	4,141,872	3,811,465	10,785,824	9,981,932
Total Liabilities	8,479,652	6,700,285	5,786,805	4,239,773	14,266,457	10,940,058
Deferred Inflows of Resources	874,808	1,485,761	0	231,682	874,808	1,717,443
Net Position:						
Net Investment in Capital Assets	11,753,934	13,290,338	14,770,210	17,151,206	26,524,144	30,441,544
Restricted	666,260	1,568,034	-	-	666,260	1,568,034
Unrestricted	2,134,097	969,325	1,303,104	2,090,779	3,437,201	3,060,104
Total net position	\$14,554,291	\$15,827,697	\$16,073,314	\$19,241,985	\$30,627,605	\$35,069,682

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

CHANGES IN NET POSITION

Revenues:	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	\$1,881,706	\$1,428,411	\$2,861,849	\$2,893,323	\$4,743,555	\$4,321,734
Operating Grants and Contributions	212,731	250,164	-	-	212,731	250,164
Capital Grants and Contributions	1,123,294	1,116,644	3,417,150	3,285,011	4,540,444	4,401,655
General Revenues						
Taxes	8,665,606	8,409,444	-	-	8,665,606	8,409,444
Investment Income	33,401	72,185			33,401	72,185
Other	159,846	534,537	201	283	160,047	534,820
Total General & Program Revenues	12,076,584	11,811,385			12,076,584	11,811,385
Transfers	(240,446)	(852,775)	240,446	852,775	-	0
Total Revenues	11,836,138	10,958,610	6,519,646	7,031,392	18,355,784	17,990,002
Expenses:						
General Government	4,285,757	3,877,138	-	-	4,285,757	3,877,138
Public Safety	3,636,339	3,366,943	-	-	3,636,339	3,366,943
Public Works	2,286,369	1,704,995	-	-	2,286,369	1,704,995
Culture & Recreation	1,043,340	848,830	-	-	1,043,340	848,830
Interest on Long term Debt	92,355	100,217	27,843	24,477	120,198	124,694
Business-type Activities	-	-	4,212,401	3,928,629	4,212,401	3,928,629
Total Expenses	11,344,160	9,898,123	4,240,244	3,953,106	15,584,404	13,661,338
Increase (Decrease) in Net Position	491,378	1,060,487	2,279,402	3,078,286	2,771,380	4,328,664
Beginning Net Position	14,062,313	14,767,210	13,793,912	16,163,699	27,856,225	30,717,990
Ending Net Position	\$14,554,291	\$15,827,697	\$16,073,314	\$19,241,985	\$30,627,605	\$35,046,654

- The City's total net position increased by \$4,138,773 during the current fiscal year.

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

Financial Analysis of the City's Funds

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,506,035. Approximately 36% of this total amount, \$1,964,822, 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 \$1,492,458. Transfers out totaled \$3,285,001 and exceeded transfers in of \$204,305 by \$3,080,696. The net fund balance decreased by \$1,588,238. The General Fund finished 2018 with an ending fund balance of \$2,005,377 this includes restricted, committed, assigned as well as unassigned fund balances. Sales tax decreased by \$57,220 from 2017. This was caused by a decrease in tourists from a combination of construction on the main route into Manitou Springs and the shutdown for renovation, of one of the major attractions of the City, the Pikes Peak Cog Railway.

The Capital Improvements Fund obtained one lease purchase in 2018, in the amount of \$519,207 with an interest rate of 3.404%, 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 a \$13 fee applied to all utilities bills. In May of 2015, the Federal Government made a disaster declaration, FEMA 4229, for soil saturation from rain. This was in addition to the disaster declaration from 2013, FEMA 4145, from flooding; these both involved the City. Manitou Springs received multiple grants from Federal and State funding sources. The expenses, award amounts and grant matches are all being accounted for in the Storm Drainage fund. The fund had an overall decrease in net position of \$779,357.

The Water Fund serves approximately 2,200 users with a distribution system including a reservoir, fresh water treatment plant and two storage tanks. The distribution system delivered an average of 459,194 gallons of fresh water per day in 2018. The Fund had an overall gain in net position of \$3,814,811, this is attributed to additional fixed assets obtained as Contributed Capital from the Storm Drainage fund, the Raw Water Pipeline and the Peakview Place pipeline. 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 repairing and replacing aging infrastructure.

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

The Sewer Enterprise Fund serves the same approximate 2,200 utility users, as the water distribution system. The City of Manitou Springs does not have a sewage treatment capability and relies on the neighboring City of Colorado Springs for treatment at their facility. Sewer rates for residential, are determined by water usage per customer during the months of January and February of each year. For commercial users (all sewer accounts other than single family dwelling units) the rate is determined by the monthly water usage. The Sewer Fund had an overall increase of \$48,894.

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 the amended budget by \$123,251, this is attributed to several different revenues coming in higher than budgeted. Among the higher revenues were the following: sales tax, use tax, planning fees, fire protection services and parking revenues. The fire protection services revenue (compensation from the Federal government for the deployment of equipment and contract firefighters for national wildland fire fighting and national emergencies) was higher due to the active fire season in California. The other revenues were higher than budgeted due to conservative budgeting for the final amended budget for the loss of revenues from the impact on the tourist season from the Pikes Peak Cog Railway closure and construction on the main road leading into the City (Colorado Ave.). Actual General Fund expenditures were less than the amended budgeted amount by \$717,906, this is mainly attributed to salary savings and decreased spending in most of the departments to compensate for the anticipated reduced revenues due to the Cog closure and the construction.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounted to \$35,545,183 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment, and vehicles. Major additions to capital assets in 2018 included Brook Street Bridge Rehabilitation, Park Bridge project, El Monte Street retaining wall, curb & gutter, sidewalk and culvert projects, Raw Water Pipeline replacement, Peakview Place water main replacement, Ute Trail water main replacement, Sandra Lane Sewer Main replacement, Church Street Bridge repair, Hiawatha Gardens transit stop shelter, Pawnee Ave and Escondido Valle repaving, Manitou Terrace slope stabilization project, two new Police Ford Interceptors, a wood chipper, street sweeper and a RAM Promaster truck for public works.

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

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

CAPITAL ASSETS

	Governmental Activities	Business-type Activities	Total
Land and Land Improvements	\$ 11,077,058	\$ 150,738	\$11,227,796
Construction in Progress	460,830	35,182	496,012
Buildings	1,668,046		1,668,046
Equipment and Vehicles	5,056,529	-	5,056,529
Collection and Distribution Improvements	-	30,139,406	30,139,406
Machinery and Equipment	-	3,059,944	3,059,944
Infrastructure	11,454,285	-	11,454,285
Total	29,716,748	33,385,270	63,102,018
Accumulated Depreciation	(13,844,268)	(13,712,567)	(27,556,835)
Net Capital Assets	\$ 15,872,480	\$ 19,672,703	\$ 35,545,183

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 \$5,103,638 (net of compensated absences). Of this amount, \$1,784,456 is ARRA non-interest bearing loans for water/sewer improvements. The City added a Capital Lease in the amount of \$559,207 for vehicles and equipment, for a total of \$2,997,285 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 2018 decreased in comparison to those in 2017 by half a percent, .49%. Please note, the City's Urban Renewal Authority, on the east end, normally receives the regular sales tax over the amount collected in that area in 2006. In 2018, due to the Cog closure, the URA signed an agreement allowing the City to retain this sales tax through June 2019. For 2018, this sales tax amount was \$1,263,551. City Council determined that this would be spent only on Capital Improvements.

Since 2014, taxable sales have performed as follows:

FY2014	\$66,754,759
FY2015	\$110,803,174
FY2016	\$148,055,471
FY2017	\$159,096,255
FY2018	\$158,323,081

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

All of the above facts were considered during the preparing of the City's budget for the 2019 fiscal year.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION
December 31, 2018

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	UNIT MS URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	\$ 3,129,448	\$ 2,900,609	\$ 6,030,057	\$ 3,065,298
Restricted Cash and Investments	784,921	16,498	801,419	-
Receivables				
Property Taxes	819,956	-	819,956	84,817
Other Governments	1,068,532	-	1,068,532	-
Accounts	1,052,950	266,931	1,319,881	-
Grants	-	608,178	608,178	-
Capital Assets, Not Depreciated	7,503,661	35,182	7,538,843	-
Capital Assets, Net of Accumulated Depreciation	8,368,819	19,637,521	28,006,340	-
Net Pension Asset	273,083	-	273,083	-
TOTAL ASSETS	23,001,370	23,464,919	46,466,289	3,150,115
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	973,527	232,030	1,205,557	-
Related to Defined OPEB Plans	38,846	16,491	55,337	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,012,373	248,521	1,260,894	-
LIABILITIES				
Accounts Payable	431,238	360,680	791,918	18,004
Accrued Liabilities	98,580	52,565	151,145	-
Accrued Interest	-	15,063	15,063	-
Noncurrent Liabilities				
Due within One Year	524,489	291,280	815,769	-
Due in More Than One Year	2,181,678	2,230,217	4,411,895	-
Net Pension Liability	3,211,609	1,182,700	4,394,309	-
Net OPEB Liability	252,691	107,268	359,959	-
TOTAL LIABILITIES	6,700,285	4,239,773	10,940,058	18,004
DEFERRED INFLOW OF RESOURCES				
Deferred Property Tax Revenue	819,954	-	819,954	84,817
Related to Defined Benefit Pension Plans	661,580	229,888	891,468	-
Related to Defined OPEB Plans	4,227	1,794	6,021	-
TOTAL DEFERRED INFLOW OF RESOURCES	1,485,761	231,682	1,717,443	84,817
NET POSITION				
Net Investment in Capital Assets	13,290,338	17,151,206	30,441,544	-
Restricted for Capital Projects	784,921		784,921	-
Restricted for Parks and Open Space	782,973	-	782,973	-
Restricted for Emergencies	-	-	-	2,737
Restricted for Law Enforcement	140	-	140	-
Unrestricted	969,325	2,090,779	3,060,104	3,044,557
TOTAL NET POSITION	\$ 15,827,697	\$ 19,241,985	\$ 35,069,682	\$ 3,047,294

