

City of Colorado Springs
Comprehensive Annual Financial Report

2012

For the year ended December 31, 2012



Comprehensive Annual Financial Report

City of Colorado Springs
Colorado

For the fiscal year ended
December 31, 2012

Finance Department

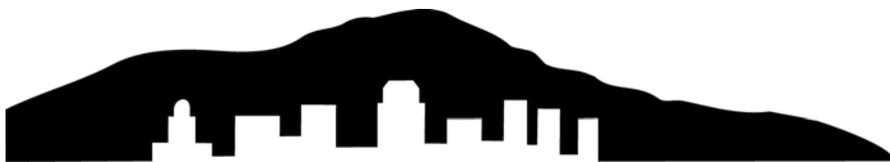
Kara Skinner, Chief Financial Officer
Tracy Peters, Accounting Manager

Accounting Staff

Michael Fagan, Senior Accountant
Erin Garcia, Accountant II
Mary Murray, Senior Accountant
Rochelle Poell, Senior Accountant
Margie Tantanella, Senior Accountant

A special thanks to:

Marti Purdy, Accounting Technician
Katie Canfield, Staff Assistant



CITY OF COLORADO SPRINGS

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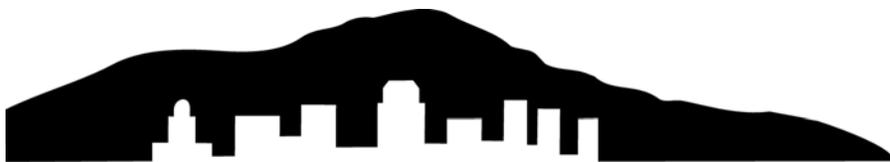
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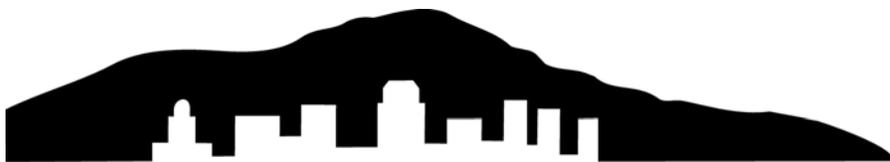
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CITY OF COLORADO SPRINGS

INTRODUCTORY SECTION



CITY OF COLORADO SPRINGS



FINANCE OFFICE

June 26, 2013

The Honorable Mayor and Members of City Council
City of Colorado Springs, Colorado
107 North Nevada Avenue
Colorado Springs, Colorado 80903

Dear Honorable Mayor and Members of City Council:

The Comprehensive Annual Financial Report of the City of Colorado Springs for the fiscal year ended December 31, 2012, is hereby presented. State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report fulfills this requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

RubinBrown, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Colorado Springs' financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF COLORADO SPRINGS

Founded on July 31, 1871, the City of Colorado Springs (the City) became a home-rule city, organized under provisions of the Colorado constitution on May 11, 1909. With a population of approximately 430,000, the City is the second most populated city in Colorado and covers approximately 194.85 square miles.

The City provides a full range of municipal government services. These services include, but are not limited to, police and fire protection, traffic and street construction and maintenance, parks, recreation, cultural services, courts, planning and zoning, building and code enforcement, mass transit, health and welfare, and economic development.

Additionally, the City owns and operates major enterprise activities that include electric generation and distribution, natural gas distribution, waterworks, sewerage collection and treatment, health system, municipal airport, parking facilities, golf courses, tourist highway, cemeteries, and a development review activity.

Effective October 1, 2012, the Memorial Health System (Health System) leased its facilities and transferred its operations to Poudre Valley Health Care, Inc., an affiliate of University of Colorado Health. Subsequent to September 30, 2012, the Health System continued to exist as an enterprise fund of the City for the purposes of carrying out its rights and duties under the Lease Agreement, including without limitation collecting lease payments, satisfying ongoing obligations and remitting funds to the Colorado Springs Health Foundation to be used for the purpose of addressing health issues in the City and Health System service area, and reviewing the Lessee's performance of its obligations under the Lease Agreement.

On November 2, 2010, the eligible electors of the City voted to amend the Charter to establish a strong mayor-council form of government having as its elective officers a Mayor and City Council. Pursuant to this form of government, the Mayor of the City is the chief executive, exercising all administrative and executive powers granted to the City, except as otherwise delegated by the City Charter. The Mayor is elected every four years and is limited to two consecutive terms. The Mayor is to be elected by a majority, and not a plurality, of votes cast for the office of Mayor according to a run-off election. Steve Bach was elected as Colorado Springs' first strong mayor in a run-off election on May 17, 2011. His term expires in 2015.

Policy-making and legislative authority are vested in the governing council (Council) consisting of nine members, all elected on a non-partisan basis. Council members serve four-year terms and are term limited to two terms. Three council members are elected at large; the remaining council members are elected from six equally-populated districts. Biennially, council members elect a President from among themselves to preside over the meetings and a President Pro Tempore to fill in when the President is absent. In April 2013, Council elected Keith King to serve as Council President and Merv Bennett to serve as President Pro Tem.

The Council also has significant control over several legally separate entities. These entities are component units of the City and, accordingly, their financial data have been included in this report. The entities included as Governmental-type component units are the Colorado Springs Urban Renewal Authority, Colorado Springs Downtown Development Authority and Greater Downtown Colorado Springs, Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main North, First & Main No. 2, Interquest North, Interquest South, and Powers & Woodmen Commercial Business Improvement Districts. Public Authority for Colorado Energy, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority and Twin Lakes, Lake Meredith, Colorado Canal and Lake Henry Reservoir companies, and the Pikes Peak Regional Communications Network are included as Business-type component units.

LOCAL ECONOMY

Major industries located within the government's boundaries or in close proximity include aerospace, defense, homeland security, life sciences, sports and related organizations. The City also has a significant military presence with Peterson Air Force Base, the Air Force Academy, Fort Carson, and Schriever Air Force Base located within or in close proximity to the City.

Unemployment in the City slowly declined during 2012. Prior to the recent recession, unemployment was between 4%-6%. Colorado Springs finished 2012 with an unemployment rate of 8.6%. It is expected that unemployment will slowly decline as the economy continues to recover.

LONG-TERM STRATEGIC AND FINANCIAL PLANNING

As stated in the City Charter, the Mayor maintains a Strategic Plan (the Plan) that prioritizes goals for the City and establishes measurable outcomes. The current Plan was approved for 2013 and encompasses the years 2013 through 2015. The Plan details three main goals, and Mayoral, executive branch and departmental breakthrough strategies. The goals and Mayoral strategies incorporate the City's fervent commitment to delivering "best in class" municipal government. The executive branch and departmental breakthrough strategies offer game-changing new ideas with real measurable outcomes.

Goals:

- Support an increase in private sector civilians employed by an average of 6,000 per year by being the most business and citizen friendly city of our size in the United States of America.
- Transform City Government to be fiscally sustainable within limited resources while delivering consistent quality core services.
- Build community through on-going dialog with our citizens and local, regional and state leaders; and by encouraging private sector and non-profit initiatives to improve the well-being of everyone.

Mayoral Strategies:

- Lead the City in **continuous improvement** of customer service. Measurable outcome: Annual business and citizen survey results.
- Lead the City in **innovation and reinvention** of core functions to deliver maximum community value per tax dollar spent. Measurable outcome: Executive Branch operations completed within approved budget, annual business and citizen survey results.
- Lead the City in **celebrating and connecting** community, **working with other Front Range elected officials** in reaching mutual goals, and **achieving community partnerships** to enhance City services. Measurable outcome: Annual citizen survey results.

In addition, the City uses a multi-year financial forecast model to have a longer term focus on financial issues. The forecast is incorporated in the annual budget process and the budget document.

FINANCIAL POLICIES

The financial policies that had a significant impact to the City's financial statements this year include:

- The City has a General Fund unrestricted fund balance goal of 25%. This goal was developed by the Government Finance Officers Association and is based upon an analysis of the City's specific risks.
- The City annually prepares a five-year capital improvement plan included in the annual budget document.
- The City is limited by City Charter Amendment #3, "Taxpayers Bill of Rights" and similar statewide constitutional amendments. These provisions limit the growth of "fiscal year spending" as defined in the amendments. These amendments also require voter approval for the issuance of general fund debt.

AWARDS AND ACKNOWLEDGEMENTS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2011. This was the 22nd consecutive year that the City has received this prestigious award. To receive this Certificate of Achievement award, the City must publish an easily readable and effectively organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

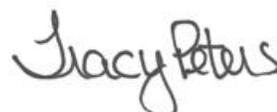
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report is due to the effective and dedicated efforts of the staff of the Accounting Office. Beyond these efforts, this report is representative of the excellence of the financial processes existing in Colorado Springs City government. Each department and agency of the City must be credited for the excellence of its individual systems of financial administration. For the efforts of all of these people, we wish to express our sincere gratitude.

Sincerely,



Kara Skinner
Chief Financial Officer



Tracy Peters
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Colorado Springs
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

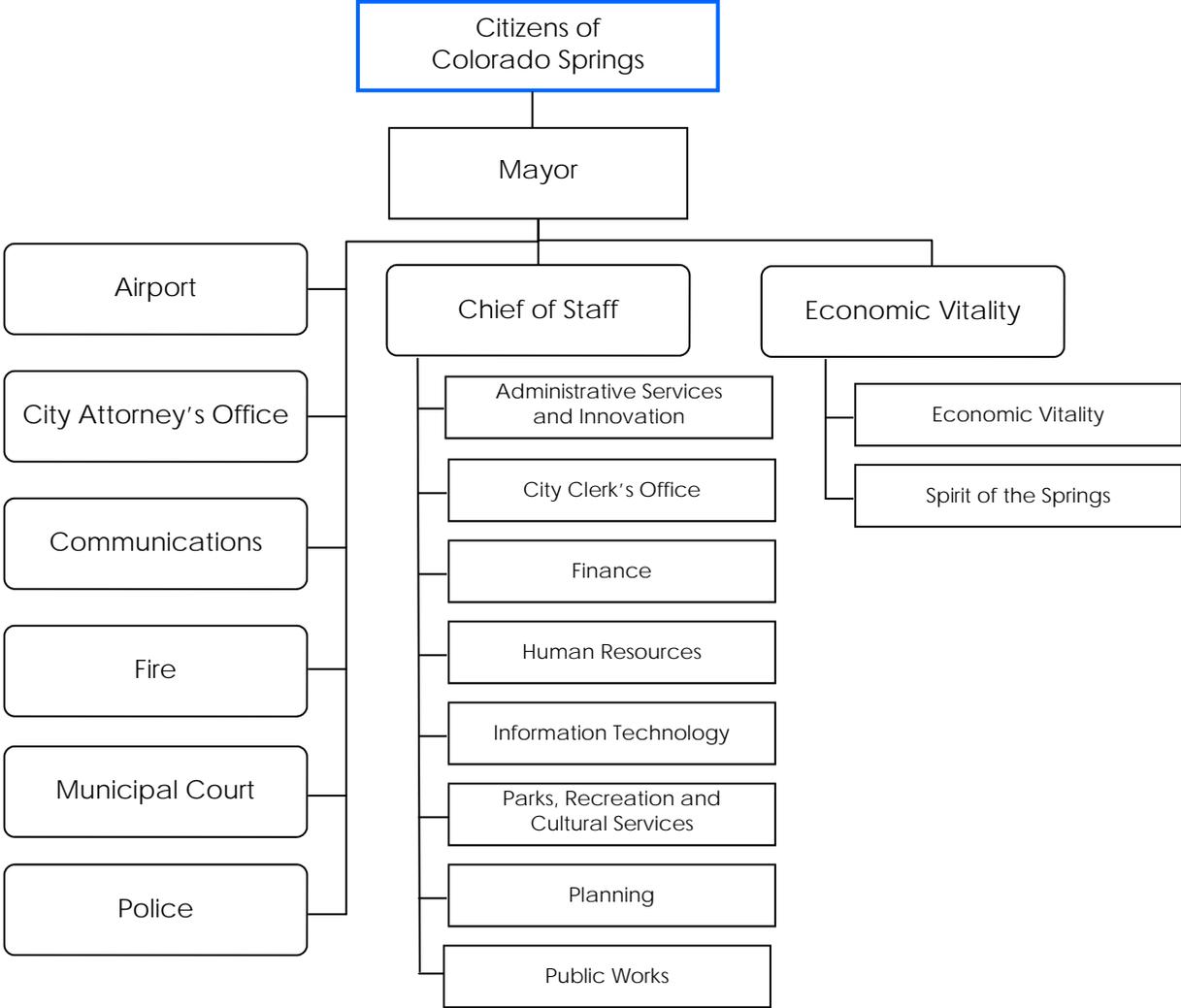
President

Jeffrey R. Emer

Executive Director

CITY OF COLORADO SPRINGS, COLORADO

Municipal Government Organizational Chart



CITY OF COLORADO SPRINGS, COLORADO

Executive Branch City Leadership

(as of December 31, 2012)

Mayor's Office

Bach, Steve Mayor

Mayor's Executive Team

Bach, Steve	Chief Economic Vitality Officer
Brown, Richard	Fire Chief
Carey, Peter	Police Chief
Melcher, Christopher J.	City Attorney
Neumann, Laura	Chief of Staff



Steve Bach
Mayor

Department Heads

Aubrey, Cindy	Communications Officer
Earle, Mark	Aviation Director
Johnson, Sarah B.	City Clerk
Kane II, HayDen W.	Presiding Municipal Court Judge
Migchelbrink, Helen	Public Works Director/City Engineer
Palmer, Joe	Chief Information Officer
Palus, Karen	Parks, Recreation and Cultural Services Director
Skinner, Kara	Chief Financial Officer
Sullivan, Michael	Human Resources Director
Wysocki, Peter	Planning Director

CITY OF COLORADO SPRINGS, COLORADO

Legislative Branch City Council

(as of December 31, 2012)



Colorado Springs City Council

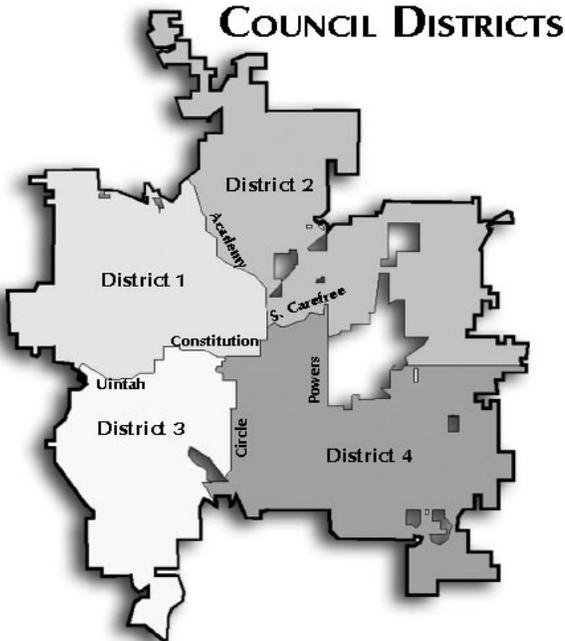
Front Row (from left to right):
Council Member Val Snider, At-Large
Council Member Lisa Czelatdko, District 3
Council Member Merv Bennett, At-Large
Council President Pro-Tem Jan Martin, At-Large
Council Member Tim Leigh, At-Large

Back Row (from left to right):
Council Member Brandy Williams, At-Large
Council President Scott Hente, District 1
Council Member Bernie Herpin, District 4
Council Member Angela Dugan, District 2

City Council's Direct Reports

Denny Nester, City Auditor
Jerry Forte, Utilities Chief Executive Officer

Council District Map



CITY OF COLORADO SPRINGS, COLORADO

Legislative Branch City Council

(per the April 2, 2013 Municipal Election)



Colorado Springs City Council

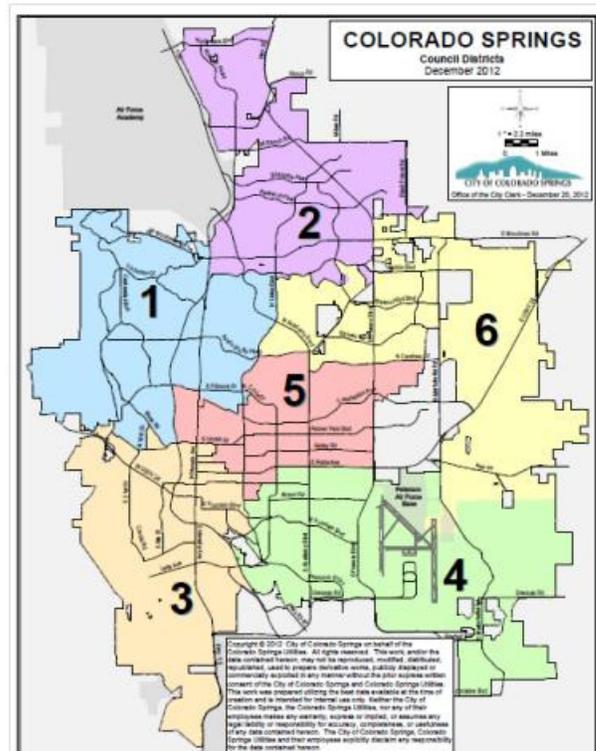
Front Row (from left to right):
Council Member Joel Miller, District 2
Council Member Helen Collins, District 4
Council President Pro-Tem Merv Bennett, At-Large
Council Member Jan Martin, At-Large
Council Member Val Snider, At-Large

Back Row (from left to right):
Council President Keith King, District 3
Council Member Don Knight, District 1
Council Member Jill Gaebler, District 5
Council Member Andy Pico, District 6

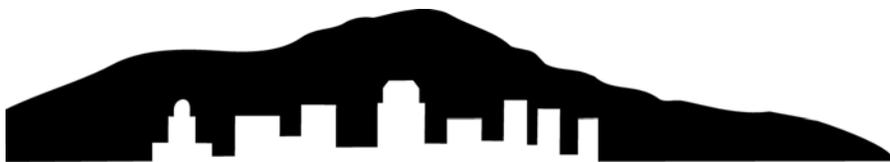
City Council's Direct Reports

Denny Nester, City Auditor
Jerry Forte, Utilities Chief Executive Officer

Council District Map*

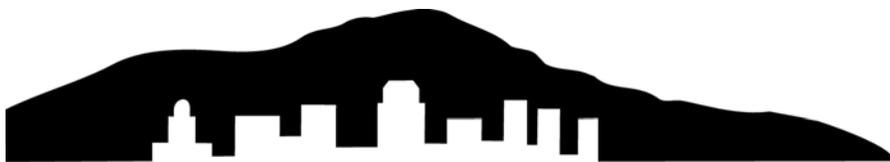


* Approved Council District map for Council Members to be elected on the April 2, 2013 Municipal Election.



CITY OF COLORADO SPRINGS

FINANCIAL SECTION



CITY OF COLORADO SPRINGS



Independent Auditors' Report

RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

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F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Honorable Mayor, Members of the
City Council and City Auditor
City of Colorado 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 units, each major fund and the aggregate remaining fund information of the City of Colorado Springs, Colorado (the City), as of and for the year ended December 31, 2012, 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 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Memorial Health Systems Fund or the Colorado Springs Utilities Fund, major enterprise funds, which statements reflect total assets and deferred outflows of resources constituting 93% of total assets and deferred outflows of resources and constituting 83% of net position of the business-type activities at December 31, 2012 and total operating revenues constituting 97% of total operating revenues of the business-type activities for the year then ended. We also did not audit the financial statements of the 7 joint utility projects, described in Note I, which statements reflect total assets constituting 100% of the total assets and constituting 97% of the net position of the City's discretely presented proprietary fund component units at December 31, 2012, and total revenues constituting 98% of total revenues of the City's discretely presented proprietary fund component units for the year then ended. We also did not audit the Colorado Springs Urban Renewal Authority, the Colorado Springs Downtown Development Authority and the 10 business improvement districts, which are reported as and comprise in their entirety the discretely presented governmental fund component units, as described in Note I. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Memorial Health Systems Fund, the Colorado Springs Utilities Fund, the 7 joint utility projects, the Colorado Springs Urban Renewal Authority, the Colorado Springs Downtown Development Authority and the 10 business improvement districts, described in Note I, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Memorial Health Systems Fund, the 7 joint utilities projects, the Colorado Springs Urban Renewal Authority, the Colorado Springs Downtown Development Authority and the 10 business improvement districts were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 entity'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 entity'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 basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

Newly Adopted Standards

As discussed in Note V, the City adopted the provisions of GASB Statements No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinion on the financial statements is not modified with respect to this matter.

Lease and Transfer of Health System Operations

The component auditors' report on the 2012 financial statements of the Memorial Health Systems Fund (the Health System) referred to the Health System's lease and transfer of Health Systems Operations. Effective on October 1, 2012, the Health System leased the Health System facilities and transferred its operations to Poudre Valley Health Care, Inc., an affiliate of the University of Colorado Health, as discussed in Note IV to the financial statements. Our opinion on the financial statements is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress - Fire and Police Pension Plans, the Schedule of Employer Contributions, and the Schedule of Funding Progress - Other Post Employment Benefits on pages 5 - 19, 136 - 137 and 138, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 and the other auditors 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, and the other auditors, 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.

Other 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 introductory section; combining and individual fund statements and schedules; annual statement of receipts and expenditures for roads, bridges and streets and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, as listed in the table of contents, and the annual statement of receipts and expenditures for roads, bridges and streets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund statements and schedules, as listed in the table of contents, and the annual statement of receipts and expenditures for roads, bridges and streets are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RubinBrown LLP

June 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Colorado Springs' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2012. Please read the information presented here in conjunction with the transmittal letter, located at the front of this report, and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On the government-wide financial statements, the City's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources at December 31, 2012, by \$3,055,916,872 (net position). Of this amount, \$436,356,454 was unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.
- At December 31, 2012, the City's governmental funds reported combined ending fund balances of \$115,761,169. Approximately 56.5% of this total amount or \$65,403,488 was unrestricted.
- The General Fund, presented on a current financial resources basis, reported a fund balance of \$61,943,974 or 28.0% of total 2012 General Fund expenditures and uses of other financing sources and an unrestricted fund balance of \$54,263,939 or 24.5% of General Fund expenditures and uses of other financing sources.
- The City's total debt outstanding was \$2,396,973,000 at December 31, 2012. This is a \$290,225,000 or 10.8% reduction from 2011. The change was largely due to the defeasance of \$300,420,000 Memorial Health System debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

In addition to the basic financial statements, this report also contains certain other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statement of net position presents information on all of the City's assets and deferred outflow of resources and liabilities and deferred inflow of resources, 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.

Statement of activities presents information showing how the City's net position changed during 2012. 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 reported in this statement for some items will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish *governmental activities* that are functions of the City principally supported by taxes and intergovernmental revenues and transfers of surplus revenue, from *business-type activities*, which are other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Governmental activities – Expenditures for *governmental activities* of the City are categorized generally as general government, public safety, public works, health and welfare, culture and recreation, urban redevelopment and housing, and economic development. Taxes, intergovernmental revenues, and transfers of surplus revenue finance most of these activities.

Business-type activities – Expenditures for *business-type activities* of the City support the City's water, sewer, gas, and electricity system, health system, airport, downtown parking facilities, golf courses, cemeteries, tourist highway, and development review program. User fees and charges finance most of these activities.

The government-wide financial statements include not only the City itself, but also other legally separate entities for which the City is financially accountable. The component units of the City include several separate legal entities: Public Authority for Colorado Energy, Fountain Valley Authority, Aurora-Colorado Springs Joint Water Authority, and several canal and reservoir companies: Twin Lakes, Lake Meredith, Colorado Canal, and Lake Henry; and the Pikes Peak Regional Communications Network and several business improvement districts: Colorado Springs Urban Renewal Authority, Colorado Springs Downtown Development Authority, Greater Downtown Colorado Springs, Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main North, First & Main No. 2, Interquest North, Interquest South, and Powers & Woodmen Commercial Business Improvement Districts.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts 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 inflows 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 the 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*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds and budgetary comparisons have been provided to demonstrate compliance with these budgets.

Proprietary funds – The City maintains two different types of proprietary funds: *Enterprise funds*, used to report the same functions presented as *business-type activities* in the government-wide financial statements, and *Internal Service funds*, used as an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet, printing, self-insurance and various other activities of the City. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. However, the change in net position for internal service funds has been allocated between governmental activities and business-type activities on the statement of activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for Colorado Springs Utilities (Utilities) and Memorial Health System (MHS), which are considered to be major proprietary funds of the City. In years prior, the Colorado Springs Airport (Airport) and Colorado Springs Parking System (Parking) were also considered and reported as major enterprise funds. However, by GAAP criteria, Airport and Parking need not be considered major enterprises, so for 2012 are aggregated with the non-major enterprise funds. Both non-major enterprise funds and internal service funds are combined into single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds are provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit 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 accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements are presented later in this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other information concerning the City’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found later in this report. In addition, combining and individual fund statements and schedules as well as statistical and other information can be found in this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$3.1 billion at the close of 2012 as compared to \$3.3 billion at the close of 2011.

By far the largest portion of the City's net position (82%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in 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 capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position for 2012 with comparative information for 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$200,069	\$183,402	\$1,168,871	\$1,479,577	\$1,368,940	\$1,662,979
Capital assets	1,304,074	1,297,257	3,515,798	3,693,369	4,819,872	4,990,626
Deferred outflows of resources	-	-	273,619	-	273,619	-
Total assets & deferred outflows of resources	1,504,143	1,480,659	4,958,288	5,172,946	6,462,431	6,653,605
Long-term liabilities	116,516	124,024	2,554,305	2,832,933	2,670,821	2,956,957
Other liabilities	78,507	78,249	596,541	302,245	675,048	380,494
Deferred inflows of resources	-	-	60,645	-	60,645	-
Total liabilities & deferred inflows of resources	195,023	202,273	3,211,491	3,135,178	3,406,514	3,337,451
Net position						
Net investment in capital assets	1,204,660	1,189,010	1,313,949	1,302,977	2,518,609	2,491,987
Restricted	19,197	18,374	81,755	127,607	100,952	145,981
Unrestricted	85,263	71,002	351,093	607,184	436,356	678,186
Total net position	\$1,309,120	\$1,278,386	\$1,746,797	\$2,037,768	\$3,055,917	\$3,316,154

*immaterial differences may occur due to rounding

The City's combined net position was \$3.1 billion at December 31, 2012, of which \$436 million was unrestricted. However, certain of these unrestricted funds are designated for specific, future purposes such as encumbrances and subsequent year expenditures.

The net position of our business-type activities was \$1.7 billion at December 31, 2012. However, this net position can only be used to the continuing operations of the utilities, health system, airport, downtown parking facilities, golf courses, cemeteries, tourist highway and development review program. This amount cannot be used to make up for any decrease reported in governmental activities.

The following table shows revenues and expenses for both governmental and business-type activities for 2012 with comparative information for 2011:

**City of Colorado Springs
Changes in Net Position (in 000's)**

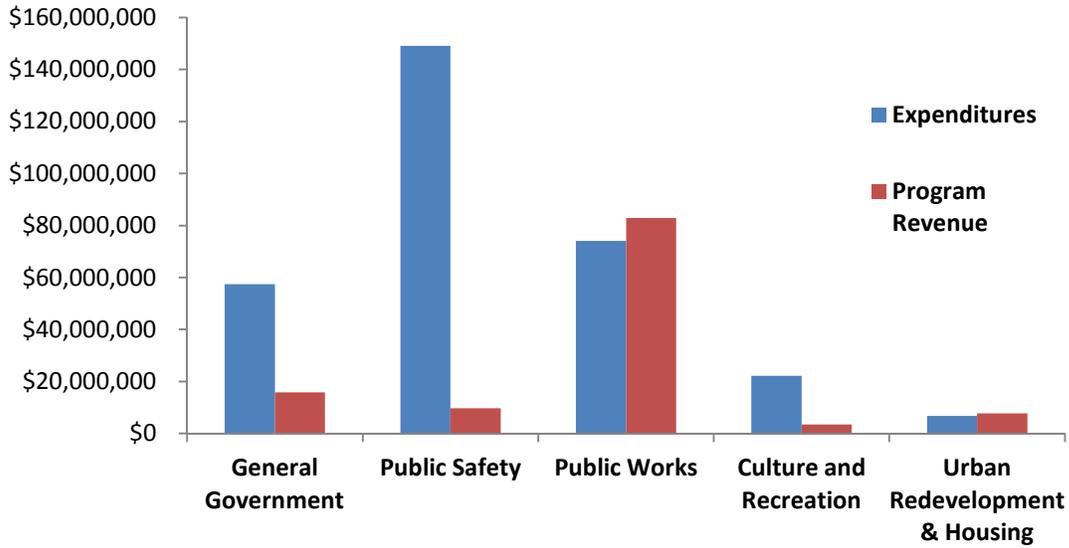
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$28,976	\$29,247	\$1,299,461	\$1,416,034	\$1,328,437	\$1,445,281
Operating grants and contributions	20,122	25,378	-	-	20,122	25,378
Capital grants and contributions	77,975	176,593	68,939	46,543	146,914	223,137
General revenues:						
Property taxes	22,897	24,474	-	-	22,897	24,474
Other taxes	167,025	158,530	-	-	167,025	158,530
Investment earnings	1,784	1,292	18,413	3,492	20,196	4,784
Gain on sale of capital assets	-	748	-	-	-	748
Loss on defeasance of LT debt	-	-	(47,903)	-	(47,903)	-
Special item - conveyance of assets	-	-	(372,359)	(1,015)	(372,359)	(1,015)
Contributions to endowments	79	73	-	-	79	73
Total revenues	318,858	416,335	966,552	1,465,054	1,285,409	1,881,389
Expenses:						
General government	58,618	48,067	-	-	58,618	48,067
Public safety	149,169	149,931	-	-	149,169	149,931
Public works	74,046	67,068	-	-	74,046	67,068
Health and welfare	1,274	1,214	-	-	1,274	1,214
Culture and recreation	22,238	21,789	-	-	22,238	21,789
Urban redevelopment and housing	6,804	5,033	-	-	6,804	5,033
Economic development	2,711	2,619	-	-	2,711	2,619
Interest on long-term debt	4,867	5,021	-	-	4,867	5,021
Utilities	-	-	749,375	818,668	749,375	818,668
MHS	-	-	431,645	560,894	431,645	560,894
Airport	-	-	-	24,875	-	24,875
Parking	-	-	-	3,844	-	3,844
Non-major Enterprises	-	-	43,356	12,391	43,356	12,391
Total expenses	319,727	300,742	1,224,377	1,420,672	1,544,104	1,721,414
Increase in net position before transfers	(870)	115,593	(257,825)	44,382	(258,695)	159,975
Transfers	33,145	30,235	(33,145)	(30,235)	-	-
Change in net position	32,276	145,828	(290,971)	14,147	(258,695)	159,975
Net position - beginning	1,278,386	1,117,163	2,037,768	2,020,805	3,316,154	3,137,968
Prior period adjustment	(1,542)	15,394	-	2,815	(1,542)	18,209
Net position - ending	\$1,309,120	\$1,278,386	\$1,746,797	\$2,037,768	\$3,055,917	\$3,316,153

*immaterial differences may occur due to rounding

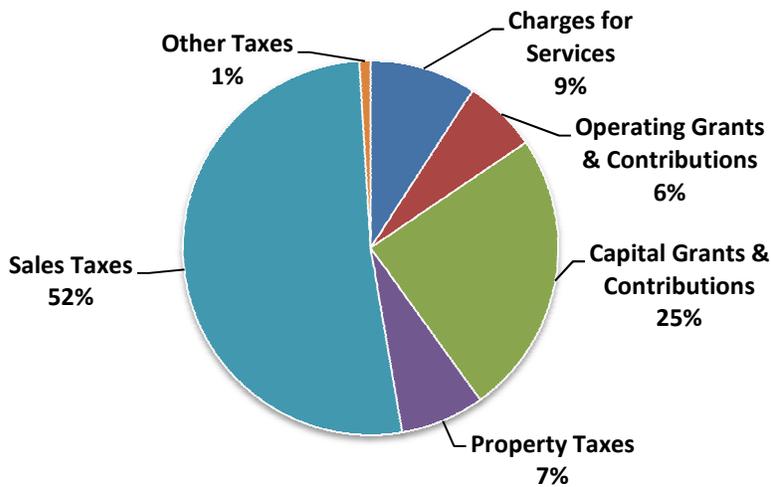
Overall, the City's net position decreased during 2012 by \$260 million. The decrease is due to conveyance of assets related to the lease and transfer of MHS operations to Poudre Valley Health Care, Inc. (Poudre Valley), an affiliate of the University of Colorado Health (UCH). In fact, the net position for the governmental activities increased by \$31 million, while the net position for the business-type activities decreased by \$291 million.

Governmental activities – Revenue of the governmental activities was down from 2011 by \$98.4 million due primarily to decreases in capital grants and contributions, which fluctuate greatly from year to year. Expenses of the governmental activities were up \$19 million from 2011.

**Expenses and Program Revenue
Governmental Activities**

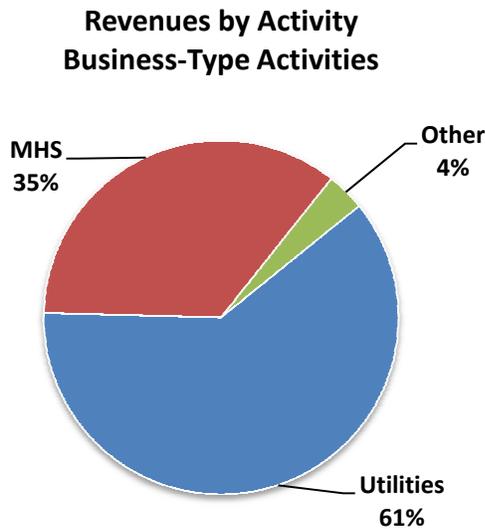


**Revenue by Source
Governmental Activities**



Business-type activities – In 2012, Utilities’ operating revenues increased \$19.2 million or 2.3% from 2011 due primarily to increases in electric and water revenue of \$9.4 million, and \$27.3 million, respectively, partially offset by a decrease in natural gas and wastewater revenue of \$15.5 million and \$1.6 million, respectively. In 2012, Utilities’ operating expenses decreased \$67.1 million or 9.1% from 2011 primarily due to lower production and treatment expenses, purchased power costs and gas, water and maintenance expenses. These cost decreases were partially offset by higher depreciation and amortization, customer and administrative and general expenses.

MHS income from operations decreased in 2012, compared to 2011 by \$9.6 million. The decrease was a result of transfer of operations effective October 1, 2012, thus there were no operating revenues for the final quarter of the year.



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GOVERNMENT'S FUNDS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012, the City's governmental funds reported total combined fund balances of \$115,761,169, of which \$47,194,174, or approximately 41%, is unassigned. The nonspendable portion of fund balance is primarily comprised of \$10,440,549 in endowments; and the restricted portion of fund balance is primarily comprised of \$32,031,700 in special revenue funds restricted balances and the \$7,547,036 TABOR emergency reserve.

The General Fund is the principal operating fund of the City. At the end of 2012, the General Fund's total fund balance was \$61,943,974. The unrestricted fund balance of the General Fund was \$54,263,940. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and unrestricted fund balance to total fund expenditures. Total fund balance represents 28.0% of total General Fund expenditures while unrestricted fund balance represents 24.6% of total General Fund expenditures.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position as of December 31, 2012 and 2011 for the proprietary funds, in thousands, were as follows:

	Unrestricted Net Position (in 000's)		
	2012	2011	Variance
Utilities	\$317,287	\$229,065	\$88,222
MHS	0	340,045	(340,045)
Non-major enterprise funds	38,969	42,396	(3,427)
Internal service	(6,478)	(3,920)	(2,558)

*immaterial differences may occur due to rounding

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Major differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$3.2 million increase due to a supplemental appropriation for critical capital needs
- \$3.4 million increase due to a supplemental appropriation for a litigation settlement agreement
- \$2.1 million increase due to a transfer from the defunct Springs Ranch GID to construct drainage improvements in the Sand Creek Basin
- Other supplemental appropriations including carryover of project budgets and encumbrances from the previous year totaling \$5.9 million

Total revenues, excluding other financing sources, were \$8.5 million higher than the final budget due to revenue coming in stronger than anticipated. This was due primarily to sales and use tax revenue exceeding expectations by \$8.1 million. In addition, Other Revenue was \$930,055 more than final budget, largely due to shared revenue from short-term water contracts.

Total expenditures were \$11.4 million less than the final budget due to salary savings from vacancies and conservative spending by City departments.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – At the end of 2012, the City had \$4.8 billion invested in a broad range of capital assets and infrastructure (net of depreciation). This investment in capital assets includes land, buildings and improvements, equipment and other vehicles, infrastructure (including streets, alleys, traffic signals and signs, bridges, and drainage systems), enterprise plants, construction in process and intangible capital assets. This amount represents a net decrease (including additions and deletions) of \$187 million.

**City of Colorado Springs
Capital Assets (in 000's)
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$314,380	\$308,876	\$172,053	\$193,414	\$486,433	\$502,290
Buildings	115,657	118,211	69,563	71,718	\$185,220	\$189,929
Improvements other than buildings	35,605	37,382	147,878	132,131	\$183,483	\$169,513
Machinery and equipment	41,287	36,155	9,966	9,977	\$51,253	\$46,132
Infrastructure	762,637	635,330	21,540	35,927	\$784,177	\$671,257
Utilities plant	-	-	2,564,064	2,548,785	\$2,564,064	\$2,548,785
MHS plant	-	-	-	310,698	-	\$310,698
Construction in progress	16,447	145,309	484,622	363,914	\$501,069	\$509,223
Intangible capital assets	16,642	14,430	29,371	26,805	46,013	41,235
Total	\$1,302,655	\$1,295,693	\$3,499,057	\$3,693,369	\$4,801,712	\$4,989,062

*immaterial differences may occur due to rounding

Major changes to capital assets for 2012 include:

In 2012, Utilities capital expenditures totaled \$246.4 million. Capital expenditures included approximately \$84.7 million for the electric system; \$13.3 million for the natural gas system; \$128.5 million for the water system, which included the Southern Delivery System, and \$9.9 million for the wastewater system. In addition, approximately \$10.0 million was spent on facilities, technology additions and enhancements to telecommunications, computing and applications infrastructure.

MHS capital asset acquisitions totaled \$13.9 million and \$16.5 million during 2012 and 2011, respectively, consisting primarily of upgrades to medical equipment. All of MHS's capital assets were leased or transferred to Poudre Valley effective October 1, 2012 and, accordingly, MHS has no capital assets as of December 31, 2012.

In 2012, Pikes Peak Rural Transportation Authority donated \$23.2 million of infrastructure and developers donated of \$7.5 million of infrastructure.

Additional information on the City's capital assets is presented in Note IV. G. in the notes to the financial statements section.

Long-term debt – The following schedule provides the debt outstanding at the end of 2012 and 2011:

**City of Colorado Springs
Outstanding Debt (in 000's)**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$15,270	\$16,145	\$ -	\$ -	\$15,270	\$16,145
Sales tax revenue bonds	24,030	30,750	-	-	24,030	30,750
Certificates of participation	41,805	43,440	-	-	41,805	43,440
Revenue bonds	-	-	2,285,310	2,501,884	2,285,310	2,501,884
Notes payable	-	-	30,558	94,979	30,558	94,979
Total	\$81,105	\$90,335	\$2,315,868	\$2,596,863	\$2,396,973	\$2,687,198

*immaterial differences may occur due to rounding

During 2012, Colorado Springs Utilities issued debt to fund projects or to refund current debt for lower interest rates and present value savings and MHS defeased its debt as part of the lease transaction with Poudre Valley (UCH). Specifically, during 2012:

- Utilities issued \$108.0 million in Utilities System Refunding Revenue Bonds and \$207.7 million in Utilities System Revenue Bonds. The refunding transaction resulted in a total present value savings of \$28,159,276.
- Concurrent with the lease of hospital facilities and transfer of operations effective on October 1, 2012, MHS defeased all of its outstanding debt totaling \$300.4 million and has no debt outstanding as of December 31, 2012.

The City's latest bond ratings are as follows:

Description	Moody's Rating	Standard & Poor's Rating	Fitch Rating
Sales & Use Tax Revenue Bonds			
Series 2007 – SCIP	Aa3	AA+	N/A
Series 2009 – SCIP	Aa3	AA+	N/A
Certificates of Participation			
Series 2009 – USOC	Aa3	AA-	N/A
Series 2011 – Old City Hall, Red Rock Canyon, Skyview	Aa3	AA-	N/A
Parking Revenue Bonds	not rated	not rated	not rated
Airport Revenue Bonds	Baa1	A-	BBB+
Utilities Revenue Bonds	Aa2	AA	AA

The current debt limitation for the City is \$460.0 million or 10% of the assessed property valuation. The City has no outstanding general obligation debt as it relates

to this debt limit. The general obligation debt shown in the financial statements relate to the City's blended component units.

Additional information on the City's long-term debt is presented in Note IV. J. in the notes to the financial statements.