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF ACTIVITIES
December 31, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 3,877,138	\$ 134,243	\$ 9,557	\$ -
Public Safety	3,366,943	369,820	16,207	335,352
Public Works	1,704,995	40,000	224,400	726,600
Culture and Recreation	848,830	884,348	-	54,692
Interest on Long-Term Debt	100,217	-	-	-
Total Governmental Activities	9,898,123	1,428,411	250,164	1,116,644
Business-Type Activities				
Storm Drainage	1,516,324	320,692	-	3,285,011
Water	1,424,004	1,483,922	-	-
Sewer	988,301	1,088,709	-	-
Interest on Long-Term Debt	24,477	-	-	-
Total Business-Type Activities	3,953,106	2,893,323	-	3,285,011
TOTAL PRIMARY GOVERNMENT	\$ 13,851,229	\$ 4,321,734	\$ 250,164	\$ 4,401,655
COMPONENT UNIT				
MS Urban Renewal Authority	\$ 124,831	\$ -	\$ -	\$ -

GENERAL REVENUES

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

TRANSFERS

TOTAL GENERAL REVENUES
AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning, As Restated

NET POSITION, Ending

The accompanying notes are an integral part of the financial statement

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	MS URBAN RENEWAL AUTHORITY
\$ (3,733,338)	\$ -	\$ (3,733,338)	\$ -
(2,645,564)	-	(2,645,564)	-
(713,995)	-	(713,995)	-
90,210	-	90,210	-
(100,217)	-	(100,217)	-
(7,102,904)	-	(7,102,904)	-
-	2,089,379	2,089,379	-
-	59,918	59,918	-
-	100,408	100,408	-
-	(24,477)	(24,477)	-
-	2,225,228	2,225,228	-
\$ (7,102,904)	\$ 2,225,228	\$ (4,877,676)	\$ -
-	-	-	(124,831)
6,311,231	-	6,311,231	-
971,023	-	971,023	76,648
395,240	-	395,240	-
367,766	-	367,766	-
364,184	-	364,184	-
510,599	-	510,599	-
72,185	-	72,185	14,575
23,938	283	24,221	-
(852,775)	852,775	-	-
8,163,391	853,058	9,016,449	91,223
1,060,487	3,078,286	4,138,773	(33,608)
14,767,210	16,163,699	30,930,909	3,080,903
\$ 15,827,697	\$ 19,241,985	\$ 35,069,682	\$ 3,047,295

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash and Investments	\$ 1,355,549	\$ 862,075	\$ 911,824	\$ 3,129,448
Restricted Cash and Investments	-	784,921	-	784,921
Property Taxes Receivable	672,296	34,846	112,814	819,956
Due From Other Governments	760,985	718	306,829	1,068,532
Accounts Receivable	145,453	907,497	-	1,052,950
Due From Other Funds	65,761	-	-	65,761
TOTAL ASSETS	\$ 3,000,044	\$ 2,590,057	\$ 1,331,467	\$ 6,921,568
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 223,791	\$ 23,892	\$ 183,555	\$ 431,238
Accrued Liabilities	98,580	-	-	98,580
Due to Other Funds	-	-	65,761	65,761
TOTAL LIABILITIES	322,371	23,892	249,316	595,579
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	672,296	34,846	112,812	819,954
TOTAL DEFERRED INFLOWS OF RESOURCES	672,296	34,846	112,812	819,954
FUND EQUITY				
Fund Balance				
Restricted for Parks and Open Space	-	-	782,973	782,973
Restricted for Law Enforcement	-	-	140	140
Restricted for Capital Projects	-	784,921	-	784,921
Committed to Imaging Technology	4,586	-	-	4,586
Committed to Capital Projects	-	1,480,297	-	1,480,297
Assigned to Barr Trail Maintenance	283	-	-	283
Assigned to Capital Projects	-	266,101	186,226	452,327
Assigned to Parks and Trails	28,858	-	-	28,858
Assigned to Police and Fire	6,828	-	-	6,828
Unassigned	1,964,822	-	-	1,964,822
TOTAL FUND EQUITY	2,005,377	2,531,319	969,339	5,506,035
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 3,000,044	\$ 2,590,057	\$ 1,331,467	\$ 6,921,568

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2018

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

Total Fund Balances of Governmental Funds	5,506,035
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,872,480
Some assets were not received in the current period and, therefore, are not reported in the funds. These amounts include:	
Net pension asset	273,083
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in expected vs actual experience	374,270
Deferred outflows of resources - changes of assumptions	84,041
Deferred outflows of resources - change in proportionate share of net pension liability	145,764
Deferred outflows of resources - pension contributions from the measurement date	369,452
Deferred outflows of resources - change in OPEB	38,846
Deferred inflows of resources - difference in projected vs actual investment earnings	(645,110)
Deferred inflows of resources - difference in expected vs actual experience	(3,914)
Deferred inflows of resources - change in proportionate share of net pension liability	(12,556)
Deferred inflows of resources - changes in OPEB	(4,227)
Long-term liabilities and related items are not due and payable in the current period and are not reported in the funds. These include Capital Leases (\$2,582,142) and Accrued Compensated Absences (\$124,025).	(2,706,167)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These amounts include:	
Net pension liability	(3,211,609)
Net OPEB liability and related OPEB deferred inflows/outflows of resources	(252,691)
Net position of governmental activities	<u><u>15,827,697</u></u>

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
December 31, 2018

	GENERAL	CAPITAL IMPROVEMENTS	OTHER GOVERNMENTAL	
	FUND	FUND	FUNDS	TOTALS
REVENUES				
Taxes	\$ 7,834,704	\$ 36,590	\$ 538,150	\$ 8,409,444
Licenses and Permits	73,179	-	-	73,179
Charges for Services	1,142,030	-	-	1,142,030
Intergovernmental	253,764	330,853	785,792	1,370,409
Fines and Forfeitures	208,545	-	4,655	213,200
Contributions/Donations	506,999	-	-	506,999
Investment Income	69,616	12,561	2,570	84,747
Miscellaneous	11,377	-	-	11,377
TOTAL REVENUES	10,100,214	380,004	1,331,167	11,811,385
EXPENDITURES				
General Government	2,852,025	-	-	2,852,025
Public Safety	3,511,103	-	-	3,511,103
Public Works	1,604,105	-	23,616	1,627,721
Culture and Recreation	640,523	-	32,344	672,867
Capital Outlay	-	1,250,624	731,608	1,982,232
Debt Service				
Principal	-	381,340	464,241	845,581
Interest	-	63,852	36,365	100,217
TOTAL EXPENDITURES	8,607,756	1,695,816	1,288,174	11,591,746
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,492,458	(1,315,812)	42,993	219,639
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	519,207	-	519,207
Transfers In	204,305	2,275,600	-	2,479,905
Transfers Out	(3,285,001)	-	(47,679)	(3,332,680)
TOTAL OTHER FINANCING SOURCES (USES)	(3,080,696)	2,794,807	(47,679)	(333,568)
NET CHANGE IN FUND BALANCES	(1,588,238)	1,478,995	(4,686)	(113,929)
FUND BALANCES, Beginning	3,593,615	1,052,324	974,025	5,619,964
FUND BALANCES, Ending	\$ 2,005,377	\$ 2,531,319	\$ 969,339	\$ 5,506,035

The accompanying notes are an integral part of the financial statement

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, 2018

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

Net Changes in Fund Balances - Total Governmental Funds	\$(113,929)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$2,774,637 exceeded depreciation (\$660,912) and the net transfer of capital assets (\$900,611) to the Storm Drainage Fund.	1,213,114
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.	(519,206)
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 \$420,000 and payments of capital leases of \$422,497.	842,497
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.	(364,464)
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.	2,475
Change in Net Position of Governmental Activities	<u><u>\$1,060,487</u></u>

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
Year Ended December 31, 2018

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
ASSETS				
Current Assets				
Cash and Investments	\$ 516,492	\$ 1,044,021	\$ 1,340,096	\$ 2,900,609
Restricted Cash and Investments	-	9,899	6,599	16,498
Accounts Receivable	26,966	129,104	110,861	266,931
Grants Receivable	608,178	-	-	608,178
Total Current Assets	1,151,636	1,183,024	1,457,556	3,792,216
Noncurrent Assets				
Capital Assets, Not Depreciated	-	29,300	5,882	35,182
Capital Assets, Net of Accumulated Depreciation	9,196,231	8,271,268	2,170,022	19,637,521
Total Noncurrent Assets	9,196,231	8,300,568	2,175,904	19,672,703
TOTAL ASSETS	10,347,867	9,483,592	3,633,460	23,464,919
DEFERRED OUTFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	89,550	121,653	37,318	248,521
LIABILITIES				
Current Liabilities				
Accounts Payable	89,128	212,383	59,169	360,680
Accrued Liabilities	8,635	8,729	5,356	22,720
Accrued Compensated Absences	5,523	19,938	4,384	29,845
Accrued Interest Payable	1,957	10,308	2,798	15,063
Leases Payable, Current Portion	40,131	18,025	30,288	88,444
Loans Payable, Current Portion	-	198,666	4,170	202,836
Total Current Liabilities	145,374	468,049	106,165	719,588
Noncurrent Liabilities				
Leases Payable	123,624	77,311	125,763	326,698
Loans Payable	-	1,859,732	43,787	1,903,519
Net Pension Liability	458,848	623,340	207,780	1,289,968
Total Noncurrent Liabilities	582,472	2,560,383	377,330	3,520,185
TOTAL LIABILITIES	727,846	3,028,432	483,495	4,239,773
DEFERRED INFLOWS OF RESOURCES				
Related to Defined Benefit Pension Plans	82,410	111,954	37,318	231,682
NET POSITION				
Net Investment in Capital Assets	9,032,476	6,146,834	1,971,896	17,151,206
Unrestricted	594,685	318,025	1,178,069	2,090,779
TOTAL NET POSITION	\$ 9,627,161	\$ 6,464,859	\$ 3,149,965	\$ 19,241,985

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - PROPRIETARY FUNDS
Year Ended December 31, 2018