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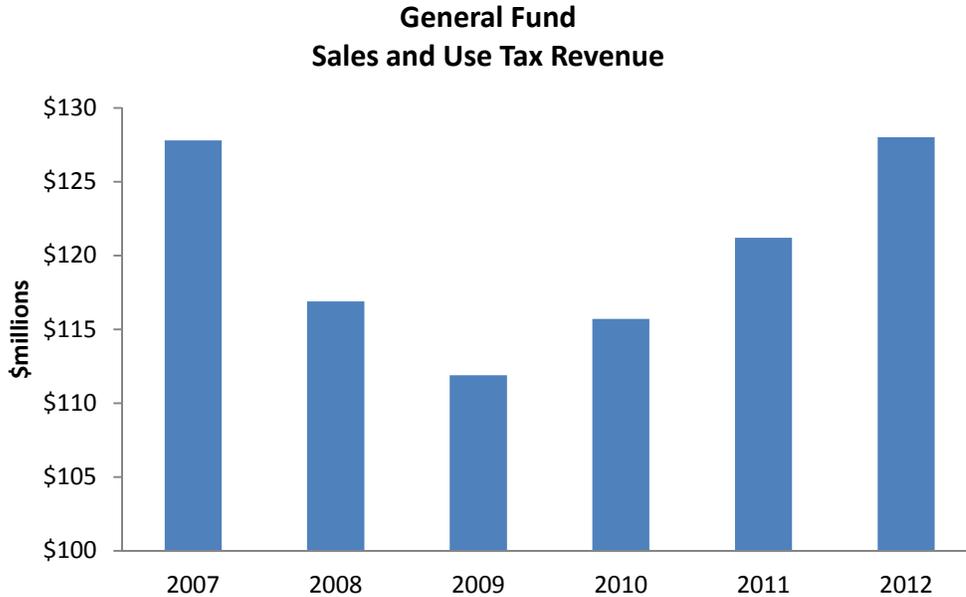
ECONOMIC FACTORS

Local economic indicators – During 2012, the local economy improved as indicated by the following: the local unemployment rate declined from 8.8% to 8.7%, foreclosures declined 2.8%, the number of single family housing permits issued increased 48%, and the average home sales price for single family/patio homes increased 15%.

Local Economic Indicators			
Unemployment	2011	2012	% change
	8.8	8.7	-1.14%
Unemployment rate for El Paso County Source: Bureau of Labor Statistics Series Id # LAUPA08005003 Reported for the month of December			 <p>At a rate of 8.7 for December 2012, the City of Colorado Springs unemployment rate is down just one tenth of a point over 2011. However, the Colorado Statewide unemployment rate of 7.6 for December 2012 continues to track just over one point below that of the City.</p>
Foreclosures	2011	2012	% change
	3,461	3,364	-2.80%
Number of foreclosures opened in El Paso County Source: El Paso County Assessor Cumulative number of Foreclosures opened as of December			 <p>As 2012 comes to a close, the number of foreclosures opened in El Paso County has dropped by nearly 3% from 2011. At the Federal level foreclosures were also down 3% from 2011 and down nearly 36% from the height of the recession in 2010. (Sources: RealtyTrac, Year End 2012 U.S. Foreclosure and Market Report)</p>
Single Family Permits	2011	2012	% change
	813	1,201	48%
Number of Single Family Permits Source: Pikes Peak Regional Building Department "Single Family: Number of Permits, By Year, Colorado Springs"			 <p>The number of single family housing permits increased substantially in 2012, resulting in a 48 percent increase in permits issued over 2011, according to data from the PPRBD.</p>
Average Sales Price	2011	2012	% change
	\$210,688	\$243,180	15%
Average Sales Price Single Family/Patio Homes Source: PPAR Housing Statistics Average Sales Price of Single Family/Patio Homes as of December each year			 <p>The average sales price of single family/patio homes remained fairly stable in 2011, but experienced continual growth from January 2012 onwards, resulting in a 15 percent increase in the average sales price in December of 2012 over December of 2011.</p>

Sales and use tax revenue – The City’s General Fund sales and use tax revenue was up \$6.8 million or 5.6% from the same period in 2011 due to a rebound in every retail category. Also, for the first time since the financial downturn, sales and use tax revenue surpassed the previous high in 2007 of \$127.8 million.

City sales and use tax collections are primarily dependent upon the level of local economic activity, consumer confidence, and tourist activity.



REQUEST FOR INFORMATION

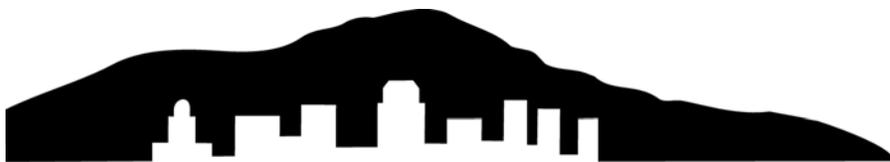
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at City of Colorado Springs, 30 S. Nevada Avenue, Suite 202, Colorado Springs, Colorado, 80903, www.springsgov.com/finance, or 719-385-5903.

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CITY OF COLORADO SPRINGS

BASIC FINANCIAL STATEMENTS



CITY OF COLORADO SPRINGS

STATEMENT OF NET POSITION
December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities
ASSETS					
Cash and investments	\$111,740,002	\$258,596,766	\$370,336,768	\$2,115,939	\$3,119,183
Receivables (net of allowance for uncollectibles)	77,546,572	120,916,880	198,463,452	12,401,456	7,562,376
Lease receivable	-	109,160,000	109,160,000	-	-
Due from primary government	-	-	-	-	1,629,770
Inventories	1,010,028	48,626,564	49,636,592	-	114,274
Prepays	-	13,772,000	13,772,000	11,760	537,555,887
Derivative instruments	-	31,000	31,000	281,411	-
Other	-	100,249,000	100,249,000	-	332,022
Restricted assets (temporarily):					
Cash and investments	9,772,186	516,243,628	526,015,814	3,595,957	8,631,208
Investment in joint ventures	-	1,275,000	1,275,000	-	-
Capital assets nondepreciable:					
Land	322,498,623	172,052,285	494,550,908	-	-
Intangibles	-	13,321,000	13,321,000	-	-
Construction in progress	16,447,456	465,007,631	481,455,087	12,983,505	609,202
Capital assets (net of accumulated depreciation):					
Buildings	115,657,183	69,562,996	185,220,179	-	-
Improvements other than buildings	35,603,772	147,878,172	183,481,944	2,251,981	-
Machinery and equipment	41,287,932	21,929,662	63,217,594	40,704	-
Infrastructure	754,518,475	29,190,273	783,708,748	20,988,602	-
Utility plant	-	2,564,064,000	2,564,064,000	-	68,712,822
Intangibles	16,641,655	16,051,000	32,692,655	-	-
Unamortized bond issuance costs	1,419,125	16,741,212	18,160,337	2,252,050	4,599,516
Total assets	1,504,143,009	4,684,669,069	6,188,812,078	56,923,365	632,866,260
DEFERRED OUTFLOWS OF RESOURCES					
Deferred cash flow hedges - unrealized loss on derivative instruments	-	273,619,000	273,619,000	-	-
Total deferred outflows of resources	-	273,619,000	273,619,000	-	-
LIABILITIES					
Accounts payable and other liabilities	32,843,932	102,715,911	135,559,843	133,547	505,235
Contingent liability to health foundation	-	390,416,000	390,416,000	-	-
Funds held for others	1,650,001	-	1,650,001	-	-
Accrued interest payable	511,857	12,229,646	12,741,503	1,061,475	5,237,665
Internal balances	(3,919,538)	3,919,538	-	-	-
Unearned revenue	32,906,774	2,922,288	35,829,062	5,590,095	5,352,751
Noncurrent liabilities:					
Due within one year	14,513,777	84,337,972	98,851,749	1,845,055	10,946,872
Due in more than one year	116,516,336	2,554,304,712	2,670,821,048	87,323,282	669,481,713
Total liabilities	195,023,139	3,150,846,067	3,345,869,206	95,953,454	691,524,236
DEFERRED INFLOWS OF RESOURCES					
Deferred cash flow hedges-unrealized gain on derivatives	-	60,645,000	60,645,000	-	-
Accum incr in fair value of hedging derivative	-	-	-	11,411	-
Total deferred inflows of resources	-	60,645,000	60,645,000	11,411	-
NET POSITION					
Net investment in capital assets	1,204,660,019	1,313,687,876	2,518,347,895	(4,187,240)	8,089,873
Restricted for:					
Debt service	1,005,522	81,754,874	82,760,396	8,908,042	3,476,087
Endowments:					
Expendable	205,397	-	205,397	-	-
Nonexpendable	10,440,549	-	10,440,549	-	-
Emergency reserve (TABOR)	7,545,241	-	7,545,241	54,391	-
Other	-	-	-	505,745	-
Unrestricted	85,263,142	351,354,252	436,617,394	(44,322,438)	(70,223,936)
Total net position	\$1,309,119,870	\$1,746,797,002	\$3,055,916,872	(\$39,041,500)	(\$58,657,976)

The notes to the financial statements are an integral part of this statement.

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Component Units	
					Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Primary government								
General government	\$58,618,337	\$14,284,808	\$1,467,146	\$ -	(\$42,866,383)	\$ -	\$ -	\$ -
Public safety	149,168,556	5,032,930	3,849,057	864,324	(139,422,245)	-	-	-
Public works	74,045,666	5,189,248	8,159,476	71,742,021	11,045,079	-	-	-
Health and welfare	1,274,298	-	-	5,368,912	4,094,614	-	-	-
Culture and recreation	22,238,048	2,343,078	1,090,464	-	(18,804,506)	-	-	-
Urban redevelopment and housing	6,803,814	2,126,074	5,555,758	-	878,018	-	-	-
Economic development	2,711,136	-	-	-	(2,711,136)	-	-	-
Interest on long-term debt	4,867,183	-	-	-	(4,867,183)	-	-	-
Total governmental activities	319,727,038	28,976,138	20,121,901	77,975,257	(192,653,742)	-	(192,653,742)	-
Business-type activities								
Utilities	749,375,429	849,746,000	-	47,143,000	-	147,513,571	147,513,571	-
MHS	431,645,000	415,872,000	-	-	-	(15,773,000)	(15,773,000)	-
Other	43,356,373	33,843,316	-	21,796,203	-	12,283,146	12,283,146	-
Total business-type activities	1,224,376,802	1,299,461,316	-	68,939,203	-	144,023,717	144,023,717	-
Total primary government	\$1,544,103,840	\$1,328,437,454	\$20,121,901	\$146,914,460	(\$192,653,742)	\$144,023,717	(\$48,630,025)	-
Component units								
Improvement districts	\$10,082,223	\$228,077	\$409,145	\$104,595	\$ -	\$ -	(\$9,340,406)	\$ -
Utilities	71,608,090	61,968,776	-	-	-	-	(9,639,314)	-
Total component units	\$81,690,313	\$62,196,853	\$409,145	\$104,595	\$ -	\$ -	(\$9,340,406)	(\$9,639,314)
General revenues								
Property taxes			\$22,897,112				\$4,958,405	
Sales taxes			163,975,846				-	
Specific ownership taxes			2,222,285				333,052	
Occupational liquor taxes			259,820				-	
Admissions tax			476,030				-	
Bicycle excise tax			90,536				-	
Miscellaneous			-				2,896,902	
Investment earnings			1,783,647				14,389	
Loss on defeasance and repayment of long term debt			-				-	875,922
Extraordinary item - conveyance of assets			-				-	-
Contributions to endowments			78,943				-	-
Transfers			33,145,262				-	-
Total general revenues and transfers			224,929,481				8,202,748	875,922
Change in net position			32,275,739				(1,137,658)	(8,763,392)
Net position - January 1			1,278,385,768				2,037,767,524	(37,903,842)
Prior period adjustment			(1,541,637)				-	(49,894,584)
Net position - January 1, restated			1,276,844,131				2,037,767,524	(37,903,842)
Net position - December 31			\$1,309,119,870				\$1,746,797,002	(\$58,657,976)

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 3**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$57,151,064	\$47,426,166	\$104,577,230
Accounts receivable (net of allowance for uncollectibles)	4,838,429	10,626,594	15,465,023
Sales tax receivable	13,574,342	3,618,550	17,192,892
Loans receivable (net of allowance for uncollectibles)	854,981	20,149,916	21,004,897
Assessments receivable	12,739	-	12,739
Property taxes receivable			
Current	19,290,666	3,713,671	23,004,337
Delinquent	132,999	-	132,999
Due from other funds	3,925,508	1,105,534	5,031,042
Restricted investments	92,278	9,679,908	9,772,186
Total assets	99,873,006	96,320,339	196,193,345
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	4,629,060	3,920,843	8,549,903
Funds held for others	1,650,001	-	1,650,001
Accrued salaries and benefits	3,440,038	608,054	4,048,092
Due to other funds	2,103,958	3,795,310	5,899,268
Deposits payable	-	1,212,438	1,212,438
Escrow deposits	5,148,064	-	5,148,064
Deferred revenue			
Loans (net of allowance for uncollectibles)	854,981	20,149,916	21,004,897
Assessments	12,739	-	12,739
Property taxes	19,290,666	3,713,671	23,004,337
Grants	-	9,102,912	9,102,912
Unearned revenue	799,525	-	799,525
Total liabilities	37,929,032	42,503,144	80,432,176
Fund balances			
Nonspendable	132,999	10,440,549	10,573,548
Restricted	7,547,036	32,217,976	39,765,012
Committed	3,857,623	11,006,093	14,863,716
Assigned	3,212,142	152,577	3,364,719
Unassigned	47,194,174	-	47,194,174
Total fund balances	61,943,974	53,817,195	115,761,169
Total liabilities and fund balances	\$99,873,006	\$96,320,339	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,302,122,228
Loans and assessments - certain long-term receivables are not available to pay for current-period expenditures because they are not collected within the prescribed time period after year-end and, therefore, are deferred in the funds.	21,017,636
Interest on investments that is not available to pay for current-period expenditures is not reported in the funds.	413,225
Internal service funds are used by management to charge the costs of fleet, support services, and insurance to individual funds.	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(787,546)
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds.	(129,406,842)
Net position of governmental activities	<u>\$1,309,119,870</u>

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 4**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$149,867,526	\$40,054,104	\$189,921,630
Licenses and permits	1,761,529	-	1,761,529
Intergovernmental	20,255,384	31,433,803	51,689,187
Charges for services	17,295,507	3,236,980	20,532,487
Endowments and donations	-	1,584,805	1,584,805
Other revenue	3,958,386	784,106	4,742,492
Investment earnings	637,556	1,114,730	1,752,286
Rental income	570,703	-	570,703
Total revenues	194,346,591	78,208,528	272,555,119
Expenditures			
Current			
General government	47,388,194	1,384,204	48,772,398
Public safety	114,429,412	30,615,462	145,044,874
Public works	21,037,183	11,316,674	32,353,857
Health and welfare	1,270,179	-	1,270,179
Culture and recreation	12,582,656	6,135,657	18,718,313
Urban development and housing	244,338	6,287,221	6,531,559
Economic development	-	2,702,372	2,702,372
Miscellaneous	-	1,160,787	1,160,787
Debt service			
Principal	9,257,185	4,095,712	13,352,897
Interest	3,211,046	1,868,858	5,079,904
Capital outlay	6,217,092	10,741,387	16,958,479
Total expenditures	215,637,285	76,308,334	291,945,619
Excess (deficiency) of revenues over expenditures	(21,290,694)	1,900,194	(19,390,500)
Other financing sources (uses)			
Transfers - in	35,417,084	5,468,930	40,886,014
Transfers - out	(5,468,930)	(1,271,822)	(6,740,752)
Capital lease proceeds	2,320,445	81,949	2,402,394
Sale of capital assets	168,634	473	169,107
Total other financing sources	32,437,233	4,279,530	36,716,763
Net change in fund balances	11,146,539	6,179,724	17,326,263
Fund balances - January 1	50,797,435	47,637,471	98,434,906
Fund balances - December 31	\$61,943,974	\$53,817,195	\$115,761,169

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 5**

Net change in fund balances - total governmental funds	\$17,326,263
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	(34,207,117)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>	41,213,805
<p>The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	10,809,598
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	(2,382,068)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	1,274,931
<p>Internal service funds are used by management to charge the costs of fleet management, insurance, and other services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>	<u>(1,759,673)</u>
Change in net position of governmental activities	<u><u>\$32,275,739</u></u>

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 6
(PAGE 1 OF 4)**

	Budgeted Amounts		2012 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
General property taxes				
Current	\$19,120,535	\$19,120,535	\$19,208,455	\$87,920
Penalty and interest	-	-	33,877	33,877
	19,120,535	19,120,535	19,242,332	121,797
Sales and use taxes	119,900,000	119,900,000	128,018,959	8,118,959
Specific ownership taxes	1,821,339	1,821,339	1,870,385	49,046
Occupational liquor taxes	262,600	262,600	259,820	(2,780)
Gross receipts business taxes				
Admissions tax	427,739	427,739	476,030	48,291
Total taxes	141,532,213	141,532,213	149,867,526	8,335,313
Licenses and permits				
Business licenses and permits	1,914,494	1,914,494	1,761,529	(152,965)
Intergovernmental				
State shared revenue				
Cigarette tax	1,128,796	1,128,796	1,079,036	(49,760)
Highway users tax-regular	17,100,347	17,100,347	16,749,737	(350,610)
Highway users tax-added fees	1,366,700	1,366,700	1,400,378	33,678
Severance tax	20,000	20,000	96,599	76,599
	19,615,843	19,615,843	19,325,750	(290,093)
Other governmental units				
El Paso County road and bridge	693,176	693,176	741,164	47,988
El Paso County shared fines	100,000	100,000	188,470	88,470
	793,176	793,176	929,634	136,458
Total intergovernmental	\$20,409,019	\$20,409,019	\$20,255,384	(\$153,635)

(continued)

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 6
(PAGE 2 OF 4)**

	Budgeted Amounts		2012 Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Charges for services				
General government				
Court costs and charges	\$5,941,020	\$5,941,020	\$5,262,430	(\$678,590)
Planning, zoning, subdivision fees	334,225	334,225	406,172	71,947
Other fees	1,747,276	1,747,276	1,860,176	112,900
	<u>8,022,521</u>	<u>8,022,521</u>	<u>7,528,778</u>	<u>(493,743)</u>
Public safety				
Police services	3,580,400	3,580,400	3,880,753	300,353
Fire services	508,500	549,144	1,144,317	595,173
	<u>4,088,900</u>	<u>4,129,544</u>	<u>5,025,070</u>	<u>895,526</u>
Highways and streets				
Highway and street permits and fees	2,401,520	2,401,520	2,217,564	(183,956)
Signal maintenance	697,800	697,800	743,816	46,016
	<u>3,099,320</u>	<u>3,099,320</u>	<u>2,961,380</u>	<u>(137,940)</u>
Culture and recreation				
Sports programs	1,079,076	1,079,076	871,460	(207,616)
Swimming pool fees	430,000	430,000	108,399	(321,601)
Ice center fees	343,286	343,286	332,135	(11,151)
Community centers	262,000	277,397	233,607	(43,790)
Other fees	287,507	337,507	234,678	(102,829)
	<u>2,401,869</u>	<u>2,467,266</u>	<u>1,780,279</u>	<u>(686,987)</u>
Total charges for services	<u>17,612,610</u>	<u>17,718,651</u>	<u>17,295,507</u>	<u>(423,144)</u>
Miscellaneous				
Other revenue	932,981	3,028,331	3,958,386	930,055
Investment earnings	390,000	390,000	637,556	247,556
Rental income	831,975	831,975	570,703	(261,272)
	<u>2,154,956</u>	<u>4,250,306</u>	<u>5,166,645</u>	<u>916,339</u>
Total revenues	<u>\$183,623,292</u>	<u>\$185,824,683</u>	<u>\$194,346,591</u>	<u>\$8,521,908</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 6
(PAGE 3 OF 4)**

	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current expenditures				
General government				
Legislative				
City council	\$637,659	\$637,659	\$599,301	\$38,358
Clerk of the council	341,343	341,343	200,297	141,046
	<u>979,002</u>	<u>979,002</u>	<u>799,598</u>	<u>179,404</u>
Judicial	3,532,511	3,532,511	3,308,605	223,906
Executive	1,198,169	1,512,649	1,451,535	61,114
Financial	3,713,284	3,602,517	3,340,041	262,476
Law	2,326,712	2,320,712	2,168,439	152,273
Personnel	870,611	875,004	871,919	3,085
Planning and zoning	1,640,004	1,674,167	1,666,115	8,052
Support services	16,152,290	17,430,196	17,357,050	73,146
Other	14,779,715	16,185,212	16,424,892	(239,680)
	<u>45,192,298</u>	<u>48,111,970</u>	<u>47,388,194</u>	<u>723,776</u>
Total general government				
Public safety				
Police	75,723,018	75,779,633	74,431,108	1,348,525
Fire	41,082,047	41,186,666	39,998,304	1,188,362
	<u>116,805,065</u>	<u>116,966,299</u>	<u>114,429,412</u>	<u>2,536,887</u>
Total public safety				
Public works				
Highways and streets				
Maintenance of condition	11,335,730	12,416,005	11,053,846	1,362,159
Traffic services	4,038,135	4,202,726	4,101,915	100,811
Engineering	3,304,779	2,992,782	2,785,270	207,512
	<u>18,678,644</u>	<u>19,611,513</u>	<u>17,941,031</u>	<u>1,670,482</u>
Transit	3,136,465	3,420,796	3,096,152	324,644
	<u>21,815,109</u>	<u>23,032,309</u>	<u>21,037,183</u>	<u>1,995,126</u>
Total public works				
Health and welfare				
Communicable disease	1,280,879	1,280,879	1,270,179	10,700
	<u>1,280,879</u>	<u>1,280,879</u>	<u>1,270,179</u>	<u>10,700</u>
Culture and recreation				
	<u>\$12,017,713</u>	<u>\$12,727,588</u>	<u>\$12,582,656</u>	<u>\$144,932</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 6
(PAGE 4 OF 4)**

	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Urban redevelopment and housing				
Community development	\$248,615	\$248,615	\$244,338	\$4,277
Debt service expenditures				
Principal payments	3,307,282	10,027,282	9,257,185	770,097
Interest payments	1,284,958	2,409,308	3,211,046	(801,738)
Total debt service	4,592,240	12,436,590	12,468,231	(31,641)
Capital outlay	2,680,159	12,266,976	6,217,092	6,049,884
Total expenditures	204,632,078	227,071,226	215,637,285	11,433,941
Deficiency of revenues over expenditures	(21,008,786)	(41,246,543)	(21,290,694)	19,955,849
Other financing sources (uses)				
Transfers - in				
Utilities surplus	31,592,389	31,592,389	31,235,000	(357,389)
Other funds	3,290,677	3,290,677	4,182,084	891,407
Transfers - out				
City funded capital improvement projects	(13,313,280)	(5,468,930)	(5,468,930)	-
Capital lease financing	-	-	2,320,445	2,320,445
Sale of capital assets	250,000	250,000	168,634	(81,366)
Total other financing sources (uses)	21,819,786	29,664,136	32,437,233	2,773,097
Net change in fund balance	811,000	(11,582,407)	11,146,539	22,728,946
Fund balance - January 1	50,797,435	50,797,435	50,797,435	-
Fund balance - December 31	\$51,608,435	\$39,215,028	\$61,943,974	\$22,728,946

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
BALANCE SHEET
December 31, 2012

	Business-type Activities Enterprise Funds				Governmental Activities
	Utilities	MHS	Other Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets					
Cash and investments - unrestricted	\$177,857,000	\$27,927,000	\$52,812,766	\$258,596,766	\$7,162,772
Cash and investments - restricted	27,576,000	-	-	27,576,000	-
Accounts receivable (net of allowance for uncollectibles)	107,990,923	-	3,410,785	111,401,708	320,460
Lease receivable	-	2,276,000	-	2,276,000	-
Interest receivable	100,000	-	-	100,000	-
Due from other funds	3,723,077	-	85,706	3,808,783	1,093,338
Inventories	48,434,000	-	192,564	48,626,564	1,010,028
Prepays	13,772,000	-	-	13,772,000	-
Derivative instruments	31,000	-	-	31,000	-
Other	-	1,053,000	-	1,053,000	-
Unamortized bond issuance costs	719,215	-	25,240	744,455	-
Total current assets	380,203,215	31,256,000	56,527,061	467,986,276	9,586,598
Noncurrent assets					
Cash and investments - restricted	223,196,000	259,150,000	6,321,628	488,667,628	-
Lease receivable - net	-	106,884,000	-	106,884,000	-
Note receivable	-	-	1,937,172	1,937,172	-
Receivable from insurance provider, net	-	7,478,000	-	7,478,000	-
Due from other funds	-	-	1,781,177	1,781,177	-
Investment in joint ventures	1,275,000	-	-	1,275,000	-
Other	99,196,000	-	-	99,196,000	-
Capital assets nondepreciable:					
Land	150,490,000	-	21,562,285	172,052,285	13,000
Intangibles	13,321,000	-	-	13,321,000	-
Construction in progress	460,110,000	-	4,897,631	465,007,631	-
Depreciable capital assets:					
Buildings	-	-	127,544,800	127,544,800	370,956
Improvements other than buildings	-	-	224,817,041	224,817,041	396,917
Machinery and equipment	-	-	35,744,985	35,744,985	3,140,120
Infrastructure	-	-	34,868,798	34,868,798	-
Utility plant	4,314,764,000	-	-	4,314,764,000	-
Intangibles	36,160,000	-	-	36,160,000	34,891
Less accumulated depreciation and amortization	(1,770,809,000)	-	(154,414,521)	(1,925,223,521)	(3,423,015)
Unamortized bond issuance costs	15,320,785	-	675,972	15,996,757	-
Total noncurrent assets	3,543,023,785	373,512,000	305,736,968	4,222,272,753	532,869
Deferred outflows of resources					
Deferred cash flow hedges - unrealized loss on derivatives	273,619,000	-	-	273,619,000	-
Total deferred outflows of resources	273,619,000	-	-	273,619,000	-
Total assets and deferred outflows of resources	\$4,196,846,000	\$404,768,000	\$362,264,029	\$4,963,878,029	\$10,119,467

(continued)

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
BALANCE SHEET
December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 7
(PAGE 2 OF 2)

	Business-type Activities Enterprise Funds				Governmental Activities
	Utilities	MHS	Other Non-Major Enterprise Funds	Total	Internal
					Service Funds
LIABILITIES AND NET POSITION					
Current liabilities					
Accounts payable	\$78,098,891	\$2,499,997	\$5,835,070	\$86,433,958	\$13,737,434
Accrued liabilities	356,000	4,893,000	-	5,249,000	-
Accrued salaries and benefits	7,924,000	-	285,534	8,209,534	148,003
Liability to lessee	-	6,900,000	-	6,900,000	-
Compensated absences	7,474,000	-	53,368	7,527,368	35,548
Due to other funds	4,133,109	59,003	155,047	4,347,159	1,467,913
Deferred revenue	1,436,844	-	1,485,444	2,922,288	-
Accrued interest payable	12,189,000	-	40,646	12,229,646	-
Matured bonds payable	50,774,000	-	3,920,000	54,694,000	-
Notes payable	1,511,000	-	731,849	2,242,849	-
Capital lease payable	-	-	519,018	519,018	2,568
Derivative instruments	12,326,000	-	-	12,326,000	-
Other liabilities	128,737	-	-	128,737	-
Other	2,823,419	-	-	2,823,419	-
Total current liabilities	179,175,000	14,352,000	13,025,976	206,552,976	15,391,466
Noncurrent liabilities					
Contingent liability to health foundation	-	390,416,000	-	390,416,000	-
Compensated absences	5,564,000	-	1,013,992	6,577,992	675,397
Customer deposits	2,095,000	-	-	2,095,000	-
Revenue bonds payable, net of deferrals	2,237,520,000	-	46,501,889	2,284,021,889	-
Notes payable	18,167,000	-	3,247,865	21,414,865	-
Customer advances for construction	10,475,000	-	-	10,475,000	-
Capital lease payable	-	-	688,966	688,966	2,489
Municipal solid waste landfill closure and postclosure care	3,969,000	-	-	3,969,000	-
Derivative instruments	223,186,000	-	-	223,186,000	-
Other long term liabilities	1,876,000	-	-	1,876,000	-
Total noncurrent liabilities	2,502,852,000	390,416,000	51,452,712	2,944,720,712	677,886
Deferred inflows of resources					
Deferred cash flow hedges - unrealized gains on derivatives	60,645,000	-	-	60,645,000	-
Total deferred inflows of resources	60,645,000	-	-	60,645,000	-
Net position					
Net investment in capital assets	1,068,460,000	-	245,227,876	1,313,687,876	527,812
Restricted for debt service	68,427,000	-	13,327,874	81,754,874	-
Unrestricted	317,287,000	-	39,229,591	356,516,591	(6,477,697)
Total net position	1,454,174,000	-	297,785,341	1,751,959,341	(5,949,885)
Total liabilities, deferred inflows of resources and net position	\$ 4,196,846,000	\$404,768,000	\$362,264,029		\$10,119,467
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(5,162,339)	
Net position of business-type activities				<u>\$1,746,797,002</u>	

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 8

	Business-type Activities Enterprise Funds			Total	Governmental Activities
	Utilities	MHS	Other Non- Major Enterprise Funds		Internal Service Funds
Operating revenues					
Charges for services	\$849,746,000	\$405,688,000	\$33,843,316	\$1,289,277,316	\$51,387,114
Miscellaneous	-	10,184,000	-	10,184,000	-
Total operating revenues	849,746,000	415,872,000	33,843,316	1,299,461,316	51,387,114
Operating expenses					
Salaries and benefits	157,507,569	224,194,000	12,478,297	394,179,866	6,595,574
Other operating expenses	402,715,431	174,222,000	11,113,060	588,050,491	46,360,609
Depreciation and amortization	114,257,000	18,933,000	19,692,101	152,882,101	104,245
Total operating expenses	674,480,000	417,349,000	43,283,458	1,135,112,458	53,060,428
Operating income (loss)	175,266,000	(1,477,000)	(9,440,142)	164,348,858	(1,673,314)
Nonoperating revenues (expenses)					
Investment earnings	2,689,000	14,769,000	954,607	18,412,607	73,109
Interest expense	(89,565,000)	(13,347,000)	(2,841,919)	(105,753,919)	(378)
Passenger facility charges	-	-	2,191,195	2,191,195	-
Customer facility charges	-	-	833,900	833,900	-
Amortization expense	-	-	(30,947)	(30,947)	-
Loss on disposal of capital assets	-	-	(347,969)	(347,969)	-
Miscellaneous	15,442,000	(949,000)	191,306	14,684,306	-
Total nonoperating revenues (expenses)	(71,434,000)	473,000	950,173	(70,010,827)	72,731
Income (loss) before contributions and transfers	103,832,000	(1,004,000)	(8,489,969)	94,338,031	(1,600,583)
Capital contributions	47,143,000	-	21,796,203	68,939,203	-
Transfers - in	-	-	436,790	436,790	-
Transfers - out	(31,235,000)	-	(2,347,052)	(33,582,052)	(1,000,000)
Loss on defeasance and repayment of long term debt	-	(47,903,000)	-	(47,903,000)	-
Extraordinary item - conveyance of assets	-	(357,875,000)	(14,483,584)	(372,358,584)	-
Change in net position	119,740,000	(406,782,000)	(3,087,612)	(290,129,612)	(2,600,583)
Total net position - January 1	1,334,434,000	406,782,000	300,872,953		(3,349,302)
Total net position - December 31	\$1,454,174,000	\$ -	\$297,785,341		(\$5,949,885)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(840,910)	
Change in net position of business-type activities				<u>(\$290,970,522)</u>	

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 9
(PAGE 1 OF 2)

	Business-type Activities Enterprise Funds				Governmental Activities
	Utilities	MHS	Other Non-Major	Total	Internal
			Enterprise Funds		Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$836,063,000	\$405,661,000	\$33,163,565	\$1,274,887,565	\$8,994,641
Receipts from interfund services provided	18,802,000	-	366,436	19,168,436	42,304,741
Payments to suppliers	(407,687,000)	(154,500,000)	(4,421,270)	(566,608,270)	(37,003,344)
Payments to employees	(170,917,000)	(235,577,000)	(12,340,123)	(418,834,123)	(6,582,523)
Payments for interfund services used	(10,041,000)	-	(2,567,688)	(12,608,688)	(7,196,328)
Other receipts, net	-	10,184,000	-	10,184,000	-
Net cash provided by operating activities	266,220,000	25,768,000	14,200,920	306,188,920	517,187
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental non-operating revenues provided	(30,773,000)	-	-	(30,773,000)	-
Transfers out to other funds	(2,077,000)	-	(2,347,052)	(4,424,052)	(1,000,000)
Principal received from interfund loan	-	-	58,246	58,246	-
Interest received from interfund loan	-	-	74,942	74,942	-
Operating grant	335,000	-	191,306	526,306	-
Net cash used by noncapital financing activities	(32,515,000)	-	(2,022,558)	(34,537,558)	(1,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	315,685,000	-	-	315,685,000	-
Capital contributions and advances	36,301,000	-	-	36,301,000	-
Bond issuance costs	26,289,000	-	-	26,289,000	-
Defeasance of bonds	-	(345,000,000)	-	(345,000,000)	-
Purchases of capital assets	(212,178,000)	(13,876,000)	(29,347,883)	(255,401,883)	(104,853)
Transfers in from other funds	-	-	436,790	436,790	-
Payments from accounts payable incurred for capital asset additions	-	-	1,535,449	1,535,449	-
Repayment of capital lease obligations	-	-	(382,933)	(382,933)	(2,485)
Principal paid on capital debt	(284,619,000)	-	(4,431,837)	(289,050,837)	-
Interest paid on capital debt	(104,440,000)	(17,270,000)	(2,828,915)	(124,538,915)	-
Interest paid - other	(7,000)	-	(29,068)	(36,068)	(378)
Proceeds from the sale of capital assets	1,994,000	-	31,132	2,025,132	45,761
Capital grant	8,551,000	-	21,949,167	30,500,167	-
Passenger facility charges	-	-	2,243,141	2,243,141	-
Customer facility charges	-	-	887,267	887,267	-
Net cash used by capital and related financing activities	(212,424,000)	(376,146,000)	(9,937,690)	(598,507,690)	(61,955)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	27,000,000	364,550,000	35,803,572	427,353,572	5,174,957
Purchases of investments	(51,120,000)	(89,963,000)	(38,567,828)	(179,650,828)	(4,716,056)
Interest and dividends received	2,703,000	3,571,000	679,781	6,953,781	63,590
Cash received pursuant to lease transaction	-	296,900,000	-	296,900,000	-
Lease transaction proceeds placed in escrow	-	(259,000,000)	-	(259,000,000)	-
Proceeds from previously restricted funds	-	24,159,000	-	24,159,000	-
Collections on lease receivable	-	840,000	-	840,000	-
Other investing activities	-	590,000	-	590,000	-
Net cash provided (used) by investing activities	(21,417,000)	341,647,000	(2,084,475)	318,145,525	522,491
Net increase (decrease) in cash and cash equivalents	(136,000)	(8,731,000)	156,197	(8,710,803)	(22,277)
Cash and cash equivalents - January 1	361,104,000	36,658,000	3,437,728	401,199,728	352,953
Cash and cash equivalents - December 31	360,968,000	27,927,000	3,593,925	392,488,925	330,676
Cash and cash equivalents	360,968,000	27,927,000	3,593,925	392,488,925	330,676
Investments	67,661,000	-	55,540,469	123,201,469	6,832,096
Total cash and investments	\$428,629,000	\$27,927,000	\$59,134,394	\$515,690,394	\$7,162,772

(continued)

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 9
(PAGE 2 OF 2)

	Business-type Activities Enterprise Funds				Governmental Activities
	Utilities	MHS	Other Non-Major	Total	Internal
			Enterprise Funds		Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$175,266,000	(\$1,477,000)	(\$9,440,142)	\$164,348,858	(\$1,673,314)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization expense	116,185,000	18,933,000	19,692,101	154,810,101	104,245
Other expense	(22,561,000)	-	-	(22,561,000)	-
(Increase) decrease in accounts receivable	1,252,000	(7,403,000)	(11,735)	(6,162,735)	(229,247)
Decrease in due from other funds	-	-	1,279	1,279	172,700
(Increase) decrease in inventories	6,004,000	90,000	(3,417)	6,090,583	62,370
Increase in prepaids	(6,111,000)	-	-	(6,111,000)	(89,848)
Increase in other assets	(7,258,000)	(406,000)	-	(7,664,000)	-
Decrease in deferred revenue	-	-	-	-	(31,185)
Increase in accounts and other payables	2,369,000	20,137,000	4,203,104	26,709,104	859,023
Increase (decrease) in accrued expenses	2,122,000	(8,231,000)	82,926	(6,026,074)	13,051
Increase (decrease) in due to other funds	-	-	99,984	99,984	1,329,392
Increase (decrease) in other liabilities	(1,048,000)	4,125,000	(423,180)	2,653,820	-
Net cash provided by operating activities	\$266,220,000	\$25,768,000	\$14,200,920	\$306,188,920	\$517,187
Noncash investing, capital and financing activities					
Amortization, charge-off of debt discount and expense	\$2,166,000	\$-	\$30,947	\$2,196,947	\$-
Noncash acquisition of capital assets (incurrence of payable/capital lease obligation)	36,838,000	-	4,499,484	41,337,484	-
Noncash contributions in aid of construction	11,799,000	-	-	11,799,000	-
Increase in fair value of investments	6,177,000	-	241,759	6,418,759	16,117
Lease receivable received as consideration pursuant to lease transaction	-	110,000,000	-	110,000,000	-

The notes to the financial statements are an integral part of this statement.

**FIDUCIARY FUNDS
BALANCE SHEET
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 10**

	Pension Trust Funds	Agency Fund
<u>ASSETS</u>		
Cash and investments	\$ -	\$1,898,866
Accounts receivable (net of allowances for uncollectibles)	-	3,397
Pension assets held in trust by Fire and Police Pension Association	138,906,970	-
Total assets	138,906,970	1,902,263
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	-	272,493
Due to component unit	-	1,629,770
Total liabilities	-	1,902,263
Net position - held in trust for pension benefits	138,906,970	-
Total liabilities and net position	\$138,906,970	\$1,902,263

The notes to the financial statements are an integral part of this statement

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the fiscal year ended December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 11

	Pension Trust Funds
Additions	
City contributions	\$2,906,799
Participant contributions	8,307
	<u>2,915,106</u>
Investment earnings	
Interest and dividend income	2,375,559
Rental income	22
Net increase in fair value of investments	14,079,843
	<u>16,455,424</u>
Total investment gain	16,455,424
Less investment expenses	1,239,891
	<u>15,215,533</u>
Net investment gain	15,215,533
	<u>18,130,639</u>
Total additions	18,130,639
Deductions	
Benefits	(14,605,558)
	<u>(14,605,558)</u>
Total deductions	(14,605,558)
Change in net position	3,525,081
Net position held in trust for pension benefits - January 1	<u>135,381,889</u>
Net position held in trust for pension benefits - December 31	<u><u>\$138,906,970</u></u>

The notes to the financial statements are an integral part of this statement.



CITY OF COLORADO SPRINGS

**GOVERNMENTAL FUND COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2012**

	Colorado Springs Urban Renewal Authority	Colorado Springs Downtown Development Authority	Greater Downtown Colorado Springs Business Improvement District	Briargate Center Business Improvement District	Barnes & Powers North Business Improvement District
<u>ASSETS</u>					
Cash and investments - unrestricted	\$59,014	\$1,598,415	\$331,801	\$16,527	\$13,655
Cash and investments - restricted	950,616	-	-	888,954	193,439
Accounts receivable (net of allowance for uncollectibles)	259,803	6,086	6,405	2,303	2,190
Due from component units	-	-	-	-	5,857
Note receivable	-	531,129	-	-	-
Assessments receivable	-	-	-	5,940,118	-
Property taxes receivable	1,659,194	972,987	507,862	364,237	277,869
Prepays	-	1,805	9,955	-	-
Interest rate cap	-	-	-	281,411	-
Deferred asset: Bond issue costs, net of amortization	1,335,190	-	-	708,969	25,682
Capital assets, not being depreciated: Construction in progress	12,983,505	-	-	-	-
Capital assets, net of accumulated depreciation: Machinery and equipment	-	-	40,704	-	-
Improvements	-	-	-	-	1,264,992
Infrastructure	-	-	-	7,061,366	328,357
Total assets	17,247,322	3,110,422	896,727	15,263,885	2,112,041
<u>LIABILITIES</u>					
Accounts payable	22,246	79	8,841	8,210	5,827
Due to component units	-	-	-	-	-
Deferred revenue	1,659,194	983,362	507,862	364,237	277,869
Grants payable	-	65,000	-	-	-
Accrued interest payable	845,124	-	-	37,145	20,692
Noncurrent liabilities: Due within one year	1,150,000	-	-	400,500	60,000
Due in more than one year	57,216,990	-	-	9,625,000	3,760,000
Total liabilities	60,893,554	1,048,441	516,703	10,435,092	4,124,388
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Accum incr in fair value of hedging derivative	-	-	-	11,411	-
Total deferred inflows of resources	-	-	-	11,411	-
<u>NET POSITION</u>					
Net investment in capital assets	-	-	40,704	(2,255,165)	(475,563)
Restricted for: Debt service	-	-	-	7,099,072	192,039
Emergency reserve	7,600	21,706	16,645	830	1,400
Capital improvement	505,745	-	-	-	-
Unrestricted	(44,159,577)	2,040,275	322,675	(27,355)	(1,730,223)
Total net position	(\$43,646,232)	\$2,061,981	\$380,024	\$4,817,382	(\$2,012,347)

The notes to the financial statements are an integral part of this statement.

Barnes & Powers South Business Improvement District	First & Main Business Improvement District	First & Main Business Improvement District No 2	First & Main North Business Improvement District	Interquest North Business Improvement District	Interquest South Business Improvement District	Powers & Woodmen Commercial Business Improvement District	Total
\$5,074	\$2,956	\$41,190	\$5,891	\$10,942	\$10,221	\$20,253	\$2,115,939
63,350	34,494	796,384	32,827	523,080	400	112,413	3,595,957
783	1,401	53,769	1,337	14,516	90	1,806	350,489
-	-	-	-	-	-	-	5,857
-	-	-	-	-	-	-	531,129
-	-	-	-	-	-	-	5,940,118
95,513	171,365	357,173	167,743	716,242	11,496	278,039	5,579,720
-	-	-	-	-	-	-	11,760
-	-	-	-	-	-	-	281,411
23,322	21,033	51,728	16,849	40,720	-	28,557	2,252,050
-	-	-	-	-	-	-	12,983,505
-	-	-	-	-	-	-	40,704
-	-	-	986,989	-	-	-	2,251,981
102,019	1,411,035	4,142,509	401,151	5,896,823	-	1,645,342	20,988,602
290,061	1,642,284	5,442,753	1,612,787	7,202,323	22,207	2,086,410	56,929,222
-	2,919	4,200	2,512	5,397	5,697	2,619	68,547
5,857	-	-	-	-	-	-	5,857
95,513	171,365	357,173	167,743	716,242	11,496	278,039	5,590,095
-	-	-	-	-	-	-	65,000
3,927	11,015	30,423	54,428	45,865	-	12,856	1,061,475
35,000	20,000	55,000	39,555	65,000	-	20,000	1,845,055
690,000	1,538,000	4,240,000	1,804,484	6,443,557	124,042	1,881,209	87,323,282
830,297	1,743,299	4,686,796	2,068,722	7,276,061	141,235	2,194,723	95,959,311
-	-	-	-	-	-	-	11,411
-	-	-	-	-	-	-	11,411
(26,814)	(143,965)	(152,491)	(426,111)	(578,177)	-	(169,658)	(4,187,240)
63,350	33,884	845,853	32,127	530,304	-	111,413	8,908,042
-	610	1,300	700	2,200	400	1,000	54,391
-	-	-	-	-	-	-	505,745
(576,772)	8,456	61,295	(62,651)	(28,065)	(119,428)	(51,068)	(44,322,438)
(\$540,236)	(\$101,015)	\$755,957	(\$455,935)	(\$73,738)	(\$119,028)	(\$108,313)	(\$39,041,500)

GOVERNMENTAL FUND COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 For the year ended December 31, 2012

	Program Revenues				Colorado Springs Urban Renewal Authority	Colorado Springs Downtown Development Authority	Greater Downtown Colorado Springs Business Improvement District	Briargate Center Business Improvement District	Barnes & Powers North Business Improvement District	Barnes & Powers South Business Improvement District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions						
Colorado Springs Urban Renewal Authority										
General government	\$1,149,651	\$228,077	\$45,190	\$104,595	(\$771,789)					
Interest on long-term debt	4,079,815	-	-	-	(4,079,815)					
Total	5,229,466	228,077	45,190	104,595	(4,851,604)					
Colorado Springs Downtown Development Authority										
General government	723,537	-	30,000	-		(\$693,537)				
Greater Downtown Colorado Springs Business Improvement District										
General government	555,531	-	13,850	-		(\$541,681)				
Public works	10,502	-	-	-		(10,502)				
Total	566,033	-	13,850	-		(552,183)				
Briargate Center Business Improvement District										
General government	819,784	-	306,639	-			(\$513,145)			
Interest on long-term debt	267,848	-	-	-			(267,848)			
Total	1,087,632	-	306,639	-			(780,993)			
Barnes & Powers North Business Improvement District										
General government	110,902	-	13,466	-				(\$97,436)		
Interest on long-term debt	253,258	-	-	-				(253,258)		
Total	364,160	-	13,466	-				(350,694)		
Barnes & Powers South Business Improvement District										
General government	19,583	-	-	-					(\$19,583)	
Interest on long-term debt	51,787	-	-	-					(51,787)	
Total	71,370	-	-	-					(71,370)	
First & Main Business Improvement District										
General government	76,475	-	-	-						
Interest on long-term debt	134,539	-	-	-						
Total	211,014	-	-	-						
First & Main Business Improvement District No. 2										
General government	189,311	-	-	-						
Interest on long-term debt	372,581	-	-	-						
Total	561,892	-	-	-						
First & Main North Business Improvement District										
General government	83,502	-	-	-						
Interest on long-term debt	112,634	-	-	-						
Total	196,136	-	-	-						
Interquest North Business Improvement District										
General government	248,718	-	-	-						
Interest on long-term debt	556,719	-	-	-						
Total	805,437	-	-	-						
Interquest South Business Improvement District										
General government	16,291	-	-	-						
Interest on long-term debt	5,558	-	-	-						
Total	21,849	-	-	-						
Powers & Woodmen Commercial Business Improvement District										
General government	81,609	-	-	-						
Interest on long-term debt	162,088	-	-	-						
Total	243,697	-	-	-						
Total component units	\$10,082,223	\$228,077	\$409,145	\$ 104,595						
General revenues:										
Property taxes					1,586,325	732,523	490,701	289,273	265,698	98,221
Specific ownership taxes					-	71,191	47,891	27,456	25,499	9,330
Miscellaneous					2,444,334	83,685	6,912	-	-	-
Investment earnings					4,054	4,318	1,222	207	789	145
Total general revenues					4,034,713	891,717	546,726	316,936	291,986	107,696
Change in net position					(816,891)	198,180	(5,457)	(464,057)	(58,708)	36,326
Net position - January 1					(42,829,341)	1,863,801	385,481	5,281,439	(1,953,639)	(576,562)
Net position - December 31					(\$43,646,232)	\$2,061,981	\$380,024	\$4,817,382	(\$2,012,347)	(\$540,236)

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit 13

Changes in Net Position

First & Main Business Improvement District	First & Main Business Improvement District No. 2	First & Main North Business Improvement District	Interquest North Business Improvement District	Interquest South Business Improvement District	Powers & Woodmen Commercial Business Improvement District	Total
						(\$771,789)
						(4,079,815)
						(693,537)
						(541,681)
						(10,502)
						(513,145)
						(267,848)
						(97,436)
						(253,258)
						(19,583)
						(51,787)
(\$76,475)						(76,475)
(134,539)						(134,539)
(211,014)						
	(\$189,311)					(189,311)
	(372,581)					(372,581)
	(561,892)					
		(\$83,502)				(83,502)
		(112,634)				(112,634)
		(196,136)				
			(\$248,718)			(248,718)
			(556,719)			(556,719)
			(805,437)			
				(\$16,291)		(16,291)
				(5,558)		(5,558)
				(21,849)		
					(\$81,609)	(81,609)
					(162,088)	(162,088)
					(243,697)	
						(9,340,406)
175,816	376,918	167,722	537,515	11,032	226,661	4,958,405
16,698	35,759	15,932	60,696	1,069	21,531	333,052
-	265,214	-	96,757	-	-	2,896,902
336	2,255	173	433	-	457	14,389
192,850	680,146	183,827	695,401	12,101	248,649	8,202,748
(18,164)	118,254	(12,309)	(110,036)	(9,748)	4,952	(1,137,658)
(82,851)	637,703	(443,626)	36,298	(109,280)	(113,265)	(37,903,842)
(\$101,015)	\$755,957	(\$455,935)	(\$73,738)	(\$119,028)	(\$108,313)	(\$39,041,500)

PROPRIETARY FUND COMPONENT UNITS
 COMBINING BALANCE SHEET
 December 31, 2012

	Public Authority for Colorado Energy	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority	The Twin Lakes Reservoir and Canal Company
ASSETS				
Current assets				
Cash and investments	\$79,000	\$996,093	\$5,568	\$1,450,992
Accounts receivable (net of allowance for uncollectibles)	6,717,000	781,112	-	9,036
Inventories	-	114,274	-	-
Due from primary government	-	-	-	-
Prepays	18,275,000	5,413,830	1,042	238,909
Total current assets	25,071,000	7,305,309	6,610	1,698,937
Noncurrent assets				
Restricted cash and cash equivalents	6,363,000	2,193,087	-	-
Prepays	513,595,000	-	-	-
Other	-	-	-	274,279
Capital assets:				
Utility plant	-	88,666,840	9,499,247	14,016,974
Construction in progress	-	331,651	-	272,450
Less accumulated depreciation	-	(38,639,417)	(2,468,643)	(6,479,679)
Unamortized debt issuance costs	4,426,000	162,446	-	-
Total noncurrent assets	524,384,000	52,714,607	7,030,604	8,084,024
Total assets	\$549,455,000	\$60,019,916	\$7,037,214	\$9,782,961

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
 Exhibit 14
 (PAGE 1 OF 2)

The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
\$188,772	\$324,525	\$74,233	\$ -	\$3,119,183
19	36,259	-	18,950	7,562,376
-	-	-	-	114,274
-	-	-	1,629,770	1,629,770
4,363	25,809	1,934	-	23,960,887
193,154	386,593	76,167	1,648,720	36,386,490
68,078	-	7,043	-	8,631,208
-	-	-	-	513,595,000
-	25,334	32,409	-	332,022
3,271,173	2,411,259	1,275,012	-	119,140,505
-	5,101	-	-	609,202
(778,943)	(1,610,485)	(450,516)	-	(50,427,683)
11,070	-	-	-	4,599,516
2,571,378	831,209	863,948	-	596,479,770
\$2,764,532	\$1,217,802	\$940,115	\$1,648,720	\$632,866,260

(continued)

PROPRIETARY FUND COMPONENT UNITS
 COMBINING BALANCE SHEET
 December 31, 2012

	Public Authority for Colorado Energy	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority	The Twin Lakes Reservoir and Canal Company
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities				
Accounts payable	\$ -	\$415,325	\$ -	\$24,151
Deferred revenue	-	5,352,751	-	-
Accrued interest payable	5,080,000	129,893	-	-
Matured bonds payable	5,795,000	710,000	-	-
Notes payable	-	540,334	-	-
Capital lease payable	-	3,820,097	-	-
Total current liabilities	10,875,000	10,968,400	-	24,151
Noncurrent liabilities				
Revenue bonds payable, net of deferrals	612,049,000	4,653,944	-	-
Notes payable	-	5,010,892	-	-
Capital lease payable	-	46,496,885	-	-
Total noncurrent liabilities	612,049,000	56,161,721	-	-
Total liabilities	622,924,000	67,130,121	-	24,151
Net position				
Net investment in capital assets	-	(10,873,077)	7,030,604	7,809,745
Restricted				
Debt service	1,283,000	2,193,087	-	-
Unrestricted	(74,752,000)	1,569,785	6,610	1,949,065
Total net position	(73,469,000)	(7,110,205)	7,037,214	9,758,810
Total liabilities and net position	\$549,455,000	\$60,019,916	\$7,037,214	\$9,782,961

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
 Exhibit 14
 (PAGE 2 OF 2)

The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
\$4,967	\$23,272	\$19,363	\$18,157	\$505,235
-	-	-	-	5,352,751
24,280	-	3,492	-	5,237,665
-	-	-	-	6,505,000
36,933	40,297	4,211	-	621,775
-	-	-	-	3,820,097
66,180	63,569	27,066	18,157	22,042,523
-	-	-	-	616,702,944
1,167,161	-	103,831	-	6,281,884
-	-	-	-	46,496,885
1,167,161	-	103,831	-	669,481,713
1,233,341	63,569	130,897	18,157	691,524,236
2,492,230	805,875	824,496	-	8,089,873
-	-	-	-	3,476,087
(961,039)	348,358	(15,278)	1,630,563	(70,223,936)
1,531,191	1,154,233	809,218	1,630,563	(58,657,976)
\$2,764,532	\$1,217,802	\$940,115	\$1,648,720	\$632,866,260

PROPRIETARY FUND COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 For the year ended December 31, 2012

	Expenses	Program Revenues Charges for Services	Public Authority for Colorado Energy	Fountain Valley Authority	Aurora - Colorado Springs Joint Water Authority
Public Authority for Colorado Energy					
General government	\$61,242,000	\$46,475,000	(\$14,767,000)		
Fountain Valley Authority					
General government	7,676,762	12,500,715		\$4,823,953	
Aurora-Colorado Springs Joint Water Authority					
General government	113,841	17,340			(\$96,501)
The Twin Lakes Reservoir and Canal Company					
General government	866,470	948,965			
The Lake Meredith Reservoir Company					
General government	120,034	247,946			
The Colorado Canal Company					
General government	599,306	591,894			
The Lake Henry Reservoir Company					
General government	74,231	95,016			
Pikes Peak Regional Communications Network					
General government	915,446	1,091,900			
Total component units	<u>\$71,608,090</u>	<u>\$61,968,776</u>			
General revenues					
Investment earnings			859,000	888	6
Total general revenues			<u>859,000</u>	<u>888</u>	<u>6</u>
Change in net position			(13,908,000)	4,824,841	(96,495)
Net position - January 1			<u>(59,561,000)</u>	<u>(11,935,046)</u>	<u>7,133,709</u>
Net position - December 31			<u>(\$73,469,000)</u>	<u>(\$7,110,205)</u>	<u>\$7,037,214</u>

The notes to the financial statements are an integral part of this statement.

CITY OF COLORADO SPRINGS
COLORADO
Exhibit 15

Net (Expense) Revenue and Changes in Net Position					
The Twin Lakes Reservoir and Canal Company	The Lake Meredith Reservoir Company	The Colorado Canal Company	The Lake Henry Reservoir Company	Pikes Peak Regional Communications Network	Total
					(\$14,767,000)
					4,823,953
					(96,501)
<u>\$82,495</u>					82,495
	<u>\$127,912</u>				127,912
		<u>(\$7,412)</u>			(7,412)
			<u>\$20,785</u>		20,785
				<u>\$176,454</u>	<u>176,454</u>
					<u>(9,639,314)</u>
<u>2,161</u>	<u>302</u>	<u>698</u>	<u>54</u>	<u>12,813</u>	<u>875,922</u>
<u>2,161</u>	<u>302</u>	<u>698</u>	<u>54</u>	<u>12,813</u>	<u>875,922</u>
84,656	128,214	(6,714)	20,839	189,267	(8,763,392)
<u>9,674,154</u>	<u>1,402,977</u>	<u>1,160,947</u>	<u>788,379</u>	<u>1,441,296</u>	<u>(49,894,584)</u>
<u>\$9,758,810</u>	<u>\$1,531,191</u>	<u>\$1,154,233</u>	<u>\$809,218</u>	<u>\$1,630,563</u>	<u>(\$58,657,976)</u>



CITY OF COLORADO SPRINGS

NOTES TO FINANCIAL STATEMENTS



CITY OF COLORADO SPRINGS

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colorado Springs (City) is a home-rule city, organized under provisions of the Colorado constitution. In 2011, the City transitioned to a “council-mayor” form of government as the result of the November 2, 2010, local election. Historically, the City had been managed by a council/manager form of government. The City provides services, as authorized by its Charter, to advance the welfare and safety of the City and its residents.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to units of local government and promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, those entities for which the City is considered to be financially accountable. Blended component units are those entities, which while legally separate, are, in substance, part of the City’s operation and the financial data for which are combined with that of the City and reported in both the government-wide and fund financial reporting level. Discretely presented component units are legally separate entities for which the financial data are presented separately from the financial data of the City. The City has blended the General Improvement District component units and the Pension Trust fund. All other component units are discretely presented.

1. Governmental Fund Type Component Units

General Improvement Districts – Cottonwood, Spring Creek, Briargate and Market Place at Austin Bluffs. General Improvement Districts (GIDs) were created under provisions of Colorado state statute. Each district has the power to acquire, construct or install public improvements within its own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. GIDs are blended in the City financial statements. The GIDs are legally separate entities from the City. City Council sits as the Board of Directors for each of the GIDs. Services provided by the GIDs are entirely for the benefit of the citizens of each respective district. The fiscal year-end for each of these districts is December 31.

Colorado Springs Urban Renewal Authority – The Colorado Springs Urban Renewal Authority (CSURA) was formed under the provisions of Colorado state statute. The CSURA has the power to issue tax increment financing in order to acquire property and fund improvements. CSURA is discretely presented in the City’s financial statements. CSURA is a legally separate entity from the City. The City does, however, appoint a voting majority of CSURA’s board and is able to impose its will on CSURA. The City’s board and CSURA’s board are not substantively the same. Services provided by CSURA are entirely for the benefit of the citizens. The fiscal year-end for CSURA is December 31.

Colorado Springs Downtown Development Authority – The Colorado Springs Downtown Development Authority (the Authority) was established in 2007 by the City of Colorado Springs City Council. The Authority was organized for the public health, safety, prosperity, security and welfare in order to halt or prevent deterioration of property values or structures within the central business district. Operations are financed primarily by tax revenues

collected on real and personal property located within the central business district. The Authority is discretely presented in the City's financial statements. An eleven-member Board, as provided by the City of Colorado Springs, Colorado Ordinance 07-15 governs the Authority. The City's board and the Authority's board are not substantively the same. The fiscal year-end for the Authority is December 31.

Business Improvement Districts – Greater Downtown, Briargate Center, Barnes & Powers North, Barnes & Powers South, First & Main, First & Main No. 2, First & Main North, Interquest North, Interquest South, Powers and Woodmen Commercial. Business Improvement Districts (BIDs) were created under provisions of Colorado state statute. The BIDs have the power to acquire, construct or install public improvements within their own boundaries and to finance such improvements by levying a general property tax upon the benefiting property. The BIDs are discretely presented in the City's financial statements. The BIDs are legally separate entities from the City. The City does, however, approve the budgets and is able to impose its will on the BIDs. The City's board and the BID boards are not substantively the same. Services provided by the BIDs are entirely for the benefit of the business communities in the Districts. The fiscal year-end for the BIDs is December 31.

The financial statements of each of these entities may be obtained at the following address:

City of Colorado Springs
Chief Financial Officer
30 South Nevada Avenue, Suite 202
Colorado Springs, CO 80903

2. Proprietary Fund Type Component Units

The following Proprietary fund type component units are reported as discretely presented component units. They are legally separate from the City. The City Council and the Boards of Directors of the component units are not substantively the same, and the component units do not provide services exclusively to the City.

Fountain Valley Authority – The Fountain Valley Authority constructed a water treatment plant with 18,000,000 gpd capacity approximately 17 miles south of the City. Utilities acts as operator of the plant under contract with the Fountain Valley Authority. Utilities is entitled to receive approximately 71.4% of the water treated at the Fountain Valley Authority plant. The remaining water is available to the other Fountain Valley Authority participants, which include the City of Fountain, the Security Water District, the Stratmoor Hills Water District and the Widefield Water and Sanitation District, each of which owns and operates a water distribution system.

Under the applicable long-term contracts relating to the Fountain Valley Authority, Utilities is obligated to pay water treatment service charges to the Fountain Valley Authority and water conveyance service charges to the U.S. Bureau of Reclamation ("Bureau") for conveyance of its water through the Bureau's Fountain Valley Conduit, which conveys raw water from the Pueblo Reservoir to the Fountain Valley Authority's treatment plant and treated water from the treatment plant to distribution reservoirs of the Fountain Valley Authority participants.

Aurora-Colorado Springs Joint Water Authority – The Aurora-Colorado Springs Joint Water Authority has constructed a 66-inch diameter pipeline from the Twin Lakes Dam, which is located approximately 12 miles south of Leadville, Colorado, to connect with the Otero Pumping Station intake pipeline located approximately 10 miles north of Buena Vista, Colorado. Utilities has a 66.7% participation share in the Aurora-Colorado Springs Joint Water Authority's project. This share was determined by the parties on the basis of their projected pumping demands, but no provision is made in the Aurora-Colorado Springs Joint Water Authority contracts for adjustments in participation shares if actual pumping demands differ from these projections. Therefore, it is possible that the transmission service charges to be paid by Utilities will be disproportionate to the water transmission service that Utilities is using during a particular time period.

Canal and Reservoir Companies – Utilities owns from 51.9% to 77.2% in four canal and reservoir companies which include The Twin Lakes Reservoir and Canal Company, The Lake Meredith Reservoir Company, The Colorado Canal Company and The Lake Henry Reservoir Company. This ownership interest represents proportionate ownership and control of the companies' facilities and water rights. The water rights add significant physical water to the water supply portfolio in addition to allowing for exchange, storage, staging, and delivery of Utilities' water supply.

Public Authority for Colorado Energy – In June 2008, the City contracted to purchase approximately 20.0% of Utilities' natural gas supply needs for 30 years through a natural gas prepayment transaction with Merrill Lynch Commodities, Inc. and Merrill Lynch and Co., Inc. which is financed by PACE non-recourse revenue bonds. PACE is obligated to pay the principal and interest on the PACE Bonds. Utilities is obligated to purchase and pay for natural gas tendered for delivery by PACE at an index minus a predetermined discount and is not obligated to make payments in respect to debt service on the PACE Bonds.

Other auditors have examined the financial statements of each of these entities, and their complete individual financial statements may be obtained at the following address:

Colorado Springs Utilities
Chief Planning and Finance Office
P.O. Box 1103, Mail Code 950
Colorado Springs, CO 80947-0950

The Pikes Peak Regional Communications Network (PPRCN) was established by an intergovernmental agreement between the City and El Paso County (the County) on December 1, 1999. PPRCN commenced operations during 2001 and is governed by a five-member Board of Directors of which two members are appointed by the City and one is appointed by Utilities. PPRCN was established to provide a modern, trunked radio system, available to the participating public safety and public service activities, throughout the City and the County.

The complete individual financial statements for the PPRCN may be obtained at the following address:

City of Colorado Springs
Chief Financial Officer
30 South Nevada Avenue, Suite 202
Colorado Springs, CO 80903

3. Fiduciary Fund Type Component Units

Pension Trust Funds

The Fire and Police Pension plans are agent, multiple employer defined benefit plans for fire and police uniform employees. The plans are managed by the Fire and Police Pension Association (FPPA) and include the Old Hire Pension Plan, the Statewide Pension Plan and the New Hire Pension Plan (CSNHPP). FPPA is the plan administrator for the CSNHPP and performs certain administrative tasks in accordance with an agreement with the City in regards to the Old Hire Pension Plans. The City retains responsibility for the administration of the Old Hire plans only. These component units are reported separately in exhibits H-1 and H-2 and are blended with the City's financial statements.

FPPA issues a publicly available financial report that includes financial statements and required supplementary information for FPPA. That report may be obtained by writing to:

Fire and Police Pension Association
Two DTC
5290 DTC Parkway, Suite 100
Greenwood Village, CO 80111-2721
(303) 770-3772

4. Joint Ventures

The City has joined with other governmental entities in a joint venture to provide building and construction code inspection and enforcement. The joint venture, Pikes Peak Regional Building Department (PPRBD), in which the City participates, is not considered a component unit and is, therefore, not included in the City's reporting entity. The PPRBD was formed in accordance with intergovernmental agreements among various affected local governments to administer and enforce building and construction codes on behalf of its member entities. Member entities are the City, the County and the cities of Manitou Springs, Green Mountain Falls, Fountain, and the Towns of Monument and Palmer Lake. A three-member commission appointed by the City, the County and a member selected by the remaining municipalities, governs the PPRBD. The City has not invested money in the PPRBD and the commission is required to set its fees so as to fully recover operating expenses. Since the City has only a residual equity interest, the equity method is not considered appropriate for this joint venture.

The City and the County have entered into a joint venture to administer a contract for ambulance services. The joint venture of the El Paso County Emergency Services Agency (ESA) in which the City participates is not considered a component unit and is, therefore, not included in the City's reporting entity. The ESA was formed in accordance with an intergovernmental agreement and is governed by a five-member board appointed by the City and the County. It is intended that the ESA administer its fees so as to fully recover all expenses and the City does not invest in the ESA. Since the City has only a residual equity interest, the equity method is not considered appropriate for this joint venture.

The City has joined with the County and cities of Manitou Springs and Green Mountain Falls, and the town of Ramah, Colorado, in a joint venture to provide infrastructure improvements for their various municipalities. The joint venture, Pikes Peak Rural Transportation Authority (PPRTA), is not considered a component unit of the City and is,

therefore, not included in the City's reporting entity. PPRTA is funded with a 1% sales tax approved by voters in November 2004. These funds are allocated to the various municipalities and are to be used for capital projects, maintenance programs, and transit services. PPRTA is governed by a nine-member board appointed by the various municipalities.

The City of Colorado Springs, along with 38 agencies within El Paso and Teller Counties, has entered into a joint venture to provide the technical infrastructure necessary to connect emergency 9-1-1 telephone callers with the proper communication center. The joint venture of the El Paso-Teller County Emergency Telephone Service Authority (E911 Authority), in which the City participates, is not considered a component unit and is, therefore, not included in the City's reporting entity. The E911 Authority was formed by an intergovernmental agreement in 1989 and is governed by a nine-member board appointed by the City (3 members), El Paso County (2 members), Teller County (1 member), and the Board itself (3 members) from a list of qualified nominees. The E911 Authority is funded entirely by a 70¢ per phone line tariff applied to every wire line and wireless telephone with a subscriber address within the two-county area. The funds are used to maintain the emergency telephone system infrastructure, call-answering and processing equipment, back-up power supplies, and furnishings at each of the communication centers in the two-county service area.

The City of Colorado Springs Fire Department is a member of the Colorado Metropolitan Certification Board (CMCB), a joint venture along with the Denver Fire Department, Aurora Fire Department, the West Metro Fire Protection District, and Poudre Fire Authority that provides certification of fire training to its member fire departments. The CMCB is accredited by the National Board on Fire Service Professional Qualifications (ProBoard) for Fire Service Certification. The joint venture of the CMCB in which the City participates is not considered a component unit and is, therefore, not included in the City's reporting entity. The CMCB was formed in accordance with an intergovernmental agreement in 1996 and is governed by the four original charter members (departments) and a fifth voting seat determined by the Board annually. The five-member board is comprised of Training Chiefs appointed by each Department's Fire Chief. It is intended that each of the CMCB member governments cover one-fifth of the operational expenses associated with the CMCB.

Utilities has an equity interest of 5.0% in Young Gas Storage Company Ltd. (Young). Young is a Colorado Limited Partnership organized on June 30, 1993, to develop and operate a natural gas storage system near Fort Morgan, Colorado.

The financial statements of the PPRBD, the ESA, the PPRTA, the E-911 Authority and the CMCB may be obtained at the following address:

City of Colorado Springs
Chief Financial Officer
30 South Nevada Avenue, Suite 202
Colorado Springs, CO 80903

The financial statements of Young may be obtained at the following address:

Colorado Springs Utilities
Chief Planning and Financial Officer
P.O. Box 1103, Mail Code 950
Colorado Springs, CO 80947-0950

B. 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 of the nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated, in the process of consolidating the government-wide financial statements, except for the interfund services provided and used. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. General revenues include all taxes.

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

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, with the exception of the agency fund, which has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Sales tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period

is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

- MHS fund provides medical treatment to the Colorado Springs community.
- Utilities fund provides water and wastewater collection, treatment, and distribution system; electric generation, transmission, distribution and street light system; and gas distribution system.

Additionally, the City reports the following fund types:

- Special revenue funds account for revenue derived from specific sources that are restricted legally or by regulation.
- Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities and infrastructure.
- Permanent funds account for the activities of resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs.
- Internal service funds account for the fleet maintenance, health insurance, workers' compensation insurance, and general liability insurance provided to other departments or agencies of the City on a cost-reimbursement basis.
- Fiduciary funds include Old Hire Fire and Old Hire Police pension trust funds, which account for the activities of the City's fire and police pension plans. These funds accumulate resources for pension benefit payments to qualified public safety employees. Also in the fiduciary funds is the miscellaneous depository agency which accounts for the resources that are held by the City in a purely custodial capacity. The agency fund is made up of timing between when the resources are collected and when the resources are paid out to the various entities, such as payroll withholdings.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are surplus revenue and other charges between the General Fund and Utilities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to

customers for sales and services. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

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

D. Assets, Liabilities, and Net Position or Equity**1. Deposits and Investments**

In accordance with City Code and Colorado State Statutes, the City is authorized to invest in obligations of the United States and certain of its instrumentalities; certain international agency securities; general obligation or revenue bonds of any state or local government of the U.S.; bankers acceptances of certain banks; certain commercial paper; local government investment pools; written repurchase agreements properly collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The City's Fire and Police Pension Plans are invested in an external investment pool through the FPPA. This investment pool also invests in real property, venture capital, equities, securities, and other investments.

For purposes of the statements of cash flows, cash and cash equivalents include amounts on hand and in demand deposits.

Investments are stated at fair value based on quoted market prices.

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2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding and other outstanding balances at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Trade and property tax receivables shown on the financial statements are net of an estimated allowance for uncollectibles.

The County Assessor certifies property valuations to the City on November 25 of each year. By December 15th, the City sets and certifies its mill levy rate with the County, which then bills and collects the property taxes due. These property taxes attach as an enforceable lien on January 1 of the tax year. The taxes are payable in two installments on February 28 and June 15, or in one installment due April 30.

3. Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At the combining and individual fund reporting level, an equal amount of fund balance is considered non-spendable as the amount is not available for general appropriation.

4. Restricted Assets

In accordance with applicable bond covenants, ordinances and conditions attached by donors, certain investments are displayed as restricted on the financial statements of certain funds. Restricted investments are carried at fair value.

5. Capital Assets

Capital outlays are recorded as expenditures of governmental funds in the fund financial statements and as assets in the government-wide financial statements to the extent the City’s capitalization thresholds, \$5,000 for general assets and \$500,000 for infrastructure assets, are met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method. To the extent the City’s capitalization thresholds, \$5,000 for general assets and \$500,000 for infrastructure assets, are met, capital outlays of the proprietary funds are recorded as capital assets and depreciated over their useful lives using the straight-line method of depreciation on both the fund basis and the government-wide basis of accounting. The following are the estimated useful lives used for the straight-line method of depreciation:

Infrastructure	35 years
Buildings	10 - 40 years
Utility plant	25 -100 years
Improvements other than buildings	25 years
Furniture and equipment	5 - 25 years
Intangibles	5 - infinite

Donated assets are valued at their estimated fair value on the date of receipt. The City does not capitalize historical treasure or works of art. It is the City's policy to capitalize interest costs that are incurred during construction of the assets of business-type activities.

Utilities plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The 2012 AFUDC rate of 4.3% is comprised of an interest rate on borrowed funds component and is applied to all major capital projects. Per Utilities' capitalization policy, the cost of additions to plant and replacement units of property in excess of \$5,000 is capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. Depreciation of utility plant for Utilities is provided by using the straight-line method based on the estimated service lives of the assets. Estimated service lives for major assets are as follows:

Electric boiler plant/station equipment	25
Underground conduit	29
Gas mains and services	80
Water source of supply	100
Water treatment plant	25
Transmission & distribution mains	50
Sewer mains and laterals	100
Wastewater preliminary treatment facility	45
General structures and improvements	57

6. Compensated Absences

City employees earn sick leave and vacation in varying amounts depending upon years of service. The City accrues compensated absences in the government-wide and proprietary fund financial statements. A liability for the amount is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

7. Long-term Obligations

In the fund financial statements, long-term debt is recognized as a liability of the governmental funds when due. For other long-term obligations, only that portion financed from expendable available financial resources is reported as a fund liability. The current and non-current portions are recorded in the government-wide and the proprietary fund financial statements. For certain debt issues, Utilities enters into interest rate swap agreements to modify its interest rates on outstanding debt.

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, fund balance of the City's governmental funds are classified as nonspendable, restricted, committed, assigned, or unassigned. A governmental fund other than the General Fund, may not necessarily have all five components of fund balance.

Nonspendable fund balances indicate amounts that cannot be spent either 1) due to form, for example, prepaid items and inventories, or 2) due to legal or contractual requirements to be maintained intact, for example, the principal of an endowment or the capital of a revolving loan fund. It also includes assets that will not convert to cash soon enough to affect the current period such as the long-term portion of loans and notes receivable as well as property held for resale.

Restricted fund balances indicate amounts subject to externally enforceable legal restrictions. Such restrictions are typically imposed by parties altogether outside the City such as creditors, grantors, contributors, or other governments.

Committed fund balances indicate amounts constrained by limitations that the City or resolution imposes on itself by City Council (highest decision making level). It would require an ordinance by the City Council to remove or change the constraints placed on the resources. The action that imposed the limitation would need to occur no later than the close of the reporting period.

Assigned fund balance is the portion of fund balance that reflects the City's intended use of resources but does not meet the criteria to be classified as committed. The City's Charter authorizes the Mayor or Mayor's designee to assign fund balance through the use of encumbrances. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Interest earned on fund balances is assigned to be used by that fund unless otherwise specified through Council or voter documentation.

Unassigned fund balances indicate amounts in the General Fund that are not classified as non-spendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Negative fund balances in other governmental funds are reported as unassigned once other purposes of that fund were reduced. For the General Fund, a negative fund balance would be eliminated by reducing unassigned fund balance first.

For the General Fund, in the event that an expenditure can be considered restricted or unrestricted (committed, assigned, or unassigned) and both funds have available amounts, the funds will be first applied against the most restrictive fund balance classification.

The order of use of funds for special revenue funds and other (permanent) funds, will be from the least constrained to most constrained (i.e., unassigned, assigned, committed, restricted, and then non-spendable).

In the City's Financial Policies effective January 1, 2011, the City's goal target range for the General Fund reserve – unrestricted fund balance is 16.67% to 25% of the following

year's expenditure budget. The target for the unrestricted General Fund balance would exclude the TABOR emergency reserves but include other categories of fund balance that are committed, assigned or unassigned.

9. Municipal Solid Waste Landfill Closure and Postclosure Care Costs

The City is subject to the Colorado Department of Public Health and Environment regulations, which require the City to incur closure and postclosure care costs for landfills. In 2012, the Utilities fund recognized a liability of \$3,969,474 for closure and postclosure care costs based upon landfill capacity used to date. The estimated total current cost of closure and postclosure care to be recognized for the Utilities fund landfills is \$7,473,965. The average landfill capacity used to date is 61.7%. The estimated remaining landfill lives vary from 18 to 88 years. In 2012, the governmental activities recognized a liability of \$261,171 for closure and postclosure care costs in the government-wide financial statements. There are no financial assurance requirements or restricted assets for the payment of closure and postclosure care costs. Estimates are stated in current dollars and shall be adjusted annually for inflation and changes in laws and regulations. An independent assessment is done every five years to verify this cost. Based on the last five year independent assessment completed in 2012, the total closure and postclosure costs are \$7,735,136.

10. Derivative Instruments

Utilities uses financial derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas hedge contracts as well as its exposure to changing interest rates through the use of interest rate swaps. See Note IV.N for further discussion related to derivatives and interest rate swaps.

All financial derivatives are stated on the balance sheet at fair value as of December 31, 2012, based on quoted market prices, current market conditions, or other estimates obtained from third-party broker dealers or valuation services.

Derivative instruments deemed effective by applying methods of evaluating effectiveness pursuant to GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments, are recognized as cash flow hedges. Changes in the fair value of cash flow hedge derivative instruments are reported as either a deferred cash flow hedge outflow or inflow on the Statements of Net Position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

One element of that reconciliation explains that governmental funds focus on current financial resources and capital assets used in the operations of a government are not included in governmental funds. Such assets must be included in the government-wide statements. The details of this difference are as follows:

Capital assets, at historical cost	\$1,896,363,524
Accumulated depreciation	<u>(594,241,296)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$1,302,122,228</u>

Another element of that reconciliation explains that some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Any liability for earned but unavailable deferred revenue must be eliminated for government-wide financial reporting. The details of this difference are as follows:

Deferred revenue	<u>\$21,017,636</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$21,017,636</u>

Another element of that reconciliation states that governmental funds may not report revenues until they are *available* and an adjustment is made on the government-wide net position for revenue relating to prior periods.

Interest on investments	<u>\$413,225</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$413,225</u>

Another element of that reconciliation explains that any internal service funds that primarily serve governmental funds are included as part of governmental activities for purposes of government-wide financial reporting. The details of this difference are as follows:

Internal service fund allocation	<u>(\$787,546)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>(\$787,546)</u>

Another element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in funds. The details of this difference are as follows:

Bonds payable	(\$82,255,244)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	1,419,125
Accrued interest payable	(511,857)
Capital lease payable	(16,184,993)
Drainage fees payable	(2,908,300)
Compensated absences	(15,099,818)
Municipal solid waste landfill	(261,171)
Pension obligation	(1,648,093)
Other post employment benefit obligation	<u>(11,956,491)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>	 <u><u>(\$129,406,842)</u></u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlay 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. The details of this difference are as follows:

Capital outlay	\$14,598,409
Depreciation expense	<u>(48,805,526)</u>
 Net adjustments to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	 <u><u>(\$34,207,117)</u></u>

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NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. The details of this difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. (\$5,171,907)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 46,385,712

Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities* \$41,213,805

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Debt incurred:
 Capital lease financing (\$2,402,395)

Principal repayments:
 Bond premium 59,178
 Bond discount (4,492)
 Bond issuance costs (195,590)
 General obligation debt 875,000
 Sales tax revenue bonds 6,720,000
 Certificates of participation 1,635,000
 Capital leases 4,122,897

Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities* \$10,809,598

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:

Accrued interest	\$213,099
Compensated absences	(2,017,313)
Landfill closing costs	98,399
Net pension obligation	42,728
Net other post employment benefit obligation	<u>(718,981)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>(\$2,382,068)</u></u>

Another element of that reconciliation states that revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of this difference are as follows:

Unavailable revenue	<u>\$1,274,931</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>\$1,274,931</u></u>

Another element of that reconciliation states that internal service funds are used by management to charge the costs of fleet management, insurance, and other services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. The details of this difference are as follows:

Internal service fund activities	<u>(\$1,759,673)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>(\$1,759,673)</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with City Charter, the Mayor is required to submit a balanced budget to City Council on or before the first Monday in October each year. The budget is reviewed and modified as appropriate and an appropriation ordinance prepared to adopt the budget. According to City Charter, the appropriation ordinance is to be adopted no later than December 31 each year. City budgeting and accounting systems provide for program planning of expenditures by function and activity within the funds. Amendments to the original budget were material in relation to the initial appropriation.

The City prepares annual budgets and maintains budgetary controls for all funds in order to ensure compliance with the annual appropriation ordinance as approved by City Council. The legal level of budgetary control for all funds is at the fund level. Transfer of appropriation within the budget of a department may be authorized by approval of the affected department head. Such transfers are filed with the Chief Financial Officer but require no City Council action. Any net increase of appropriation to the fund requires City Council action. The budget is prepared on GAAP basis.

Appropriations for all funds that are not budgeted on a project-length basis lapse at year-end except for contractually encumbered and reserved appropriations. Project-length budgets are those where appropriations are initially made to individual projects and do not lapse until such time as the project is complete. Project-length budgets are adopted for all capital projects as well as for intergovernmental grants, capital improvements and special assessments. All budgets are prepared on the modified accrual basis and are reported as such.

B. Excess of Expenditures over Appropriations

During 2012, expenditures exceeded appropriations for the Lodgers and Auto Rental Tax fund (LART) by \$119,110. LART revenues are shared with the local convention and visitor's bureau to attract visitors and enhance the economy of the City and region according to a formula as approved by City Council and incorporated into the annual contract. As revenues were higher than anticipated, expenditures were greater due to the additional payment to the bureau per the contract. The Ballfield Capital Improvement fund, the Park Developer Easement fund, the Banning Lewis Ranch fund, and the Therapeutic Recreation fund expenditures were over appropriations by \$9, \$196, \$950, and \$5, respectively, as a result of unanticipated expenditures. Furthermore, the Workers' Compensation Self-Insurance fund expenditures were over appropriations by \$531,805. This overage was due to an increase in reserves as a result of an actuary study.

C. Deficit Fund Equity

The Claims Reserve Self-Insurance fund and the Workers' Compensation Self-Insurance fund each had deficit fund equity as of December 31, 2012. The deficits in these internal service funds, \$365,690 and \$6,182,550, respectively, are the result of incurred but not reported claims. The Employee Benefits Self-Insurance fund had an accumulated deficit of \$2,218,641. While the deficit in this internal service fund decreased from the prior year, the remaining deficit is the result of significant costs for hospital visits and surgeries, and a number of large claims paid in prior years. The proprietary fund component units with deficit fund equity include Public Authority for Colorado Energy and Fountain Valley Authority. These deficits of \$73,469,000 and \$7,110,205, respectively, relate to bonds issued for prepaid natural gas contracts and capital assets. The following governmental fund component units have deficit fund equity at year end: CSURA \$43,646,232, Barnes & Powers North BID \$2,012,347, Barnes & Powers South BID \$540,236, First & Main BID \$101,015, First & Main North BID \$455,935, Interquest North BID \$73,738, Interquest South BID \$119,028, and Powers & Woodmen Commercial BID \$108,313. These deficits also relate to bonds that have been issued for capital assets. The deficits will decrease over time as the entities collect the dedicated general property taxes to make payments on the bonds. Additional information about the component units can be found in their respective financial statements.

IV. DETAILED NOTES ON ALL FUNDS

A. Unrestricted and Restricted Cash and Investments

The City’s restricted and unrestricted cash and investments, exclusive of component units, consist of the following on December 31, 2012:

	Unrestricted Assets	Restricted Assets
Demand accounts (incl petty cash of \$24,793)	\$147,290,343	\$234,165,250
Money market mutual funds	165,494	10,022,144
Colorado Statewide Investment Program (CSIP)	6,367,394	-
Colorado Liquid Asset Trust (COLOTRUST)	-	1,795
Colorado Surplus Asset Fund (CSAFE)	-	90,000
Repurchase agreements	-	16,614,000
Commercial paper	4,996,922	-
US Treasury securities	61,698,704	209,014,476
US Instrumentality securities	124,192,113	54,988,461
Domestic corporate fixed-income securities	23,949,159	292,549
Municipal bonds	3,575,505	255,846
Domestic equities	-	551,959
Mortgages pooled	-	19,334
Total	\$372,235,634	\$526,015,814

Reconciliation of total deposits and investments to the financial statements at December 31, 2012:

	Governmental Activities	Business-type Activities	Fiduciary	Total
Unrestricted	\$111,740,002	\$258,596,766	\$1,898,866	\$372,235,634
Restricted	<u>9,772,186</u>	<u>516,243,628</u>	<u>-</u>	<u>526,015,814</u>
Total	<u>\$121,512,188</u>	<u>\$774,840,394</u>	<u>\$1,898,866</u>	<u>\$898,251,448</u>

1. Deposits

The carrying amount of the City’s deposits at December 31, 2012, was \$381,430,800 and the bank balances were \$397,426,938. Of the bank balances, \$72,775,931 was covered by federal deposit insurance and \$324,651,007 was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (CPDPA). The collateral is pooled and held in trust for all uninsured deposits as a group. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per depositor, per insured bank, for each account ownership category. Additionally, from December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured by the FDIC, regardless of the balance of the account.