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
OPERATING REVENUES				
Charges for Services	\$ 320,692	\$ 1,450,922	\$ 1,080,624	\$ 2,852,238
Miscellaneous	-	184	99	283
TOTAL OPERATING REVENUES	320,692	1,451,106	1,080,723	2,852,521
EXPENDITURES				
Operations and maintenance	1,099,310	1,060,270	875,563	3,035,143
Depreciation	417,014	497,345	201,812	1,116,171
TOTAL OPERATING EXPENSES	1,516,324	1,557,615	1,077,375	4,151,314
OPERATING INCOME/(LOSS)	(1,195,632)	(106,509)	3,348	(1,298,793)
NON-OPERATING REVENUES (EXPENSES)				
Interest expenses	(3,799)	(15,776)	(4,902)	(24,477)
	(3,799)	(15,776)	(4,902)	(24,477)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,199,431)	(122,285)	(1,554)	(1,323,270)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital Contributions				
Tap Fees	-	33,000	8,085	41,085
Capital Grants	3,285,011	-	-	3,285,011
Other Funds	-	133,611	89,074	222,685
Transfers In	1,009,401	3,874,193	-	4,883,594
Transfers Out	(3,874,193)	(107,180)	(49,446)	(4,030,819)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	420,219	3,933,624	47,713	4,401,556
CHANGE IN NET POSITION	(779,212)	3,811,339	46,159	3,078,286
NET POSITION, Beginning, As Restated	10,406,373	2,653,520	3,103,806	16,163,699
NET POSITION, Ending	\$ 9,627,161	\$ 6,464,859	\$ 3,149,965	\$ 19,241,985

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended December 31, 2018 Increase (Decrease) in Cash and Cash Equivalents

	STORM DRAINAGE FUND	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 335,656	\$ 1,462,016	\$ 1,099,068	\$ 2,896,740
Cash Received from Others	-	183	99	282
Cash Paid to Suppliers	(1,846,511)	(429,962)	(594,225)	(2,870,698)
Cash Paid to Employees	(515,417)	(411,872)	(222,752)	(1,150,041)
Net Cash Provided (Used) by Operating Activities	(2,026,272)	620,365	282,190	(1,123,717)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments from (to) Other Funds	(3,946,523)	3,900,624	39,628	(6,271)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Lease Proceeds	-	24,000	16,000	40,000
Purchase and Construction of Capital Assets	1,108,537	(4,218,499)	(120,595)	(3,230,557)
Net Cash Provided (Used) by Long-term Debt Principal Paid	(40,392)	(217,460)	(48,758)	(306,610)
Interest Paid	(4,316)	(17,631)	(4,457)	(26,404)
Capital Contributions - Grants	5,425,458	-	-	5,425,458
Tap Fees Received	-	33,000	8,085	41,085
Net Cash Provided (Used) by Capital and Related Financing Activities	6,489,287	(4,396,590)	(149,725)	1,942,972
Net Increase in Cash and Cash Equivalents	516,492	124,399	172,093	812,984
CASH AND CASH EQUIVALENTS, Beginning	-	929,521	1,174,602	2,104,123
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 516,492</u>	<u>\$ 1,053,920</u>	<u>\$ 1,346,695</u>	<u>\$ 2,917,107</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (1,195,632)</u>	<u>\$ (106,509)</u>	<u>\$ 3,348</u>	<u>\$ (1,298,793)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided(Used) by Operating Activities				
Depreciation	417,014	497,345	201,812	1,116,171
Net Pension Liability Adjustments	92,488	126,445	44,456	263,389
Changes in Assets and Liabilities				
Accounts Receivable	14,964	11,094	18,444	44,502
Accounts Payable	(1,345,091)	94,307	10,904	(1,239,880)
Accrued Liabilities	(4,742)	844	2,191	(1,707)
Accrued Compensated Absences	(5,273)	(161)	1,035	(4,399)
Sludge Reserve Write Off	-	(3,000)	-	(3,000)
Total Adjustments	(830,640)	726,874	278,842	175,076
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,026,272)</u>	<u>\$ 620,365</u>	<u>\$ 282,190</u>	<u>\$ (1,123,717)</u>

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
Year Ended December 31, 2018

ASSETS	AGENCY
Cash and Investments	\$ 61,069
Property Taxes Receivable	3,711
Accounts Receivable	<u>20,024</u>
 TOTAL ASSETS	 \$ <u><u>84,804</u></u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
LIABILITIES	
Accounts Payable	\$ 14,566
Due to Metropolitan District	<u>66,570</u>
 TOTAL LIABILITIES	 81,136
 DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>3,668</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 \$ <u><u>84,804</u></u>

The accompanying notes are an integral part of the financial statement

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) for the year ended December 31, 2018. Adoption of this statement revised and established new reporting requirements for other postemployment benefits provided by the City to its employees. (See NOTE 8.) 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, 2018

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, 2018

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund type:

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

Assets, Liabilities, Fund Balance/Net Position

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 and other postemployment benefits plans as a whole at December 31, 2018.

In addition to liabilities, the balance sheet – governmental funds and statement of financial position reports a separate section for *deferred inflows of resources*. This separate financial statement classification represents an acquisition of fund balance or net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until then.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and other postemployment benefits plans as a whole at December 31, 2018.

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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

- 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, 2018.
- 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, 2018 for future document imaging and capital improvements.
- 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, 2018 for future Barr Trail maintenance, capital improvements, police, fire, parks and trails.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPEB

The City participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments on behalf of health care participants are recognized when due and/or 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, 2018, follows:

Petty Cash	\$	650
Cash Deposits		4,957,743
Cash Held by Third Party		817,950
Investments		4,167,500
Total	\$	9,943,843

Cash is reported in the financial statements as follows:

Cash and Investments - Primary Government	\$	6,030,057
Restricted Cash and Investments - Primary Government		801,419
Cash and Investments - Urban Renewal Authority		3,065,298
Cash and Investments - Agency - Fund		61,069
Total	\$	9,957,843

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

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, 2018, the City and component unit had bank deposits totaling \$5,151,941 of which \$500,000 were FDIC insured and \$4,651,941 were collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

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

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

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

- 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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

At December 31, 2018, the City had \$4,167,500 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement.

The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the City records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash and Investments

Restricted cash and investments consist of unspent lease proceeds of \$801,419 in the Capital Improvements, Water and Sewer Funds.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfers In:	Transfers Out:	Amount:
General	Downtown Public Facilities	\$ 1,220
General	Open Space	6,100
General	Law Enforcement	1,220
General	El Paso/Beckers Park	39,139
General	Water	107,180
General	Sewer	49,446
Capital Improvements	General	2,275,600
Storm Drainage	General	1,009,401
Water	Storm Drainage	3,874,193
		<u>\$ 7,363,499</u>

During the year ended December 31, 2018, 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. The Storm Drainage Fund transferred capital assets to the Water Fund, which were constructed and financed by the Storm Drainage Fund.

Interfund balances – At December 31, 2018, the General Fund temporarily subsidized the negative cash balances until court fees and reimbursements are received, of the Law Enforcement and RTA Funds by \$2,110 and \$63,651, respectively.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, is summarized below:

	Balance - December 31, 12/31/2017	Increases	Decreases	Balance - December 31, 12/31/2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,042,831	\$ -	\$ -	\$ 7,042,831
Construction in Progress:	1,019,652	341,789	900,611	460,830
Total Capital Assets, Not Being Depreciated	8,062,483	341,789	900,611	7,503,661
Capital Assets, Being Depreciated:				
Land Improvements	\$ 4,029,227	\$ 5,000	\$ -	\$ 4,034,227
Buildings	1,668,046	-	-	1,668,046
Infrastructure	9,447,674	2,006,611	-	11,454,285
Equipment and Vehicles	4,635,292	421,237	-	5,056,529
Total Capital Assets, Being Depreciated	19,780,239	2,432,848	-	22,213,087
Less Accumulated Depreciation				
For:				
Land Improvements	1,577,632	156,566	-	1,734,198
Buildings	1,219,183	28,494	-	1,247,677
Infrastructure	7,003,751	272,998	-	7,276,749
Equipment and Vehicles	3,382,790	202,854	-	3,585,644
Total Accumulated Depreciation	13,183,356	660,912	-	13,844,268
Total Capital Assets, Being Depreciated, Net	6,596,883	1,771,936	-	8,368,819
Total Capital Assets	\$ 14,659,366	\$ 2,113,725	\$ 900,611	\$ 15,872,480

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

General Government	\$ 303,191
Public Safety	104,484
Public Works	77,274
Culture and Recreation	175,963
Total	<u>\$ 660,912</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4: CAPITAL ASSETS (Continued)

	Balance - December 31, 12/31/2017	Increases	Decreases	Balance - December 31, 12/31/2018
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Storm Drainage System	\$ 1,782,897	\$ -	\$ 1,782,897	\$ -
Sewer System	-	5,882	-	5,882
Water System	29,300	-	-	29,300
Total Capital Assets, Not Being Depreciated	1,812,197	5,882	1,782,897	35,182
Capital Assets, Being Depreciated:				
Land Improvements	\$ 47,796	\$ 102,942	\$ -	\$ 150,738
Collection and Distribution Systems	25,258,496	4,880,910	-	30,139,406
Machinery and Equipment	3,036,224	23,720	-	3,059,944
Total Capital Assets, Being Depreciated	28,342,516	5,007,572	-	33,350,088
Less Accumulated Depreciation				
For:				
Land Improvements	13,449	2,125	-	15,574
Collection and Distribution Systems	10,397,030	941,569	-	11,338,599
Machinery and Equipment	2,185,917	172,477	-	2,358,394
Total Accumulated Depreciation	12,596,396	1,116,171	-	13,712,567
Total Capital Assets, Being Depreciated, Net	15,746,120	3,891,401	-	19,637,521
Total Capital Assets	\$ 17,558,317	\$ 3,897,283	\$ 1,782,897	\$ 19,672,703

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018.

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
2004 Sales and Use Tax Bonds	\$ 420,000	\$ -	\$ 420,000	\$ -	\$ -
Capital Leases	2,485,432	519,207	422,497	2,582,142	400,464
Accrued Compensated Absences	126,501	211,928	214,404	124,025	124,025
	<u>\$ 3,031,933</u>	<u>\$ 731,135</u>	<u>\$ 1,056,901</u>	<u>\$ 2,706,167</u>	<u>\$ 524,489</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, 2018, the remaining debt service of \$420,000 was paid off from pledged revenues derived from the dedicated 0.3% sales and use tax.