2. Investments

The City, a home rule municipality operating under its City Charter, is allowed under Colorado State Statutes to promulgate and implement local standards for cash and investment management operations. The adopted Investment Policy for the City authorizes all investments shall be made in accordance with applicable City policies, Colorado Revised Statutes, and Federal regulations. The provisions of the City's Investment Policy apply to all investable funds of the City to include Trust funds, Bond Ordinance accounts and Reserve accounts. Excluded from the City Investment Policy are Utilities and MHS funds and money held in bank checking accounts for operating purposes. Utilities has adopted individual investment policies to manage their investment portfolios. The investments of the City are reported in aggregate to include investments of money related to governmental and business-type activities, individual major funds and non-major funds. The City's investments are subject to interest rate risk, credit risk and custodial credit risk.

Interest rate risk: Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investment maturities to less than five years. The Utilities investment policy further defines this requirement by limiting investments of their income fund to maturities of two years or less.

Credit risk: Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either principal, interest or both). The City's investment policy authorizes the City to invest in obligations of the United States or agencies thereof, commercial paper rated at least A-1 by Standard and Poor's, P-1 by Moody's or F-1 by Fitch, municipal bonds, corporate bonds, bankers acceptances, local government investment pools, specific money market mutual funds, time certificates of deposit, repurchase agreements and obligations of the City of Colorado Springs.

Custodial credit risk: Custodial risk is the risk, that in the event of the failure of a depository financial institution, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. A designated portfolio manager places the City's investments during the fiscal year. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name and are held by either the counterparty to the investment purchase or held by the counter party's trust department or agent but not held in the City's name. None of the City's investments owned at December 31, 2012, were subject to custodial risk.

As of December 31, 2012, Utilities invested \$16,614,000 in repurchase agreements. Underlying investments related to the repurchase agreements were in US Agency securities and other Government Sponsored Enterprises which carry an implied AAA credit rating.

NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

As of December 31, 2012, the City had the following investment maturities and credit quality distribution:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money market mutual funds	\$10,187,638	0.00
Colorado Statewide Investment Program (CSIP)	6,367,394	0.00
Colorado Liquid Asset Trust (COLOTRUST)	1,795	0.00
Colorado Surplus Asset Fund (CSAFE)	90,000	0.00
Repurchase agreements	16,614,000	0.00
Commercial paper	4,996,922	0.13
US Treasury securities	270,713,180	1.50
US Instrumentality securities	179,180,574	2.53
Domestic corporate fixed-income securities	24,241,708	1.54
Municipal bonds	3,831,351	2.13
Domestic equities	551,959	0.00
Mortgages pooled	19,334	0.00
Total	516,795,855	
Portfolio weighted average maturity		1.75
Reconciliation to total cash and investments Add:		
Cash on hand and in banks	381,455,593	
	<u>\$898,251,448</u>	

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Credit Quality Distribution for Securities as a Percentage of Total Investments:

	<u>S&P Rating</u>	<u>% of Total</u>
Money market mutual funds	AAA	0.29%
Money market mutual funds	B	0.20%
Money market mutual funds	BBB	0.36%
Money market mutual funds	unrated	1.12%
Local investment pools	AAAm	1.23%
Repurchase agreements	unrated	3.21%
Commercial paper	A	0.97%
US Treasury securities	AA	52.39%
US Instrumentality securities	AA	34.67%
Domestic corporate fixed-income securities	AAA	0.22%
Domestic corporate fixed-income securities	AA	4.32%
Domestic corporate fixed-income securities	A	0.15%
Domestic corporate fixed-income securities	BB	0.01%
Municipal bonds	AAA	0.31%
Municipal bonds	AA	0.43%
Domestic equities	unrated	0.11%
Mortgages pooled	AAA	0.01%
		<u>100.00%</u>

As of December 31, 2012, the City has invested \$1,795 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Utilities has invested \$90,000 in the Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2012. CSAFE is a Local Government Investment Pool (LGIP) that operates similarly to COLOTRUST. Investments of the pool consist of securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements and Colorado Depositories (with short term ratings of A1 or better) in which the deposits are collateralized at 102% of market value under the provisions of the Public Depository Protection Act.

The City's investment in COLOTRUST and CSAFE are rated AAAM by Standard and Poor's. COLOTRUST and CSAFE are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following addresses:

COLOTRUST
 999 18th Street, Suite 1230
 Denver, CO 80202
www.colotruster.com

CSAFE
1600 Broadway, Suite 1100
Denver, CO 80202
www.csafe.org

During 2012, the City invested in the PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the Trust). The Trust is an open-end, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's. PFM Asset Management, LLC serves as the investment advisor, administrator and transfer agent. Shares of the Fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA). U.S. Bank N.A. serves as the custodian and acts as safekeeping agent. As of December 31, 2012, the City had \$6,367,394 invested in the PFM Funds Prime Series.

To obtain financial statements for PFM Funds Prime Series, Colorado Investors Class, you may visit its website at www.csipinvest.com.

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3. Component Unit Deposits and Investments

Cash and investments of the component units of the City are reported at fair value and consist of the following at December 31, 2012:

	<u>Demand Accounts</u>	<u>Money Market</u>	<u>COLOTRUST</u>	<u>Guaranteed Investment Contract</u>	<u>Total</u>
Governmental Activities:					
Urban Renewal Authority	\$581,622	\$ -	\$428,008	\$ -	\$1,009,630
Downtown Development Authority	1,598,415	-	-	-	1,598,415
Greater Downtown Colorado Springs BID	331,801	-	-	-	331,801
Briargate Center BID	8,829	888,954	7,698	-	905,481
Barnes & Powers North BID	11,448	-	195,646	-	207,094
Barnes & Powers South BID	37,607	-	30,817	-	68,424
First & Main BID	3,568	-	33,882	-	37,450
First & Main BID No. 2	21,398	-	816,176	-	837,574
First & Main North BID	6,594	-	32,124	-	38,718
Interquest North BID	16,170	-	517,852	-	534,022
Interquest South BID	10,621	-	-	-	10,621
Powers & Woodmen Commercial BID	13,231	-	119,435	-	132,666
Sub-total	<u>2,641,304</u>	<u>888,954</u>	<u>2,181,638</u>	<u>-</u>	<u>5,711,896</u>
Business-type Activities:					
Public Authority for Colorado Energy	79,000	-	-	6,363,000	6,442,000
Fountain Valley Authority	2,001,061	1,188,119	-	-	3,189,180
Aurora-Colorado Springs Joint Water Authority	5,568	-	-	-	5,568
Various Canal & Reservoir Companies	2,113,643	-	-	-	2,113,643
Sub-total	<u>4,199,272</u>	<u>1,188,119</u>	<u>-</u>	<u>6,363,000</u>	<u>11,750,391</u>
Total	<u>\$6,840,576</u>	<u>\$2,077,073</u>	<u>\$2,181,638</u>	<u>\$6,363,000</u>	<u>\$17,462,287</u>

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2012:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted	\$2,115,939	\$3,119,183	\$5,235,122
Restricted	<u>3,595,957</u>	<u>8,631,208</u>	<u>12,227,165</u>
Total	<u>\$5,711,896</u>	<u>\$11,750,391</u>	<u>\$17,462,287</u>

The carrying amount of the deposits of the component units of the City at December 31, 2012, was \$6,840,576, and the bank balances were \$6,991,024. Of the bank balances, \$3,455,306 was covered by federal deposit insurance, and \$3,535,718 was collateralized in accordance with provisions of the CPDPA. The various canal companies are publicly traded and not a public entity. The excess balances above federal deposit insurance are not covered by the CPDPA.

B. Receivables

Receivables for governmental funds, proprietary funds, fiduciary funds and component units at December 31, 2012, include the following (in 000's):

	General	Utilities	MHS	Non-Major & Other	Total
Interest	\$ -	\$100	\$ -	\$ -	\$100
Taxes	33,048	-	-	12,912	45,960
Accounts	4,838	110,254	7,478	22,276	144,846
Lease	-	-	109,160	-	109,160
Assessments	13	-	-	5,940	5,953
Intergovernmental loans	-	-	-	20,621	20,621
Notes and loans	855	-	-	2,468	3,323
Gross Receivables	38,754	110,354	116,638	64,217	329,963
Less: allowances for uncollectibles	(50)	(2,263)	-	(473)	(2,786)
Net Receivables	\$38,704	\$108,091	\$116,638	\$63,744	\$327,177

Loans receivable of \$20,513,915 is included in receivables - net in the statement of net position as of December 31, 2012 for Community Development Department (CDD). These loans were funded with HOME (Federal Home Investment Partnership Act), CDBG (Community Development Block Grant), CHFA (Colorado Housing Finance Authority), and HOPE III (Homeownership Opportunity Program) funds.

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C. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances as of December 31, 2012, were:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Utilities	\$2,490,125
	MHS	1,127
	Non-major Governmental Funds	434,256
	Internal Services	1,000,000
	Sub-Total	<u>3,925,508</u>
Utilities	General Fund	165,293
	Non-major Governmental Funds	3,336,314
	Non-major Business-type Funds	148,647
	Internal Services	72,823
	Sub-Total	<u>3,723,077</u>
Non-major Governmental Funds	General Fund	49,429
	Utilities	1,039,725
	Sub-Total	<u>1,089,154</u>
Non-major Business-type Funds	General Fund	1,841,796
	Utilities	25,087
	Sub-Total	<u>1,866,883</u>
Internal Service Funds	General Fund	47,440
	Utilities	578,172
	MHS	57,876
	Non-major Governmental Funds	8,360
	Non-major Business-type Funds	6,400
	Sub-Total	<u>698,248</u>
Component Unit	Fiduciary	<u>1,629,770</u>
Total		<u><u>\$12,932,640</u></u>

A major portion of the total due to Utilities from Non-major Governmental funds resulted from a 2002 sale of a gas operations building between the funds.

The balance of \$1,841,796 due to Non-major Business-type Funds from the General Fund resulted from construction of the parking facility for the General Fund's use; \$1,781,177 of the balance is due beyond one year.

All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

	Transfers In:			Total
	General Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
Transfers Out:				
General Fund	\$ -	\$5,468,930	\$ -	\$5,468,930
Non-major Governmental Funds	835,032	-	436,790	1,271,822
Utilities	31,235,000	-	-	31,235,000
Non-major Enterprise Fund	2,347,052	-	-	2,347,052
Internal Service Funds	1,000,000	-	-	1,000,000
	<u>\$35,417,084</u>	<u>\$5,468,930</u>	<u>\$436,790</u>	<u>\$41,322,804</u>
Total transfers in				<u>\$41,322,804</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) to move capital assets from one fund to another fund when the fund using the capital asset changes.

D. Transfer of Surplus

Utilities provides transfers of surplus to the City. These amounts are based on actual sales inside the City, and rates are fixed per kilowatt hour and thousand cubic feet of electricity and natural gas. The money is transferred every month from Utilities to the General Fund of the City as they become available. Payments are recorded as transfers out on the statement of revenues. In 2012, the amount paid was \$30.6 million.

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E. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of 2012, the various components of deferred revenue and unearned revenue reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Loans	\$ -	\$21,004,897
Property taxes	23,004,337	-
Special assessment	12,739	-
Grant drawdowns prior to meeting all eligibility requirements	-	9,102,912
Other unearned revenue	-	799,525
	<u> </u>	<u> </u>
Total deferred/unearned revenue for governmental funds	<u>\$23,017,076</u>	<u>\$30,907,334</u>

F. Inventories

Inventories, exclusive of component units, are stated at average cost. Proprietary fund inventories consist of the following at December 31, 2012:

Materials and Supplies	\$28,048,351
Fuel	<u>21,588,241</u>
Total	<u>\$49,636,592</u>

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G. Changes in Capital Assets

The following schedule reflects the changes in capital assets, exclusive of discretely presented component units, for the year ended December 31, 2012 (in 000's):

	Beginning Balance	Increases*	Decreases*	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$308,876	\$13,622	\$ -	\$322,498
Construction in progress**	145,309	19,929	(148,791)	16,447
Total capital assets not being depreciated	<u>454,185</u>	<u>33,551</u>	<u>(148,791)</u>	<u>338,945</u>
Capital assets being depreciated:				
Buildings**	181,298	2,642	(398)	183,542
Improvements other than buildings	54,898	431	-	55,329
Machinery and equipment**	130,006	18,371	(12,459)	135,918
Intangibles**	15,362	3,198	-	18,560
Infrastructure**	1,016,745	151,279	-	1,168,024
Total capital assets being depreciated	<u>1,398,309</u>	<u>175,921</u>	<u>(12,857)</u>	<u>1,561,373</u>
Less accumulated depreciation for:				
Buildings**	(63,087)	(5,101)	303	(67,885)
Improvements other than buildings	(17,516)	(2,208)	-	(19,724)
Machinery and equipment**	(93,851)	(9,225)	8,445	(94,631)
Intangibles**	(932)	(986)	-	(1,918)
Infrastructure**	(381,415)	(32,090)	-	(413,505)
Total accumulated depreciation	<u>(556,801)</u>	<u>(49,610)</u>	<u>8,748</u>	<u>(597,663)</u>
Total capital assets being depreciated, net	<u>841,508</u>	<u>126,311</u>	<u>(4,109)</u>	<u>963,710</u>
Governmental activities capital assets, net	<u>\$1,295,693</u>	<u>\$159,862</u>	<u>(\$152,900)</u>	<u>\$1,302,655</u>

* Includes transfers between categories.

** As restated

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

	Beginning Balance	Increases*	Decreases*	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$193,414	\$118	(\$21,479)	\$172,053
Intangible	11,949	1,393	(21)	13,321
Construction in progress	363,914	275,932	(174,838)	465,008
Total capital assets not being depreciated	<u>569,277</u>	<u>277,443</u>	<u>(196,338)</u>	<u>650,382</u>
Capital assets being depreciated:				
Building	126,354	1,240	(49)	127,545
Improvements other than buildings	195,799	29,405	(387)	224,817
Machinery and equipment	23,328	14,493	(2,077)	35,744
Infrastructure	41,077	7,948	(14,157)	34,868
Utilities plant	4,198,244	125,191	(8,671)	4,314,764
Utilities intangible	29,017	7,142	-	36,159
MHS plant	614,257	-	(614,257)	-
Total capital assets being depreciated	<u>5,228,076</u>	<u>185,419</u>	<u>(639,598)</u>	<u>4,773,897</u>
Less accumulated depreciation for:				
Building	(54,636)	(3,389)	43	(57,982)
Improvements other than buildings	(63,668)	(13,566)	295	(76,939)
Machinery and equipment	(13,351)	(1,572)	1,108	(13,815)
Infrastructure	(5,150)	(1,165)	637	(5,678)
Utilities plant	(1,649,459)	(108,298)	7,057	(1,750,700)
Utilities intangible	(14,161)	(5,959)	11	(20,109)
MHS plant	(303,559)	(18,933)	322,492	-
Total accumulated depreciation	<u>(2,103,984)</u>	<u>(152,882)</u>	<u>331,643</u>	<u>(1,925,223)</u>
Total capital assets being depreciated, net	<u>3,124,092</u>	<u>32,537</u>	<u>(307,955)</u>	<u>2,848,674</u>
Business-type activities capital assets, net	<u>\$3,693,369</u>	<u>\$309,980</u>	<u>(\$504,293)</u>	<u>\$3,499,056</u>

* Includes transfers between categories and transactions to bring component unit acquisitions to net book value.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Depreciation expense was charged to governmental activities and business-type activities as of December 31, 2012, as follows (in 000's):

Governmental Activities:		Business-type Activities:	
General government	\$3,073	Utilities	\$114,257
Public safety	5,960	MHS	18,933
Public works	36,162	Non-major enterprise funds	<u>19,692</u>
Culture and recreation	3,465		
Urban redevelopment and housing	145		
Internal service funds	<u>805</u>	Total depreciation expense	
		business-type activities	<u>\$152,882</u>
Total depreciation expense governmental activities	<u>\$49,610</u>		

The following schedules reflect the changes in discretely presented component unit capital assets for the year ended December 31, 2012 (in 000's):

	Beginning Balance	Increases*	Decreases*	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	<u>\$11,677</u>	<u>\$1,306</u>	<u>\$ -</u>	<u>\$12,983</u>
Capital assets being depreciated:				
Improvements	2,881	-	-	2,881
Machinery and equipment	193	5	-	198
Infrastructure	<u>23,415</u>	<u>1,033</u>	<u>-</u>	<u>24,448</u>
Total capital assets being depreciated	<u>26,489</u>	<u>1,038</u>	<u>-</u>	<u>27,527</u>
Less accumulated depreciation for:				
Improvements	(533)	(96)	-	(629)
Machinery and equipment	(145)	(11)	-	(156)
Infrastructure	<u>(2,525)</u>	<u>(935)</u>	<u>-</u>	<u>(3,460)</u>
Total accumulated depreciation	<u>(3,203)</u>	<u>(1,042)</u>	<u>-</u>	<u>(4,245)</u>
Total capital assets being depreciated, net	<u>23,286</u>	<u>(4)</u>	<u>-</u>	<u>23,282</u>
Governmental activities capital assets, net	<u>\$34,963</u>	<u>\$1,302</u>	<u>\$ -</u>	<u>\$36,265</u>

* Includes transfers between categories.

NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

	<u>Beginning Balance</u>	<u>Increases*</u>	<u>Decreases*</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	\$111	\$498	\$ -	\$609
Capital assets being depreciated:				
Utilities plant	119,124	31	(14)	119,141
Less accumulated depreciation for:				
Utilities plant	(48,841)	(1,601)	14	(50,428)
Total capital assets being depreciated, net	<u>70,283</u>	<u>(1,570)</u>	<u>-</u>	<u>68,713</u>
Business-type activities				
Discretely presented component unit capital assets, net	<u>\$70,394</u>	<u>(\$1,072)</u>	<u>\$ -</u>	<u>\$69,322</u>

H. Leases**1. Operating Leases**

Total rental expense on all operating leases, including month to month leases, for the year ended December 31, 2012, was \$166,558 for governmental activities and \$196,482 for business-type activities.

2. Operating Leases (Component Units)

The following is a schedule of the minimum rental payments for Pikes Peak Regional Communications Network for succeeding years ending December 31:

<u>Year</u>	<u>Business-type Activities</u>
2013	\$42,332
2014	10,670
2015	10,670
2016	10,670
2017	10,670
2018-2021	<u>34,587</u>
Total	<u>\$119,599</u>

Total rental expense on all operating leases, including month-to-month leases, for the year ended December 31, 2012, was \$13,464 for governmental activities and \$49,969 for business-type activities.

3. Capital Leases

The City has entered into various capital lease commitments in order to acquire land, machinery and equipment. Land, machinery and equipment so acquired are capitalized in the government-wide financial statements and in the business-type activities/proprietary fund financial statements. All related lease payments are subject to annual appropriation and made from the acquiring fund. Should the City not appropriate monies for these payments, the land, machinery or equipment would revert to the lessor.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, exclusive of component units, are as follows (in 000's):

Year	Governmental Activities	Business-type Activities
2013	\$4,720	\$555
2014	4,370	435
2015	1,054	279
2016	1,054	-
2017	902	-
2018-2022	4,508	-
2023-2027	2,984	-
Future minimum lease payments	19,592	1,269
Amount representing interest	(3,402)	(61)
Present value of net minimum payments	<u>\$16,190</u>	<u>\$1,208</u>

These capital leases represent agreements for certain capital assets, which have been included as assets as follows (in 000's):

	Governmental Activities	Business-type Activities
Machinery and equipment	\$21,952	\$2,637
Building	8,461	-
Accumulated depreciation	(10,295)	(872)
Net capitalized lease property	<u>\$20,118</u>	<u>\$1,765</u>

Amortization of the leased property is included in depreciation expense.

4. Capital Leases (Component Units)

Fountain Valley Authority leases various plant assets under a capital lease agreement expiring December 31, 2025. As of December 31, 2012, future minimum payments under the capital lease consisted of the following (in 000's):

<u>Year</u>	<u>Business-type Activities</u>
2013	\$5,353
2014	5,353
2015	5,353
2016	5,353
2017	5,353
2018-2022	26,763
2023-2025	6,671
Future minimum lease payments	60,199
Amount representing interest	<u>(9,882)</u>
Present value of net minimum payments	<u><u>\$50,317</u></u>

Property recorded under the capital lease is as follows (in 000's):

	<u>Business-type Activities</u>
Assets:	
Utilities plant	\$71,203
Accumulated depreciation	<u>(23,718)</u>
Net capitalized lease property	<u><u>\$47,485</u></u>

Amortization of the plant cost has been included in depreciation expense for 2012.

5. Lease and Integration Agreements

As of July 2, 2012, a Health System Operating Lease Agreement (the Lease Agreement) was entered into between the City, UCH-MHS, a Colorado nonprofit corporation of which the University of Colorado Hospital Authority (UCH Authority) is the sole member, and Poudre Valley Health Care, Inc. (Poudre Valley). An Integration and Affiliation Agreement (the Integration Agreement) was also entered into as of July 2, 2012 between the City, University of Colorado Health (UC Health), and Poudre Valley. UC Health is a joint operating company of UCH Authority and Poudre Valley. On August 28, 2012, the City held a special municipal election in which voters approved the Lease Agreement. The effective date of the Lease Agreement and the Integration Agreement was October 1, 2012.

Pursuant to the Lease Agreement, the City leased the Health System facilities and transferred the operations and the Acquired Assets and Assumed Liabilities, which relate

to the operations of the Health System, as defined in the Lease Agreement, to the Lessee. The Lessee is initially Poudre Valley, until such time as UCH-MHS has received approval of its application for Internal Revenue Service Code Section 501(c)(3) status. The term of the Lease Agreement is initially 40 years, with the option in year nine upon mutual agreement of the parties to extend the term by additional one-year terms to be automatically added to the original term on each anniversary date of the effective date, commencing on the tenth anniversary of the effective date. The Lease Agreement is subject to earlier termination provisions.

As required under the Lease Agreement, on October 1, 2012, the Health System defeased all of its outstanding Hospital Revenue Bonds and repaid its note payable to bank. See Note IV. J. for further information on these transactions.

Pursuant to the terms of the Lease Agreement, as of October 1, 2012, the Lessee paid an initial payment to the City of \$291,900,000. This initial payment is subject to certain adjustments based on the net working capital of the Health System as of the effective date, and included \$1,900,000 as an estimate of the working capital surplus calculated pursuant to the agreement at closing. The Lessee also forwarded \$5,000,000 to the Health System as a credit against any post-closing working capital adjustments.

As of December 31, 2012, the Health System has recorded a liability to the Lessee of \$6,900,000, representing the return of the estimated working capital surplus initially paid of \$1,900,000 and the \$5,000,000 credit against any post-closing adjustments. The Lessee has claimed that the Health System owes an additional amount of approximately \$12,938,000. The Health System disputes this amount. The ultimate amount, if any, that will be paid to the Lessee relating to the working capital adjustments in addition to the \$6,900,000 discussed above, is not reasonably determinable at this time.

The Lease Agreement also provides for various payments to the City over the term of the Lease Agreement, including fixed payments of \$467,676 per month for 30 years. UCH Authority has guaranteed the payment obligations of the Lessee under the Lease Agreement. As of October 1, 2012, the Health System recorded the present value of the future lease payments of \$110,000,000 as a lease receivable, using an imputed interest rate of approximately 3%. Lease payments receivable, net of imputed interest of \$57,800,000 total \$109,160,000, as of December 31, 2012.

Required future lease principal payments to be received, net of imputed interest, are as follows as of December 31, 2012 (in 000's):

<u>Year</u>	<u>Amount</u>
2013	\$2,276
2014	2,347
2015	2,420
2016	2,496
2017	2,574
Thereafter	<u>97,047</u>
 Total	 <u><u>\$109,160</u></u>

The Lessee is required to make future Margin Sharing Payments to the City throughout the 40-year term of the Lease Agreement equal to 5% of the excess in any fiscal year of Operating EBITDA, as defined, over a baseline annual margin of 8%. No amounts have been recorded in the accompanying financial statements relating to these contingent future Margin Sharing Payments. The Lessee is also obligated to spend an annual average of \$28,000,000 for capital improvements during the term of the Lease Agreement and UCH Authority is obligated under the Integration Agreement to provide \$3 million annually for 40 years to fund the development of a branch of the University of Colorado School of Medicine in Colorado Springs.

The total consideration received for the lease of the facilities and the transfer of the operations of the Health System, exclusive of the contingent working capital adjustment liability and the potential future Margin Sharing Payments discussed above, was \$400,000,000.

Concurrent with the lease of facilities and transfer of operations under the Lease Agreement, the Health System derecognized all Acquired Assets and Assumed Liabilities relating to its operations and all leased property and equipment. Certain assets and liabilities were specifically excluded from the Lease Agreement and remain as assets and liabilities of the Health System. The net book value of assets and liabilities transferred to the Lessee as of October 1, 2012 was approximately \$367,459,000. Such amount does not include any amount regarding any contingent liabilities resulting from the lease transaction discussed below, including the discontinuance of participation by the Health System's employees in the Local Government Division Trust Fund of the Public Employees' Retirement Association of Colorado (PERA), indemnifiable claims by the Lessee, the replacement benefits plan, potential working capital contingent liabilities and ongoing third party payor settlement adjustments.

The differences between the actual settlements under third party payor agreements and the estimated settlements included in the working capital calculations discussed above will result in net payments to or from the Health System. Laws that govern these payor systems, including Medicare and Medicaid, are extremely complex. As a result, the actual settlements could be materially different from the estimated settlement amounts used in the working capital calculations. As of December 31, 2012, the Health System has recorded no amount for potential differences from the settlement estimates used in the working capital calculations.

Each of the UC Health Parties have agreed that they generally will not individually or collectively provide any service within the city limits of Colorado Springs that competes with the services or operations of the Health System hospitals as they existed as of October 1, 2012 for a period of two years beyond the expiration of the term of the Lease Agreement. The City has agreed that it generally will not provide any service within the city limits of Colorado Springs that competes with the services or operations of the Health System hospitals being operated by the Lessee throughout the term of the Lease Agreement.

The parties to the Lease Agreement may terminate the Lease Agreement at any time by mutual written agreement. The Lease Agreement may be terminated by either party in the event of certain default provisions, as defined. Upon the expiration or termination of the Lease Agreement the Lessee must convey to the City the facilities and expansions to the facilities of the Health System hospitals. The Lessee must also transfer all assets and

assign all claims and liabilities relating to the Health System hospitals' operations at the time of the expiration or termination. As a condition to the transfer of the assets and liabilities upon expiration or termination, the City must pay the Lessee an amount representing the fair market value of the Health System hospitals' operating businesses as of such date, as is more thoroughly defined in the Lease Agreement.

Contingent PERA Liability and Escrow Account - The City agreed in the Lease Agreement that it would indemnify and defend the UC Health Parties in the event of a claim by PERA, and a certain portion of the purchase price was placed in an escrow account, as discussed below. PERA contends that the City and/or the Health System must comply with the termination of affiliation provisions (the Termination Provisions) found in the Colorado Revised Statutes with regard to the lease transaction. In addition, PERA contends that the Health System has been a separate PERA employer since 1952 and thus all of the PERA members at the Health System will be withdrawn from PERA as a result of the lease transaction. As of September 2012 PERA has claimed approximately \$220,000,000 subject to pre-judgment interest at 8%, compounded annually. The City denies that the Termination Provisions apply to or govern the lease transaction or the Health System owes PERA any sums resulting therefrom. The City contends, among other things, that the lease transaction is a lease of a public hospital system to a nonprofit corporation organized under the laws of the State of Colorado for the purpose of conducting a hospital and hospital-related activities, and therefore does not constitute a "termination of affiliation" from PERA. The City also states that the City will remain a participant in PERA. Accordingly, the City argues that the Termination Provisions do not apply.

During August of 2012, both PERA and the City filed separate lawsuits relating to this dispute. In September the City, PERA, and the UCH Parties, consisting of UC Health, UCH Authority, UCH-MHS and Poudre Valley, reached an agreement to resolve certain issues raised related to the lease transaction. Under the agreement, PERA agreed that it will not pursue any action or claim which seeks to invalidate the Lease Agreement or Integration Agreement and agreed to dismiss all claims against the UCH Parties. Claims remain outstanding between the City, the Health System and PERA, including claims by PERA against the City and the Health System for payments PERA alleges are due as a result of the lease transaction (the PERA Claims). Pursuant to the September agreement, the City agreed to establish a \$259 million escrow account relating to the PERA claims. Effective October 1, 2012, an Escrow Agreement was signed which required the Health System to deposit \$259 million of the initial payment under the Lease Agreement in an Escrow Account which is supervised by the court pending the final resolution of the dispute between PERA and the City.

See the UCH Escrow Account section below regarding allocation of \$50 million of the Escrow Account balance to a subaccount for the benefit of the UCH Parties. Except for the funds in the UCH Escrow Account, which may be released as discussed below, the escrow agent may only release the Escrow Account funds upon (a) the entry of Final Judgment in the Denver County Lawsuit filed relating to the PERA claims, or (b) the execution of a final settlement agreement that resolves all claims between the City and PERA regarding the lease transaction. The amount of the Escrow Account does not limit the amount owed.

As of December 31, 2012, the Escrow Account, exclusive of the UCH Escrow Account, has a balance of \$209,121,000.

UCH Escrow Account - In order to fulfill certain indemnification obligations to the UCH Parties under the Lease Agreement and the Guaranty by the Health Foundation (the Guaranty), \$50 million of the \$259 million deposited into the Escrow Account was allocated to a subaccount (the UCH Escrow Account). Funds held in the UCH Escrow Account may not be used to discharge any liability to PERA in connection with the PERA claims unless such funds have been transferred to the Escrow Account as described below.

At any time before October 1, 2017, the UCH Parties may make claims on the UCH Escrow Account for indemnifiable losses pursuant to the Lease Agreement, the Integration Agreement or the Guaranty. Such claims are subject to a dispute resolution process. Upon a final settlement of the PERA claims, the Escrow Agent shall disburse the balance of the funds remaining in the UCH Escrow Account to the Health Foundation, except as described below.

If the final settlement of the PERA claims is not reached by October 1, 2015, the UCH Escrow Account shall be reduced to the lesser of (i) \$25 million plus any unresolved claims for indemnifiable losses by the UCH Parties or (ii) the remaining balance of the UCH Escrow funds. Funds no longer required to be held in the UCH Escrow Account shall be transferred to the Escrow Account. If the final settlement of the PERA claims is not reached by October 1, 2017, the UCH Escrow Account shall cease to exist and the balance of the UCH Escrow Account shall be transferred into the Escrow Account.

If the final settlement of the PERA claims is reached prior to October 1, 2017 and the amount payable to PERA is greater than the amount of the aggregate Escrow Account funds less the UCH Escrow Account funds, then the UCH Escrow Account shall remain in place and the transfers discussed in the preceding paragraph shall instead be paid to PERA on October 1, 2015 or October 1, 2017, as applicable, as required to satisfy the final PERA claims settlement, with any surplus to be transferred to the Health Foundation.

As of December 31, 2012, the UCH Escrow Account has a balance of \$50,029,000.

Recording of Contingent Liabilities - The ultimate amounts owed by the Health System relating to the above contingencies are not reasonably determinable. The Health System has recorded a liability which encompasses all contingent liabilities and a promise to give to the Health Foundation for all net proceeds of the lease transaction.

I. Revolving Loan Agreement/Line of Credit

Utilities entered into a Revolving Loan Agreement with U.S. Bank National Association ("U.S. Bank") dated as of June 1, 2012 (the "2012 U.S. Bank Line of Credit"), and a Revolving Loan Agreement with Union Bank, N.A. ("Union Bank") dated as of February 3, 2012 (the "2012 Union Bank Line of Credit") together referred to as the "Credit Lines". As of December 31, 2012, Utilities may receive advances up to \$75,000,000 under the 2012 U.S. Bank Line of Credit, and \$25,000,000 under the 2012 Union Bank Line of Credit, for a total of \$100,000,000, to fund Utilities' operating needs and normal expenditures including, without limitation, regularly scheduled capital expenses. Utilities repayment obligations under the Credit Lines are limited to the Net Pledged Revenues on a subordinate basis to the Parity Bonds and certain related obligations. The 2012 U.S. Bank Line of Credit expires on May 31, 2013, and the Union Bank Line of Credit expires on February 1, 2013. Utilities has entered into several agreements similar to the Credit Lines over the past several years, and, to date, Utilities has not borrowed money under any such agreement.

J. Long-term Debt

During 2012, Utilities issued \$50,000,000 Variable Rate Utilities System Improvement Revenue Bonds, Series 2012A, \$108,015,000 Utilities System Refunding Revenue Bonds, Series 2012B, \$113,565,000 Utilities System Revenue Bonds, Series 2012C-1, and \$44,105,000 Utilities System Revenue Bonds, Series 2012C-2. Proceeds of the Series 2012B bonds were used to refund portions of outstanding Series 2003A, 2003B, and 2004B bonds and to fund the debt service reserve fund. The reacquisition price of the refunded bonds exceeded the net carrying amount of the old debt by \$2,664,161. The refunding transaction resulted in a total present value savings of \$12,267,035. Proceeds of the Series 2012C-1 bonds were used to refund portions of outstanding Series 2002A and 2002B bonds and to fund the debt service reserve fund. The reacquisition price of the refunded bonds exceeded the net carrying amount of the old debt by \$5,255,687. The refunding transaction resulted in a total present value savings of \$28,159,276.

During 2012, MHS either repaid or defeased all remaining outstanding bonds and notes payable. The Series 2000, 2004, and 2009 outstanding bonds not previously defeased were repaid in October, 2012. The Series 2002 bonds were in-substance defeased during 2012. The note payable was repaid in October and the related interest rate swap was terminated. All deferred losses resulting from prior defeasances of bonds were eliminated concurrent with these transactions. MHS recorded a loss on the defeasance and repayment of long-term debt of \$47,903,000.

During 2012, Briargate Center BID entered into a \$4,335,000 loan agreement with U.S. Bank N.A. The net proceeds were used to refund the Series 2002 bonds, pay issuance costs, fund a debt service reserve fund, and reimburse the district's developer for public improvement costs. The refunding was undertaken to reduce total debt service payments over the next twenty years by \$353,390 and resulted in an economic gain of \$351,591.

During 2007, the City approved a resolution authorizing the Colorado Springs Urban Renewal Authority to use 100% of the annual sales tax increments generated within the North Nevada Avenue corridor Urban Renewal area. The dedication of these sales tax increments shall be for a period not to exceed 23 years and is estimated to total \$98.8 million. The increment will be utilized to support a bond issue that will fund needed infrastructure improvements and administrative expenses within the renewal area. As of December 31, 2012, \$5,876,917 has been provided.

The City has outstanding long-term debt in the form of several instruments. General Obligation bonds are direct obligations that pledge the full faith and credit of the City for the repayment of principal and interest. Sales Tax Revenue bonds are issued to finance the construction of various capital improvements. Sales Tax revenues are used to repay principal and interest of the bonds. Certificates of participation are issued for particular projects and are repaid from lease payments made by the City for use of the acquired property. Special assessment bonds and notes are used to finance projects, which benefit particular properties and are repaid solely from charges levied upon the benefiting properties. While principal and interest payments are intended to be paid solely from revenues derived from assessments levied upon the benefiting property, the City may choose to commit resources should the need arise. Proprietary fund principal and interest payments on revenue bonds and notes payable are pledged solely from revenues of the proprietary fund operation.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

There were no known violations of the terms or provisions of the various contracts and agreements relating to long-term debt during this reporting period.

1. Summary of Long-term Debt

The following table summarizes significant facts about the long-term debt outstanding at December 31, 2012:

Debt Types	Original Issue Amount (in 000's)	Outstanding Principal Amount (in 000's)	Future Aggregate Interest Requirements (in 000's)	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
Governmental Activities¹					
General Obligation Bonds					
Spring Creek GID Series 2005	\$2,695	\$1,815	\$514	5.900%	2007 - 2020
Briargate GID Series 2004	8,800	8,800	3,204	7.000	2012 - 2020
Marketplace at Austin Bluffs GID Series 2008	2,790	2,625	2,264	6.500	2010 - 2033
Cottonwood GID Series 2010	3,900	2,030	137	2.500 - 4.000	2010 - 2015
Sales Tax Revenue Bonds					
Series 2007	10,405	10,135	1,638	4.000 - 5.000	2009 - 2016
Series 2009	34,460	13,895	628	3.000	2009 - 2014
Certificates of Participation					
United States Olympic Committee Series 2009	31,470	31,180	28,655	2.000 - 5.000	2010 - 2039
Refunding COP Series 2011	13,485	10,625	1,647	1.000 - 5.000	2011 - 2020
Total Governmental Activities	\$108,005	\$81,105	\$38,687		
Business-type Activities²					
Revenue Bonds - Utilities					
Series 2000A	\$110,000	\$110,000	\$58,960	0.180%	2029
Series 2000B	15,000	8,505	3,111	7.500	2001 - 2020
Series 2002C	27,055	27,055	14,919	0.210	2027
Series 2003A	113,310	1,380	52	2.000 - 5.000	2004 - 2033
Series 2003B	45,000	1,330	77	3.000 - 5.000	2009 - 2043
Series 2004A	117,450	111,825	31,529	4.112	2010 - 2023
Series 2004B	107,115	56,780	46,964	4.500 - 5.500	2008 - 2034
Series 2004C	15,695	14,715	14,188	4.000 - 5.000	2008 - 2044
Series 2005A	100,000	94,920	63,314	4.710	2010 - 2035
Series 2005B	19,240	17,520	11,430	3.500 - 5.000	2009 - 2035
Series 2005C	16,050	15,825	15,882	3.750 - 5.125	2012 - 2045
Series 2006A	60,625	60,625	31,796	4.481	2015 - 2025
Series 2006B	75,000	73,100	45,405	4.119	2011 - 2036
Series 2007A	75,000	70,095	33,761	3.198	2008 - 2037
Series 2007B	87,275	87,275	56,968	5.295	2023 - 2026
Series 2007C	24,415	17,820	4,256	4.000 - 5.000	2008 - 2022
Series 2008A	50,000	46,550	31,579	4.269	2009 - 2038
Series 2008B	27,935	24,900	15,372	3.000 - 5.400	2009 - 2033
Series 2008C	41,975	41,975	52,625	4.500 - 5.500	2013 - 2048
Series 2008D	3,631	2,334	158	1.350	2008 - 2021
Series 2009A	60,750	56,300	30,830	2.250 - 5.000	2010 - 2033
Series 2009B	82,000	77,875	68,313	4.000 - 5.545	2010 - 2039
Series 2009C	66,455	64,885	50,550	5.475	2010 - 2028
Series 2009D	56,750	56,750	83,819	4.164 - 6.313	2016 - 2049
Series 2010A	139,835	133,415	68,275	0.600 - 5.467	2011 - 2040
Series 2010B	180,000	180,000	243,898	3.397 - 5.738	2016 - 2050
Series 2010C	50,000	48,195	31,722	3.845	2011 - 2040
Series 2010D	273,855	263,041	273,520	1.324 - 6.615	2011 - 2040
Series 2011A	167,490	154,480	66,771	2.000 - 5.000	2012 - 2033
Series 2012A	50,000	49,120	34,906	4.0242	2012 - 2033
Series 2012B	108,015	108,015	69,034	3.000 - 5.000	2013 - 2043
Series 2012C	157,670	157,670	89,529	3.000 - 5.000	2013 - 2042
Revenue Bonds - Airport					
Series 2002	43,005	30,425	7,974	3.000 - 5.500	2003 - 2021
Series 2007A	3,725	2,460	493	4.000 - 4.500	2007 - 2021
Series 2007B	8,500	6,935	2,126	4.000 - 5.000	2007 - 2023

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

The following table summarizes significant facts about the long-term debt outstanding at December 31, 2012:

Debt Types	Original Issue Amount (in 000's)	Outstanding Principal Amount (in 000's)	Future Aggregate Interest Requirements (in 000's)	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
Business-type Activities²					
Continued					
Revenue Bonds - Parking System					
Series 1999	9,300	3,665	625	3.000 - 4.750	1999 - 2018
Series 2006	7,665	7,550	3,513	3.375 - 4.500	2009 - 2027
Notes Payable					
Airport, 2006	3,048	2,078	1,918	8.500	2006 - 2030
Airport, 2007	3,500	1,075	49	3.000	2008 - 2014
Airport, 2008	600	272	17	3.000	2009 - 2015
Wastewater Facility - Utilities, 1998	22,204	11,759	1,932	3.700 - 5.500	1999 - 2019
Drinking Water - Utilities, 2009	8,600	7,919	1,964	2.500	2011 - 2030
MHS, 2012	6,900	6,900	-	0.000	2013
Water Pollution Control - Pikes Peak, 2003	1,000	555	99	4.000	2004 - 2020
Total Business-type Activities	\$2,642,638	\$2,315,868	\$1,664,223		
Component Units³					
Special Assessment Revenue Bonds					
Briargate Center BID - Series 2006	\$7,360	\$5,805	\$2,511	4.500 - 4.900%	2006 - 2027
Urban Renewal Authority - Series 2008A	47,125	45,240	34,887	7.000	2011 - 2029
⁴ Urban Renewal Authority - Series 2008B	7,505	7,435	-	7.500	N/A
Limited Tax General Obligation Bonds					
Barnes & Powers North BID - Series 2007	4,000	3,820	3,847	6.500	2009 - 2036
Barnes & Powers South BID - Series 2007	835	725	398	6.500	2009 - 2026
First & Main BID - Series 2009	1,650	1,555	2,348	8.500	2009 - 2038
First & Main North BID - Series 2005	1,927	1,814	1,560	6.000	2005 - 2035
First & Main No. 2 BID - Series 2009	2,400	2,350	3,555	8.500	2011 - 2038
Interquest North BID - Series 2010	6,500	6,475	10,390	8.500	2012 - 2040
Powers & Woodment Commercial BID - Series 2010	1,850	1,815	2,862	8.500	2011 - 2039
Revenue Bonds					
First & Main No. 2 BID - Series 2011	2,000	1,945	2,542	8.500	2011 - 2035
Fountain Valley Authority - Series 2006	9,540	5,635	988	4.000 - 4.250	2006 - 2019
Public Authority for Colorado Energy - Series 2008	653,210	638,895	734,558	5.750 - 6.500	2010 - 2038
Notes Payable and Lines of Credit					
Briargate Center BID, 2012	4,335	4,221	1,002	3.890	2012 - 2019
Urban Renewal Authority, 1990	1,250	847	-	0.000	N/A
⁴ Urban Renewal Authority, 2008	158	158	-	5.000	N/A
⁴ Urban Renewal Authority, 2009	3,400	3,375	-	4.500	N/A
⁴ Urban Renewal Authority, 2012	778	778	-	7.000	2013 - 2028
⁴ First & Main BID, 2012	3	3	-	7.000	N/A
⁴ First & Main North BID, 2006	28	21	-	7.000	N/A
⁴ Interquest North BID, 2006	71	34	-	7.000	N/A
⁴ Interquest South BID, 2006	104	104	-	7.000	N/A
⁴ Powers & Woodment Commercial BID, 2006	67	67	-	7.000	N/A
Fountain Valley Authority, 2003	3,222	1,956	526	3.030	2004 - 2024
Fountain Valley Authority, 2000	7,608	3,596	862	3.400	2001 - 2020
Colorado Canal Company, 2008	185	40	1	4.200	2009 - 2013
The Lake Henry Reservoir Company, 2003	148	108	48	4.250	2006 - 2030
The Lake Meredith Reservoir Company, 2003	1,472	1,204	607	4.000	2005 - 2034
Total Component Units	\$768,731	\$740,021	\$803,492		

¹Exclusive of capital leases, municipal solid waste landfill and compensated absences

²Exclusive of capital leases and other liabilities

³Exclusive of capital leases and deferred losses

⁴These items have no repayment schedule and therefore it is not possible to determine future aggregate interest requirements.