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 3.404% per annum and mature between June 2022 and June 2026. Capital assets totaling \$2,448,272 less accumulated depreciation of \$512,537 are reported in the financial statements under these lease agreements.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Following is a schedule of future minimum lease payments required under the outstanding capital leases at December 31, 2018.

<u>Year ended December 31</u>	
2019	\$ 480,096
2020	456,141
2020	425,692
2020	393,623
2020	287,020
2024-2028	756,522
2029-2030	127,613
Total Minimum Lease Payments	<u>2,926,707</u>
Less: Interest:	344,565
Present Value of Future Minimum Lease Payments	<u><u>\$ 2,582,142</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, 2018.

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Business-type Activities					
1985 Water Loan	\$ 367,723	\$ -	\$ 45,826	\$ 321,897	\$ 47,666
2009 Water Loan	775,851	-	62,068	713,783	62,068
2009 Water Loan	775,851	-	62,068	713,783	62,068
2009 Water Loan	335,798	-	26,864	308,934	26,864
2009 Sewer Loan	52,126	-	4,170	47,956	4,170
Capital Leases	480,758	40,000	105,615	415,143	88,444
Accrued Compensated Absences	34,244	44,788	49,187	29,845	29,845
	<u>\$ 2,822,351</u>	<u>\$ 84,788</u>	<u>\$ 355,798</u>	<u>\$ 2,551,341</u>	<u>\$ 321,125</u>

Water Loans

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

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

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

The three CWRPDA water loans are payable solely from revenues of the City's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2018, net revenues of \$407,725 were available to pay annual debt service of \$151,000. Remaining debt service at December 31, 2018 was \$1,736,500.

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, 2018, net revenues of \$197,463 were available to pay annual debt service of \$4,170. Remaining debt service at December 31, 2018 was \$47,956.

Future Debt Service Requirements

<u>Year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 202,837	\$ 12,925	\$ 215,762
2020	204,750	11,011	215,761
2021	206,741	9,020	215,761
2022	208,812	6,950	215,762
2023	266,964	7,013	273,977
2024-2028	877,171	4,455	881,626
2029-2030	232,755		232,755
	<u>\$ 2,200,030</u>	<u>\$ 51,374</u>	<u>\$ 2,251,404</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Business-type Activities (Continued)

Capital Leases

The City has entered into several capital lease agreements to purchase equipment and vehicles. These leases bear interest at rates ranging from 1.725% to 3.404% per annum and mature between June 2022 and June 2025. Capital assets totaling \$1,016,649 less accumulated depreciation of \$441,051 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, 2018.

Year ended December 31

2019	\$	101,841
2020		94,684
2020		74,085
2020		73,784
2020		55,617
2024-2026		28,148
Total Minimum Lease Payments		428,159
Less: Interest:		30,158
Present Value of Future Minimum Lease Payments	\$	<u>398,001</u>

NOTE 6: PUBLIC ENTITY RISK POOL

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

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

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 6: PUBLIC ENTITY RISK POOL (Continued)

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

NOTE 7: PENSION PLANS

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

Nonemergency Employees

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

Police Officers

- Police Officers Statewide Defined Benefit Plan (FPPA)

Firefighters

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

City Administrator

- ICMA-RC Money Purchase Management Plan – Defined Contribution

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

General Information about the Pension Plan

Plan Description: Eligible 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent 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 percent or 100 percent 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent 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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Contributions: Eligible 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate ¹	10.00 %	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	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98 %	8.98 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	2.20 %	2.20 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	1.50 %	1.50 %
Total Employer Contribution Rate to the LGDTF ¹	12.68 %	12.68 %

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$323,788 for the year ended December 31, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported a liability of \$3,968,795 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The City's proportion of the net pension liability was based on the City's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the City's proportion was 0.35645 percent, which was an increase of 0.02854 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$903,525. At December 31, 2018, 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
Difference between Expected and Actual Experience	\$ 248,284	\$ -
Changes of Assumptions or other Inputs	41,925	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	771,438
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	175,481	-
Contributions Subsequent to the Measurement Date	323,788	-
Total	<u>\$ 789,478</u>	<u>\$ 771,438</u>

\$323,788 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 30,</u>	<u>Amount</u>
2019	\$ 335,629
2020	(74,776)
2021	(280,553)
2022	(286,048)

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Actuarial Assumptions: The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 10.45%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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>	Target Allocation	30-Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	100.00	

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the single equivalent interest rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, 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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 6,321,003	\$ 3,968,795	\$ 2,007,891

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

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.

Changes between the measurement date of the net pension liability and December 31, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

At December 31, 2018, the City reported a liability of \$3,968,795 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the City's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	2,807,196

Police Officers Statewide Defined Benefit Pension Plan

State Fire and Police Pension Plan (FPPA)

The City contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid police officers of the City are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Description of Benefits

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

The annual normal retirement benefit is 2 percent 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 percent 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 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 with at least five years of credited service 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 percent 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 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Members of the SWDB plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. Members of the SWDB plan and their employers are contributing at the rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Contributions to the SWDB plan from the City were \$71,926 for the year ended December 31, 2018.

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

At December 31, 2018, the City reported an asset of \$187,343 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, 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 the City's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2017, the City's proportion was 0.13022 percent, which was a decrease of 0.01374 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of (\$132,909). At December 31, 2018, 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
Difference between Expected and Actual Experience	\$ 135,101	\$ 2,076
Changes of Assumptions or other Inputs	28,226	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	63,609
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	14,344	9,652
Contributions Subsequent to the Measurement Date	71,926	-
Total	<u>\$ 249,597</u>	<u>\$ 75,337</u>

\$71,926 in total reported as deferred outflows of resources related to pension resulting from City contributions subsequent to measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 22,560
2020	19,663
2021	(7,373)
2022	(17,400)
2023	20,265
Thereafter	64,619

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0 - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Police Officers 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 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.00 %	8.33 %
Equity Long/Short	9.00	7.15
Illiquid Alternatives	24.00	9.70
Fixed Income	15.00	3.00
Absolute Return	9.00	6.46
Managed Futures	4.00	6.85
Cash	2.00	2.26
Total	100.00	

Discount Rate

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Police Officers Statewide Defined Benefit Pension Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability (Ass \$	203,961	\$ (187,343)	\$ (512,271)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Changes between the measurement date of the net pension asset and December 31, 2018

The FPPA Board completed an actuarial experience study and approved changes to the actuarial assumptions effective January 1, 2019. The inflation assumption will remain at 2.5%. The investment return assumption will be reduced from 7.5% to 7.0% to reflect the reduced real return expected from recent capital market data. The reduction in the investment return assumption will increase the total pension liability.

State Fire and Police Pension Plan (FPPA)

The City contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association (FPPA). The Statewide Defined Benefit Plan (SWDB) provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by the FPPA. This is a noncontributory plan. All full-time, paid firefighters of the City are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Local revenue sources are responsible for funding of the Death and Disability benefits for firefighters hired on or after January 1, 1997.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits

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

The annual normal retirement benefit is 2 percent 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 percent 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 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 with at least five years of credited service 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 percent 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 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Contributions

The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Members of the SWDB plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. Members of the SWDB plan and their employers are contributing at the rate of 9.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 17.5 percent in 2017. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022. Contributions to the SWDB plan from the City were \$37,270 for the year ended December 31, 2018.

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

At December 31, 2018, the City reported an asset of \$85,740 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, 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 the City's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2017, the City's proportion was 0.05959 percent, which was a decrease of 0.00454 percent from its proportion measured as of December 31, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2018, the City recognized pension expense of (\$60,408). At December 31, 2018, 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
Difference between Expected and Actual Experience	\$ 61,831	\$ 950
Changes of Assumptions or other Inputs	12,918	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	29,112
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	8,232	2,904
Contributions Subsequent to the Measurement Date	37,270	-
Total	<u>\$ 120,251</u>	<u>\$ 32,966</u>

\$37,270 in total reported as deferred outflows of resources related to pension resulting from City contributions subsequent to measurement date will be recognized as an increase of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 10,746
2020	9,420
2021	(2,953)
2022	(7,542)
2023	9,696
Thereafter	30,648

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0 - 14.0%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except there is a three year set-forward, meaning a disabled member age 70 will be valued as if they were a 73 year old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.00 %	8.33 %
Equity Long/Short	9.00	7.15
Illiquid Alternatives	24.00	9.70
Fixed Income	15.00	3.00
Absolute Return	9.00	6.46
Managed Futures	4.00	6.85
Cash	2.00	2.26
Total	100.00	

Discount Rate

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Firefighters Statewide Defined Benefit Pension Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability (Ass	\$ 93,345	\$ (85,740)	\$ (234,446)

Pension Plan Fiduciary Net Position

Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report, which can be obtained at <http://www.fppaco.org>.

Changes between the measurement date of the net pension asset and December 31, 2018

The FPPA Board completed an actuarial experience study and approved changes to the actuarial assumptions effective January 1, 2019. The inflation assumption will remain at 2.5%. The investment return assumption will be reduced from 7.5% to 7.0% to reflect the reduced real return expected from recent capital market data. The reduction in the investment return assumption will increase the total pension liability.

Old Hire Fire Pension Plan
Plan Descriptions and Provisions

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.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

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, 2018, 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 Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City reported a net pension liability of \$180,073. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

For the year ended December 31, 2018, the City recognized pension expense of \$40,655. At December 31, 2018, the City reported deferred outflows and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	5,945
District Contributions Subsequent to the Measurement Date	16,956	-
Total	<u>\$ 16,956</u>	<u>\$ 5,945</u>

\$16,956 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 (increase to asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Deferred Amounts
2019	\$ 1,064
2020	625
2021	(3,157)
2022	(4,477)
Total	<u>\$ (5,945)</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Actuarial Assumptions

The January 1, 2018 actuarial valuation was used to determine the actuarially determined contribution for the fiscal year ending December 31, 2018. The valuation used the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method Period	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Any remaining activities are assumed to retire immediately

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.