2. Changes in Long-term Liabilities

The City has issued and has long-term debt in various instruments. The following is a summary of transactions of the long-term liabilities, exclusive of discretely presented component units, for the year ended December 31, 2012 (in 000's):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
GOVERNMENTAL ACTIVITIES					
Bonds and notes payable:					
General obligation bonds	\$16,145	\$ -	\$875	\$15,270	\$1,045
Sales tax revenue bonds	30,750	-	6,720	24,030	6,925
Certificates of participation	43,440	-	1,635	41,805	1,700
Capital leases	17,913	2,402	4,125	16,190	4,053
	<u>108,248</u>	<u>2,402</u>	<u>13,355</u>	<u>97,295</u>	<u>13,723</u>
Less deferred amounts:					
For issuance premium	2,657	-	456	2,201	-
On refundings	(1,452)	-	(401)	(1,051)	-
	<u>1,205</u>	<u>-</u>	<u>55</u>	<u>1,150</u>	<u>-</u>
Total bonds and notes payable	<u>109,453</u>	<u>2,402</u>	<u>13,410</u>	<u>98,445</u>	<u>13,723</u>
Other liabilities:					
Municipal solid waste landfill	360	-	99	261	-
Compensated absences	13,756	17,148	15,093	15,811	791
Net pension obligation	1,691 *	2,856	2,899	1,648	-
Net OPEB obligation	11,238	2,314	1,596	11,956	-
Developer reimbursements	2,908	-	-	2,908	-
Total other liabilities	<u>29,953</u>	<u>22,318</u>	<u>19,687</u>	<u>32,584</u>	<u>791</u>
Governmental activities long-term liabilities	<u>\$139,406</u>	<u>\$24,720</u>	<u>\$33,097</u>	<u>\$131,029</u>	<u>\$14,514</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and notes payable:					
Revenue bonds	\$2,501,884	\$315,685	\$532,259	\$2,285,310	\$54,694
Notes payable	94,979	6,900	71,321	30,558	9,143
Capital leases	1,391	500	683	1,208	519
	<u>2,598,254</u>	<u>323,085</u>	<u>604,263</u>	<u>2,317,076</u>	<u>64,356</u>
Less deferred amounts:					
For issuance discounts and premiums	49,575	37,554	8,753	78,376	-
On refundings	(34,952)	(5,294)	(15,276)	(24,970)	-
	<u>14,623</u>	<u>32,260</u>	<u>(6,523)</u>	<u>53,406</u>	<u>-</u>
Total bonds and notes payable	<u>2,612,877</u>	<u>355,345</u>	<u>597,740</u>	<u>2,370,482</u>	<u>64,356</u>
Other liabilities:					
Municipal solid waste landfill	3,874	262	167	3,969	-
Compensated absences	26,564	17,421	29,879	14,106	7,527
Customer deposits	1,995	734	634	2,095	-
Customer advances for construction	10,330	450	305	10,475	-
Net OPEB obligation	1,068	1,566	1,297	1,337	-
Derivative instruments	283,190	-	47,678	235,512	12,326
Other	741	-	73	668	129
Total other liabilities	<u>327,762</u>	<u>20,433</u>	<u>80,033</u>	<u>268,162</u>	<u>19,982</u>
Business-type activities long-term liabilities	<u>\$2,940,639</u>	<u>\$375,778</u>	<u>\$677,773</u>	<u>\$2,638,644</u>	<u>\$84,338</u>

* As restated

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included in the governmental activities totals. Also,

municipal solid waste landfill, compensated absences, claims and judgments, net pension obligation, net OPEB obligation, and developer reimbursements for governmental activities are generally liquidated by the General Fund.

Component Units

The following is a summary of long-term debt transactions for component units of the City for the year ended December 31, 2012 (in 000's):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One year
GOVERNMENTAL ACTIVITIES					
Limited tax general obligation bonds	\$21,487	\$ -	\$2,933	\$18,554	\$265
Special assessment revenue bonds	59,785	-	1,305	58,480	1,425
Revenue bonds	1,975	-	30	1,945	30
Notes payable	3,862	5,891	145	9,608	126
Other	357	233	9	581	-
Governmental activities long-term liabilities	<u>\$87,466</u>	<u>\$6,124</u>	<u>\$4,422</u>	<u>\$89,168</u>	<u>\$1,846</u>
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$650,090	\$ -	\$5,560	\$644,530	\$6,505
Less deferred amounts:					
For issuance premium and discounts	(21,818)	-	(813)	(21,005)	-
On refundings	(363)	-	(46)	(317)	-
Notes payable	7,511	-	607	6,904	622
Capital leases	54,763	-	4,446	50,317	3,820
Business-type activities long-term liabilities	<u>\$690,183</u>	<u>\$ -</u>	<u>\$9,754</u>	<u>\$680,429</u>	<u>\$10,947</u>

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3. Annual Debt Service Requirements of Long-term Debt

The following is a summary of general obligation bond scheduled maturities as of December 31, 2012 (in 000's):

Year	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2013	\$1,045	\$958	\$265	\$1,441
2014	1,936	914	292	1,421
2015	2,041	811	314	1,400
2016	1,441	692	342	1,376
2017	1,536	594	370	1,351
2018-2022	5,482	1,378	2,281	6,302
2023-2027	660	501	3,180	5,311
2028-2032	910	256	4,212	3,967
2033-2037	219	15	5,288	2,085
2038-2042	-	-	2,010	307
	<u>\$15,270</u>	<u>\$6,119</u>	<u>\$18,554</u>	<u>\$24,961</u>

The following is a summary of revenue bond scheduled maturities as of December 31, 2012 (in 000's):

Year	Governmental Activities		Governmental Activities		Business-type Activities		Business-type Activities	
	Principal	Interest	Component Units	Interest	Principal	Interest	Component Units	Interest
2013	\$6,925	\$922	\$30	\$165	\$54,694	\$103,888	\$6,505	\$40,852
2014	7,130	713	30	163	58,154	101,087	7,430	40,488
2015	7,340	499	35	160	61,794	99,171	8,370	40,074
2016	2,635	132	40	157	68,439	97,761	9,335	39,606
2017	-	-	40	154	72,015	96,230	10,370	39,081
2018-2022	-	-	270	710	425,048	438,124	66,495	185,203
2023-2027	-	-	405	574	498,370	329,974	102,610	160,920
2028-2032	-	-	600	372	503,700	202,829	154,830	122,166
2033-2037	-	-	495	87	280,795	113,192	223,495	63,576
2038-2042	-	-	-	-	161,895	51,286	55,090	3,580
2043-2047	-	-	-	-	66,630	21,052	-	-
2048-2052	-	-	-	-	33,776	3,650	-	-
	<u>\$24,030</u>	<u>\$2,266</u>	<u>\$1,945</u>	<u>\$2,542</u>	<u>\$2,285,310</u>	<u>\$1,658,244</u>	<u>\$644,530</u>	<u>\$735,546</u>

NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

The following is a summary of certificates of participation scheduled maturities as of December 31, 2012 (in 000's):

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$1,700	\$1,866
2014	1,780	1,832
2015	1,875	1,779
2016	1,990	1,711
2017	2,100	1,641
2018-2022	5,295	7,165
2023-2027	4,695	6,210
2028-2032	7,260	4,929
2033-2037	10,255	2,802
2038-2042	<u>4,855</u>	<u>367</u>
	<u>\$41,805</u>	<u>\$30,302</u>

The following is a summary of special assessment bond scheduled maturities as of December 31, 2012 (in 000's):

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$1,425	\$3,447
2014	1,575	3,354
2015	1,715	3,251
2016	1,880	3,138
2017	2,045	3,014
2018-2022	13,315	12,756
2023-2027	19,875	7,458
2028-2032	<u>9,215</u>	<u>980</u>
	<u>\$51,045</u>	<u>\$37,398</u>

Urban Renewal Authority, a governmental component unit, issued special assessment bonds in 2008. These notes are to be repaid exclusively from specified revenues, and therefore have no predetermined payback period. As such, these notes are not listed in the above schedule. As of December 31, 2012, the outstanding principal balance is \$7,435,000

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

The following is a summary of notes payable scheduled maturities as of December 31, 2012 (in 000's):

Year	Governmental Activities		Business-type Activities		Business-type Activities	
	Component Units		Component Units		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$126	\$166	\$9,143	\$864	\$622	\$275
2014	130	162	2,289	793	600	259
2015	135	156	1,725	719	618	245
2016	140	151	2,540	649	631	224
2017	145	146	2,537	568	655	207
2018-2022	3,545	221	7,104	1,506	2,581	593
2023-2027	-	-	3,134	754	712	169
2028-2032	-	-	2,086	126	382	67
2033-2037	-	-	-	-	103	5
	<u>\$4,221</u>	<u>\$1,002</u>	<u>\$30,558</u>	<u>\$5,979</u>	<u>\$6,904</u>	<u>\$2,044</u>

The governmental activities component units have additional combined notes payable in the amount of \$5,387,325. These notes are to be repaid exclusively from specified revenues, and therefore have no predetermined payback period. As such, these notes are not listed in the above schedule.

Over the years, the City has issued revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as sales tax revenue bonds, Utilities revenue bonds, Airport revenue bonds, and Parking revenue bonds. These bonds were issued to finance various construction projects within each of the issuing funds, with the pledged revenue coming from the respective fund.

	Amount Pledged (in 000's)	Term of Commitment
Governmental Activities:		
Sales Tax Revenue Bonds	\$26,296	2009 - 2016
Business-type Activities:		
Utilities Revenue Bonds	3,877,788	2001 - 2050
Airport Revenue Bonds	50,413	2003 - 2023
Parking Revenue Bonds	15,354	1999 - 2027

The total pledged revenue is not estimable in comparison to pledged debt in that revenues are uncertain as to future amounts. However, the debt coverage requirement for each issue must be met or the bonds will be in default. This provides sufficient coverage each year for the pledged debt. The debt service coverage, or comparison of pledged revenues net of specific operating expenses, for each pledged debt is provided in Table 12.

K. Industrial Development Revenue Bonds and Other Instruments Issued under the Colorado County and Municipality Development Revenue Bond Act

The City has lent its name to various industrial development revenue bond issues over the course of several years. Proceeds of these bond issues were used to finance various private activities relating to business expansion, construction and development. In addition, Private Activity Bonds (PABs) are a form of tax-exempt financing in which the City acts as the issuer under the County and Municipality Development Revenue Bond Act, section 29-3-101 CRS. PAB's were authorized to allow counties and municipalities to promote industry and develop trade or other economic activity by inducing profit or nonprofit enterprises to locate, expand or remain in their communities. The advantage to nonprofit entities that borrow through the City is that they borrow funds at lower interest rates because the bonds are exempt from federal and state income tax.

The City is not liable for the repayment of principal or interest on these bonds and related financial activity is not shown in the financial statements. The original issue amount of these bonds, in the aggregate, was \$316 million. There were no PABs or industrial revenue bonds issued during 2012.

L. Restatement of Net Position

The December 31, 2011, net position for governmental activity has been restated for changes in capital assets and liabilities. It was discovered in 2012 that several assets in CIP were placed in service in prior years. The restatement for asset transactions is to account for depreciation expense had these assets been placed in service at the proper time. The pension adjustment is due to a bi-yearly actuarial valuation.

Beginning net position as previously reported:	\$1,278,385,768
Restatement for asset transactions	(1,563,230)
Restatement for pension adjustment	<u>21,593</u>
Beginning net position, as restated	<u><u>\$1,276,844,131</u></u>

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M. Fund Balance

Fund balances of the governmental funds at December 31, 2012, include the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:			
Delinquent property taxes receivable	\$132,999	\$ -	\$132,999
Endowments	-	10,440,549	10,440,549
Total Nonspendable	132,999	10,440,549	10,573,548
Restricted:			
Debt service	1,795	1,003,727	1,005,522
Emergency reserve - TABOR	7,545,241	-	7,545,241
General government	-	465,812	465,812
Public safety	-	9,754,929	9,754,929
Public works	-	2,870,581	2,870,581
Culture and recreation	-	17,919,519	17,919,519
Urban Redevelopment	-	167,718	167,718
Economic development	-	35,690	35,690
Total Restricted	7,547,036	32,217,976	39,765,012
Committed:			
Public works	-	6,728,919	6,728,919
Culture and recreation	-	285,813	285,813
Capital outlay - General government	-	3,991,361	3,991,361
Capital outlay - Public safety	942,700	-	942,700
Capital outlay - Public works	2,914,923	-	2,914,923
Total Committed	3,857,623	11,006,093	14,863,716
Assigned:			
General government	663,828	-	663,828
Public safety	1,613,302	-	1,613,302
Public works	819,261	150,241	969,502
Urban Redevelopment	1,294	-	1,294
Culture and recreation	114,457	2,336	116,793
Total Assigned	3,212,142	152,577	3,364,719
Unassigned	47,194,174	-	47,194,174
Total fund balance	\$61,943,974	\$53,817,195	\$115,761,169

N. Derivatives and Interest Rate Swaps

1. Utilities Derivative Instruments

While all financial derivatives are acquired with the objective of effectively hedging expected cash flows, some financial derivatives do not meet the criteria for effectiveness pursuant to GASB 53. Interest rate and natural gas hedges that are deemed effective, by applying methods of evaluating effectiveness pursuant to GASB 53, are recognized as cash flow hedges. Change in the fair value of cash flow hedge derivative instruments are reported as either a deferred outflow or inflow of resources on the Statements of Net Position. Interest rate and natural gas hedges that are deemed ineffective are recognized as standalone investment derivatives. The change in the fair value of investment

derivatives is recognized as non-operating revenue or expense on the Statements of Revenues, Expenses and Changes in Net Position.

In addition to an evaluation of hedge effectiveness for natural gas and interest rate derivatives, Utilities evaluates physical supply contracts for compliance with the Normal Purchase and Sales Exemption for physical supply contracts pursuant to GASB 53. Utilities had a large physical supply contract for coal in which both the terms of this contract and Utilities' action regarding delivery of this contract met the criteria of a Normal Purchase and Sales Exemption from the contract inception date through year end 2009. During 2010, a significant amount of contractual volumes were net settled with the supplier at Utilities' initiative to allow for more economic consumption of coal from alternative sources, thereby reducing delivery of the coal to designated generation facilities under this contract. As a result, the Normal Purchase and Sales Exemption was no longer applicable. As of December 31, 2010, this contract was evaluated as a derivative instrument and deemed ineffective due to the classification of the underlying physical notional volume and price as a financial derivative, precluding the ability to perform hedge effectiveness testing against another derivative. The contract terminated in December 2012.

Utilities values interest rate derivatives based on valuations provided by DerivActiv, L.L.C., an independent third party valuation service provider. Natural gas swap derivatives are valued using published pricing benchmarks obtained through independent sources or financial institutions dealing in these markets. Natural gas option derivatives are valued based on monthly quoted prices from approved counterparties. The fair values of the interest rate and natural gas derivatives are based on present value of their estimated future cash flows.

Interest Rate Swap Novations - In May 2012, Utilities replaced UBS as its swap counterparty on two bond issues totaling \$149,800,000. The Bank of New York Mellon replaced UBS on bond issue 2007B (\$87,275,000) and Wells Fargo Bank became the swap counterparty on bond issue 2009C (\$62,525,000). These swap novations resulted in \$39,288,340 in collateral relief to Utilities, shifting cash from restricted to unrestricted, reducing swap counterparty exposure to European financial institutions, and increasing the diversification of the swap portfolio.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

The fair values and notional amounts of derivative instruments outstanding at December 31, 2012, classified by type, and changes in fair value of such derivative instruments for the year then ended:

	2012 Changes in Fair Value		Fair Value at December 31, 2012		Notional
	Classification	Amount	Classification	Amount	
			(thousands of dollars)		
<u>Cash flow hedges</u>					
Interest Rate Swaps	Deferred outflows	\$ 769	Derivative instruments	\$ (200,679)	\$ 591,906
<u>Commodity Derivatives:</u>					
Swap contracts	Deferred outflows	40,545	Derivative instruments	(12,060)	5,929 MMBtu
Option Structures	Deferred outflows	(142)	Derivative instruments	(235)	3,744 MMBtu
Total Cash Flow Hedges		<u>\$ 41,172</u>		<u>\$ (212,974)</u>	
<u>Investment derivative</u>					
Interest Rate Swaps	Derivative Gain/(Loss)	\$ (610)	Derivative instruments	\$ (22,507)	\$ 112,255
<u>Commodity Derivatives:</u>					
Swap contracts	Derivative Gain/(Loss)	(76)	Derivative instruments	-	-
Coal contract	Derivative Gain/(Loss)	6,862	Derivative instruments	-	-
Total Investment Derivative		<u>\$ 6,176</u>		<u>\$ (22,507)</u>	

Note: Immaterial differences may occur due to rounding.

The fair values and notional amounts of derivative instruments outstanding at December 31, 2011, classified by type, and changes in fair value of such derivative instruments for the year then ended:

	2011 Changes in Fair Value		Fair Value at December 31, 2011		Notional
	Classification	Amount	Classification	Amount	
			(thousands of dollars)		
<u>Cash flow hedges</u>					
Interest Rate Swaps	Deferred outflows	\$ (85,254)	Derivative instruments	\$ (201,448)	\$ 599,455
<u>Commodity Derivatives:</u>					
Swap contracts	Deferred outflows	(90)	Derivative instruments	(52,605)	25,750 MMBtu
Option Structures	Deferred outflows	(216)	Derivative instruments	(93)	4,126 MMBtu
Total Cash Flow Hedges		<u>\$ (85,560)</u>		<u>\$ (254,146)</u>	
<u>Investment derivative</u>					
Interest Rate Swaps	Derivative Gain/(Loss)	\$ (6,844)	Derivative instruments	\$ (21,897)	\$ 113,925
<u>Commodity Derivatives:</u>					
Swap contracts	Derivative Gain/(Loss)	(1,902)	Derivative instruments	76	63 MMBtu
Option Structures	Derivative Gain/(Loss)	(563)	Derivative instruments	-	-
Coal contract	Derivative Gain/(Loss)	6,488	Derivative instruments	(6,862)	600,000 tons
Total Investment Derivative		<u>\$ (2,821)</u>		<u>\$ (28,683)</u>	

Note: Immaterial differences may occur due to rounding.

The pay fixed, receive variable interest rate swap is a type of derivative utilized by Utilities that is designed to synthetically fix the cash flows on the variable rate demand obligations ("VRDO"). The variable rate received on the interest rate swaps is intended to offset the variable rate being paid on the obligations so that the fixed rate of the swap is essentially the effective rate incurred by Utilities.

Two primary types of commodity derivative instruments are utilized in Utilities' natural gas hedging program: fixed price forward swaps and option structures. These derivative agreements are designed to stabilize cash flow due to market price fluctuations related to expected purchases of natural gas. Utilities entered into option structures to manage natural gas price exposure above or below a designated strike price.

Summary of scheduled projected future cash flows for hedging derivatives as of December 31, 2012:

Year ending December 31,	Projected Future Cash Flows In/(Out) for Hedging Derivatives (thousands of dollars)
2013	\$ (25,442)
2014	(25,123)
2015	(24,773)
2016	(24,372)
2017	(23,935)
2018-2022	(112,116)
2023-2027	(78,733)
2028-2032	(35,277)
2033-2037	(13,568)
2038-2041	(1,642)
	<u>\$ (364,981)</u>

Note: Immaterial differences may occur due to rounding.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Summary of Utilities' pay-fixed interest rate swap agreements outstanding as of December 31, 2012:

	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty
	(thousands of dollars)				
<u>Cash flow hedges</u>					
2005 SIFMA Swap	\$ 71,083	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
2005 SIFMA Swap	23,838	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	J. Aron & Co.
2006 Refunding LIBOR Swap	60,625	08/24/06	11/01/25	Pay 4.4810%; receive 68% of LIBOR	JP Morgan Chase Bank
2006 New Money LIBOR Swap	43,860	09/14/06	11/01/36	Pay 4.1185%; receive 68% of LIBOR	Morgan Stanley Capital Group Inc.
2006 New Money LIBOR Swap	29,240	09/14/06	11/01/36	Pay 4.1185%; receive 68% of LIBOR	JP Morgan Chase Bank
2007 New Money LIBOR Swap	42,057	09/13/07	11/01/37	Pay 3.198%; receive 68% of LIBOR	J. Aron & Co.
2007 New Money LIBOR Swap	28,038	09/13/07	11/01/37	Pay 3.198%; receive 68% of LIBOR	Morgan Stanley Capital Group Inc.
2007 Refunding SIFMA Swap (2012 Novation)	87,275	10/01/07	11/01/26	Pay 5.295%; receive SIFMA index	The Bank of New York Mellon
2008 SIFMA Swap	46,550	09/12/08	11/01/38	Pay 4.2686%; receive SIFMA index	Bank of America, N.A.
2009 LIBOR Swap (2012 Novation)	62,025	10/01/09	11/01/28	Pay 5.475%; receive 68% of LIBOR	Wells Fargo Bank, N.A.
2010 LIBOR Swap	48,195	10/26/10	11/01/40	Pay 3.8807%; receive 68% of LIBOR	Morgan Stanley Capital Group Inc.
2012 LIBOR Swap	49,120	03/15/12	11/01/41	Pay 4.0242%; receive 68% of LIBOR	Morgan Stanley Capital Group Inc.
<u>Investment derivative</u>					
2004 SIFMA Swap	111,825	08/18/04	11/01/23	Pay 4.1120%; receive SIFMA index	JP Morgan Chase Bank
2005 SIFMA Swap	430	09/15/05	11/01/35	Pay 4.7099%; receive SIFMA index	Bank of America, N.A.
Total Notional Amount for Interest Rate Swaps	\$ 704,161				

Note: Immaterial differences may occur due to rounding.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

Summary of Utilities' fixed price natural gas swap agreements outstanding as of December 31, 2012:

	Notional Amount MMBtu	Effective date	Maturity date	Terms
<u>Cash flow hedges</u>				
J. Aron & Co.	1,295	Dec-12	Dec-13	Pay Average \$5.234/MMBtu; settlement based on Cheyenne Daily pricing point at expiration date.
J. Aron & Co.	1,767	Jan-13	Dec-13	Pay Average \$5.173/MMBtu; settlement based on CIG FOM pricing point at expiration date.
JP Morgan Chase Bank	170	Dec-12	Dec-12	Pay Average \$6.574/MMBtu; settlement based on Cheyenne Daily pricing point at expiration date.
BP Energy Company	822	Dec-12	Dec-13	Pay Average \$5.396/MMBtu; settlement based on Cheyenne Daily pricing point at expiration date.
BP Energy Company	1,195	Jan-13	Dec-13	Pay Average \$5.728/MMBtu; settlement based on CIG FOM pricing point at expiration date.
ConocoPhillips	680	Jan-13	Mar-13	Pay Average \$4.856/MMBtu; settlement based on CIG FOM pricing point at expiration date.
<u>Investment derivative</u>				
None	-			
Total Notional Amount for Commodity Swaps	<u>5,929</u>			

Note: Immaterial differences may occur due to rounding.

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Summary of Utilities' option structures outstanding as of December 31, 2012:

	Notional Amount MMBtu	Effective Date	Maturity Date	Terms
<u>Cash flow hedges</u>				
J. Aron & Co.	746	Dec-12	Oct-13	Cap portion (purchased call) of a collar position. Average Strike \$4.86/MMBtu; settlement based on Cheyenne Daily pricing point at expiration date.
J. Aron & Co.	746	Dec-12	Oct-13	Floor portion (sold put) of a collar position. Average Strike \$3.32/MMBtu; settlement based on Cheyenne Daily pricing point at expiration date.
Morgan Stanley Capital Group Inc.	1,126	Jan-13	Oct-13	Cap portion (purchased call) of a collar position. Average Strike \$4.81/MMBtu; settlement based on CIG FOM pricing point at expiration date.
Morgan Stanley Capital Group Inc.	1,126	Jan-13	Oct-13	Floor portion (sold put) of a collar position. Average Strike \$2.81/MMBtu; settlement based on CIG FOM pricing point at expiration date.
Total Notional Amount for Commodity Swaps	<u>3,744</u>			

Note: Immaterial differences may occur due to rounding.

Risk - Utilities routinely monitors and manages risks in the areas of Credit risk, Interest Rate risk and associated Basis risk, Natural Gas Price risk, Termination risk, Rollover risk, Market Access risk and Foreign Currency risk. These risks are discussed in detail below.

Credit Risk - Credit risk is the exposure resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. Each of Utilities' interest rate or natural gas cash flow and investment derivative instruments are held with various counterparties of high credit quality. Utilities views counterparty credit risks that may arise through interest rate and natural gas derivative transactions as similar between cash flow hedges and investment derivatives.

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Counterparty credit rating at December 31:

Counterparty	Credit Rating	
	2012	2011
BP Corporation North America Inc.	A/Baa1	A/Baa1
ConocoPhillips Company	A/A1	A/A1
J. Aron & Co.	A-/A3	A-/A1
JP Morgan Chase Bank	A+/Aa3	A+/Aa1
Bank of America, N.A.	A-/Baa2	A-/Baa1
Morgan Stanley Capital Group Inc.	A-/Baa1	A-/A2
Wells Fargo Bank, N.A.	AA-/Aa3	AA-/Aa3
The Bank of New York Mellon	AA-/Aa1	AA-/Aaa

The Energy Risk Management Plan requires that Utilities’ counterparties to energy transactions be on an approved counterparty list. To be on this list, counterparties must have a minimum rating of “BBB” issued by Standard & Poor’s, a minimum rating of “Baa2” issued by Moody’s Investor Service, a minimum rating of “BBB” issued by Fitch Ratings, or be specifically approved by Utilities’ Risk Management Committee. The Energy Risk Management Policy limits the amount of counterparty credit exposure according to the counterparty’s credit rating.

To be on the interest rate counterparty transaction list, at the time of transaction execution, counterparties must have a minimum credit rating of “A-” category by at least one of the major credit rating agencies previously listed at the time of transaction, or a counterparty shall provide a guarantee, swap surety, or other form of credit enhancement such that its creditworthiness is of an “A-” category equivalent. Each counterparty must also have a demonstrated record of successfully executing swap transactions and shall have a minimum capitalization of at least \$250,000,000.

It is Utilities’ policy to require collateral posting provisions for all counterparties involved in its non-exchange-traded derivative instrument transactions. The collateral posted by counterparties is governed by ISDA agreements with collateral threshold limits as specified in each agreement. As the mark to market value of a fixed price financial derivative agreement held by Utilities decreases relative to market conditions, Utilities may be obligated to post collateral with the applicable counterparty. Conversely, as the mark to market value of a fixed price financial derivative agreement or call option increases, Utilities’ counterparties may be required to post collateral.

As of December 31, 2012 and 2011, Utilities has posted approximately \$50,801,000 and \$82,275,000, respectively, in collateral with the various counterparties to the swap agreements, Utilities’ aggregate fair value of derivative instruments as of that date was approximately (\$235,481,000) and (\$282,830,000), respectively.

The combined fair value of all derivative instruments, net of collateral postings, as of December 31, 2012 and 2011 was approximately (\$184,680,000) and (\$200,555,000), respectively.

Collateral postings represent the initial amount that Utilities would be required to pay in the event counterparties failed due to a credit default event. Current collateral posted is

presented as restricted cash and impacts Utilities' cash reserves and liquidity. In the event of a failure of all counterparties due to a credit default, Utilities anticipates the full value of the collateral posting would be liquidated on behalf of secured creditors, thereby reducing actual cash balances and liquidity by the value of the collateral posting. A credit default by all counterparties could lead to additional cash requirements called by secured creditors up to the net liability of the combined derivative positions.

The impact of a future credit default on Utilities is dependent on market conditions that exist at the time of the event. As a result, the impact on Utilities' cash and liquidity position could be negative or positive. In consideration of this uncertainty and to minimize the impact of such an event on liquidity, as of December 31, 2012, Utilities has total credit lines available in the amount of \$100,000,000. Utilities also closely monitors the creditworthiness of all existing counterparties and awards future business based on creditworthiness and collateral positions existing at the time of the transaction.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect Utilities anticipated cash flows. Utilities is exposed to interest rate risk on its variable rate debt. Utilities utilizes fixed price swaps to offset cash flow exposures to variable rate debt. Utilities receives fixed rate swap payments against VRDOs based on London Inter-Bank Offer Rate ("LIBOR") or the Securities Industry and Financial Markets Association ("SIFMA") swap index.

Basis Risk - Basis risk is the risk that arises when variable rates or prices of a derivative instrument and a hedged item are based on different reference rates. Utilities is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable rate payments received by Utilities on these hedging derivative instruments are based on a rate or index other than interest rates. Utilities pays on its hedged variable rate debt, which is generally remarketed every 7 days. As of December 31, 2012, the weighted average interest rate on Utilities' variable rate debt was 0.167%, the SIFMA swap index rate was 0.13%, while 68.0% of LIBOR was 0.143%. As of December 31, 2011, the weighted average interest rate on Utilities' hedged variable rate debt was 0.14%, the SIFMA swap index rate was 0.10%, while 68.0% of LIBOR was 0.2008%.

Natural Gas Price Risk - Natural gas price risk is the risk that changes in natural gas market prices for physical delivery will adversely impact Utilities' anticipated cash flows. Utilities enters into fixed price swaps and options to offset anticipated natural gas price risks. The financial derivatives are priced identically to the underlying physical natural gas contracts, so that no basis risk exists.

Termination Risk - Termination risk is the risk that a derivative instrument's unscheduled end will affect Utilities' asset and liability strategy or will present Utilities with potentially unscheduled termination payments to the counterparty. Utilities or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or if both parties agree to exercise a termination option. If at the time of termination, a hedging derivative instrument is in a liability position, Utilities would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk - Rollover risk is the risk that a derivative instrument associated with a hedged item does not extend to the maturity of that hedged item. Utilities is exposed to rollover risk on hedging instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative

instruments terminate, or in case of a termination option, if a counterparty exercises its option, Utilities will be re-exposed to the risks being hedged by the hedging derivative instrument. Utilities has no exposure to rollover risk with current interest rate derivative instruments.

Market Access Risk - Market access risk is the risk that Utilities will not be able to enter credit markets or that credit will become more costly. A strong credit rating tends to broaden an entity's credit market access and bond-holder base while achieving lower cost funding. As of December 2012 and 2011 Utilities' long-term bond rating is "AA"/"Aa2"/"AA" with each of the major credit rating agencies.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the cash flows of a transaction. Utilities has no exposure to foreign currency risk.

V. OTHER INFORMATION

A. Risk Management

The City has established a risk management division to coordinate and administer workers' compensation, property and general liability insurance and self-insurance programs for all its activities and operations. For workers' compensation coverage, except for MHS, the City has purchased commercial insurance to cover losses in excess of \$750,000 per occurrence. The City pays losses less than this amount through the Workers' Compensation Self-Insurance fund and records a liability for unpaid workers' compensation claims. MHS is self-insured for workers' compensation claims up to \$750,000 per claim and maintains reinsurance covering claims in excess of \$750,000. A liability is recorded for unpaid workers' compensation claims.

MHS maintains malpractice insurance through a claims-made type of commercial insurance policy. The policy has a \$25,000 deductible per occurrence and provides coverage up to \$1.75 million per occurrence up to an aggregate of \$5.5 million for claims filed within the period of the policy term. MHS also has \$15 million of umbrella insurance coverage.

General liability coverage for the operations of Utilities is purchased from commercial carriers for losses in excess of \$500,000 with a policy aggregate limit of \$35,000,000. General liability coverage for the Airport is purchased from commercial carriers with varying deductibles. The City and its enterprises are self-insured for general liability coverage. The Colorado Governmental Immunity Act generally provides that the maximum amount that may be recovered against entities such as the City is \$150,000 for any injury to one person in any single occurrence and \$600,000 for any injury to two or more persons in any single occurrence. The Claims Reserve Self-Insurance fund has been established to pay these claims. It is the practice of the City to expense and record as a liability those claims where a liability has been incurred, and the amount of ultimate settlement can be reasonably estimated.

For major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the affected department.

For medical claims coverage, the City has a reinsurance policy that provides coverage for claims in excess of \$500,000. The City pays claims less than \$500,000 through its Employee Benefits Self-Insurance fund. Utilities is self-insured up to \$350,000 per claim and maintains a reinsurance policy for claims exceeding \$350,000. MHS is self-insured for the medical claims of its employees and their families up to \$250,000 per claim. The City, Utilities and MHS have recorded a liability for medical claims and an estimate of claims incurred but not reported. Incurred but not reported claims have been accrued for the City Employee Benefits Self-Insurance fund based upon an actuarial estimate at December 31, 2011.

The following is a summary of changes in outstanding reserves for MHS, Claims Reserve, Workers' Compensation, and Employee Benefits Self-Insurance funds for 2012 (in 000's). The City's liability is included in accounts payable in the respective Internal Service Funds.

	<u>2012</u>	<u>2011</u>
Claims liabilities, beginning of year	\$22,534	\$20,715
Increases	78,185	93,218
Decreases	<u>(79,545)</u>	<u>(91,399)</u>
Claims liabilities, end of year	<u>\$21,174</u>	<u>\$22,534</u>

B. Donor-restricted Endowments

As of the end of 2012, the City maintained three donor-restricted endowment funds as follows:

	<u>Fund Balance</u>	<u>Available for Spending</u>
C.D. Smith Trust	\$669,563	\$5,121
Cemetery Endowment	9,141,301	13,352
TOPS Maintenance Trust	835,082	186,924

State law does not restrict the ability to spend net appreciation on these funds. Terms of the donation, however, restrict spending to investment earnings only. The policy for authorizing and spending investment income states that all investment earnings are available for expenditure. The amount available for spending is reported as expendable under net assets restricted for endowments.

C. Post-Retirement Health Care Benefits Other than Pensions

In accordance with the City Code, the City offers a health care plan to retirees with a City contribution determined by City Council. Employees eligible to retire prior to January 1, 1979, receive this health care plan without cost to the employee. Those eligible to retire after January 1, 1979, and hired prior to August 1, 1988, receive a limited City contribution not to exceed \$91.40 per month. Beginning January 1, 2011, medical plan coverage beyond Medicare eligibility age was eliminated except for 15 "Grandfathered" retirees. Those eligible to have their full premium paid for by the City will have the premium paid under the Extend

Health Plan. Those eligible for the \$91.40 subsidy will continue to receive the subsidy. During 2012, these benefits were provided to 2,498 retired employees at a cost of \$2,886,863. During 2011, these benefits were provided to 2,568 retired employees at a cost of \$2,857,896. All employees hired after August 1, 1988, receive no contribution from the City for this health care plan.

In addition, the City provides to uniformed employees who retire from active service with the City regardless of enrollment in current medical plan and who begin immediately receiving pension benefit payments to continue existing medical coverage as a retiree. There is no additional cost to the City since the employee is responsible for the premium payment, however, due to the retirees' participation in the City's health plan, an implied subsidy does exist under GASB 45.

Retiree life insurance premiums were paid on behalf of 2,539 retirees for a total cost in 2012 of \$12,951. During 2011, 2,584 premiums were paid on behalf of retirees for a total cost of \$13,283. All amounts paid are equal to required contributions

Post-retirement health and life insurance benefits are considered to be an unfunded plan since there are no dedicated assets and retiree benefits are paid annually in an amount equal to the benefits distributed or claimed in that year (pay-as-you-go basis).

Because the City's health plan is self-funded, the plan does not release a separate report. However, the health benefits are accounted for under the Employee Benefits Self-Insurance Fund under the City's Internal Service Funds.

Annual OPEB cost and Net OPEB Obligation - The City's and Utilities' annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution to the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 2012**

The following table shows the components of the City's annual OPEB cost for 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$2,221,100
Interest on net OPEB obligation	505,688
Adjustment to annual required contribution	<u>(412,229)</u>
Annual OPEB cost (expense)	2,314,559
Contributions made	<u>(1,595,578)</u>
Increase in net OPEB obligation	718,981
Net OPEB obligation - beginning of year	<u>11,237,510</u>
Net OPEB obligation - end of year	<u><u>\$11,956,491</u></u>

The following table shows the components of Utilities' annual OPEB cost for 2012, the amount actually contributed to the plan, and changes in Utilities' net OPEB obligation:

Annual required contribution	\$1,603,000
Interest on net OPEB obligation	48,000
Adjustment to annual required contribution	<u>(85,000)</u>
Annual OPEB cost (expense)	1,566,000
Contributions made	<u>(1,297,000)</u>
Increase in net OPEB obligation	269,000
Net OPEB obligation - beginning of the year	<u>1,068,000</u>
Net OPEB obligation - end of year	<u><u>\$1,337,000</u></u>

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The City’s and Utilities’ annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the two preceding years were as follows:

		Fiscal Year	Annual OPEB	% of Annual	
	*	Ended	Cost	OPEB Cost	Net OPEB
				Contributed	Obligation
City		12/31/2010	\$4,655,991	34.0%	\$10,481,943
		12/31/2011	2,308,274	67.3	11,237,510
		12/31/2012	2,314,559	68.9	11,956,491
Utilities		12/31/2010	\$1,527,000	84.8%	\$794,000
		12/31/2011	1,586,000	82.7	1,068,000
		12/31/2012	1,566,000	82.8	1,337,000

* Restated

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the City’s post-retirement benefit plan as of January 1, 2011. The retiree benefits included in the actuarial valuation are the medical benefits offered to a closed group of retirees, medical benefits provided to the City’s sworn employees and the life benefits offered to retirees and current active employees, the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% annual discount rate based on the expected rate of return for investments on employer assets, which generally consist of short-term liquid investments. The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years for the life benefit and average remaining lifetime of retirees (17 years) for the medical benefit on an open basis. The amortization is calculated assuming a level percentage of projected payroll. The assumed salary growth rate used was 3.8%, with 2.8% assumed for inflation. The medical trend rate used beginning in 2011 was 7.7% per year, grading to 4.7% over 72 years. Utilities used a cost trend rate applied on a select and ultimate basis of 10.0% and 5.0% respectively.

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Funding Status and Funding Progress - The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date was as follows:

	<u>City OPEB Obligation</u>	<u>Utilities OPEB Obligation</u>
Actuarial Accrued Liability (AAL)	\$39,410,869	\$18,602,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$39,410,869</u>	<u>\$18,602,000</u>
Funded Ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$76,284,715	\$1,615,000
UAAL as percentage of covered payroll	51.7%	1151.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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The schedule of funding progress as of December 31, 2011, the most recent actuarial valuation date was as follows:

City of Colorado Springs

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
1/1/2007	\$ -	\$57,797,257	\$57,797,257	0.0%	\$87,989,734	65.7%
1/1/2009	-	74,052,320	74,052,320	0.0	87,346,062	84.8
1/1/2011	-	39,410,869	39,410,869	0.0	76,284,715	51.7

Colorado Springs Utilities

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
1/1/2007	\$ -	\$16,786,000	\$16,786,000	0.0%	\$1,429,000	1174.7%
1/1/2009	-	17,074,000	17,074,000	0.0	1,549,000	1102.3
1/1/2011	-	18,602,000	18,602,000	0.0	1,615,000	1151.8

D. Commitments and Contingent Liabilities

1. Construction and Purchase Commitments

Significant construction and purchase commitments of the City, as of December 31, 2012, are as follows (in millions):

General fund	\$3.2
Non-major governmental funds	11.4
Utilities fund	80.7
Airport fund	4.1

2. Refunded Bonds

At various dates in prior years, Utilities has placed proceeds from refunding bond issues in irrevocable refunding escrow accounts. As of December 31, 2012, Utilities remains contingently liable for the outstanding principal balance of \$186,235,000 in refunded bonds.

During 2012, 2009, and 2004, MHS placed available funds and proceeds from refunding bond issues in irrevocable refunding escrow accounts. As of December 31, 2012, MHS remains contingently liable for the outstanding principal balance of \$246,315,000 in refunded bonds.

3. Charter Amendment

In April 1991, voters approved City Charter Amendment #3, entitled the "Taxpayers Bill of Rights." In November 1992, voters adopted a similar statewide constitutional amendment. Both contain provisions which limit the amount of revenue the City may retain in any given year. TABOR permits a maximum annual percentage change in "fiscal year spending" (FYS) equivalent to the sum of inflation in the prior calendar year and annual local growth. Should FYS increase at a rate greater than that which the formula allows, the City must refund the "excess" in the ensuing year or seek voter approval to retain the "excess." Based upon the City's interpretation of the amendments, FYS for 2012 was less than the revenue limit.

The state TABOR also establishes a separate requirement for local governments that limits the increase in property tax revenue from year to year. For 2012, the City does not anticipate that it will exceed this limit, and thus no refund nor corresponding liability has been reported.

On November 2, 2010, the eligible electors of the City voted to amend the Charter to establish a strong mayor-council form of government having as its elective officers a Mayor and City Council. Pursuant to this form of government, the Mayor of the City is the chief executive, exercising all administrative and executive powers granted to the City, except as otherwise delegated by the City Charter. The Mayor is elected every four years and is limited to two consecutive terms. The Mayor is to be elected by a majority, and not a plurality, of votes cast for the office of Mayor according to a run-off election. Steve Bach was elected as Colorado Springs' first strong mayor in a run-off election on May 17, 2011. His term expires in 2015.

Policy-making and legislative authority are vested in the governing council (Council) consisting of nine members, all elected on a non-partisan basis. Council members serve four-year terms and are term limited to two terms. Five council members are elected at large; the remaining council members are elected from four equally-populated districts. Biennially, council members elect a President from among themselves to preside over the meetings and a President Pro Tempore to fill in when the President is absent.

4. Litigation

The City is involved as a defendant in various legal actions involving claims and litigation arising from contracts, personal injury, property damage, and other matters. It is the practice of the City to expense and record as a liability those claims where a liability has been incurred and the amount of ultimate settlement can be reasonably estimated. The City has provided for these estimated probable losses in the financial statements and, in the opinion of management, such claims and litigation will not have a material, adverse effect on the operations of the City.

5. Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant. Such audits could lead to reimbursements to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

Management believes disallowances, if any, resulting from any such audits would be immaterial.

6. Environmental Matters

Numerous federal, state and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors its compliance with environmental laws and regulations on an ongoing basis.

Numerous federal, state and local environmental laws and regulations affect Utilities' facilities and operations. Utilities monitors its compliance with environmental laws and regulations on an ongoing basis.

Air Quality - In operating the Electric System, Utilities is subject to environmental requirements, which affect operating and capital costs of the System. Ongoing promulgation of new regulations under the Clean Air Act Amendments of 1990 and the Colorado Air Quality Control Act will have the effect of imposing more stringent air emission requirements for the Electric System's generating facilities.

Drake Units 5, 6 and 7 (all coal-fired), Nixon Units 1 (coal-fired), 2 and 3 (both gas-fired), and Front Range Power Plant Units 1 and 2 (both gas-fired) are subject to the Clean Air Act Title IV Phase 2 Acid Rain Requirements. Utilities has sufficient emission allowances that it believes will satisfy its sulfur dioxide ("SO₂") allowance obligations into 2018. Thereafter, Utilities expects to have pollution control technology in operation to remain in compliance with the sulfur dioxide requirements for these units.

The Federal Clean Air Act requires that states develop "State Implementation Plans" or "SIPs" that address how each state will control air pollution, including visibility impacts to Class I federal areas. The EPA's Regional Haze Rule requires that certain emission sources, such as power plants, that may reasonably be anticipated to cause or contribute to visibility impairment in Class I areas to install Best Available Retrofit Technology ("BART"). The BART emission limits for nitrogen oxides ("NO_x") for the Drake Power Plant will be met by the installation of over fire air and ultra low NO_x burners on units 5, 6, and 7. The BART emission limits for SO₂ for the Drake Power Plant will be met by scrubbers for units 6 and 7 and dry sorbent injection for unit 5. The estimated cost of these controls is as high as \$140,000,000. These controls must achieve compliance with emission limits no later than will be required no later than January 30, 2018.

Additionally, Colorado's Regional Haze SIP phases in emission limits for other stationary sources, such as the Ray Nixon Power Plant, as part of "Reasonable Progress" towards natural levels of visibility under the Regional Haze Rule. The "Reasonable Progress" emission limits for NO_x for the Nixon Power Plant will be met by the installation of over fire air and ultra low-NO_x burners and the "Reasonable Progress" emission limits for SO₂ will be met by the installation of a scrubber. The cost of these controls could be as high as \$125,000,000. These controls must achieve compliance with the emission limits by December 31, 2017.

The Regional Haze Rules requirements for the Drake Power Plant and the Ray Nixon Power Plant were approved by the State legislature in May 2011. The EPA approval of the SIP was published on December 31, 2012, with an effective date of January 30, 2013.

Additional regulations, such as the ongoing review of the federal ozone standard, may necessitate the installation of additional pollution controls beyond those described above. While it is uncertain the extent to which these regulations will affect Utilities' power plants or operations, additional future pollution controls for NO_x, i.e., post-combustion controls such as Selective Catalytic Reduction, could potentially cost Utilities an additional \$100,000,000 to \$150,000,000 within the next ten years.

With regard to the EPA's final Maximum Achievable Control Technology rule, finalized in December 2011 as the Mercury and Air Toxics Standard, emissions testing performed in recent years indicate that Utilities is in compliance with the limits in the Mercury and Air Toxics Standard for all of the Nixon and Drake coal-fired boilers. It is expected that the combination of planned scrubbers and existing baghouses will also be adequate to meet these new standards. While additional monitoring, testing and reporting will be required (i.e., installation of continuous emissions monitoring systems for mercury) capital investment is estimated to be less than \$1 million for all coal-fired units combined.

In May 2010, the EPA issued its final "Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule" for regulating greenhouse gas emissions, and the rule has been adopted by Colorado. New construction projects that emit at least 100,000 tons of greenhouse gases and existing facilities that increase their emissions by at least 75,000 tons per year must obtain a construction permit even if they do not exceed thresholds for other pollutants. New and upgraded facilities that are subject to the requirements will be required to install Best Available Control Technology to control their greenhouse gas emissions. Utilities routinely evaluates the impact of Prevention of Significant Deterioration regulations on proposed projects and, at this time, there are no planned projects which would be subject to increased cost or operational restrictions as a result of the greenhouse gas Prevention of Significant Deterioration regulations. In April 2012, the EPA issued a proposed rulemaking for regulating greenhouse gas emissions from new fossil-fuel fired electric generating units that exceed 25 MW in capacity. EPA has been clear that these regulations are not intended to impact existing sources or new simple cycle turbine, and that new combined cycle gas-fired plants should be capable of meeting the proposed standard. At this time, the future capital costs of compliance with these proposed greenhouse gas regulations cannot be estimated. Utilities reports its greenhouse gases emissions under new EPA reporting regulations and voluntarily through the Climate Registry.

In June 2010, the EPA issued a proposed rule regarding "Coal Combustion Residuals" ("CCRs"), which are also referred to as "coal combustion byproducts" or "coal ash." The proposed rule considered two approaches for disposal of CCRs, one to regulate CCRs under subtitle C of the Resource Conservation and Recovery Act as a special waste and the second under subtitle D of the Resource Conservation and Recovery Act as a non-hazardous waste. Either approach will increase costs to Utilities for the ongoing disposal of these materials. The most significant increase would result from CCRs being regulated under subtitle C. It is estimated that this scenario could increase Utilities' annual disposal costs from \$1 million to \$10 million. It is anticipated that the EPA will establish a final rule with regards to disposal of CCRs in 2013. Utilities currently disposes of its CCRs at its Clear Spring Ranch facility under a County solid waste disposal authorization known as a "Certificate of Designation."

In February, 2012 the Colorado Department of Public Health and Environment ("CDPHE") adopted revisions to Section 9 (regarding waste impoundments) of its "Regulations

Pertaining to Solid Waste Sites and Facilities”. Additional capital investment in the range of \$1.0 to \$9.0 million for existing impoundments at Drake and Nixon may be required to meet these revisions in the 2015-2017 timeframe. The revised regulation will require both plants to obtain a “Certificate of Designation” from both the City and El Paso County and require that financial assurance be maintained for any future closure of these impoundments

Wastewater Quality - Utilities operates the Las Vegas Street Wastewater Treatment Plant, which discharges treated wastewater to Fountain Creek, and the J.D. Phillips Water Reclamation Facility, which discharges treated wastewater to Monument Creek. Both facilities operate under the terms of Colorado Discharge Permit System (“CDPS”) permits issued in 2006 pursuant to the Federal Clean Water Act. Under the CDPS permits, Utilities is required to monitor wastewater discharges and report on a monthly basis the results of that monitoring to the CDPHE. In 2010, permit renewal applications were submitted to the CDPHE as required for both facilities. The permits are expected to be renewed in 2014. Utilities continues to operate under administrative extension of the existing permits until such time that renewed permits are issued.

In accordance with CDPHE regulations, Utilities is subject to public health protection limits for E. coli and turbidity applicable to the distribution system for reclaimed wastewater used for nonpotable purposes. Utilities does not expect that additional capital or other expenditures will be required to comply with these regulations in the next several years.

The CDPS permits for the facilities require that when peak monthly throughput and treatment reach 80.0% of facility design capacity, Utilities must initiate engineering and financial planning for additional treatment capacity, and that construction must be commenced when peak monthly throughput and treatment is at 95.0% capacity. For both facilities, the throughput and treatment are currently below these capacity standards. In 2012, annual organic and hydraulic throughputs for the Las Vegas Street Wastewater Treatment Plant reached 45% and 44%, respectively. Peak monthly organic and hydraulic throughputs in 2012 for the J.D. Phillips Water Reclamation Facility reached 41% and 40%, respectively.

Utilities is actively engaged in the State’s water quality regulatory rulemaking processes. A new ultraviolet disinfection system for the Las Vegas Street Wastewater Treatment Plant came on-line in January 2011 to both enable the facility to meet more stringent future E. Coli limits as well as reduce operational and regulatory risks associated with chlorine gas disinfection. The CDPHE changed Fountain and Monument Creeks’ stream designations from “use-protected” to “reviewable” in July 2008. Utilities expects to see the first impact of this change in the discharge permit renewal negotiations anticipated in 2014. This change may ultimately result in more stringent effluent limits for pollutants that have been detected in the discharge but are not limited by the treatment facilities’ current CDPS permits. Additionally, pollutants that are currently limited by the CDPS permits may undergo an “antidegradation” review that could result in more restrictive effluent limits. Reduced or additional permitted effluent limits may necessitate additional wastewater treatment facility controls.

The CDPHE adopted regulations for reducing nutrients (nitrogen and phosphorus) in state waters through 2022 in June, 2012 with an effective date of September, 2012. Additional capital investment will be required to meet these standards. Based on these regulations, approximately \$1.8 million capital investment will be required at the Las Vegas Street

Wastewater Treatment Plant between 2014 and 2022. The J.D. Phillips Water Reclamation Facility will be able to meet the proposed standards with a \$1.5 million process improvement project currently in design and planned for construction in 2013. However, some nutrient regulatory scenarios could result in much greater capital investment being required after 2022. As required by discharge permits, Utilities has reported both sanitary sewer overflows (“SSOs”) and reclaimed wastewater releases to regulatory agencies. SSOs can be caused by blockages in the sewer lines due to debris, tree roots and grease or can be caused by vandalism, construction damage, pump or pipeline failures, and severe flooding. In 2004, the CDPHE and Utilities entered into a Compliance Order on Consent (“Consent Order”) which addresses capacity and condition evaluations, along with the systematic repair, rehabilitation, and replacement of portions of the wastewater collection system through the year 2012. The Consent Order was reviewed and approved by the EPA. The Consent Order was subsequently amended in 2005, 2006, and 2010 to resolve SSOs that occurred through December 2009. Utilities plans to submit a “Notice of Completion” for the Consent Order to the CDPHE in the first quarter of 2013 for the purpose of seeking CDPHE concurrence and approval of the completion of all Consent Order requirements.

The Clear Spring Ranch Solids Handling and Disposal Facility, which processes sludge from the Las Vegas Street Wastewater Treatment Plant and the J.D. Phillips Water Reclamation Facility, is currently regulated under a federal sludge disposal permit, a County solid waste disposal authorization known as a “Certificate of Designation” and State air quality permits. Under these permits and related regulations, Utilities is required to frequently monitor sludge and ground water quality. In 2007, the EPA issued a new general permit for sludge disposal which expired October 19, 2012 and is now under administrative extension until a new permit is issued, which is anticipated in 2013. The solid waste disposal Certificate of Designation has no expiration date. In February, 2012 the CDPHE adopted revisions to Section 9 (regarding waste impoundments) of its “Regulations Pertaining to Solid Waste Sites and Facilities”. Additional capital investment in the range of \$7.0 to \$15.0 million for existing impoundments at the Clear Spring Ranch Solids Handling and Disposal Facility may be required to meet these revisions in the 2015-2017 timeframe. The revised may require the site’s Certificate of Designation be amended and will require that financial assurance be maintained for any future closure of the impoundments.

In 2009, a “Wastewater Integrated Master Plan” was drafted and internally reviewed. This plan addresses the 10-year Capital Improvement Projects needed for the wastewater collection system, wastewater treatment facilities and Clear Spring Ranch Solids Handling and Disposal Facility. It analyzes current capacity and future growth needs for wastewater system components. The plan also addresses the impacts of new regulations and plans for capital improvements necessary to keep the facilities in compliance with the new regulations.

Drinking Water Quality - The Federal Safe Drinking Water Act, originally passed in 1974 and amended in 1986 and 1996, is enforced by federal and state agencies with responsibility over drinking water protection. The law requires actions by public water systems to protect drinking water from the source (e.g., rivers, reservoirs, and groundwater wells) to the customer’s tap. This regulatory oversight applies to the public water systems’ storage, treatment, and distribution facilities, as well as operational practices.

The Federal Safe Drinking Water Act authorizes the EPA to establish national health-based standards for the protection of drinking water from both naturally occurring and man-made contaminants. Additionally, the EPA maintains a list of unregulated contaminants that are not currently subject to any proposed or promulgated national primary drinking water regulation, but that are known or anticipated to occur in public water systems and may become subject to regulation in the future. As such, there is always the potential for new and/or more stringent standards that may impose additional costs to Utilities, either to existing infrastructure or operations or to new water project development. Utilities' current long-term capital improvements forecast for the Water System addresses normal repairs and replacements in the treatment and distribution facilities to maintain both operational reliability and compliance with the Federal Safe Drinking Water Act and applicable regulations. Utilities is required to provide a sufficient capacity and level of water treatment and disinfection necessary to meet EPA-established "maximum contaminant levels" for regulated contaminants as well as provide regular monitoring for these contaminants in its treatment plants and distribution systems. Utilities' laboratory performs chemical, physical, and biological analyses of its finished water supplies, and is certified by the CDPHE for the analysis of drinking water. The CDPHE and the EPA have the authority to enforce drinking water quality standards for the water supplied by the Water System. The CDPHE periodically conducts compliance inspections of the water treatment processes and laboratory monitoring provided by Utilities. The laboratory is capable of meeting future analytical demands in response to system capacity additions and increased regulatory requirements. As part of the "consumer awareness" provisions of the Federal Safe Drinking Water Act, Utilities is required to submit annual "consumer confidence reports" to its customers addressing the sources of its drinking water and the levels of regulated contaminants found in the drinking water through its monitoring programs. Utilities' annual Water Quality Report to its customers consistently notes that the water treated and supplied by Utilities meets applicable primary drinking water quality standards. Other provisions of the Federal Safe Drinking Water Act require Utilities to maintain operator certifications, submit a Source Water Assessment report to the CDPHE, and maintain a cross-connection program.

Water Supply - Federal and state legislation often influences Utilities' water development activities. Such legislation and regulations promulgated by federal and state agencies generally implement environmental policies concerned with land use, appropriation and allocation of water resources, and water quality. The constraints imposed by environmental laws and regulations could potentially limit Utilities' current system yield or further expansion of existing water projects (particularly transmountain projects) as well as prohibit new project development. The following discussion summarizes some of the issues raised by existing laws and regulations.

The National Environmental Policy Act of 1969 ("NEPA") requires the review of any project that includes a major federal action (usually the issuance of permits by federal agencies) to determine if the project will cause significant impacts on the environment, and if so to require appropriate mitigation measures. As part of this environmental assessment process, reasonable alternatives to the proposed project must also be evaluated and reviewed as part of the federal decision-making process. This requirement has had the effect of both delaying projects and increasing project costs. One particular project that will require NEPA review is the proposed enlargement of the Fryingpan-Arkansas Project facilities.

The Federal Land Policy and Management Act authorizes the federal government to grant easements or issue special use permits for rights-of-way for water facilities crossing or located upon federal property. The Federal Land Policy and Management Act requires that special use permits include conditions necessary to protect the environment. All rights-of-way issued under the Federal Land Policy and Management Act are for a limited period of time and frequently contain reopener provisions. Upon renewal or reopening of the various special use permits that Utilities currently holds for the Water System additional conditions, such as minimum stream flows or bypass requirements, might be imposed that could reduce the yield of related parts of the Water System in the future.

The federal government has designated large parcels of federally owned mountain land as controlled land use areas pending an evaluation for possible inclusion within the national wilderness preservation system. The inclusion of land within a wilderness area can render a water source unusable due to access restrictions and federal reserved water rights claims, or force a change to a less desirable, more expensive alternative development or operation plan.

The United States Forest Service is pursuing, or may pursue in the future, legal action in which it claims vested federal reserved water rights to water flowing in and through National Forests and other federally owned lands. Some of these claimed federal reserved water rights are or would be superior to some of the water rights owned by the City within Colorado's water allocation system. The areas of primary concern to the City are the Arapaho and White River National Forests, both of which were reserved in 1905. These forests, located within the Colorado River and Arkansas River drainages, encompass the sources of the City-owned rights and entitlements connected with the Homestake Project, the Blue River Project, the Twin Lakes Project and the Fryingpan-Arkansas Project.

The Federal Wild and Scenic Rivers Act is designed to protect certain free-flowing rivers identified by federal agencies. This Act authorizes Congress to designate segments of a river as wild, scenic, or recreational depending upon the presence of valued characteristics, such as recreational access, and other detracting factors, such as the degree of existing encroachment. Designation of a segment requires federal agencies to manage the river and adjacent lands to protect the identified valued characteristics and provides legal support for the appropriation of a new federal water rights. Both of these effects present potential issues that could restrict the operations and development of the Water System.

The Federal Clean Water Act, as amended in 1987 and currently enforced by federal and state entities with responsibility over water quality protection, creates some potential for additional constraints on water operations and development activities. For example, in a United States Supreme Court case the Court considered hydrologic modifications as "pollution" under the Federal Clean Water Act, and stated that instream flow requirements as special use permit conditions may be appropriate to protect designated stream uses. Similarly, recent federal courts of appeals decisions (outside Utilities' jurisdiction) raise the issue of whether a permit is necessary to transfer raw water from one water body to another. Such conditions, along with those imposed under Section 404 of the Federal Clean Water Act (relating to dredge and fill permits), Section 401 (relating to state certification of water quality conditions), Section 303(d) (relating to impaired water bodies and wasteload allocations), and those which may be necessary to meet Section 319 (non-point source best management practices) as well as new watershed-based requirements may increase the costs of future operations of the Water System and development of water

resources. The EPA's emphasis on watershed planning and proposed modifications to the water quality standards program involve such issues as biological criteria, antidegradation review of permitted activities, and standards for clean sediment and nutrients, which could further impact water project construction and operation.

The Federal Endangered Species Act requires consultation with the U.S. Fish and Wildlife Service by a federal agency before the agency issues any authorization or permit for an activity. If the U.S. Fish and Wildlife Service determines that the proposed activity will have a detrimental impact on threatened or endangered species or their habitat, it must identify a reasonable and prudent alternative which would not jeopardize the species or result in the destruction of its habitat. This process can result in decreased project yields, increased project costs, or both. For example, in June 1998 the Preble's Meadow Jumping Mouse, whose habitat includes some riparian areas in and around the City, was designated as a threatened species. This designation affects construction activities in those areas by requiring special permits, development of conservation plans, and consultation with the U.S. Fish and Wildlife Service. In response to this, Utilities initiated a collaborative process, which includes other regional stakeholders, to develop an appropriate local conservation plan that will allow continued construction activities without unreasonable additional regulatory requirements. In 2008, the U.S. Fish and Wildlife Service proposed critical habitat designation for the Preble's Meadow Jumping Mouse in a small portion of Utilities' service area. This proposal is not expected to have significant impact on Utilities' projects or operations.

E. Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airport to impose a Passenger Facility Charge (PFC) per qualifying passenger commencing March 1, 1993. Net receipts from these charges are restricted for use on FAA approved PFC projects. The City has been authorized to collect PFC revenues in the aggregate amount of \$68,549,248 or until January 1, 2014, whichever occurs first. PFC revenues are recognized when earned. Aggregate collections through December 31, 2012, total \$62,345,284.

F. Customer Facility Charges

An ordinance (04-32) was approved by the City Council on March 23, 2004, allowing the Airport to continue to collect the CFC's for the purpose of funding the rental car improvement projects. The collection rate of \$1.50 per rental car contract date will remain until changed by City Council ordinance. The rate cannot exceed \$2.50 per rental car contract day without City Council approval. Aggregate collections through December 31, 2012, totaled \$10,865,633.

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G. Disclosures about Fair Value of Financial Instruments

Estimated fair values of Utilities financial instruments are as follows as of December 31, 2012 (in 000's):

	<u>Carrying Amount</u>	<u>Fair Value</u>
Unrestricted cash and investments	\$265,760	\$265,760
Restricted cash and investments	516,244	516,244
Interest receivable	100	100
Revenue bonds (including current maturities)	2,203,209	2,521,069
Accrued interest	12,230	12,230
Customer advances for construction	10,475	10,475

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

1. Unrestricted Cash and Investments, Restricted Cash and Investments, and Interest Receivable

Carrying amount approximates fair value because of the short maturity of most of these instruments. Fair values of some investments are estimated based upon quoted market prices for those or similar instruments.

2. Revenue Bonds (including current maturities)

Fair value of the long-term debt instruments is estimated based upon quoted market prices of that debt in the secondary bond markets.

3. Accrued Interest and Customer Advances for Construction

The carrying amount approximates fair value because of the short maturity of these instruments.

H. Joint Venture – Utilities

Utilities has equity interest in Young Gas Storage Company, Ltd. (“Young”) of 5%. Young is a Colorado limited partnership organized on June 30, 1993, to develop and operate a natural gas storage system near Fort Morgan, Colorado. Young’s gas storage system consists of 38 natural gas storage facility wells, a 6,000 horsepower compressor station, a gas processing plant, eleven miles of 20-inch transmission line and four miles of storage gathering line.

The following table lists the amount invested, equity in the entities’ undistributed net earnings, and Utilities’ net investment in joint ventures recorded on the balance sheet as of December 31, 2012 (in 000's):

<u>Entity</u>	<u>Amount Invested</u>	<u>Undistributed Net Earnings</u>	<u>Utilities Investment</u>
Young Gas Storage Company Ltd.	\$500	\$775	\$1,275

There were no advances or loans outstanding to this entity as of December 31, 2012.

I. Retirement Plans**1. Non-Uniformed Employees****Defined Benefit Pension Plan**

Plan Description: The City contributes to the Local Government Division Trust Fund (LGDTF), a cost sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees, except uniformed police and fire, are members of the LGDTF. The Mayor, direct reports of the Mayor, and elected officials of the City may exempt from membership. Title 24, Article 51, of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy: Plan members and the City are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of plan members and the City are established under Title 24, Article 51, Part 4, of the CRS, as amended. The contribution rate for members is 8.0% and for the City is 10.0% of covered salary. A portion of the City's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note V.I.1. Postemployment Health Care Benefits). The City is also required to pay an amortization equalization disbursement (AED) equal to 2.2% of the total payroll for the calendar year 2012. Additionally, the City is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5% of the total payroll for the calendar year 2012. If the City rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and the SAED on the amounts paid for the retiree. Member contributions are required. The City contributions to LGDTF for the years ending December 31, 2012, 2011, and 2010, were \$49,406,448, \$56,154,685, and \$54,691,661 respectively, equal to its required contributions for each year.

Postemployment Health Care Benefits

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

Funding Policy: The City is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4, of the CRS, as amended. The apportionment of the contribution to the HCTF is established

under Title 24, Article 51, Section 208, of the Colorado Revised Statutes, as amended. The City's contributions to HCTF for the years ending December 31, 2012, 2011, and 2010 were \$3,674,156, \$4,466,459, and \$4,069,742, respectively, equal to its required contributions for each year.

Defined Contribution Plan

Plan Description: The LGDTF members of the City may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Contributions are separate from others made to PERA. Title 24, Article 51, Part 14, of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy: The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,000 annually for 2012 calendar year). There is a catch-up provision that allows participants 50 and older who are contributing the maximum to contribute an additional \$5,500 annually for 2009-2012 to their accounts.

Plan Description: Per authority of a City Council Resolution, members of the City may also voluntarily contribute to an ICMA 457 Plan, an Internal Revenue Code of 1986 section 457. The plan is administered by ICMA Retirement Corporation and the Vantage Trust Company.

Funding Policy: The ICMA and FPPA 457 plans are funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,000 annually for 2012 calendar year). In addition, employees are eligible to contribute an additional \$5,500 annually for 2009-2012 if they are age 50 or older or \$17,000 if they are participating in the "pre-retirement" catch-up provision. The City and Utilities provides, by authority of a City Council Resolution, an ICMA 401(a) Plan, a defined contribution plan, administered by ICMA Retirement Corporation, which defines eligibility and participation requirements. Employee contributions for December 31, 2012 were \$56,672. The annual employer contribution for the years ending December 31, 2012, was \$94,011.

2. Uniformed Employees

Defined Benefit Pension Plan

Plan Description: All fire and police officers of the City participate in one of five defined benefit pension plans. Two of these plans (Old Hire Fire and Old Hire Police) are single employer, defined benefit pension plans. The remaining plans (Statewide, Alternate Fire, and Alternate Police) are cost-sharing multiple-employer, defined benefit pension plans. Membership in the various plans is dependent upon the classification of the employee (fire or police) and the start date of the employee. There are approximately 372 participating employers in the FPPA multiple-employer plans. On October 1, 2006, FPPA and the City entered into an agreement under which FPPA administers the Alternative Fire and Alternative Police plans, collectively referred to as the Colorado Springs New Hire Pension Plan (CSNHPP).

The Old Hire plans are administered jointly by the City and FPPA. FPPA performs certain administrative tasks in accordance with an agreement with the City in regards to the Old Hire plans. Provisions of these plans are established and amended by City Council in

accordance with relevant state statute. The plans provide benefits to members based upon the provisions unique to that plan. Disability benefits to fire and police officers and death benefits to their survivors for all plans are provided by the State of Colorado through a Death and Disability Plan administered by the FPPA. Benefits are established by state statute and are available for all fire and police officers in accordance with plan provisions. The plans are included as pension trust funds.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information. That report can be obtained online at www.FPPAco.org or by writing to: Fire and Police Pension Association, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721 or by calling FPPA at 303-770-3772 or 1-800-332-3772.

Summary of Significant Accounting Policies: The pension trust funds use the accrual basis of accounting. Plan member contributions are recognized in the period in which employee services are performed and benefits and refunds paid are recorded when incurred regardless of when payment is made. Plan investments are reported at fair value, using quoted market prices, except for real estate which is recorded at estimated fair value based upon periodic appraisals and valuations, investments in limited partnerships which are recorded at estimated fair value as derived from the financial statements of the partnerships, and guaranteed investment contracts which are recorded at fair value.

Funding Policy: The funding policy of each of the plans provides for actuarially determined rates of contribution based upon an actuarial analysis. An actuarial analysis is undertaken annually for all plans. City Council has the authority to establish and amend contribution rates in accordance with the actuarial analysis for Old Hire Plans only. The contributions and funding ratios for these plans are shown in Required Supplemental Information. Employee and employer contribution rates for 2012 were as follows:

	<u>Employee Rate</u>	<u>Employer Rate</u>
Old Hire Police	10%	10%
Old Hire Fire	10%	10%
Alternate Police (hired prior to 1997)	8%	20.656%
Alternate Fire (hired prior to 1997)	10%	20.248%
Alternate Police (hired 1997 or after)	9.3%	21.956%
Alternate Fire (hired 1997 or after)	11.3%	21.548%
Statewide (Police and Fire)	9.3%	9.3%

Valuation and Actuarial Basis: The following methods of valuation and actuarial basis were used:

- 1) The valuation method states that the unfunded actuarial liability and the present value of future normal costs under the Entry Age Normal actuarial cost method are amortized over the lesser of 20 years or the average remaining life expectancy of the group, which is currently 20.7 years. The amortization method and amortization period are outlined in the Required Supplemental Information. See Exhibit 17.

- 2) The asset valuation method is based on a comparison of expected and actual asset values determined as follows:
 - (a) At the beginning of each plan year, an expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the Plan valuation rate plus net cash flow (excluding expenses) adjusted for interest (at the same rate) to the end of the previous plan year. The interest rate of return, salary projection rate, inflation rate and post-retirement benefit increase assumptions are outlined in the Required Supplemental Information.
 - (b) The difference between the expected actuarial asset value and the actual market value is the investment gain or loss for the previous plan year; and
 - (c) The final actuarial asset value is the expected actuarial value plus one third of the investment gain or loss for the previous plan year.
 - (d) The actuarial value of assets was initialized at market value as of January 1, 1999.
- 3) The reported compensation was annualized based on actual service credits for members who were credited with less than twelve months of service credits. Compensation is assumed to increase based on the salary scale assumption.
 - (a) The Schedule of Funding Progress in the Required Supplemental Information presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.
 - (b) The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

Defined Contribution Plan

Plan Description: Per authority of a City Council Resolution, uniformed members of the City may also voluntarily contribute to an ICMA or a FPPA 457 Plan, an Internal Revenue Code of 1986 section 457. The ICMA plan is administered by ICMA Retirement Corporation and the Vantage Trust Company and the FPPA plan is administered by Fire and Police Pension Association.

Funding Policy: The ICMA and FPPA 457 plans are funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,000 annually for 2012 calendar year). In addition, employees are eligible to contribute an additional \$5,500 annually for 2009-2012 if they are age 50 or older or \$17,000 if they are participating in the "pre-retirement" catch-up provision.

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Annual Pension Cost

The City's annual pension cost and net pension obligation for the plans for 2012 were as follows:

	Old Hire Fire	Old Hire Police	Total
Annual required contribution	\$1,491,283	\$1,407,209	\$2,898,492
Interest on net pension obligation	78,212	48,600	126,812
Adjustment to annual required contribution	(104,565)	(64,975)	(169,540)
Annual pension cost	<u>1,464,930</u>	<u>1,390,834</u>	<u>2,855,764</u>
Contributions made	<u>(1,491,283)</u>	<u>(1,407,209)</u>	<u>(2,898,492)</u>
Decrease in net pension obligation	<u>(26,353)</u>	<u>(16,375)</u>	<u>(42,728)</u>
Net pension obligation - beginning of year as previously reported	1,047,801	664,613	1,712,414
Prior year adjustment	<u>(4,978)</u>	<u>(16,615)</u>	<u>(21,593)</u>
Net pension obligation - beginning of year as restated	<u>1,042,823</u>	<u>647,998</u>	<u>1,690,821</u>
Net pension obligation - end of year	<u><u>\$1,016,470</u></u>	<u><u>\$631,623</u></u>	<u><u>\$1,648,093</u></u>

Other Information

Employees hired before April 1978:

<u>Old Hire Fire (closed to new employees)</u>	<u>2012</u>	<u>2011</u>	<u>2010 *</u>
Annual pension cost (APC)	\$1,464,930	\$1,548,766	\$159,549
Percentage of APC contributed	102%	101%	240%
Net pension obligation	\$1,016,470	\$1,047,801	\$1,069,481

<u>Old Hire Police (closed to new employees)</u>	<u>2012</u>	<u>2011</u>	<u>2010 *</u>
Annual pension cost (APC)	\$1,390,834	\$1,492,204	\$337,122
Percentage of APC contributed	101%	101%	161%
Net pension obligation	\$631,623	\$664,613	\$678,364

* As restated

The City contributions to the Alternative Fire Pension Plan for the years ending December 31, 2012, 2011 and 2010 were \$3,888,072, \$4,604,275 and \$5,123,834 respectively. Contributions made to the Alternative Police Plan by the City for the years ending December 31, 2012, 2011 and 2010 were \$10,510,768, \$9,666,399 and \$10,233,797 respectively. The City contributed \$2,429,767, \$1,343,459, and \$1,101,881 to the Statewide Fire Pension Plan for the years ending December 31, 2012, 2011 and 2010 respectively. Finally, contributions made to the Statewide Police Pension Plan by the City for the year ending December 31, 2012, 2011 and 2010 were \$1,598,996, \$1,307,737 and \$1,128,396 respectively. For both the Alternative Police and Fire Pension plans as well as both the Statewide Police and Fire Pension plans, contribution amounts are equal to their required contributions set for each year.

Funding Status and Funding Progress – The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date was as follows:

	Old Hire Fire Pension Obligation	Old Hire Police Pension Obligation
	<u> </u>	<u> </u>
Actuarial Accrued Liability (AAL)	\$97,604,971	\$84,825,362
Actuarial Value of Plan Assets	<u>82,076,708</u>	<u>68,736,969</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$15,528,263</u>	<u>\$16,088,393</u>
Funded Ratio (actuarial value of plan assets/AAL)	84.09%	81.03%
Covered payroll (active plan members)	\$0	\$83,074
UAAL as percentage of covered payroll	0%	19366.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

The schedule of funding progress as of December 31, 2012, is as follows:

Old Hire Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ([b-a]/c)
1/1/2010	\$89,965,827	\$104,680,846	\$14,715,019	85.9%	\$170,137	8648.9%
1/1/2011	86,033,150	101,316,280	15,283,130	84.9	103,598	14752.3
1/1/2012	82,076,708	97,604,971	15,528,263	84.1	-	0.0

Old Hire Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ([b-a]/c)
1/1/2010	\$75,300,793	\$89,572,435	\$14,271,642	84.1%	\$83,074	17179.4%
1/1/2011	71,997,024	86,441,681	14,444,657	83.3	83,074	17387.7
1/1/2012	68,736,969	84,825,362	16,088,393	81.0	83,074	19366.3

Actuarial plan assumptions:

	Old Hire Fire Pension	Old Hire Police Pension
Valuation date	1/1/2012	1/1/2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level dollar Closed	Level dollar Closed
Remaining amortization period	20 Years	20 Years
Asset valuation method	3-Year Smoothed Market	3-Year Smoothed Market
Investment rate of return	7.5%	7.5%
Projected salary increases	4.0%	4.0%
Inflation rate	3.0%	3.0%
Post retirement benefit increases	3.5%	3.5%

J. Extraordinary Item

On December 8, 2009 City Council approved resolution 299-09, which set the Stormwater Enterprise fees to \$0 as of January 1, 2010. With no new revenues, effectively this shifted responsibility for funding construction and maintenance of critical drainage infrastructure and other activities required to comply with the Municipal Separate Storm Sewers System (MS4) Permit from the Stormwater Enterprise to the General Fund. With the transfer of responsibility, it was also appropriate to transfer the remaining assets to the General Fund and close the Stormwater Enterprise fund. In 2012, the City transferred remaining cash and capital assets from the Stormwater Enterprise fund to the General Fund.

K. Accounting Changes

The City adopted GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* during 2012

The City adopted GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* during 2012.

The City adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* during 2012.

The City adopted GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during 2012.

The City adopted GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* during 2012.

L. Subsequent Events

As a result of fluctuations in the SIFMA rate, LIBOR rate and other market rates since December 31, 2012, there may be a significant impact on SWAP valuation and investment valuation subsequent to the date of this report. The amount of these impacts is not known.

On July 24, 2012, City Council approved an increase to the water rates effective January 1, 2013. On November 27, 2012, the City Council approved an increase to the electric and gas rate changes also effective January 1, 2013.

On February 1, 2013, the Utilities \$25 million 2012 Union Bank Line of Credit expired, resulting in credit line availability of \$75 million. Ongoing liquidity analysis is conducted to determine appropriate line of credit maintenance levels through replacements or extensions of existing or new agreements. Utilities has never drawn on any of its revolving lines of credit and does not anticipate the need to do so based upon its latest financial projections.

On April 9, 2013, City Council approved an emergency ordinance for \$8,000,000 for a proposed settlement of certain transit litigation claims. These claims resulted from a 2006 contract dispute with a former transit service provider.

In April 2013, City Council was asked by City staff to approve a supplemental appropriation in the amount of \$10,000,000 for fire and flood safety improvements. In June 2012, the City experienced the worst fire in Colorado's history, the Waldo Canyon fire. The most serious threat now is flooding of the areas below the burn area. These funds were requested to address these and other critical safety concerns.

In April 2013, Utilities issued \$97,580,000 in Utilities System Refunding Revenue Bonds, Series 2013A. These bonds were issued to refund selected maturities of the Series 2004B, 2004C, 2005B, and 2005C revenue bonds. Interest rates on the Series 2013A bonds vary from 1.50% to 5.00% for a true interest cost of 3.47045% and have a final maturity date of November 15, 2045.