The long-term expected rate of return on pension plan investments was determine 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Old Hire Fire Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Cash	2.00%	2.26%
Fixed Income	15.00%	3.00%
Managed Futures	4.00%	6.85%
Absolute Return	9.00%	6.46%
Long Short	9.00%	7.15%
Global Public Equity	37.00%	8.33%
Private Capital	24.00%	9.70%
Total	100.00%	

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 percent lower or 1 percent higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's Net Pension Liability (Asset)	\$ 230,822	\$ 180,073	\$ 136,489

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, 2018

NOTE 7: PENSION PLANS (Continued)

Volunteer Firefighter's Pension Plan

The City, on behalf of its volunteer firefighters, contributes to a defined benefit pension plan which is administered by 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 provides retirement benefits for members and beneficiaries according to the plan provisions as enacted and governed by the pension fund board of trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the plan. FPPA issues a publicly available annual financial report that includes the assets of the volunteer plan. That report may be obtained by calling FPPA at 303-770-3772 in the Denver Metro area or 1-800-332-FPPA (3772) from outside the metro area.

Volunteer firefighters who complete the minimum annual training required by the City and are members in good standing of the volunteer organization, are eligible to participate in the plan for that year. Volunteers' rights to a benefit vest after ten years of service. Volunteers who retire at, or after the age of 50, with twenty years of credited service, are entitled to a benefit. Volunteers who retire with ten years of credited service are entitled to a partial benefit. Surviving spouses are entitled to a 50% benefit. In addition, the plan provides death and disability benefits funded by insurance policies.

Volunteers Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Retirees or Beneficiaries Currently Receiving Benefits	21
Inactive Employees Entitled to but Not Yet Receiving Benefits	1
Active Employees	30
Total	<u>52</u>

Contributions

Contributions are determined by the FPPA actuary, using the entry age normal cost method as of January 1, 2017. Contributions into the pension fund are derived from two sources: contributions directly from the City and contributions from the State based on assessed property values and other formulas. For the year ended December 31, 2018, the City's contributions were \$16,000.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

Net Pension Asset

The total pension liability is based on an actuarial valuation performed as of January 1, 2017 and a measurement date of December 31, 2017. This measurement date is within two years of the plan sponsor's fiscal year-end of December 31, 2018 and may be used for December 31, 2018 reporting purposes.

Actuarial assumptions. The total pension liability was rolled forward from the actuarial valuation as of January 1, 2017 to the measurement date of December 31, 2017, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 years*
Asset Valuation Method Period	5-Year smoothed fair value
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65.

Mortality rates were based on the following:

- 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 were projected and based on Scale AA.

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.5%.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)**Net Pension Asset (Continued)**

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). Being that the plan's fiduciary net position is projected to be sufficient to pay benefits, the long-term expected rate of return of 7.50% was used as the discount rate.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2016	\$ 589,349	\$ 340,752	\$ 248,597
Changes for the Year			
Service Cost	5,655	-	5,655
Interest	42,322	-	42,322
Contributions – Employer	-	16,000	(16,000)
Contributions – Employee	-	-	-
Net Investment Income	-	46,005	(46,005)
Benefit Payments, Including Refunds of			
Employee Contributions	(56,700)	(56,700)	-
Administrative Expenses	-	(10,873)	10,873
Net Changes	(8,723)	(5,568)	(3,155)
Balance at December 31, 2017	<u>\$ 580,626</u>	<u>\$ 335,184</u>	<u>\$ 245,442</u>

Sensitivity of the net pension liability (asset) to the changes in the discount rate.

The following table presents the net pension liability (asset) of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's Net Pension Liability (Asset)	\$ 299,358	\$ 245,442	\$ 199,726

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7: PENSION PLANS (Continued)

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

For the year ended December 31, 2018, the City recognized pension expense of \$46,138 for the Volunteer Pension Plan. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,043	\$ 888
Changes of Assumptions	13,466	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,894
District Contributions Subsequent to the Measurement Date	16,000	-
Total	<u>\$ 32,509</u>	<u>\$ 5,782</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 (increase to asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Deferred Amounts
2019	\$ 8,534
2020	4,906
2021	850
2022	(3,563)
Total	<u>\$ 10,727</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018, City Administrator's contributions totaled \$786 and the City recognized pension expense of \$5,049 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 BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the City are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from City were \$26,263 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the City reported a liability of \$359,958 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the City's proportion was 0.02769 percent which was an increase of 0.00253 percent from its proportion measured as of December 31, 2016.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2018, the City recognized OPEB expense of \$10,547. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,702	\$ -
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	-	6,022
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	27,372	-
Contributions Subsequent to the Measurement Date	26,263	-
Total	<u>\$ 55,337</u>	<u>\$ 6,022</u>

\$26,263 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2019	\$ 4,207
2020	4,207
2021	4,207
2022	4,207
2023	5,713
Thereafter	511

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, gradually rising to 4.25% in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	<u>100.00</u>	

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

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	\$ 350,055	\$ 359,958	\$ 371,887

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Based on the above assumptions and methods, the HCTF'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 of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB 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.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 404,706	\$ 359,958	\$ 321,765

OPEB plan fiduciary net position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**Restatement Footnote**

For the year ended December 31, 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the City, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability.

For the year ended December 31, 2017, the City revised the pension calculations resulting in a restatement to beginning Net Position for the Governmental Activities, Business-type Activities, Water, Sewer and Storm Drainage Funds.

Implementation of the standard and the revised pension calculations resulted in a restatement of the prior period net position as shown below.

	Water	Sewer	Storm Drainage
Net Position, December 31, 2017, as Previously Reported	\$ 2,609,844	\$ 3,089,247	\$ 10,374,223
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(43,693)	(14,564)	(32,163)
Correction of FPPA and PERA Pension Plans Deferred Outflows and Inflows	87,369	29,123	64,313
Net Position, December 31, 2017, as Restated	<u>\$ 2,653,520</u>	<u>\$ 3,103,806</u>	<u>\$ 10,406,373</u>

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017, as Previously Reported	\$ 14,554,291	\$ 16,073,314
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(213,003)	(90,420)
Correction of FPPA and PERA Pension Plans Deferred Outflows and Inflows	425,922	180,805
Net Position, December 31, 2017, as Restated	<u>\$ 14,767,210</u>	<u>\$ 16,163,699</u>

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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. 2413, as a result of flooding in 2013. The resolution authorized the use of the TABOR emergency reserve for expenses directly related to the recovery efforts and to mitigate the risk of future flooding. The City will determine when the state of emergency is lifted and will re-establish, within one year, an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment.

The URA is not subject to the Amendment. See: Marian L. Olson v. City of Golden, et. al. 53 P.3d 747 (Co. App.), certiorari denied. However, the URA reported an emergency reserve of \$2,737 for the year ended December 31, 2018.g

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, 2018, 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, 2018

NOTE 9: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The City is a party to various lawsuits, which may require expenditures of funds upon decision of the courts or in connection with out-of-court settlements. The City is aware of possible contingent liabilities based on damages alleged in a recent claim. The amount of the potential liability related to these lawsuits and claims cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes				
Sales and Use	\$ 5,927,854	\$ 5,867,854	\$ 5,891,537	\$ 23,683
Property	810,435	818,780	815,977	(2,803)
Amusement and Lodging	880,989	403,000	395,240	(7,760)
Franchise	374,000	363,750	367,766	4,016
Auto Use	332,500	315,000	364,184	49,184
Licenses and Permits	69,910	65,928	73,179	7,251
Charges for Services	1,560,731	1,052,679	1,142,030	89,351
Intergovernmental	402,398	291,045	253,764	(37,281)
Fines and Forfeitures	334,530	231,090	208,545	(22,545)
Contributions/Donations	3,431	507,931	506,999	(932)
Interest	53,000	53,000	69,616	16,616
Miscellaneous	4,600	6,906	11,377	4,471
TOTAL REVENUES	10,754,378	9,976,963	10,100,214	123,251
EXPENDITURES				
General Government				
Legislative	324,675	306,136	275,109	31,027
Judicial	112,518	112,518	98,187	14,331
Executive	987,998	1,019,278	909,486	109,792
Administrative	475,594	513,202	520,204	(7,002)
Community Services	635,983	604,303	487,093	117,210
Economic Development	1,738,334	431,434	431,434	-
Intergovernmental	143,770	149,770	129,938	19,832
Document Retrieval	2,500	-	-	-
Council Programs and Projects	900	900	574	326
Total General Governments	4,422,272	3,137,541	2,852,025	285,516
Public Safety				
Police	1,821,746	1,654,325	1,579,037	75,288
Fire	979,180	960,875	988,759	(27,884)
Other Police and Fire	-	1,452	1,452	-
Code Enforcement	77,292	77,262	72,290	4,972
Parking Enforcement	855,915	854,244	869,565	(15,321)
Total Public Safety	3,734,133	3,548,158	3,511,103	37,055
Public Works				
Streets	2,059,295	1,918,448	1,604,105	314,343
Total Public Works	2,059,295	1,918,448	1,604,105	314,343

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Culture and Recreation				
Parks and Recreation	\$ 508,177	\$ 527,286	\$ 505,151	\$ 22,135
Trails	237,328	194,229	135,372	58,857
Total Culture and Recreation	<u>745,505</u>	<u>721,515</u>	<u>640,523</u>	<u>80,992</u>
 TOTAL EXPENDITURES	 <u>10,961,205</u>	 <u>9,325,662</u>	 <u>8,607,756</u>	 <u>717,906</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(206,827)</u>	 <u>651,301</u>	 <u>1,492,458</u>	 <u>841,157</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	204,305	204,305	204,305	-
Transfers Out	<u>(1,763,143)</u>	<u>(3,178,350)</u>	<u>(3,285,001)</u>	<u>(106,651)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,558,838)</u>	 <u>(2,974,045)</u>	 <u>(3,080,696)</u>	 <u>(106,651)</u>
 NET CHANGE IN FUND BALANCE	 <u>(1,765,665)</u>	 <u>(2,322,744)</u>	 <u>(1,588,238)</u>	 <u>734,506</u>
 FUND BALANCE, Beginning	 <u>2,923,848</u>	 <u>3,603,289</u>	 <u>3,593,615</u>	 <u>(9,674)</u>
 FUND BALANCE, Ending	 <u><u>\$ 1,158,183</u></u>	 <u><u>\$ 1,280,545</u></u>	 <u><u>\$ 2,005,377</u></u>	 <u><u>\$ 724,832</u></u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 36,996	\$ 36,996	\$ 36,590	\$ (406)
Intergovernmental	728,168	1,868,056	330,853	(1,537,203)
Interest	-	-	12,561	12,561
TOTAL REVENUES	<u>765,164</u>	<u>1,905,052</u>	<u>380,004</u>	<u>(1,525,048)</u>
EXPENDITURES				
Capital Outlay	1,674,572	1,940,502	1,250,624	689,878
Debt Service				
Principal	361,587	361,587	381,340	(19,753)
Interest and Fiscal Charges	61,863	61,863	63,852	(1,989)
TOTAL EXPENDITURES	<u>2,098,022</u>	<u>2,363,952</u>	<u>1,695,816</u>	<u>668,136</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,332,858)	(458,900)	(1,315,812)	(2,193,184)
OTHER FINANCING SOURCES				
Proceeds from Issuance of Debt	473,919	473,919	519,207	45,288
Transfers In	708,111	1,012,049	2,275,600	1,263,551
TOTAL OTHER FINANCING SOURCES	<u>1,182,030</u>	<u>1,485,968</u>	<u>2,794,807</u>	<u>1,308,839</u>
NET CHANGE IN FUND BALANCE	(150,828)	1,027,068	1,478,995	451,927
FUND BALANCE, Beginning	<u>200,828</u>	<u>372,419</u>	<u>1,052,324</u>	<u>679,905</u>
FUND BALANCE (DEFICIT), Ending	<u>\$ 50,000</u>	<u>\$ 1,399,487</u>	<u>\$ 2,531,319</u>	<u>\$ 1,131,832</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

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

Last Ten Years*

	2017	2016	2015	2014	2013
<u>PERA - LOCAL GOVERNMENT DIVISION TRUST FUND</u>					
Proportion of the Net Pension Liability (Asset)	0.35644%	0.32791%	0.30675%	0.25894%	0.25360%
Proportionate Share of the Net Pension Liability (Asset)	\$3,968,795	\$4,427,922	\$3,379,093	\$2,320,884	\$2,086,887
Covered Employee Payroll	\$2,807,196	\$2,248,623	\$1,976,677	\$1,741,473	\$1,418,864
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	141.38%	196.92%	170.95%	133.27%	147.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.65%	73.65%	76.87%	80.72%	77.66%
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>					
Proportion of the Net Pension Liability (Asset)	0.13022%	0.14396%	0.13961%	0.13452%	0.13306%
Proportionate Share of the Net Pension Liability (Asset)	\$(187,343)	\$52,019	\$(2,461)	\$(151,810)	\$(118,980)
Covered Employee Payroll	\$899,076	\$760,073	\$738,608	\$604,912	\$577,324
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-20.84%	6.84%	-0.33%	-25.10%	-20.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.30%	98.21%	100.10%	106.83%	105.83%
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>					
Proportion of the Net Pension Liability (Asset)	0.05960%	0.06414%	0.06465%	0.06816%	6.29200%
Proportionate Share of the Net Pension Liability (Asset)	\$(85,740)	\$23,176	\$(1,140)	\$(76,927)	\$(56,266)
Covered Employee Payroll	\$465,864	\$349,428	\$328,841	\$306,525	\$273,302
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	-18.40%	6.63%	-0.35%	-25.10%	-20.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.30%	98.21%	100.10%	106.83%	105.83%

NOTE: Information for the prior five 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*

	2017	2016	2015	2014
Total Pension Liability				
Interest on the Total Pension Liability	\$ 36,193	\$ 36,383	\$ 40,843	\$ 41,014
Difference between expected and actual experience of the Total Pension Liability	26,018	-	(87,449)	-
Changes of Assumptions	-	-	26,286	-
Benefit Payments	(39,508)	(38,357)	(39,914)	(46,540)
Net Change in Total Pension Liability	22,703	(1,974)	(60,234)	(5,526)
Total Pension Liability - Beginning	501,966	503,940	564,174	569,700
Total Pension Liability - Ending	<u>\$ 524,669</u>	<u>\$ 501,966</u>	<u>\$ 503,940</u>	<u>\$ 564,174</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 16,959	\$ 21,799	\$ 21,799	\$ 19,672
Pension Plan Net Investment Income	45,694	17,007	5,687	22,581
Benefit Payments	(39,508)	(38,357)	(39,914)	(46,540)
Pension Plan Administrative Expense	(689)	(2,380)	(837)	(3,655)
Net Change in Plan Fiduciary Net Position	22,456	(1,931)	(13,265)	(7,942)
Plan Fiduciary Net Position - Beginning	322,140	324,071	337,336	345,278
Plan Fiduciary Net Position - Ending	<u>\$ 344,596</u>	<u>\$ 322,140</u>	<u>\$ 324,071</u>	<u>\$ 337,336</u>
Net Pension Liability (Asset)				
Total Pension Liability - Ending	\$ 524,669	\$ 501,966	\$ 503,940	\$ 564,174
Plan Fiduciary Net Position - Ending	344,596	322,140	324,071	337,336
Net Pension Liability (Asset)	<u>\$ 180,073</u>	<u>\$ 179,826</u>	<u>\$ 179,869</u>	<u>\$ 226,838</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.7%	64.2%	64.3%	59.8%
Covered Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee	N/A	N/A	N/A	N/A

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

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Ten Fiscal Years*

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$5,655	\$6,563	\$6,563	\$5,274
Interest on the Total Pension Liability	42,322	41,496	42,160	40,957
Difference between expected and actual experience of the Total Pension Liability	-	(1,436)	-	24,855
Changes of assumptions	-	21,796	-	-
Benefit Payments	(56,700)	(57,225)	(57,905)	(53,550)
Net Change in Total Pension Liability	(8,723)	11,194	(9,182)	17,536
Total Pension Liability - Beginning	589,349	578,155	587,337	569,801
Total Pension Liability - Ending	<u>\$580,626</u>	<u>\$589,349</u>	<u>\$578,155</u>	<u>\$587,337</u>
Plan Fiduciary Net Position				
Employer Contributions	\$16,000	\$16,000	\$16,000	\$16,000
Pension Plan Net Investment Income	46,005	18,105	6,628	24,145
Benefit Payments	(56,700)	(57,225)	(57,905)	(53,550)
Pension Plan Administrative Expense	(10,873)	(813)	(1,838)	(941)
State of Colorado supplemental discretionary payment	-	14,400	14,400	14,400
Net Change in Plan Fiduciary Net Position	(5,568)	(9,533)	(22,715)	54
Plan Fiduciary Net Position - Beginning	340,752	350,285	373,000	372,946
Plan Fiduciary Net Position - Ending	<u>\$335,184</u>	<u>\$340,752</u>	<u>\$350,285</u>	<u>\$373,000</u>
Net Pension Liability (Asset)				
Total Pension Liability - Ending	\$580,626	\$589,349	\$578,155	\$587,337
Plan Fiduciary Net Position - Ending	335,184	340,752	350,285	373,000
Net Pension Liability (Asset)	\$245,442	\$248,597	\$227,870	\$214,337
Plan Fiduciary Net Position as a Percentage of of Total Pension Liability	57.7%	57.8%	60.6%	63.5%
Covered Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability (Asset) as a Percentage of Covered Employee	N/A	N/A	N/A	N/A

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

NOTE: Information for the prior six 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>	2018	2017	2016	2015
Contractually Required Contribution	\$ 350,051	\$ 286,261	\$ 252,803	\$ 220,819
Contributions in Relation to the Contractually Required Contribution	<u>350,051</u>	<u>286,261</u>	<u>252,803</u>	<u>220,819</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,551,833	\$ 2,257,579	\$ 1,993,715	\$ 1,741,473
Contributions as a Percentage of Covered Employee Payroll	13.72%	12.68%	12.68%	12.68%
<u>FPPA - STATEWIDE DEFINED BENEFIT - POLICE</u>	2018	2017	2016	2015
Contractually Required Contribution	\$ 71,926	\$ 60,806	\$ 59,089	\$ 54,665
Contributions in Relation to the Contractually Required Contribution	<u>71,926</u>	<u>60,806</u>	<u>59,089</u>	<u>54,665</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$899,076	\$760,073	\$ 738,608	\$683,311
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%
<u>FPPA - STATEWIDE DEFINED BENEFIT - FIRE</u>	2018	2017	2016	2015
Contractually Required Contribution	\$ 37,270	\$ 27,954	\$ 26,307	\$ 26,670
Contributions in Relation to the Contractually Required Contribution	<u>37,270</u>	<u>27,954</u>	<u>26,307</u>	<u>26,670</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$465,864	\$349,428	\$ 328,841	\$333,375
Contributions as a Percentage of Covered Employee Payroll	8.00%	8.00%	8.00%	8.00%

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO
REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ending December 31,	Actuarially Determined Contribution*	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
	(a)	(b)	(a) - (b)		
2014	\$ 19,672	\$ 19,672	\$ -	NA	NA
2015	\$ 21,799	\$ 21,799	\$ -	NA	NA
2016	\$ 21,799	\$ 21,799	\$ -	NA	NA
2017	\$ 21,799	\$ 21,799	\$ -	NA	NA
2018	\$ 21,799	\$ 16,959	\$ 4,840		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: 1/1/2018

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

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Dollar, Open

Remaining Amortization Period: 19 years *

Asset Valuation Method: 5-Year Smoothed Market

Inflation: 2.50%

Salary Increases: N/A N/A

Investment Rate of Return: 7.50%

Retirement Age: Any remaining actives are
assumed to retire immediately

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

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

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

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ending December 31,	Actuarially Determined Contribution*	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
	(a)	(b)	(a) - (b)		
2014	\$ 25,311	\$ 30,400	(\$ 5,089)	NA	NA
2015	\$ 26,859	\$ 30,400	(\$ 3,541)	NA	NA
2016	\$ 26,859	\$ 30,400	(\$ 3,541)	NA	NA
2017	\$ 26,859	\$ 30,400	(\$ 3,541)	NA	NA
2018	\$ 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: 1/1/2018

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:	7.50%
Retirement Age:	50% per year of eligibility until 100% at age 65.
Mortality:	Pre-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment, 40% multiplier for off duty-mortality.
	Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment.
	Disabled: RP-2000 Disabled Mortality Table
	All tables projected with Scale AA.