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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
FIRE AND POLICE PENSION PLANS
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 16**

Old Hire Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2010	\$89,965,827	\$104,680,846	\$14,715,019	85.9%	\$170,137	8648.9%
1/1/2011	86,033,150	101,316,280	15,283,130	84.9	103,598	14752.3
1/1/2012	82,076,708	97,604,971	15,528,263	84.1	-	-

Old Hire Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2010	\$75,300,793	\$89,572,435	\$14,271,642	84.1%	\$83,074	17179.4%
1/1/2011	71,997,024	86,441,681	14,444,657	83.3	83,074	17387.7
1/1/2012	68,736,969	84,825,362	16,088,393	81.0	83,074	19366.3

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FIRE AND POLICE PENSION PLANS
 Last three fiscal years**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit 17**

	Years ended December 31		
	2012	2011	2010
<u>Old Hire Fire Pension Plan</u>			
Annual required contribution (ARC)	\$1,491,283	\$1,570,446	\$221,358
Actual contributions as percentage of ARC	100%	100%	100%
<u>Old Hire Police Pension Plan</u>			
Annual required contribution (ARC)	\$1,407,209	\$1,505,955	\$379,353
Actual contributions as percentage of ARC	100%	100%	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit 18**

City of Colorado Springs

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2007	\$ -	\$57,797,257	\$57,797,257	0.0%	\$87,989,734	65.7%
1/1/2009	-	74,052,320	74,052,320	0.0	87,346,062	84.8
1/1/2011	-	39,410,869	39,410,869	0.0	76,284,715	51.7

Colorado Springs Utilities

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2007	\$ -	\$16,786,000	\$16,786,000	0.0%	\$1,429,000	1174.7%
1/1/2009	-	17,074,000	17,074,000	0.0	1,549,000	1102.3
1/1/2011	-	18,602,000	18,602,000	0.0	1,615,000	1151.8

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**GENERAL FUND
BALANCE SHEET
December 31, 2012**

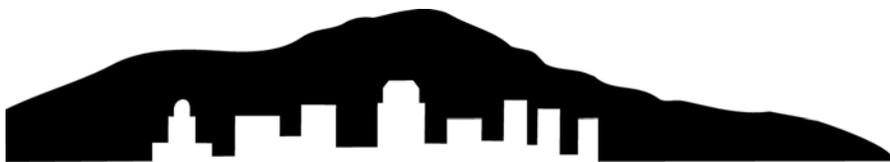
**CITY OF COLORADO SPRINGS
COLORADO
Exhibit A-1**

	<u>TOTAL</u>
<u>ASSETS</u>	
Cash and investments	\$57,151,064
Accounts receivable (net of allowance for uncollectibles)	4,838,429
Sales tax receivable	13,574,342
Loans receivable	854,981
Assessments receivable	12,739
Property taxes receivable	
Current	19,290,666
Delinquent	132,999
Due from other funds	3,925,508
Restricted investments	92,278
	<hr/>
Total assets	99,873,006
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts payable	4,629,060
Funds held for others	1,650,001
Accrued salaries and benefits	3,440,038
Due to other funds	2,103,958
Escrow deposits	5,148,064
Deferred revenue	
Loans	854,981
Assessments	12,739
Property taxes	19,290,666
Unearned revenue	799,525
	<hr/>
Total liabilities	37,929,032
	<hr/>
Fund balance	
Nonspendable	132,999
Restricted	7,547,036
Committed	3,857,623
Assigned	3,212,142
Unassigned	47,194,174
	<hr/>
Total fund balance	61,943,974
	<hr/>
Total liabilities and fund balance	\$99,873,006
	<hr/> <hr/>

**GENERAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit A-2**

	<u>TOTAL</u>
Revenues	
Taxes	\$149,867,526
Licenses and permits	1,761,529
Intergovernmental	20,255,384
Charges for services	17,295,507
Other revenue	3,958,386
Investment earnings	637,556
Rental income	570,703
	<hr/>
Total revenues	194,346,591
	<hr/>
Expenditures	
Current	
General government	47,388,194
Public safety	114,429,412
Public works	21,037,183
Health and welfare	1,270,179
Culture and recreation	12,582,656
Urban redevelopment and housing	244,338
Debt service	
Principal	9,257,185
Interest	3,211,046
Capital outlay	6,217,092
	<hr/>
Total expenditures	215,637,285
	<hr/>
Deficiency of revenues over expenditures	(21,290,694)
	<hr/>
Other financing sources (uses)	
Transfers - in	35,417,084
Transfers - out	(5,468,930)
Capital lease financing	2,320,445
Sale of capital assets	168,634
	<hr/>
Total other financing sources (uses)	32,437,233
	<hr/>
Net change in fund balance	11,146,539
	<hr/>
Fund balance - January 1	50,797,435
	<hr/>
Fund balance - December 31	\$61,943,974
	<hr/> <hr/>



CITY OF COLORADO SPRINGS

NON-MAJOR GOVERNMENTAL FUNDS

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

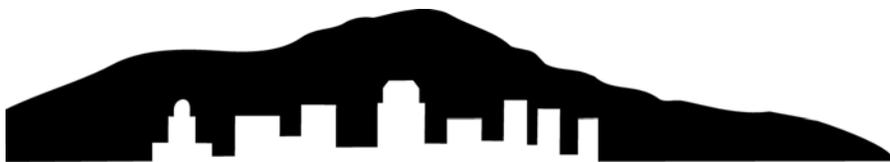
**CITY OF COLORADO SPRINGS
COLORADO
Exhibit B-1**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash and investments	\$39,816,307	\$6,643,821	\$966,038	\$47,426,166
Accounts receivable (net of allowance for uncollectibles)	10,625,659	935	-	10,626,594
Sales tax receivable	3,618,550	-	-	3,618,550
Loans receivable (net of allowance for uncollectibles)	20,149,916	-	-	20,149,916
Property taxes receivable	3,713,671	-	-	3,713,671
Due from other funds	108,506	997,028	-	1,105,534
Restricted investments	-	-	9,679,908	9,679,908
Total assets	78,032,609	7,641,784	10,645,946	96,320,339
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	3,583,548	337,295	-	3,920,843
Accrued salaries and benefits	608,054	-	-	608,054
Deposits payable	1,212,438	-	-	1,212,438
Due to other funds	482,182	3,313,128	-	3,795,310
Deferred revenue				
Loans (net of allowance for uncollectibles)	20,149,916	-	-	20,149,916
Property taxes	3,713,671	-	-	3,713,671
Grants	9,102,912	-	-	9,102,912
Total liabilities	38,852,721	3,650,423	-	42,503,144
Fund balances				
Nonspendable	-	-	10,440,549	10,440,549
Restricted	32,012,579	-	205,397	32,217,976
Committed	7,014,732	3,991,361	-	11,006,093
Assigned	152,577	-	-	152,577
Total fund balances	39,179,888	3,991,361	10,645,946	53,817,195
Total liabilities and fund balances	\$78,032,609	\$7,641,784	\$10,645,946	\$96,320,339

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit B-2**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues				
Taxes	\$40,054,104	\$ -	\$ -	\$40,054,104
Intergovernmental	31,433,803	-	-	31,433,803
Charges for services	3,236,980	-	-	3,236,980
Endowments and donations	1,505,862	-	78,943	1,584,805
Other revenue	732,671	51,435	-	784,106
Investment earnings	351,639	79,102	683,989	1,114,730
Total revenues	77,315,059	130,537	762,932	78,208,528
Expenditures				
Current				
General government	1,384,204	-	-	1,384,204
Public safety	30,615,462	-	-	30,615,462
Public works	11,316,674	-	-	11,316,674
Culture and recreation	6,112,396	-	23,261	6,135,657
Urban development and housing	6,287,221	-	-	6,287,221
Economic development	2,702,372	-	-	2,702,372
Miscellaneous	1,160,787	-	-	1,160,787
Debt service				
Principal	1,975,001	2,120,711	-	4,095,712
Interest	1,471,386	397,472	-	1,868,858
Capital outlay	7,321,153	3,420,234	-	10,741,387
Total expenditures	70,346,656	5,938,417	23,261	76,308,334
Excess (deficiency) of revenues over expenditures	6,968,403	(5,807,880)	739,671	1,900,194
Other financing sources (uses)				
Transfers - in	-	5,468,930	-	5,468,930
Transfers - out	(1,271,822)	-	-	(1,271,822)
Capital lease financing	81,949	-	-	81,949
Sale of capital assets	473	-	-	473
Total other financing sources (uses)	(1,189,400)	5,468,930	-	4,279,530
Net change in fund balances	5,779,003	(338,950)	739,671	6,179,724
Fund balances - January 1	33,400,885	4,330,311	9,906,275	47,637,471
Fund balances - December 31	\$39,179,888	\$3,991,361	\$10,645,946	\$53,817,195



CITY OF COLORADO SPRINGS

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Intergovernmental Grant Funds:

**Community Development Block Grant Fund
Home Investment Partnership Fund
Grants Fund**

These Intergovernmental Grant Funds are used to account for the activities of the programs where the major source of funding is federal grants.

Capital, Operations and Maintenance Funds:

**Ballfield Capital Improvements Fund
Bicycle Tax Fund
Trails/Open Space Fund
Conservation Trust Fund
Cable Franchise Fund
Public Safety Sales Tax Fund**

These funds are used to account for the activities of the fund where particular, ear-marked, on-going revenue sources are designated for various capital, operations and maintenance activities.

Improvement and Maintenance District Funds:

**Old Colorado City Maintenance and Security District Fund
Norwood Special Improvement Maintenance District Fund
Briargate Special Improvement Maintenance District Fund
Stetson Hills Improvement Maintenance District Fund
Woodstone Improvement Maintenance District Fund
Gateway Improvement Maintenance District Fund
Platte Avenue Improvement Maintenance District Fund**

These Improvement and Maintenance District Funds are used to account for the activities of the neighborhood district where revenues are derived from neighborhood taxes and/or assessments and used for specific neighborhood improvements or maintenance purposes.

Public Improvements Funds:

**Public Space and Development Fund
Subdivision Drainage Fund
Arterial Roadway Fund
Park Developer Easement Fund
Banning Lewis Ranch Fund**

These Public Improvements Funds are used to account for the activities of the fund established to finance public infrastructure costs in accordance with City subdivision ordinances.

SPECIAL REVENUE FUNDS CONT'D.

Other Public Improvements Funds:

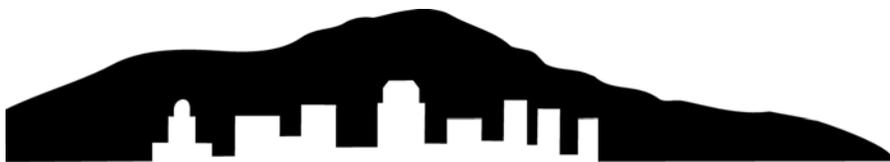
**Cottonwood General Improvement District
Spring Creek General Improvement District
Briargate General Improvement District
Market Place at Austin Bluffs (MAB) General Improvement District**

These Other Public Improvements Funds are used to account for the activities of the funds established to finance improvement district infrastructure costs.

Other Special Revenue Funds:

**Lodgers and Auto Rental Tax Fund
Street Tree Fund
Gift Trust Fund
Therapeutic Recreation Fund**

These Other Special Revenue Funds are used to account for the activities of the fund where ear-marked revenue is used for certain designated purposes.



CITY OF COLORADO SPRINGS

**ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

	Inter- governmental Grant Funds	Capital Operations and Maintenance Funds	Improvement and Maintenance District Funds	Public Improvements Funds
<u>ASSETS</u>				
Cash and investments	\$1,609,032	\$23,403,953	\$883,026	\$8,886,099
Accounts receivable (net of allowance for uncollectibles)	10,294,802	287,012	14,036	-
Sales tax receivable	-	3,394,939	-	-
Loans receivable (net of allowance for uncollectibles)	20,149,916	-	-	-
Property taxes receivable	-	-	1,696,754	-
Due from other funds	105,924	-	-	-
Total assets	32,159,674	27,085,904	2,593,816	8,886,099
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	2,528,767	946,824	7,041	-
Accrued salaries and benefits	70,335	523,295	14,424	-
Deposits payable	-	-	-	1,212,438
Due to other funds	307,744	29,406	-	-
Deferred revenue				
Loans (net of allowance for uncollectibles)	20,149,916	-	-	-
Property taxes	-	-	1,696,754	-
Grants	9,102,912	-	-	-
Total liabilities	32,159,674	1,499,525	1,718,219	1,212,438
Fund balances				
Restricted	-	25,409,899	875,597	794,501
Committed	-	176,480	-	6,728,919
Assigned	-	-	-	150,241
Total fund balances	-	25,586,379	875,597	7,673,661
Total liabilities and fund balances	\$32,159,674	\$27,085,904	\$2,593,816	\$8,886,099

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-1**

Other Public Improvements Funds	Other Special Revenue Funds	Total
\$990,207	\$4,043,990	\$39,816,307
15,790	14,019	10,625,659
-	223,611	3,618,550
-	-	20,149,916
2,016,917	-	3,713,671
-	2,582	108,506
3,022,914	4,284,202	78,032,609
2,270	98,646	3,583,548
-	-	608,054
-	-	1,212,438
-	145,032	482,182
-	-	20,149,916
2,016,917	-	3,713,671
-	-	9,102,912
2,019,187	243,678	38,852,721
1,003,727	3,928,855	32,012,579
-	109,333	7,014,732
-	2,336	152,577
1,003,727	4,040,524	39,179,888
\$3,022,914	\$4,284,202	\$78,032,609

**ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012**

	Inter- governmental Grant Funds	Capital Operations and Maintenance Funds	Improvement and Maintenance District Funds	Public Improvements Funds
Revenues				
Taxes	\$ -	\$32,112,742	\$1,865,887	\$ -
Intergovernmental	27,244,100	4,189,703	-	-
Charges for services	-	1,180,448	-	2,056,532
Donations	-	-	-	-
Other revenue	732,671	-	-	-
Investment earnings	1,416	235,169	10,858	73,706
Total revenues	27,978,187	37,718,062	1,876,745	2,130,238
Expenditures				
Current				
General government	-	1,278,343	-	-
Public safety	6,025,516	24,355,316	-	-
Public works	8,094,331	-	1,872,914	1,319,851
Culture and recreation	687,893	4,865,540	-	-
Urban redevelopment and housing	6,287,221	-	-	-
Economic development	39,085	-	-	-
Miscellaneous	1,144,085	-	-	-
Debt service				
Principal	-	1,100,001	-	-
Interest	-	289,776	-	-
Capital outlay	5,700,056	1,621,097	-	-
Total expenditures	27,978,187	33,510,073	1,872,914	1,319,851
Excess of revenues over expenditures	-	4,207,989	3,831	810,387
Other financing sources (uses)				
Transfers - out	-	-	-	-
Capital lease financing	-	81,949	-	-
Sale of capital assets	-	473	-	-
Total other financing uses	-	82,422	-	-
Net change in fund balances	-	4,290,411	3,831	810,387
Fund balances - January 1	-	21,295,968	871,766	6,863,274
Fund balances - December 31	\$ -	\$25,586,379	\$875,597	\$7,673,661

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-2**

Other Public Improvements Funds	Other Special Revenue Funds	Total
\$2,140,794	\$3,934,681	\$40,054,104
-	-	31,433,803
-	-	3,236,980
-	1,505,862	1,505,862
-	-	732,671
15,383	15,107	351,639
2,156,177	5,455,650	77,315,059
-	105,861	1,384,204
-	234,630	30,615,462
-	29,578	11,316,674
-	558,963	6,112,396
-	-	6,287,221
-	2,663,287	2,702,372
16,702	-	1,160,787
875,000	-	1,975,001
1,181,610	-	1,471,386
-	-	7,321,153
2,073,312	3,592,319	70,346,656
82,865	1,863,331	6,968,403
-	(1,271,822)	(1,271,822)
-	-	81,949
-	-	473
-	(1,271,822)	(1,189,400)
82,865	591,509	5,779,003
920,862	3,449,015	33,400,885
\$1,003,727	\$4,040,524	\$39,179,888

INTERGOVERNMENTAL GRANT SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 December 31, 2012

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-3

	Community Development Block Grant Fund	Home Investment Partnership Fund	Grants Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ -	\$181,988	\$1,427,044	\$1,609,032
Accounts receivable (net of allowance for uncollectibles)	916,918	147,023	9,230,861	10,294,802
Loans receivable (net of allowance for uncollectibles)	7,190,414	12,762,705	196,797	20,149,916
Due from other funds	40,676	-	65,248	105,924
Total assets	8,148,008	13,091,716	10,919,950	32,159,674
<u>LIABILITIES</u>				
Accounts payable	652,018	39,651	1,837,098	2,528,767
Accrued salaries and benefits	16,112	-	54,223	70,335
Due to other funds	289,464	16,380	1,900	307,744
Deferred revenue				
Loans (net of allowance for uncollectibles)	7,190,414	12,762,705	196,797	20,149,916
Grants	-	272,980	8,829,932	9,102,912
Total liabilities	\$8,148,008	\$13,091,716	\$10,919,950	\$32,159,674

**INTERGOVERNMENTAL GRANT SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-4**

	Community Development Block Grant Fund	Home Investment Partnership Fund	Grants Fund	Total
Revenues				
Intergovernmental	\$3,844,797	\$1,005,686	\$22,393,617	\$27,244,100
Other revenue	183,062	549,369	240	732,671
Investment earnings	224	-	1,192	1,416
Total revenues	4,028,083	1,555,055	22,395,049	27,978,187
Expenditures				
Current				
Public safety	-	-	6,025,516	6,025,516
Public works	-	-	8,094,331	8,094,331
Culture and recreation	-	-	687,893	687,893
Urban redevelopment and housing	4,028,083	1,555,055	704,083	6,287,221
Economic development	-	-	39,085	39,085
Miscellaneous	-	-	1,144,085	1,144,085
Capital outlay	-	-	5,700,056	5,700,056
Total expenditures	4,028,083	1,555,055	22,395,049	27,978,187
Net change in fund balances	-	-	-	-
Fund balances - January 1	-	-	-	-
Fund balances - December 31	\$ -	\$ -	\$ -	\$ -

**CAPITAL, OPERATIONS AND MAINTENANCE SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 December 31, 2012**

	Ballfield Capital Improvements Fund	Bicycle Tax Fund	Trails/Open Space Fund	Conservation Trust Fund
<u>ASSETS</u>				
Cash and investments	\$176,480	\$322,316	\$12,897,867	\$2,078,148
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-
Sales tax receivable	-	-	678,988	-
Total assets	176,480	322,316	13,576,855	2,078,148
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	-	765	131,440	95,765
Accrued salaries and benefits	-	-	12,792	52,221
Due to other funds	-	-	460	400
Total liabilities	-	765	144,692	148,386
Fund balances				
Restricted	-	321,551	13,432,163	1,929,762
Committed	176,480	-	-	-
Total fund balances	176,480	321,551	13,432,163	1,929,762
Total liabilities and fund balances	\$176,480	\$322,316	\$13,576,855	\$2,078,148

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-5**

Cable Franchise Fund	Public Safety Sales Tax Fund	Total
\$291,375	\$7,637,767	\$23,403,953
282,039	4,973	287,012
-	2,715,951	3,394,939
<u>573,414</u>	<u>10,358,691</u>	<u>27,085,904</u>
147,738	571,116	946,824
6,605	451,677	523,295
220	28,326	29,406
<u>154,563</u>	<u>1,051,119</u>	<u>1,499,525</u>
418,851	9,307,572	25,409,899
-	-	176,480
<u>418,851</u>	<u>9,307,572</u>	<u>25,586,379</u>
<u>\$573,414</u>	<u>\$10,358,691</u>	<u>\$27,085,904</u>

CAPITAL, OPERATIONS AND MAINTENANCE SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012

	Ballfield Capital Improvements Fund	Bicycle Tax Fund	Trails/Open Space Fund	Conservation Trust Fund
Revenues				
Taxes	\$ -	\$90,536	\$6,405,102	\$ -
Intergovernmental	-	-	-	4,189,703
Charges for services	65,559	-	76	-
Investment earnings	2,100	3,117	133,597	14,333
Total revenues	67,659	93,653	6,538,775	4,204,036
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	269	8,798	1,448,898	3,407,575
Debt service				
Principal	56,623	-	796,173	247,205
Interest	63,300	-	203,828	22,648
Capital outlay	-	105,000	1,307,919	82,534
Total expenditures	120,192	113,798	3,756,818	3,759,962
Other financing sources				
Capital lease financing	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	(52,533)	(20,145)	2,781,957	444,074
Fund balances - January 1	229,013	341,696	10,650,206	1,485,688
Fund balances - December 31	\$176,480	\$321,551	\$13,432,163	\$1,929,762

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-6**

Cable Franchise Fund	Public Safety Sales Tax Fund	Total
\$ -	\$25,617,104	\$32,112,742
-	-	4,189,703
1,114,510	303	1,180,448
2,713	79,309	235,169
<hr/>	<hr/>	<hr/>
1,117,223	25,696,716	37,718,062
<hr/>	<hr/>	<hr/>
1,278,343	-	1,278,343
-	24,355,316	24,355,316
-	-	4,865,540
-	-	1,100,001
-	-	289,776
-	125,644	1,621,097
<hr/>	<hr/>	<hr/>
1,278,343	24,480,960	33,510,073
<hr/>	<hr/>	<hr/>
-	81,949	81,949
-	473	473
<hr/>	<hr/>	<hr/>
-	82,422	82,422
<hr/>	<hr/>	<hr/>
(161,120)	1,298,178	4,290,411
579,971	8,009,394	21,295,968
<hr/>	<hr/>	<hr/>
\$418,851	\$9,307,572	\$25,586,379
<hr/>	<hr/>	<hr/>

**IMPROVEMENT AND MAINTENANCE DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

	Old Colorado City Maintenance and Security District Fund	Norwood Special Improvement Maintenance District Fund	Briargate Special Improvement Maintenance District Fund	Stetson Hills Improvement Maintenance District Fund
<u>ASSETS</u>				
Cash and investments	\$62,722	\$293,468	\$201,659	\$119,972
Accounts receivable (net of allowance for uncollectibles)	797	4,704	6,143	2,009
Property taxes receivable	89,201	594,623	745,621	248,815
Total assets	152,720	892,795	953,423	370,796
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	1,178	5,134	584	51
Accrued salaries and benefits	-	5,580	7,290	1,554
Deferred revenue - property taxes	89,201	594,623	745,621	248,815
Total liabilities	90,379	605,337	753,495	250,420
Fund balances				
Restricted	62,341	287,458	199,928	120,376
Total fund balances	62,341	287,458	199,928	120,376
Total liabilities and fund balances	\$152,720	\$892,795	\$953,423	\$370,796

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-7

Woodstone Improvement Maintenance District Fund	Gateway Improvement Maintenance District Fund	Platte Avenue Improvement Maintenance District Fund	Total
\$117,725	\$8,824	\$78,656	\$883,026
129	22	232	14,036
15,918	2,576	-	1,696,754
133,772	11,422	78,888	2,593,816
61	33	-	7,041
-	-	-	14,424
15,918	2,576	-	1,696,754
15,979	2,609	-	1,718,219
117,793	8,813	78,888	875,597
117,793	8,813	78,888	875,597
\$133,772	\$11,422	\$78,888	\$2,593,816

**IMPROVEMENT AND MAINTENANCE DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012**

	Old Colorado City Maintenance and Security District Fund	Norwood Special Improvement Maintenance District Fund	Briargate Special Improvement Maintenance District Fund	Stetson Hills Improvement Maintenance District Fund
Revenues				
Taxes	\$97,678	\$637,266	\$830,402	\$271,230
Investment earnings	685	3,351	3,369	1,668
Total revenues	98,363	640,617	833,771	272,898
Expenditures				
Current				
Public works	103,155	546,339	891,610	304,799
Total expenditures	103,155	546,339	891,610	304,799
Net change in fund balances	(4,792)	94,278	(57,839)	(31,901)
Fund balances - January 1	67,133	193,180	257,767	152,277
Fund balances - December 31	\$62,341	\$287,458	\$199,928	\$120,376

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-8

Woodstone Improvement Maintenance District Fund	Gateway Improvement Maintenance District Fund	Platte Avenue Improvement Maintenance District Fund	Total
\$17,520	\$2,969	\$8,822	\$1,865,887
1,031	79	675	10,858
18,551	3,048	9,497	1,876,745
16,918	2,675	7,418	1,872,914
16,918	2,675	7,418	1,872,914
1,633	373	2,079	3,831
116,160	8,440	76,809	871,766
\$117,793	\$8,813	\$78,888	\$875,597

PUBLIC IMPROVEMENTS SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 December 31, 2012

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-9

	Public Space and Development Fund	Subdivision Drainage Fund	Arterial Roadway Fund	Park Developer Easement Fund	Banning Lewis Ranch Fund	Total
<u>ASSETS</u>						
Cash and investments	\$3,968,456	\$1,579,747	\$1,142,168	\$168,494	\$2,027,234	\$8,886,099
Total assets	3,968,456	1,579,747	1,142,168	168,494	2,027,234	8,886,099
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Deposits payable	-	-	-	-	1,212,438	1,212,438
Total liabilities	-	-	-	-	1,212,438	1,212,438
Fund balances						
Restricted	-	-	-	-	794,501	794,501
Committed	3,881,189	1,579,747	1,142,168	125,815	-	6,728,919
Assigned	87,267	-	-	42,679	20,295	150,241
Total fund balance	3,968,456	1,579,747	1,142,168	168,494	814,796	7,673,661
Total liabilities and fund balances	\$3,968,456	\$1,579,747	\$1,142,168	\$168,494	\$2,027,234	\$8,886,099

**PUBLIC IMPROVEMENTS SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-10**

	Public Space and Development Fund	Subdivision Drainage Fund	Arterial Roadway Fund	Park Developer Easement Fund	Banning Lewis Ranch Fund	Total
Revenues						
Charges for services	\$504,922	\$1,290,819	\$54,843	\$ -	\$205,948	\$2,056,532
Investment earnings	39,331	14,857	11,343	1,431	6,744	73,706
Total revenues	544,253	1,305,676	66,186	1,431	212,692	2,130,238
Expenditures						
Current						
Public works	10,348	1,279,786	23,951	196	5,570	1,319,851
Total expenditures	10,348	1,279,786	23,951	196	5,570	1,319,851
Excess revenues over expenditures	533,905	25,890	42,235	1,235	207,122	810,387
Net change in fund balances	533,905	25,890	42,235	1,235	207,122	810,387
Fund balances - January 1	3,434,551	1,553,857	1,099,933	167,259	607,674	6,863,274
Fund balances - December 31	\$3,968,456	\$1,579,747	\$1,142,168	\$168,494	\$814,796	\$7,673,661

OTHER PUBLIC IMPROVEMENTS SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 December 31, 2012

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-11

	Cottonwood General Improvement District	Spring Creek General Improvement District	Briargate General Improvement District	MAB General Improvement District	Total
<u>ASSETS</u>					
Cash and investments	\$612,626	\$231,970	\$34,991	\$110,620	\$990,207
Accounts receivable (net of allowance for uncollectibles)	5,684	2,380	6,038	1,688	15,790
Property taxes receivable	706,736	298,325	789,751	222,105	2,016,917
Total assets	1,325,046	532,675	830,780	334,413	3,022,914
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	430	580	580	680	2,270
Deferred revenue - property taxes	706,736	298,325	789,751	222,105	2,016,917
Total liabilities	707,166	298,905	790,331	222,785	2,019,187
Fund balances					
Restricted	617,880	233,770	40,449	111,628	1,003,727
Total fund balances	617,880	233,770	40,449	111,628	1,003,727
Total liabilities and fund balances	\$1,325,046	\$532,675	\$830,780	\$334,413	\$3,022,914

**OTHER PUBLIC IMPROVEMENTS SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-12**

	Cottonwood General Improvement District	Spring Creek General Improvement District	Briargate General Improvement District	MAB General Improvement District	Total
Revenues					
Taxes	\$769,729	\$324,095	\$817,781	\$229,189	\$2,140,794
Investment earnings	7,981	2,808	3,007	1,587	15,383
Total revenues	777,710	326,903	820,788	230,776	2,156,177
Expenditures					
Current					
Miscellaneous	4,760	3,959	3,993	3,990	16,702
Debt service					
Principal	640,000	175,000	-	60,000	875,000
Interest	83,675	117,410	806,000	174,525	1,181,610
Total expenditures	728,435	296,369	809,993	238,515	2,073,312
Net change in fund balances	49,275	30,534	10,795	(7,739)	82,865
Fund balances - January 1	568,605	203,236	29,654	119,367	920,862
Fund balances - December 31	\$617,880	\$233,770	\$40,449	\$111,628	\$1,003,727

**OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit C-13**

	Lodgers and Auto Rental Tax Fund	Street Tree Fund	Gift Trust Fund	Therapeutic Recreation Fund	Total
<u>ASSETS</u>					
Cash and investments	\$37,176	\$107,410	\$3,895,145	\$4,259	\$4,043,990
Accounts receivable (net of allowance for uncollectibles)	-	-	14,019	-	14,019
Sales tax receivable	223,611	-	-	-	223,611
Due from other funds	-	-	2,582	-	2,582
Total assets	260,787	107,410	3,911,746	4,259	4,284,202
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	80,065	-	18,581	-	98,646
Due to other funds	145,032	-	-	-	145,032
Total liabilities	225,097	-	18,581	-	243,678
Fund balances					
Restricted	35,690	-	3,893,165	-	3,928,855
Committed	-	105,074	-	4,259	109,333
Assigned	-	2,336	-	-	2,336
Total fund balances	35,690	107,410	3,893,165	4,259	4,040,524
Total liabilities and fund balances	\$260,787	\$107,410	\$3,911,746	\$4,259	\$4,284,202

**OTHER SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit C-14**

	Lodgers and Auto Rental Tax Fund	Street Tree Fund	Gift Trust Fund	Therapeutic Recreation Fund	Total
Revenues					
Taxes	\$3,934,681	\$ -	\$ -	\$ -	\$3,934,681
Donations	-	-	1,505,862	-	1,505,862
Investment earnings	1,416	1,076	12,579	36	15,107
Total revenues	3,936,097	1,076	1,518,441	36	5,455,650
Expenditures					
Current					
General government	-	-	105,861	-	105,861
Public safety	-	-	234,630	-	234,630
Public works	-	-	29,578	-	29,578
Culture and recreation	-	240	558,718	5	558,963
Economic development	2,663,287	-	-	-	2,663,287
Total expenditures	2,663,287	240	928,787	5	3,592,319
Excess of revenues over expenditures	1,272,810	836	589,654	31	1,863,331
Other financing (uses)					
Transfers - out	(1,271,822)	-	-	-	(1,271,822)
Net change in fund balances	988	836	589,654	31	591,509
Fund balances - January 1	34,702	106,574	3,303,511	4,228	3,449,015
Fund balances - December 31	\$35,690	\$107,410	\$3,893,165	\$4,259	\$4,040,524

**SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES-BUDGET AND ACTUAL
For the year ended December 31, 2012**

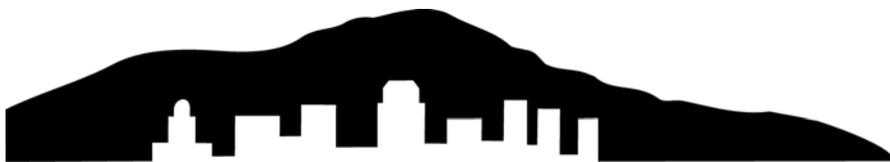
	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Community Development Block Grant Fund	\$4,028,083	\$4,028,083	\$ -
Home Investment Partnership Fund	1,555,055	1,555,055	-
Grants Fund	22,395,049	22,395,049	-
Ballfield Capital Improvements Fund	100,000	67,659	(32,341)
Bicycle Tax Fund	100,000	93,653	(6,347)
Trails/Open Space Fund	6,120,000	6,538,775	418,775
Conservation Trust Fund	3,862,196	4,204,036	341,840
Cable Franchise Fund	1,118,680	1,117,223	(1,457)
Public Safety Sales Tax Fund	24,700,455	25,696,716	996,261
Old Colorado City Maintenance and Security District Fund	102,907	98,363	(4,544)
Norwood Special Improvement Maintenance District Fund	662,428	640,617	(21,811)
Briargate Special Improvement Maintenance District Fund	865,582	833,771	(31,811)
Stetson Hills Improvement Maintenance District Fund	284,013	272,898	(11,115)
Woodstone Improvement Maintenance District Fund	19,196	18,551	(645)
Gateway Improvement Maintenance District Fund	3,173	3,048	(125)
Platte Avenue Improvement Maintenance District Fund	9,406	9,497	91
Public Space and Development Fund	800,000	544,253	(255,747)
Subdivision Drainage Fund	2,000,000	1,305,676	(694,324)
Arterial Roadway Fund	250,000	66,186	(183,814)
Park Developer Easement Fund	-	1,431	1,431
Banning Lewis Ranch Fund	225,000	212,692	(12,308)
Cottonwood General Improvement District	773,261	777,710	4,449
Spring Creek General Improvement District	320,574	326,903	6,329
Briargate General Improvement District	812,274	820,788	8,514
MAB General Improvement District	227,418	230,776	3,358
Lodgers and Auto Rental Tax Fund	3,816,000	3,936,097	120,097
Street Tree Fund	12,000	1,076	(10,924)
Gift Trust Fund	1,900,000	1,518,441	(381,559)
Therapeutic Recreation Fund	300	36	(264)
Total revenues	\$77,063,050	\$77,315,059	\$252,009

(continued)

**SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES-BUDGET AND ACTUAL
For the year ended December 31, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Community Development Block Grant Fund	\$4,028,083	\$4,028,083	\$ -
Home Investment Partnership Fund	1,555,055	1,555,055	-
Grants Fund	22,395,049	22,395,049	-
Ballfield Capital Improvements Fund	120,183	120,192	(9)
Bicycle Tax Fund	444,718	113,798	330,920
Trails/Open Space Fund	10,177,676	3,756,818	6,420,858
Conservation Trust Fund	3,968,671	3,759,962	208,709
Cable Franchise Fund	1,492,430	1,278,343	214,087
Public Safety Sales Tax Fund	28,328,886	24,480,960	3,847,926
Old Colorado City Maintenance and Security District Fund	117,907	103,155	14,752
Norwood Special Improvement Maintenance District Fund	707,428	546,339	161,089
Briargate Special Improvement Maintenance District Fund	940,583	891,610	48,973
Stetson Hills Improvement Maintenance District Fund	334,013	304,799	29,214
Woodstone Improvement Maintenance District Fund	54,197	16,918	37,279
Gateway Improvement Maintenance District Fund	6,173	2,675	3,498
Platte Avenue Improvement Maintenance District Fund	44,406	7,418	36,988
Public Space and Development Fund	978,165	10,348	967,817
Subdivision Drainage Fund	2,010,290	1,279,786	730,504
Arterial Roadway Fund	400,000	23,951	376,049
Park Developer Easement Fund	-	196	(196)
Banning Lewis Ranch Fund	4,620	5,570	(950)
Cottonwood General Improvement District	730,675	728,435	2,240
Spring Creek General Improvement District	299,410	296,369	3,041
Briargate General Improvement District	813,000	809,993	3,007
MAB General Improvement District	241,525	238,515	3,010
Lodgers and Auto Rental Tax Fund	3,816,000	3,935,109	(119,109)
Street Tree Fund	12,000	240	11,760
Gift Trust Fund	1,917,199	928,787	988,412
Therapeutic Recreation Fund	-	5	(5)
Total expenditures	\$85,938,342	\$71,618,478	\$14,319,864

Note: Includes transfers.



CITY OF COLORADO SPRINGS

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

City Funded CIP Construction fund

**CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit D-1**

	<u>City Funded CIP Construction Fund</u>
<u>ASSETS</u>	
Cash and investments	\$6,643,821
Accounts receivable (net of allowance for uncollectibles)	935
Due from other funds	<u>997,028</u>
Total assets	<u><u>7,641,784</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts payable	337,295
Due to other funds	<u>3,313,128</u>
Total liabilities	<u>3,650,423</u>
Fund balances	
Committed	<u>3,991,361</u>
Total fund balances	<u>3,991,361</u>
Total liabilities and fund balances	<u><u>\$7,641,784</u></u>

**CAPITAL PROJECTS FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit D-2**

	Final Budget	City Funded CIP Construction Fund	Variance with Final Budget Positive (Negative)
Revenues			
Other revenue	\$215,000	\$51,435	(\$163,565)
Investment earnings	180,000	79,102	(100,898)
Total revenues	395,000	130,537	(264,463)
Expenditures			
Debt service			
Principal	2,120,711	2,120,711	-
Interest	397,472	397,472	-
Capital outlay	16,655,794	3,420,234	13,235,560
Total expenditures	19,173,977	5,938,417	13,235,560
Deficiency of revenues over expenditures	(18,778,977)	(5,807,880)	(12,971,097)
Other financing sources			
Transfers - in	13,313,280	5,468,930	7,844,350
Total other financing sources	13,313,280	5,468,930	7,844,350
Net change in fund balances	(5,465,697)	(338,950)	(5,126,747)
Fund balances - January 1	4,330,311	4,330,311	-
Fund balances - December 31	(\$1,135,386)	\$3,991,361	(\$5,126,747)

**ANNUAL STATEMENT OF RECEIPTS
AND EXPENDITURES FOR
ROADS, BRIDGES AND STREETS
2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit D-3
(PAGE 1 OF 2)**

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

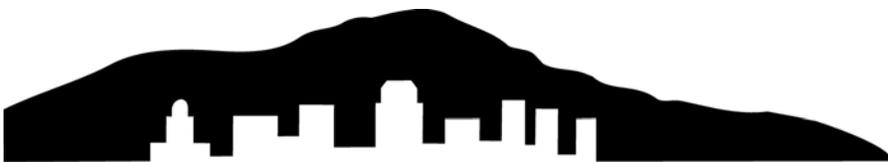
Financial Planning 02/01
Form # 350-050-36

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Colorado Springs			
		YEAR ENDING : December 2012			
This Information From The Records of City of Colorado Springs:		Prepared By: City of Colorado Springs Finance Office Phone: (719) 385-5919			
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)	30,155,051		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	15,100,807		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations	507,763		
2. General fund appropriations	16,143,153	b. Snow and ice removal	732,240		
3. Other local imposts (from page 2)	31,012,354	c. Other			
4. Miscellaneous local receipts (from page 2)	3,443,147	d. Total (a. through c.)	1,240,003		
5. Transfers from toll facilities		4. General administration & miscellaneous	3,169,161		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	16,022,007		
a. Bonds - Original Issues		6. Total (1 through 5)	65,687,029		
b. Bonds - Refunding Issues		B. Debt service on local obligations:			
c. Notes		1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest	508,753		
7. Total (1 through 6)	50,598,654	b. Redemption	3,040,705		
B. Private Contributions		c. Total (a. + b.)	3,549,458		
C. Receipts from State government (from page 2)	18,150,115	2. Notes:			
D. Receipts from Federal Government (from page 2)	487,718	a. Interest			
E. Total receipts (A.7 + B + C + D)	69,236,487	b. Redemption			
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	3,549,458		
		C. Payments to State for highways			
		D. Payments to toll facilities			
		E. Total disbursements (A.6 + B.3 + C + D)	69,236,487		
IV. LOCAL HIGHWAY DEBT STATUS (Show all entries at par)					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
A. Bonds (Total)	13,913,945	0	3,040,705	10,873,240	
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
		69,236,487	69,236,487		0
Notes and Comments:					

**ANNUAL STATEMENT OF RECEIPTS
AND EXPENDITURES FOR
ROADS, BRIDGES AND STREETS
2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit D-3
(PAGE 2 OF 2)**

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2012	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	32,464
b. Other local imposts:		b. Traffic Fines & Penalties	3,410,683
1. Sales Taxes	28,400,805	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	741,164	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	1,870,385	g. Other Misc. Receipts	
6. Total (1. through 5.)	31,012,354	h. Other	
c. Total (a. + b.)	31,012,354	i. Total (a. through h.)	3,443,147
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	16,749,737	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	487,718
c. Motor Vehicle Registrations	1,400,378	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	1,400,378	g. Total (a. through f.)	487,718
4. Total (1. + 2. + 3.f)	18,150,115	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			2,089,471
b. Engineering Costs			3,899,558
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			2,341,384
(3). System Preservation	66,249		17,893,365
(4). System Enhancement & Operation			3,865,024
(5). Total Construction (1) + (2) + (3) + (4)	66,249		24,099,773
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	66,249		30,088,802
			(Carry forward to page 1)
Notes and Comments:			



CITY OF COLORADO SPRINGS

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs for the benefit of the City or its citizenry.

Cemetery Endowment fund

Used to account for the investment activities of the Cemetery Endowment corpus with investment earnings used to finance cemetery operations.

C.D. Smith and TOPS Maintenance Trust funds

Used to account for the investment activities of each funds' corpus with investment earnings used in accordance with trust provisions.

	C.D. Smith Trust Fund	Cemetery Endowment Fund	TOPS Maintenance Trust Fund	Total
<u>ASSETS</u>				
Cash and investments	\$117,604	\$13,352	\$835,082	\$966,038
Restricted investments	551,959	9,127,949	-	9,679,908
Total assets	669,563	9,141,301	835,082	10,645,946
<u>LIABILITIES AND FUND BALANCES</u>				
Fund balances				
Nonspendable	664,442	9,127,949	648,158	10,440,549
Restricted	5,121	13,352	186,924	205,397
Total fund balances	669,563	9,141,301	835,082	10,645,946
Total liabilities and fund balances	\$669,563	\$9,141,301	\$835,082	\$10,645,946

**PERMANENT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit E-2**

	C.D. Smith Trust Fund	Cemetery Endowment Fund	TOPS Maintenance Trust Fund	Total
Revenues				
Endowments	\$ -	\$78,943	\$ -	\$78,943
Investment earnings	77,586	599,308	7,095	683,989
Total revenues	77,586	678,251	7,095	762,932
Expenditures				
Current				
Culture and recreation	22,289	-	972	23,261
Total expenditures	22,289	-	972	23,261
Excess revenues over expenditures	55,297	678,251	6,123	739,671
Fund balances - January 1	614,266	8,463,050	828,959	9,906,275
Fund balances - December 31	\$669,563	\$9,141,301	\$835,082	\$10,645,946

**PERMANENT FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit E-3**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
C.D. Smith Trust Fund	\$75,000	\$77,586	\$2,586
Cemetery Endowment Fund	250,000	678,251	428,251
TOPS Maintenance Trust Fund	11,500	7,095	(4,405)
Total revenues	\$336,500	\$762,932	\$426,432
Expenditures			
C.D. Smith Trust Fund	\$75,000	\$22,289	\$52,711
Cemetery Endowment Fund	250,000	-	250,000
TOPS Maintenance Trust Fund	11,500	972	10,528
Total expenditures	\$336,500	\$23,261	\$313,239

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds account for the acquisition, operations and maintenance of the City's facilities and services supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Airport fund

Used to account for the activities of the City owned municipal airport.

Patty Jewett Golf fund

Used to account for the activities of the City owned golf course.

Valley Hi Golf fund

Used to account for the activities of the City owned golf course.

Pikes Peak Highway fund

Used to account for the activities of the Pikes Peak Highway.

Parking fund

Used to account for the activities of the City owned parking system.

Cemetery fund

Used to account for the activities of the two City owned cemeteries.

Development Review fund

Used to account for certain activities related to development review.

Stormwater fund

Used to account for certain activities related to stormwater capital improvements and maintenance.