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

NOTE: Information for the prior five 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, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

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

Legal Compliance

For the year ended December 31, 2018, the Open Space, Law Enforcement and Storm Drainage Funds actual expenditures and transfers out exceeded budgeted expenditures and transfers out by \$4,117, \$1,022 and \$231,283, respectively. These may be violations of State statutes.

For the year ended December 31, 2018, the Law Enforcement Fund original and final budgeted fund balances were a deficit. These may be violations of state statutes.

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

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 2018 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, 2018

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS		
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND	DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	TOTALS
ASSETS							
Cash and Investments	\$ 113,435	\$ 218,503	\$ -	\$ 438,216	\$ 141,670	\$ -	\$ 911,824
Property Taxes Receivable	50,141	-	-	62,673	-	-	112,814
Due From Other Governments	14,778	-	2,250	1,288	41,242	247,271	306,829
TOTAL ASSETS	\$ 178,354	\$ 218,503	\$ 2,250	\$ 502,177	\$ 182,912	\$ 247,271	\$ 1,331,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY							
LIABILITIES							
Accounts Payable	\$ -	\$ 3,200	\$ -	\$ 49	\$ -	\$ 180,306	\$ 183,555
Due to Other Funds	-	-	2,110	-	-	63,651	65,761
TOTAL LIABILITIES	-	3,200	2,110	49	-	243,957	249,316
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Tax Revenue	50,139	-	-	62,673	-	-	112,812
FUND EQUITY							
Restricted for Parks and Open Space	128,215	215,303	-	439,455	-	-	782,973
Restricted for Law Enforcement	-	-	140	-	-	-	140
Assigned to Capital Projects	-	-	-	-	182,912	3,314	186,226
TOTAL FUND EQUITY	128,215	215,303	140	439,455	182,912	3,314	969,339
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	\$ 178,354	\$ 218,503	\$ 2,250	\$ 502,177	\$ 182,912	\$ 247,271	\$ 1,331,467

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS		TOTALS
	OPEN SPACE FUND	CONSERVATION TRUST FUND	LAW ENFORCEMENT FUND	EL PASO/ BECKERS PARK FUND	DOWNTOWN PUBLIC FACILITIES FUND	RURAL TRANSPORTATION AUTHORITY FUND	
REVENUES							
Taxes	\$ 154,874	\$ -	\$ -	\$ 65,809	\$ 317,467	\$ -	\$ 538,150
Intergovernmental	-	54,692	4,500	-	-	726,600	785,792
Fines and Forfeitures	-	-	4,655	-	-	-	4,655
Investment Income	-	2,570	-	-	-	-	2,570
TOTAL REVENUES	154,874	57,262	9,155	65,809	317,467	726,600	1,331,167
EXPENDITURES							
Public Works	23,616	-	-	-	-	-	23,616
Culture and Recreation	-	29,712	-	2,632	-	-	32,344
Capital Outlay	-	-	8,322	-	-	723,286	731,608
Debt Service							
Principal	44,241	-	-	-	420,000	-	464,241
Interest and Fiscal Charge	15,265	-	-	-	21,100	-	36,365
TOTAL EXPENDITURES	83,122	29,712	8,322	2,632	441,100	723,286	1,288,174
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	71,752	27,550	833	63,177	(123,633)	3,314	42,993
OTHER FINANCING SOURCES (USES)							
Transfers Out	(6,100)	-	(1,220)	(39,139)	(1,220)	-	(47,679)
CHANGE IN FUND BALANCES	65,652	27,550	(387)	24,038	(124,853)	3,314	(4,686)
FUND BALANCES, Beginning	62,563	187,753	527	415,417	307,765	-	974,025
FUND BALANCES, Ending	\$ 128,215	\$ 215,303	\$ 140	\$ 439,455	\$ 182,912	\$ 3,314	\$ 969,339

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE FUND
 Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Tax	\$ 100,000	\$ 103,000	\$ 102,227	\$ (773)
Property Taxes	53,233	53,233	52,647	(586)
TOTAL REVENUES	153,233	156,233	154,874	(1,359)
EXPENDITURES				
Public Works	145,500	19,500	23,616	(4,116)
Debt Service				
Principal	41,802	41,802	44,241	(2,439)
Interest	17,703	17,703	15,265	2,438
TOTAL EXPENDITURES	205,005	79,005	83,122	(4,117)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,772)	77,228	71,752	(5,476)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(6,100)	(6,100)	(6,100)	-
NET CHANGE IN FUND BALANCE	(57,872)	71,128	65,652	(5,476)
FUND BALANCE, Beginning	58,674	62,562	62,563	1
FUND BALANCE, Ending	\$ 802	\$ 133,690	\$ 128,215	\$ (5,475)

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
 CONSERVATION TRUST FUND
 Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Lottery Revenues	\$ 50,000	\$ 53,700	\$ 54,692	\$ 992
Interest	-	1,700	2,570	870
TOTAL REVENUES	50,000	55,400	57,262	1,862
EXPENDITURES				
Parks and Recreation	200,000	46,680	29,712	16,968
TOTAL EXPENDITURES	200,000	46,680	29,712	16,968
NET CHANGE IN FUND BALANCE	(150,000)	8,720	27,550	18,830
FUND BALANCE, Beginning	173,091	187,753	187,753	-
FUND BALANCE, Ending	\$ 23,091	\$ 196,473	\$ 215,303	\$ 18,830

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Fines and Forfeitures	\$ 16,000	\$ 8,500	\$ 4,655	\$ (3,845)
Intergovernmental	1,600	1,600	4,500	2,900
TOTAL REVENUES	17,600	10,100	9,155	(945)
EXPENDITURES				
Capital Outlay	16,000	7,300	8,322	(1,022)
TOTAL EXPENDITURES	16,000	7,300	8,322	(1,022)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,600	2,800	833	(1,967)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,220)	(1,220)	(1,220)	-
NET CHANGE IN FUND BALANCE	380	1,580	(387)	(1,967)
FUND BALANCE (DEFICIT), Beginning	(2,707)	(5,647)	527	6,174
FUND BALANCE (DEFICIT), Ending	<u>\$ (2,327)</u>	<u>\$ (4,067)</u>	<u>\$ 140</u>	<u>\$ 4,207</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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 66,541	\$ 66,541	\$ 65,809	\$ (732)
TOTAL REVENUES	66,541	66,541	65,809	(732)
EXPENDITURES				
Culture and Recreation	20,410	3,800	2,632	1,168
Capital Outlay	142,028	-	-	-
TOTAL EXPENDITURES	162,438	3,800	2,632	1,168
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,897)	62,741	63,177	436
OTHER FINANCING SOURCES (USES)				
Transfers Out	(39,139)	(39,139)	(39,139)	-
NET CHANGE IN FUND BALANCE	(135,036)	23,602	24,038	436
FUND BALANCE, Beginning	369,816	415,417	415,417	-
FUND BALANCE, Ending	\$ 234,780	\$ 439,019	\$ 439,455	\$ 436

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
DOWNTOWN PUBLIC FACILITIES FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Sales Taxes	\$ 301,735	\$ 301,735	\$ 306,680	\$ 4,945
Use Taxes	7,530	7,530	10,787	3,257
Federal Grants	3,275,250	-	-	-
TOTAL REVENUES	3,584,515	309,265	317,467	8,202
EXPENDITURES				
Capital Outlay	3,275,250	-	-	-
Debt Service				
Principal	420,000	420,000	420,000	-
Interest and Fiscal Charges	22,294	22,294	21,100	1,194
TOTAL EXPENDITURES	3,717,544	442,294	441,100	1,194
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,029)	(133,029)	(123,633)	9,396
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,220)	(1,220)	(1,220)	-
NET CHANGE IN FUND BALANCE	(134,249)	(134,249)	(124,853)	9,396
FUND BALANCE, Beginning	303,170	307,765	307,765	-
FUND BALANCE, Ending	\$ 168,921	\$ 173,516	\$ 182,912	\$ 9,396

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
RURAL TRANSPORTATION AUTHORITY FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,473,963	\$ 735,455	\$ 726,600	\$ (8,855)
EXPENDITURES				
Capital Outlay	2,473,963	735,455	723,286	12,169
NET CHANGE IN FUND BALANCE	-	-	3,314	3,314
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 3,314	\$ 3,314

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
STORM DRAINAGE FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 327,460	\$ 337,000	\$ 320,692	\$ (16,308)
Capital Grants	2,979,964	2,938,595	3,285,011	346,416
Transfers In	1,078,020	1,009,401	1,009,401	-
	<u>4,385,444</u>	<u>4,284,996</u>	<u>4,615,104</u>	<u>330,108</u>
TOTAL REVENUES				
EXPENDITURES				
Operations and Maintenance	1,270,348	1,198,827	1,099,310	99,517
Capital Outlay	3,073,985	2,673,988	2,998,924	(324,936)
Debt Service				
Principal	36,487	36,487	40,392	(3,905)
Interest	4,624	4,624	3,799	825
	<u>4,385,444</u>	<u>3,913,926</u>	<u>4,142,425</u>	<u>(228,499)</u>
TOTAL EXPENDITURES				
NET INCOME, Budget Basis	<u>\$ -</u>	<u>\$ 371,070</u>	472,679	<u>\$ 101,609</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay			2,998,924	
Capital Outlay - Transferred to Water Fund			(3,874,193)	
Depreciation			(417,014)	
Principal Paid on Long-Term Debt			<u>40,392</u>	
NET INCOME, GAAP Basis			(779,212)	
NET POSITION, Beginning, As Restated			<u>10,406,373</u>	
NET POSITION, Ending			<u>\$ 9,627,161</u>	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
WATER FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,422,000	\$ 1,468,250	\$ 1,450,922	\$ (17,328)
Tap Fees	22,000	33,000	33,000	-
Proceeds from Issuance of Debt	-	-	24,000	24,000
Miscellaneous	-	-	184	184
TOTAL REVENUES	1,444,000	1,501,250	1,508,106	6,856
EXPENDITURES				
Operations and Maintenance	1,150,328	1,045,620	1,060,270	(14,650)
Capital Outlay	447,000	242,000	210,696	31,304
Debt Service				
Principal	219,252	219,252	217,460	1,792
Interest	19,422	19,422	15,776	3,646
Transfers Out	107,180	107,180	107,180	-
TOTAL EXPENDITURES	1,943,182	1,633,474	1,611,382	22,092
NET INCOME, Budget Basis	<u>\$ (499,182)</u>	<u>\$ (132,224)</u>	(103,276)	<u>\$ 28,948</u>
GAAP BASIS ADJUSTMENTS				
Capital Contribution - Other Funds			133,611	
Transfers In - Capital - Storm Drainage Fund			3,874,193	
Capital Outlay			210,696	
Proceeds from Issuance of Debt			(24,000)	
Depreciation			(497,345)	
Principal Paid on Long-Term Debt			217,460	
NET INCOME, GAAP Basis			3,811,339	
NET POSITION, Beginning, As Restated			2,653,520	
NET POSITION, Ending			<u>\$ 6,464,859</u>	

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BUDGETARY COMPARISON SCHEDULE
SEWER FUND
Year Ended December 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Charges for Services	\$ 1,149,600	\$ 1,100,500	\$ 1,080,624	\$ (19,876)
Tap Fees	5,390	8,085	8,085	-
Proceeds from Issuance of Debt	-	-	16,000	16,000
Miscellaneous	99	99	99	-
TOTAL REVENUES	1,155,089	1,108,684	1,104,808	(3,876)
EXPENDITURES				
Operations and Maintenance	859,283	837,408	875,563	(38,155)
Capital Outlay	100,000	100,000	(25,641)	125,641
Debt Service				
Principal	44,457	44,457	48,757	(4,300)
Interest	5,591	5,591	4,902	689
Transfers Out	49,446	49,446	49,446	-
TOTAL EXPENDITURES	1,058,777	1,036,902	953,027	83,875
NET INCOME, Budget Basis	\$ 96,312	\$ 71,782	151,781	\$ 79,999
GAAP BASIS ADJUSTMENTS				
Capital Contribution - Other Funds			89,074	
Capital Outlay			(25,641)	
Proceeds from Issuance of Debt			(16,000)	
Depreciation			(201,812)	
Principal Paid on Long-Term Debt			48,757	
NET INCOME, GAAP Basis			46,159	
NET POSITION, Beginning, As Restated			3,103,806	
NET POSITION, Ending			\$ 3,149,965	

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, 2018

	BALANCE 12/31/2017	ADDITIONS	DELETIONS	BALANCE 12/31/2018
ASSETS				
Cash and Investments	\$ 220,164	\$ 29,421	\$ 188,516	\$ 61,069
Taxes Receivable	3,885	3,711	3,885	3,711
Accounts Receivable	25,536	20,024	25,536	20,024
	<u>249,585</u>	<u>53,156</u>	<u>217,937</u>	<u>84,804</u>
TOTAL ASSETS	<u>\$ 249,585</u>	<u>\$ 53,156</u>	<u>\$ 217,937</u>	<u>\$ 84,804</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts Payable	\$ 7,455	\$ 14,566	\$ 7,455	\$ 14,566
Due to Metropolitan District	238,281	66,570	238,281	66,570
	<u>245,736</u>	<u>81,136</u>	<u>245,736</u>	<u>81,136</u>
TOTAL LIABILITIES	245,736	81,136	245,736	81,136
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenues	3,849	3,668	3,849	3,668
	<u>3,849</u>	<u>3,668</u>	<u>3,849</u>	<u>3,668</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 249,585</u>	<u>\$ 84,804</u>	<u>\$ 249,585</u>	<u>\$ 84,804</u>

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

BALANCE SHEET
COMPONENT UNIT
Year Ended December 31, 2018

	MS URBAN RENEWAL AUTHORITY
ASSETS	
Cash and Investments	\$ 3,065,298
Taxes Receivable	84,817
TOTAL ASSETS	\$ 3,150,115
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 18,004
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenues	84,817
FUND BALANCE	
Restricted for Emergencies	2,737
Unassigned	3,044,557
TOTAL FUND BALANCE	3,047,294
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,150,115

See the accompanying Independent Auditor's Report.

CITY OF MANITOU SPRINGS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 COMPONENT UNITY
 Year Ended December 31, 2018

	MS URBAN RENEWAL AUTHORITY
REVENUES	
Property Taxes	\$ 76,648
Investment Income	14,575
TOTAL REVENUES	91,223
EXPENDITURES	
Administrative	99,831
Improvement Projects	25,000
TOTAL EXPENDITURES	124,831
NET CHANGE IN FUND BALANCE	(33,608)
FUND BALANCE, Beginning	3,080,903
FUND BALANCE, Ending	\$ 3,047,295

See the accompanying Independent Auditor's Report.

COMPLIANCE SECTION

STATE COMPLIANCE

The public report burden for this information collection is estimated to average 380 hours annually.				Financial Planning 02/01 Form # 350-050-36	
				City or County:	
LOCAL HIGHWAY FINANCE REPORT				YEAR ENDING :	
				December 2018	
This Information From The Records Of (example - City of _ or County of _):				Prepared By:	
				Phone:	
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)	459,977		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	344,836		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations	21,690		
2. General fund appropriations	1,272,962	b. Snow and ice removal			
3. Other local imposts (from page 2)	832,867	c. Other	84,623		
4. Miscellaneous local receipts (from page 2)	98,570	d. Total (a. through c.)	106,313		
5. Transfers from toll facilities		4. General administration & miscellaneous	37,534		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	1,048,143		
a. Bonds - Original Issues		6. Total (1 through 5)	1,996,803		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest	20,044		
7. Total (1 through 6)	2,204,398	b. Redemption	420,000		
B. Private Contributions		c. Total (a. + b.)	440,044		
C. Receipts from State government (from page 2)	232,449	2. Notes:			
D. Receipts from Federal Government (from page 2)	0	a. Interest			
E. Total receipts (A.7 + B + C + D)	2,436,847	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	440,044		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	2,436,847		
IV. LOCAL HIGHWAY DEBT STATUS					
(Show all entries at par)					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
A. Bonds (Total)	420,000		420,000	0	
1. Bonds (Refunding Portion)					
B. Notes (Total)				0	
V. LOCAL ROAD AND STREET FUND BALANCE					
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	2,436,847	2,436,847	0	0
Notes and Comments:					

See the accompanying Independent Auditor's Report.

See the accompanying Independent Auditor's Report.

SINGLE AUDIT REPORTS AND SCHEDULES

See the accompanying Independent Auditor's Report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manitou Springs (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs as 2018-001 we identified a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

Logan and Associates, LLC

Aurora, Colorado
September 27, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Manitou Springs' (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manitou Springs as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Manitou Springs. We issued our report thereon dated September 27, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manitou Springs's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Logan and Associates, LLC

Aurora, Colorado
September 27, 2019

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

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

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

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

☐ yes ☒ no

Identification of major programs:

14.269 Hurricane Sandy Community Development Block Grant – Disaster Recovery Grants

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

Auditee qualified as low-risk auditee.

☐ yes ☒ no

(Continued)

CITY OF MANITOU SPRINGS, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Financial Reporting Findings

2018-001 Financial Reporting

Criteria	The City is responsible for designing and implementing internal control in order to provide timely prepared, accurate and complete financial information.
Condition	A significant adjustment to the City's accounting records was necessary to accurately report the financial statements in accordance with generally accepted accounting principles for the year ended December 31, 2018.
Context	During the performance of our audit procedures, we identified a material misstatement and proposed a significant adjustment to the City's accounting records. This adjustment was necessary in order to correct undetected errors, and to accurately report grant related receivables and revenues.
Effect	The risk of misstatements to the City's financial statements due to error or fraud is significantly increased when internal controls are inadequate and personnel lack the time, skills and knowledge to adequately report the transactions in the City's accounting records.
Cause	The City's processes for tracking and recording grant project revenues and receivables does not allow for proper review and approval of adjustments in the account records. Therefore, a grant receivable and revenue was recorded twice by separate finance staff.
Recommendation	We recommend that the City seek training in governmental accounting procedures to provide skills and knowledge for the existing staff. Supervisory reviews over the accounting functions and financial reporting should be performed on a consistent basis to detect and correct errors in a timely manner.

View of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.



2018-001 Corrective Action Plan

In 2019, the City's Finance Department was assessed by the accounting firm, CliftonLarsonAllen LLP for weaknesses, efficiencies, cross training and appropriate separation of duties. After the assessment, CliftonLarsonAllen LLP identified areas of improvement including internal control. Staff members now have a clear separation of duties with only one individual recording journal entries and a separate staff member reviewing the journal entries and financials.

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

CITY OF MANITOU SPRINGS, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2018

Finding No. 2017-1 Schedule of Expenditures of Federal Awards

This finding was resolved.

Finding No. 2017-2 Financial Reporting

We proposed a significant adjustment to the City's accounting records for the year ended December 31, 2018. See Finding No. 2018-001.

CITY OF MAINTOU SPRINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2018

	Grant Award Identifying Number	CFDA Number	Federal Expenditures
U. S. Department of Homeland Security			
Passed through Colorado Department of Public Safety:			
Disaster Grants - Public Assistance(Presidentially Declared Disasters)	FEMA4229	97.036	\$ 134,606
U.S. Department of Housing and Urban Development			
Passed through Colorado Department of Local Affairs:			
Hurricane Sandy Community Development Block Grant			
Disaster Recovery Grants	CDBG-DR P15-081	14.269 *	103,660
Passed through Colorado Department of Public Safety -			
Division of Homeland Security and Emergency Mangement:			
Hurricane Sandy Community Development Block Grant			
Disaster Recovery Grants	R1-20-14 & 15	14.269 *	2,746,446
			2,850,106
Passed through El Paso County, Colorado:			
Community Development Block Grants	4161310	14.218	147,120
Total U.S. Department of Housing and Urban Development			2,997,226
U.S. Department of Transportation			
Passed through the Colorado Department of Transportation			
Highway Planning and Construction	17-HA2-ZH-00154	20.205	237,172
U.S. Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program		16.607	4,500
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,373,504

* - tested as major funds.

See the accompanying Independent Auditors' Report.

CITY OF MANITOU SPRINGS, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2018

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2: DE MINIMUS COST RATE

The City did not use the 10% de minimus cost rate.