**NON-MAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

	Airport Fund	Patty Jewett Golf Fund	Valley Hi Golf Fund
<u>ASSETS</u>			
Current assets			
Cash and investments	\$39,309,696	\$662,002	\$482,531
Accounts receivable (net of allowance for uncollectibles)	3,026,584	11,921	2,523
Due from other funds	-	-	-
Inventories	143,127	-	-
Unamortized bond issuance costs	-	-	-
Total current assets	42,479,407	673,923	485,054
Noncurrent assets			
Cash and investments - restricted	5,459,865	-	-
Note receivable	1,937,172	-	-
Due from other funds	-	-	-
Capital assets:			
Land	18,416,793	60,000	931,200
Buildings	95,272,291	1,969,651	282,508
Improvements other than buildings	199,371,826	2,025,918	1,510,289
Machinery and equipment	28,564,905	2,722,714	1,011,501
Infrastructure	34,868,798	-	-
Construction in progress	4,897,631	-	-
Less accumulated depreciation	(125,929,913)	(4,622,397)	(2,130,749)
Unamortized bond issuance costs	452,601	-	-
Total noncurrent assets	263,311,969	2,155,886	1,604,749
Total assets	\$305,791,376	\$2,829,809	\$2,089,803

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit F-1
 (PAGE 1 OF 2)**

Pikes Peak Highway Fund	Parking Fund	Cemetery Fund	Development Review Fund	Stormwater Fund	Total
\$5,369,487	\$4,951,986	\$140,179	\$1,896,885	\$ -	\$52,812,766
52,617	31,610	285,530	-	-	3,410,785
5,145	80,561	-	-	-	85,706
49,437	-	-	-	-	192,564
-	25,240	-	-	-	25,240
5,476,686	5,089,397	425,709	1,896,885	-	56,527,061
-	861,763	-	-	-	6,321,628
-	-	-	-	-	1,937,172
-	1,781,177	-	-	-	1,781,177
667	2,072,246	81,379	-	-	21,562,285
4,432,941	24,992,516	514,720	80,173	-	127,544,800
11,179,693	9,000,012	1,649,014	80,289	-	224,817,041
2,577,933	384,769	366,021	117,142	-	35,744,985
-	-	-	-	-	34,868,798
-	-	-	-	-	4,897,631
(7,357,892)	(12,696,740)	(1,507,154)	(169,676)	-	(154,414,521)
-	223,371	-	-	-	675,972
10,833,342	26,619,114	1,103,980	107,928	-	305,736,968
\$16,310,028	\$31,708,511	\$1,529,689	\$2,004,813	\$ -	\$362,264,029

(continued)

**NON-MAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

	Airport Fund	Patty Jewett Golf Fund	Valley Hi Golf Fund
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities			
Accounts payable	\$5,470,180	\$50,004	\$17,640
Accrued salaries and benefits	202,817	14,651	5,035
Compensated absences	34,983	3,555	784
Due to other funds	118,770	8,945	5,938
Deferred revenue	589,518	14,425	4,865
Accrued interest payable	-	-	-
Matured bonds payable	3,350,000	-	-
Notes payable	671,786	-	-
Capital lease payable	151,690	85,488	81,278
Total current liabilities	10,589,744	177,068	115,540
Noncurrent liabilities			
Compensated absences	664,687	67,547	14,890
Revenue bonds payable, net of deferrals	35,942,493	-	-
Notes payable	2,753,704	-	-
Capital lease payable	39,606	175,452	170,204
Total noncurrent liabilities	39,400,490	242,999	185,094
Total liabilities	49,990,234	420,067	300,634
Net position			
Net investment in capital assets	218,369,494	1,894,946	1,353,267
Restricted for debt service	12,034,111	-	-
Unrestricted	25,397,537	514,796	435,902
Total net position	255,801,142	2,409,742	1,789,169
Total liabilities and net position	\$305,791,376	\$2,829,809	\$2,089,803

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-1
(PAGE 2 OF 2)**

Pikes Peak Highway Fund	Parking Fund	Cemetery Fund	Development Review Fund	Stormwater Fund	Total
\$61,295	\$231,571	\$3,099	\$1,281	\$ -	\$5,835,070
25,676	10,854	11,163	15,338	-	285,534
5,684	3,255	2,853	2,254	-	53,368
3,013	15,799	2,522	60	-	155,047
-	-	-	876,636	-	1,485,444
-	40,646	-	-	-	40,646
-	570,000	-	-	-	3,920,000
60,063	-	-	-	-	731,849
200,562	-	-	-	-	519,018
356,293	872,125	19,637	895,569	-	13,025,976
107,988	61,853	54,201	42,826	-	1,013,992
-	10,559,396	-	-	-	46,501,889
494,161	-	-	-	-	3,247,865
303,704	-	-	-	-	688,966
905,853	10,621,249	54,201	42,826	-	51,452,712
1,262,146	11,493,374	73,838	938,395	-	64,478,688
9,774,852	12,623,409	1,103,980	107,928	-	245,227,876
432,000	861,763	-	-	-	13,327,874
4,841,030	6,729,965	351,871	958,490	-	39,229,591
15,047,882	20,215,137	1,455,851	1,066,418	-	297,785,341
\$16,310,028	\$31,708,511	\$1,529,689	\$2,004,813	\$ -	\$362,264,029

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the year ended December 31, 2012**

	Airport Fund	Patty Jewett Golf Fund	Valley Hi Golf Fund
Operating revenues			
Charges for services	\$19,857,937	\$2,215,225	\$1,171,939
Operating expenses			
Salaries and benefits	8,467,180	729,627	303,125
Other operating expenses	5,875,050	1,225,165	684,542
Depreciation	16,991,200	268,312	153,385
Total operating expenses	31,333,430	2,223,104	1,141,052
Operating income (loss)	(11,475,493)	(7,879)	30,887
Nonoperating revenues (expenses)			
Investment earnings	465,831	6,434	4,732
Interest expense	(2,279,901)	(507)	(10,255)
Passenger facility charges	2,191,195	-	-
Customer facility charges	833,900	-	-
Amortization expense	-	-	-
Gain (loss) on disposal of capital assets	(31,645)	1,930	3,045
Miscellaneous	191,306	-	-
Total nonoperating revenues (expenses)	1,370,686	7,857	(2,478)
Income (loss) before contributions and transfers	(10,104,807)	(22)	28,409
Capital contributions	21,796,203	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Extraordinary item - conveyance of assets	-	-	-
Change in net position	11,691,396	(22)	28,409
Total net position - January 1	244,109,746	2,409,764	1,760,760
Total net position - December 31	\$255,801,142	\$2,409,742	\$1,789,169

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-2**

Pikes Peak Highway Fund	Parking Fund	Cemetery Fund	Development Review Fund	Stormwater Fund	Total
\$3,919,670	\$3,821,226	\$1,007,632	\$1,849,563	\$124	\$33,843,316
1,166,067	519,077	477,913	815,308	-	12,478,297
1,210,773	1,009,376	782,975	483,244	(158,065)	11,113,060
715,010	953,204	82,020	11,776	517,194	19,692,101
3,091,850	2,481,657	1,342,908	1,310,328	359,129	43,283,458
827,820	1,339,569	(335,276)	539,235	(359,005)	(9,440,142)
54,312	129,039	255,538	18,049	20,672	954,607
(42,213)	(509,043)	-	-	-	(2,841,919)
-	-	-	-	-	2,191,195
-	-	-	-	-	833,900
-	(30,947)	-	-	-	(30,947)
24,907	-	-	-	(346,206)	(347,969)
-	-	-	-	-	191,306
37,006	(410,951)	255,538	18,049	(325,534)	950,173
864,826	928,618	(79,738)	557,284	(684,539)	(8,489,969)
-	-	-	-	-	21,796,203
436,790	-	-	-	-	436,790
-	-	-	-	(2,347,052)	(2,347,052)
-	-	-	-	(14,483,584)	(14,483,584)
1,301,616	928,618	(79,738)	557,284	(17,515,175)	(3,087,612)
13,746,266	19,286,519	1,535,589	509,134	17,515,175	300,872,953
\$15,047,882	\$20,215,137	\$1,455,851	\$1,066,418	\$-	\$297,785,341

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2012**

	Airport Fund	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$19,295,543	\$2,211,104	\$1,172,937	\$3,885,406
Receipts from interfund services provided	69,794	-	-	-
Payments to suppliers	(1,097,306)	(653,382)	(388,480)	(776,325)
Payments to employees	(8,349,147)	(711,308)	(299,511)	(1,140,540)
Payments for interfund services used	(671,210)	(557,759)	(286,686)	(390,686)
Net cash provided (used) by operating activities	9,247,674	288,655	198,260	1,577,855
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal received from interfund loan	-	-	-	-
Interest received from interfund loan	-	-	-	-
Operating grant	191,306	-	-	-
Transfers out to other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	191,306	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(26,234,277)	(99,378)	(28,000)	(1,198,795)
Transfers in from other funds	-	-	-	436,790
Payments from accounts payable incurred for capital asset additions	1,587,036	-	-	(4,245)
Principal paid on capital debt	(3,829,106)	-	-	(57,731)
Interest paid on capital debt	(2,294,029)	-	-	(23,907)
Repayment of capital lease obligations	-	(89,509)	(78,830)	(214,594)
Interest paid - other	-	(507)	(10,255)	(18,306)
Capital grant	21,949,167	-	-	-
Passenger facility charges	2,243,141	-	-	-
Customer facility charges	887,267	-	-	-
Proceeds from sale of capital assets	-	1,930	3,045	26,157
Net cash used by capital and related financing activities	(5,690,801)	(187,464)	(114,040)	(1,054,631)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	25,863,995	334,527	233,849	2,994,179
Purchases of investments	(29,681,100)	(435,870)	(317,704)	(3,535,333)
Interest and dividends received	283,260	5,084	3,715	44,279
Net cash provided (used) by investing activities	(3,533,845)	(96,259)	(80,140)	(496,875)
Net increase (decrease) in cash and cash equivalents	214,334	4,932	4,080	26,349
Cash and cash equivalents - January 1	1,900,268	25,630	18,196	221,538
Cash and cash equivalents - December 31	2,114,602	30,562	22,276	247,887
Cash and cash equivalents	2,114,602	30,562	22,276	247,887
Investments	42,654,959	631,440	460,255	5,121,600
Total cash and investments	\$44,769,561	\$662,002	\$482,531	\$5,369,487

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit F-3
(PAGE 1 OF 2)**

Parking Fund	Cemetery Fund	Development Review Fund	Stormwater Fund	Total
\$3,501,055	\$1,114,510	\$1,915,160	\$67,850	\$33,163,565
296,202	-	440	-	366,436
(447,932)	(331,602)	(402,885)	(323,358)	(4,421,270)
(506,754)	(465,821)	(842,560)	(24,482)	(12,340,123)
(424,201)	(452,330)	(84,816)	300,000	(2,567,688)
2,418,370	(135,243)	585,339	20,010	14,200,920
58,246	-	-	-	58,246
74,942	-	-	-	74,942
-	-	-	-	191,306
-	-	-	(2,347,052)	(2,347,052)
133,188	-	-	(2,347,052)	(2,022,558)
(1,697,519)	-	-	(89,914)	(29,347,883)
-	-	-	-	436,790
-	-	-	(47,342)	1,535,449
(545,000)	-	-	-	(4,431,837)
(510,979)	-	-	-	(2,828,915)
-	-	-	-	(382,933)
-	-	-	-	(29,068)
-	-	-	-	21,949,167
-	-	-	-	2,243,141
-	-	-	-	887,267
-	-	-	-	31,132
(2,753,498)	-	-	(137,256)	(9,937,690)
3,407,397	(31,528)	678,100	2,323,053	35,803,572
(3,260,444)	(88,446)	(1,248,931)	-	(38,567,828)
46,958	254,949	13,263	28,273	679,781
193,911	134,975	(557,568)	2,351,326	(2,084,475)
(8,029)	(268)	27,771	(112,972)	156,197
1,098,405	919	59,800	112,972	3,437,728
1,090,376	651	87,571	-	3,593,925
1,090,376	651	87,571	-	3,593,925
4,723,373	139,528	1,809,314	-	55,540,469
\$5,813,749	\$140,179	\$1,896,885	\$ -	\$59,134,394

(continued)

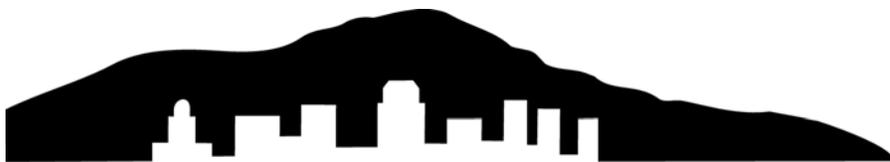
**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2012**

	Airport Fund	Patty Jewett Golf Fund	Valley Hi Golf Fund	Pikes Peak Highway Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	(\$11,475,493)	(\$7,879)	\$30,887	\$827,820
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	16,991,200	268,312	153,385	715,010
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(126,597)	(3,421)	(312)	(34,515)
(Increase) decrease in due from other funds	-	2,681	-	253
Increase in inventories	-	-	-	(3,417)
Increase (decrease) in accounts and other payables	4,106,534	2,400	10,414	46,423
Increase (decrease) in accrued expenses	149,271	18,318	3,614	25,467
Increase (decrease) in due to other funds	91,765	8,944	(1,038)	814
Increase (decrease) in other liabilities	(489,006)	(700)	1,310	-
Net cash provided (used) by operating activities	\$9,247,674	\$288,655	\$198,260	\$1,577,855
Noncash investing, capital and financing activities				
Amortization, charge-off of debt discount and expense	\$ -	\$ -	\$ -	\$ -
Noncash acquisition of capital assets				
(incurrence of payable/capital lease obligation)	3,999,339	350,449	-	149,696
Increase (decrease) in fair value of investments	208,586	1,350	1,017	10,033

**CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit F-3
 (PAGE 2 OF 2)**

Parking Fund	Cemetery Fund	Development Review Fund	Stormwater Fund	Total
\$1,339,569	(\$335,276)	\$539,235	(\$359,005)	(\$9,440,142)
953,204	82,020	11,776	517,194	19,692,101
(22,313)	106,877	820	67,726	(11,735)
(1,655)	-	-	-	1,279
-	-	-	-	(3,417)
138,106	(1,259)	(4,516)	(94,998)	4,203,104
12,323	12,092	(27,252)	(110,907)	82,926
(864)	303	60	-	99,984
-	-	65,216	-	(423,180)
\$2,418,370	(\$135,243)	\$585,339	\$20,010	\$14,200,920

\$30,947	\$	-	\$	-	\$	-	\$30,947
-		-		-		-	4,499,484
22,999		589		4,786		(7,601)	241,759



CITY OF COLORADO SPRINGS

NON-MAJOR PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fleet Management fund

Used to account for centralized fleet management.

Claims Reserve Self-Insurance fund

Used to account for self-insurance activities of the City (except Utilities) in the area of general liability.

Workers' Compensation Self-Insurance fund

Used to account for the self-insurance activities related to employee workers' compensation.

Employee Benefits Self-Insurance fund

Used to account for self-insurance activities of the City employee benefit program (except Utilities).

Office Services fund

Used to account for printing and mailing services.

Radio Communications fund

Used to account for radio services.

**INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
December 31, 2012**

<u>ASSETS</u>	Fleet Management Fund	Claims Reserve Self-Insurance Fund	Workers ' Compensation Self-Insurance Fund
Current assets			
Cash and investments	\$2,074,834	\$871,980	\$3,074,761
Accounts receivable (net of allowance for uncollectibles)	42,128	-	-
Inventories	959,501	-	-
Due from other funds	503,523	57,876	10,961
Total current assets	3,579,986	929,856	3,085,722
Noncurrent assets			
Capital assets:			
Land	-	-	-
Buildings	142,306	-	27,400
Improvements other than buildings	396,917	-	-
Machinery and equipment	2,607,689	-	47,052
Intangibles	34,891	-	-
Less accumulated depreciation	(2,696,333)	-	(60,598)
Total noncurrent assets	485,470	-	13,854
Total assets	4,065,456	929,856	3,099,576
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities			
Accounts payable	422,458	876,677	9,160,365
Accrued salaries and benefits	103,590	3,759	12,124
Compensated absences	24,666	1,055	2,426
Due to other funds	1,010,526	394,010	61,123
Capital lease payable	2,568	-	-
Total current liabilities	1,563,808	1,275,501	9,236,038
Noncurrent liabilities			
Compensated absences	468,661	20,045	46,088
Capital lease obligations	2,489	-	-
Total noncurrent liabilities	471,150	20,045	46,088
Total liabilities	2,034,958	1,295,546	9,282,126
Net position			
Net investment in capital assets	480,413	-	13,854
Unrestricted	1,550,085	(365,690)	(6,196,404)
Total net position	2,030,498	(365,690)	(6,182,550)
Total liabilities and net position	\$4,065,456	\$929,856	\$3,099,576

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-1**

Employee Benefits Self-Insurance Fund	Office Services Fund	Radio Communications Fund	Total
\$809,733	\$190,468	\$140,996	\$7,162,772
142,972	14,733	120,627	320,460
-	43,869	6,658	1,010,028
78,302	47,833	394,843	1,093,338
1,031,007	296,903	663,124	9,586,598
-	-	13,000	13,000
-	-	201,250	370,956
-	-	-	396,917
-	225,791	259,588	3,140,120
-	-	-	34,891
-	(224,129)	(441,955)	(3,423,015)
-	1,662	31,883	532,869
1,031,007	298,565	695,007	10,119,467
3,225,730	37,334	14,870	13,737,434
4,865	13,038	10,627	148,003
953	4,414	2,034	35,548
-	-	2,254	1,467,913
-	-	-	2,568
3,231,548	54,786	29,785	15,391,466
18,100	83,859	38,644	675,397
-	-	-	2,489
18,100	83,859	38,644	677,886
3,249,648	138,645	68,429	16,069,352
-	1,662	31,883	527,812
(2,218,641)	158,258	594,695	(6,477,697)
(2,218,641)	159,920	626,578	(5,949,885)
\$1,031,007	\$298,565	\$695,007	\$10,119,467

**INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 For the year ended December 31, 2012**

	Fleet Management Fund	Claims Reserve Self-Insurance Fund	Workers ' Compensation Self-Insurance Fund
Operating revenues			
Charges for services	\$16,781,987	\$511,744	\$6,054,573
Operating expenses			
Salaries and benefits	4,521,951	192,859	587,068
Other operating expenses	12,250,663	691,473	7,629,737
Depreciation	88,527	-	3,500
Total operating expenses	16,861,141	884,332	8,220,305
Operating income (loss)	(79,154)	(372,588)	(2,165,732)
Nonoperating revenues (expenses)			
Investment earnings	20,190	6,551	29,568
Interest expense	(378)	-	-
Total nonoperating revenues	19,812	6,551	29,568
Income (loss) before contributions and transfers	(59,342)	(366,037)	(2,136,164)
Transfers - out	(1,000,000)	-	-
Change in net position	(1,059,342)	(366,037)	(2,136,164)
Total net position - January 1	3,089,840	347	(4,046,386)
Total net position - December 31	\$2,030,498	(\$365,690)	(\$6,182,550)

CITY OF COLORADO SPRINGS
 COLORADO
 Exhibit G-2

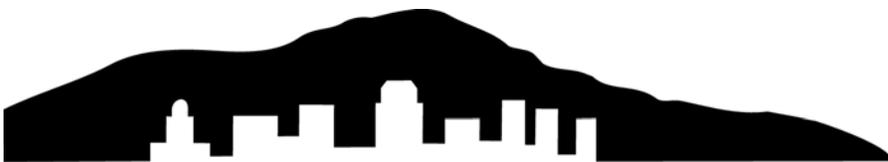
Employee Benefits Self-Insurance Fund	Office Services Fund	Radio Communications Fund	Total
\$24,335,142	\$1,676,944	\$2,026,724	\$51,387,114
254,521	579,186	459,989	6,595,574
23,327,417	1,049,943	1,411,376	46,360,609
-	3,191	9,027	104,245
23,581,938	1,632,320	1,880,392	53,060,428
753,204	44,624	146,332	(1,673,314)
11,676	1,254	3,870	73,109
-	-	-	(378)
11,676	1,254	3,870	72,731
764,880	45,878	150,202	(1,600,583)
-	-	-	(1,000,000)
764,880	45,878	150,202	(2,600,583)
(2,983,521)	114,042	476,376	(3,349,302)
(\$2,218,641)	\$159,920	\$626,578	(\$5,949,885)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

	Fleet Management Fund	Claims Reserve Self-Insurance Fund	Workers' Compensation Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$358,277	\$ -	\$745,294
Receipts from interfund services provided	17,145,499	453,868	5,278,682
Payments to suppliers	(11,254,288)	(682,374)	(5,036,950)
Payments to employees	(4,542,571)	(186,007)	(585,360)
Payments for interfund services used	(13,569)	-	(684,765)
Net cash provided (used) by operating activities	1,693,348	(414,513)	(283,099)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(1,000,000)	-	-
Net cash provided by noncapital financing activities	(1,000,000)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(59,090)	-	-
Repayment of capital lease obligations	(2,485)	-	-
Proceeds from sales of capital assets	45,761	-	-
Interest paid - other	(378)	-	-
Net cash used by capital and related financing activities	(16,192)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	706,204	963,236	2,269,994
Purchases of investments	(1,366,096)	(574,122)	(2,024,459)
Interest and dividends received	14,838	6,483	25,640
Net cash provided (used) by investing activities	(645,054)	395,597	271,175
Net increase (decrease) in cash and cash equivalents	32,102	(18,916)	(11,924)
Cash and cash equivalents - January 1	63,684	59,172	153,873
Cash and cash equivalents - December 31	95,786	40,256	141,949
Cash and cash equivalents	95,786	40,256	141,949
Investments	1,979,048	831,724	2,932,812
Total cash and investments	\$2,074,834	\$871,980	\$3,074,761
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	(\$79,154)	(\$372,588)	(\$2,165,732)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	88,527	-	3,500
Change in assets and liabilities			
(Increase) decrease in accounts receivable	31,744	-	22
Decrease in prepaids	-	-	62,370
(Increase) decrease in inventories	(130,602)	-	-
(Increase) decrease in due from other funds	690,045	(57,876)	566
Increase (decrease) in accounts and other payables	144,600	(384,911)	1,784,529
Increase (decrease) in accrued expenses	(20,620)	6,852	1,708
Decrease in deferred revenue	-	-	(31,185)
Increase (decrease) in due to other funds	968,808	394,010	61,123
Net cash provided (used) by operating activities	\$1,693,348	(\$414,513)	(\$283,099)
Noncash investing, capital and financing activities			
Increase in fair value of investments	\$5,352	\$69	\$3,928

CITY OF COLORADO SPRINGS
COLORADO
Exhibit G-3

Employee Benefits Self-Insurance Fund	Office Services Fund	Radio Communications Fund	Total
\$6,754,894	\$617,069	\$519,107	\$8,994,641
17,370,226	1,052,258	1,004,208	42,304,741
(18,433,140)	(567,161)	(1,029,431)	(37,003,344)
(249,320)	(565,413)	(453,852)	(6,582,523)
(5,517,451)	(507,979)	(472,564)	(7,196,328)
(74,791)	28,774	(432,532)	517,187
-	-	-	(1,000,000)
-	-	-	(1,000,000)
-	(4,853)	(40,910)	(104,853)
-	-	-	(2,485)
-	-	-	45,761
-	-	-	(378)
-	(4,853)	(40,910)	(61,955)
594,326	101,754	539,443	5,174,957
(533,138)	(125,407)	(92,834)	(4,716,056)
10,631	883	5,115	63,590
71,819	(22,770)	451,724	522,491
(2,972)	1,151	(21,718)	(22,277)
40,355	7,642	28,227	352,953
37,383	8,793	6,509	330,676
37,383	8,793	6,509	330,676
772,350	181,675	134,487	6,832,096
\$809,733	\$190,468	\$140,996	\$7,162,772
\$753,204	\$44,624	\$146,332	(\$1,673,314)
-	3,191	9,027	104,245
(142,512)	(9,102)	(109,399)	(229,247)
-	-	-	62,370
-	40,754	-	(89,848)
(67,510)	1,485	(394,010)	172,700
(623,174)	18,672	(80,693)	859,023
5,201	13,773	6,137	13,051
-	-	-	(31,185)
-	(84,623)	(9,926)	1,329,392
(\$74,791)	\$28,774	(\$432,532)	\$517,187
\$1,046	\$370	\$5,352	\$16,117



CITY OF COLORADO SPRINGS

FIDUCIARY FUNDS

Fiduciary funds are used to account for the assets held by the City in a trustee capacity or as an agent for other agencies, individuals, private organizations or governmental units and cannot be used to support City programs.

Pension Trust:

Fire and Police Pension Trust funds

Used to account for assets of the Colorado Springs Fire and Police pension plans. Includes Old Hire Fire and Old Hire Police Trust funds.

Agency:

Miscellaneous Depository Agency fund

Used to account for assets that the City holds on behalf of others as their agent.

**FIDUCIARY FUNDS
COMBINING STATEMENT OF PLAN NET POSITION
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit H-1**

	Old Hire Fire Pension Trust Fund	Old Hire Police Pension Trust Fund	Total
Pension assets held in trust by Fire and Police Pension Association	<u>\$75,615,817</u>	<u>\$63,291,153</u>	<u>\$138,906,970</u>
Net position - held in trust for pension benefits	<u><u>\$75,615,817</u></u>	<u><u>\$63,291,153</u></u>	<u><u>\$138,906,970</u></u>

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
For the year ended December 31, 2012

CITY OF COLORADO SPRINGS
COLORADO
Exhibit H-2

	Old Hire Fire Pension Trust Fund	Old Hire Police Pension Trust Fund	Total
Additions			
City contributions	\$1,491,283	\$1,415,516	\$2,906,799
Participant contributions	-	8,307	8,307
Total contributions	1,491,283	1,423,823	2,915,106
Investment earnings:			
Interest and dividend income	1,292,290	1,083,269	2,375,559
Rental income	12	10	22
Net increase in fair value of investments	7,658,982	6,420,861	14,079,843
Total investment gain	8,951,284	7,504,140	16,455,424
Less investment expenses	674,612	565,279	1,239,891
Net investment gain	8,276,672	6,938,861	15,215,533
Total additions	9,767,955	8,362,684	18,130,639
Deductions			
Benefits	(7,829,200)	(6,776,358)	(14,605,558)
Total deductions	(7,829,200)	(6,776,358)	(14,605,558)
Change in net position	1,938,755	1,586,326	3,525,081
Net position held in trust for pension benefits - January 1	73,677,062	61,704,827	135,381,889
Net position held in trust for pension benefits - December 31	\$75,615,817	\$63,291,153	\$138,906,970

**AGENCY FUND
BALANCE SHEET
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit H-3**

	<u>Miscellaneous Depository Fund</u>
<u>ASSETS</u>	
Cash and investments	\$1,898,866
Accounts receivable (net of allowance for uncollectibles)	<u>3,397</u>
Total assets	<u><u>1,902,263</u></u>
<u>LIABILITIES</u>	
Accounts payable	272,493
Due to component unit	<u>1,629,770</u>
Total liabilities	<u><u>\$1,902,263</u></u>

**AGENCY FUND
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
For the year ended December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Exhibit H-4**

	Beginning balance	Debits	Credits	Ending balance
<u>ASSETS</u>				
Miscellaneous depository fund				
Cash and investments	\$2,199,845	\$175,613,144	\$175,914,123	\$1,898,866
Accounts receivable (net of allowance for uncollectibles)	43,338	-	39,941	3,397
Total assets	2,243,183	175,613,144	175,954,064	1,902,263
<u>LIABILITIES</u>				
Miscellaneous depository fund				
Accounts payable	809,759	177,103,029	176,565,763	272,493
Due to component unit	1,433,424	-	196,346	1,629,770
Total liabilities	\$2,243,183	\$177,103,029	\$176,762,109	\$1,902,263



CITY OF COLORADO SPRINGS

STATISTICAL SECTION

The statistical section includes six categories of information:

Financial Trend Analysis:

This section is intended to assist in understanding and assessing how the City's financial position has changed over time. Tables 1 through 4 include current and prior years information on net assets and fund balances.

Revenue Capacity Analysis:

This section is intended to assist in understanding and assessing factors affecting the City's ability to generate its own source revenues. The City's largest own source revenue is the City's sales tax. Tables 5 through 7 provide data related to the City's sales tax collected, direct and overlapping sales and use tax rates and the City's taxpayers by industry.

Debt Capacity Analysis:

This section is intended to assist in understanding and assessing the City's tax burden and its ability to issue additional debt. Tables 8 through 12 outline various debt analysis including direct and overlapping debt, legal debt margin and pledged revenue coverage.

Demographic and Economic Analysis:

This section is intended to assist in (1) understanding the socioeconomic environment within which the City operates and (2) providing information to facilitate comparisons of financial statement information over time and among governments. Tables 13 through 15 provide information on various demographic and economic statistics, principal employers, and full time equivalent City government employees.

STATISTICAL SECTION CONT'D.

Operating Analysis:

This section is intended to provide contextual information about the City's operations and resources to assist in using the financial statement information in understanding the City's economic condition. Tables 16 and 17 provide statistical information on operating indicators and capital assets.

Other Information:

Other tables required for disclosure are also included in this section. Tables 18 through 21 provide sales and use tax revenue collection costs and required refunds, assessed valuations, property tax levies and collections, direct and overlapping mill levy rates, landfill closure and postclosure costs.



CITY OF COLORADO SPRINGS

NET POSITION BY COMPONENT
Last ten fiscal years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Net investment in capital assets	\$1,204,660,019	\$1,189,009,759	\$1,036,479,446	\$977,962,432	\$987,792,618	\$943,951,873	\$792,111,419	\$737,918,070	\$473,414,958	\$217,276,297
Restricted	19,196,709	18,374,171	22,531,964	22,552,285	18,016,585	19,959,764	19,626,343	18,110,760	20,007,713	16,172,145
Unrestricted	85,263,142	71,001,838	58,151,603	41,262,028	48,519,165	73,002,127	69,855,088	76,136,180	137,298,420	91,064,529
Total governmental activities net position	\$1,309,119,870	\$1,278,385,768	\$1,117,163,013	\$1,041,776,745	\$1,054,328,368	\$1,036,913,784	\$881,592,850	\$832,165,010	\$630,721,091	\$324,512,971
Business-type activities										
Net investment in capital assets	\$1,313,948,816	\$1,302,975,565	\$1,302,421,603	\$1,331,520,235	\$1,299,158,955	\$1,327,314,557	\$1,282,203,625	\$1,136,184,516	\$1,070,922,705	\$1,096,293,319
Restricted	81,754,874	127,607,494	89,960,386	47,970,871	46,335,511	66,201,848	57,715,492	64,247,486	62,682,812	76,149,594
Unrestricted	351,093,312	607,184,465	628,422,810	583,939,576	310,245,990	491,602,189	464,250,952	620,409,743	501,642,567	396,257,068
Total business-type activities net position	\$1,746,797,002	\$2,037,767,524	\$2,020,804,799	\$1,963,430,682	\$1,655,740,456	\$1,885,118,594	\$1,804,170,069	\$1,820,841,745	\$1,635,248,084	\$1,568,699,981
Primary government										
Net investment in capital assets	\$2,518,608,835	\$2,491,985,324	\$2,338,901,049	\$2,309,482,667	\$2,286,951,573	\$2,271,266,430	\$2,074,315,044	\$1,874,102,586	\$1,544,337,663	\$1,313,569,616
Restricted	100,951,583	145,981,665	112,492,350	70,523,156	64,352,096	86,161,612	77,341,835	82,358,246	82,690,525	92,321,739
Unrestricted	436,356,454	678,186,303	686,574,413	625,201,604	358,765,155	564,604,316	534,106,040	696,545,923	638,940,987	487,321,597
Total primary government net position	\$3,055,916,872	\$3,316,153,292	\$3,137,967,812	\$3,005,207,427	\$2,710,068,824	\$2,922,032,358	\$2,685,762,919	\$2,653,006,755	\$2,265,969,175	\$1,893,212,952

CHANGES IN NET POSITION
 Last ten fiscal years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$58,618,337	\$48,067,151	\$46,363,125	\$56,677,795	\$92,816,914	\$79,497,564	\$72,426,781	\$66,069,123	\$57,537,266	\$41,823,969
Public safety	149,168,556	149,930,831	150,429,316	145,663,748	123,712,015	126,767,912	127,123,546	116,674,354	107,890,403	59,741,269
Public works	74,045,666	67,067,654	61,479,834	83,647,759	69,909,340	79,445,004	70,720,058	71,137,000	69,387,263	66,599,122
Health and welfare	1,274,298	1,214,081	1,205,744	1,230,831	1,181,013	1,146,634	1,061,100	896,675	1,025,059	964,844
Culture and recreation	22,238,048	21,789,448	21,616,273	25,192,163	22,674,396	25,899,084	23,336,913	27,454,595	20,254,797	51,066,216
Urban redevelopment and housing	6,803,814	5,032,806	6,160,987	4,966,112	6,034,237	4,917,290	6,505,047	5,615,284	8,274,058	10,446,365
Economic development	2,711,136	2,619,256	2,042,321	3,170,529	2,814,646	2,894,876	2,862,511	2,577,708	2,356,907	2,384,770
Economic opportunities	-	-	-	3,242	-	73,758	24,045	12,163	10,578	12,536
Interest on long-term debt	4,867,183	5,020,740	5,630,651	5,391,628	5,058,419	4,758,426	6,064,813	6,411,059	6,106,004	5,743,426
Miscellaneous	-	-	-	-	-	-	480,442	574,337	448,175	320,608
Total governmental activities expenses	319,727,038	300,741,967	294,928,251	325,940,565	324,204,222	325,400,548	310,605,256	297,422,298	273,290,510	239,103,125
Business-type activities:										
Utilities	749,375,429	818,668,053	796,131,627	725,181,046	999,877,783	737,871,365	794,957,734	567,771,779	621,608,610	552,190,622
MHS	431,645,000	560,894,000	540,440,000	555,196,000	556,297,000	500,198,000	412,148,000	374,257,000	339,519,000	320,294,000
Airport	-	24,874,856	25,341,755	25,469,043	26,371,427	26,044,121	45,455,853	24,707,950	24,293,095	22,644,913
Parking	-	3,843,908	3,089,064	4,014,468	3,938,954	3,064,208	2,517,840	2,483,200	2,176,488	2,134,017
Other	43,356,373	12,391,209	16,213,845	23,269,243	17,131,141	14,015,113	10,457,158	9,178,016	7,856,321	7,436,249
Total business-type activities expenses	1,224,376,802	1,420,672,026	1,381,216,291	1,333,129,800	1,603,616,305	1,281,192,807	1,265,536,585	978,397,945	995,453,514	904,699,801
Total primary government expenses	\$1,544,103,840	\$1,721,413,993	\$1,676,144,542	\$1,659,070,365	\$1,927,820,527	\$1,606,593,355	\$1,576,141,841	\$1,275,820,243	\$1,268,744,024	\$1,143,802,926
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$14,284,808	\$16,781,325	\$16,515,016	\$15,631,509	\$20,985,541	\$20,396,377	\$20,650,157	\$21,090,902	\$19,743,456	\$16,576,340
Public safety	5,032,930	4,585,702	4,909,599	4,299,642	3,760,245	3,733,389	4,639,941	3,665,390	3,463,338	2,950,931
Public works	5,189,248	4,681,309	6,357,708	6,812,214	8,598,594	7,876,596	10,389,741	10,337,995	11,055,412	12,156,539
Culture and recreation	2,343,078	2,901,620	3,124,277	3,315,582	3,460,517	3,298,029	3,287,652	3,181,267	2,771,570	3,029,537
Urban redevelopment and housing	2,126,074	297,530	98,933	859,437	2,071,374	1,121,879	2,800,362	791,692	2,035,112	1,734,672
Economic development	-	-	-	36,996	6,841	27,748	120,061	36,278	77,746	124,299
Economic opportunities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	20,121,901	25,377,676	24,110,968	19,289,013	15,004,443	22,917,770	13,806,989	60,461,831	14,940,239	15,345,556
Capital grants and contributions	77,975,257	176,593,370	105,822,052	58,880,735	78,130,974	198,295,183	93,664,188	34,263,627	52,223,578	48,325,604
Total governmental activities program revenues	\$127,073,296	\$231,218,552	\$160,938,553	\$109,125,128	\$132,018,529	\$257,666,971	\$149,359,091	\$133,828,982	\$106,310,451	\$100,243,478

(continued)

**CITY OF COLORADO SPRINGS
COLORADO
Table 2
(PAGE 2 OF 2)**

**CHANGES IN NET POSITION
Last ten fiscal years**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:										
Charges for services:										
Utilities	\$849,746,000	\$830,522,000	\$797,546,000	\$743,780,000	\$756,774,000	\$721,355,652	\$678,530,612	\$671,846,586	\$590,990,827	\$519,269,460
MHS	415,872,000	551,709,000	550,074,000	543,987,000	553,072,000	507,694,000	425,091,000	397,956,000	365,445,000	350,867,000
Airport	-	20,360,155	19,209,227	21,302,683	25,607,276	25,532,810	25,411,477	24,714,030	26,945,063	22,941,627
Parking	-	3,831,263	3,715,448	3,631,086	3,733,694	3,504,273	3,200,612	2,785,403	2,775,362	2,688,034
Other	33,843,316	9,612,131	9,826,784	24,489,550	25,136,274	24,683,395	8,732,533	8,528,184	7,433,408	7,450,748
Capital grants and contributions	68,939,203	46,543,219	50,430,938	42,733,907	44,401,587	64,979,269	91,230,189	57,521,098	64,671,742	39,233,969
Total business-type activities program revenues	1,368,400,519	1,462,577,788	1,430,802,397	1,379,924,236	1,408,726,831	1,347,749,399	1,232,196,423	1,163,351,301	1,058,261,392	942,450,838
Total primary government program revenues	\$1,495,473,815	\$1,589,651,064	\$1,662,020,929	\$1,540,862,789	\$1,517,851,959	\$1,479,767,928	\$1,489,863,394	\$1,312,710,392	\$1,192,090,374	\$1,048,761,289
Net (expense)/revenue	(\$192,653,742)	(\$191,726,719)	(\$69,523,435)	(\$133,989,698)	(\$216,815,437)	(\$192,185,693)	(\$67,733,577)	(\$161,246,165)	(\$163,593,316)	(\$166,980,059)
Governmental activities	144,023,717	238,548,935	10,130,371	(1,292,055)	75,597,031	(255,866,906)	(48,996,384)	(102,185,284)	79,863,447	(53,002,676)
Business-type activities	(\$48,630,025)	\$46,822,216	(\$59,393,064)	(\$135,281,753)	(\$141,218,406)	(\$448,052,599)	(\$116,729,961)	(\$263,431,449)	(\$83,729,869)	(\$219,982,735)
Total primary government net (expense) revenue	224,923,481	215,351,811	209,375,966	203,429,128	209,600,297	223,054,491	215,609,251	206,342,531	198,439,862	189,167,263
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Property taxes	\$22,897,112	\$24,473,652	\$24,326,164	\$26,275,090	\$25,741,077	\$22,696,117	\$21,906,181	\$20,485,055	\$19,782,761	\$20,443,870
Sales taxes	163,975,846	155,546,936	148,782,961	143,214,662	150,111,070	163,816,420	158,461,159	153,812,340	149,466,682	138,347,621
Specific ownership taxes	2,222,285	2,190,174	2,311,600	2,761,330	3,024,451	3,179,212	3,094,339	3,146,062	3,119,592	3,141,358
Occupational liquor taxes	259,820	257,561	256,153	253,747	254,711	259,320	256,852	253,228	246,664	242,462
Admissions tax	476,030	449,533	490,236	447,568	398,694	313,008	440,766	405,455	371,828	362,888
Bicycle excise tax	90,536	86,091	95,547	89,579	91,074	109,226	111,463	122,757	118,425	101,100
Investment earnings	1,783,647	1,291,703	1,734,681	2,676,486	3,809,609	7,515,253	6,637,647	3,657,449	2,857,160	4,230,670
Gain on sale of capital assets	-	748,077	572,920	1,516,412	275,399	87,244	51,479	16,576	-	-
Contributions to endowments	78,943	73,080	78,543	84,680	94,795	99,192	90,505	83,980	86,892	73,705
Transfers	33,145,262	30,235,004	30,727,161	26,109,574	25,799,417	24,979,499	24,558,860	24,359,629	22,389,858	22,223,619
Total governmental activities	224,923,481	215,351,811	209,375,966	203,429,128	209,600,297	223,054,491	215,609,251	206,342,531	198,439,862	189,167,263
Business-type activities:										
Investment earnings	18,412,607	3,492,224	30,445,172	44,279,364	(8,689,259)	39,371,432	35,910,334	24,999,934	26,130,083	10,020,691
Loss on defeasance and repayment of long term debt	(47,903,000)	-	-	-	-	-	-	-	-	-
Special item - conveyance of assets	(372,358,584)	(1,015,237)	-	-	-	-	-	-	-	-
Transfers	(33,145,262)	(30,235,004)	(30,727,161)	(26,109,574)	(25,799,417)	(24,979,499)	(24,558,860)	(24,359,629)	(22,389,858)	(22,223,619)
Total business-type activities	(434,994,239)	(27,758,017)	(281,989)	18,169,790	(34,488,676)	14,391,933	11,351,474	640,305	3,740,225	(12,202,928)
Total primary government	(\$210,064,758)	\$187,593,794	\$209,093,977	\$221,598,918	\$175,111,621	\$237,446,424	\$226,960,725	\$206,982,836	\$202,180,087	\$176,964,335
Change in net position										
Governmental activities	\$32,275,739	\$23,625,092	\$139,852,531	\$69,439,430	(\$7,215,140)	\$30,868,798	\$147,875,674	\$45,096,366	\$34,846,546	\$22,187,204
Business-type activities	(290,970,522)	210,790,918	9,848,382	16,877,735	41,106,355	(241,474,973)	(37,644,910)	(101,544,979)	83,603,672	(65,205,604)
Total primary government	(\$258,694,783)	\$234,416,010	\$149,700,913	\$86,317,165	\$33,893,215	(\$210,606,175)	\$110,230,764	(\$56,448,613)	\$118,450,218	(\$43,018,400)

FUND BALANCES OF GOVERNMENTAL FUNDS
 Last ten fiscal years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Nonspendable	\$132,999	\$609,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,547,036	7,547,034	-	-	-	-	-	-	-	-
Committed	3,857,623	1,231,321	-	-	-	-	-	-	-	-
Assigned	3,212,142	3,415,078	-	-	-	-	-	-	-	-
Unassigned	47,194,174	37,994,759	-	-	-	-	-	-	-	-
Reserved	-	9,908,610	10,491,562	9,152,823	8,711,416	8,706,621	7,590,511	10,935,884	10,985,168	
Unreserved	-	34,078,702	15,926,061	22,864,229	31,775,420	24,119,856	31,626,013	33,310,291	29,966,862	
Total general fund	\$61,943,974	\$50,797,435	\$43,987,312	\$26,417,623	\$32,017,052	\$40,486,836	\$32,826,477	\$39,216,524	\$44,246,175	\$40,952,030
All other governmental funds										
Nonspendable	\$10,440,549	\$9,721,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	32,237,097	26,971,406	-	-	-	-	-	-	-	-
Committed	11,107,290	10,824,498	-	-	-	-	-	-	-	-
Assigned	32,259	120,349	-	-	-	-	-	-	-	-
Reserved	-	-	10,873,354	10,310,723	8,863,762	11,248,348	10,919,723	10,520,249	20,116,568	19,540,784
Unreserved, reported in:										
Special revenue funds	-	-	28,817,032	29,662,100	30,108,294	34,247,414	36,559,557	32,027,399	26,413,825	26,014,189
Capital projects funds	-	-	6,539,942	5,113,092	9,040,858	12,450,314	11,328,784	14,262,602	8,825,087	15,552,243
Total all other governmental funds	\$53,817,195	\$47,637,471	\$46,230,328	\$45,085,915	\$48,012,914	\$57,946,076	\$58,808,064	\$56,810,250	\$55,355,480	\$61,107,216

Note: The City adopted GASB Statement 54 in 2011 which requires new fund balance classifications for governmental funds.

**CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS**
Last ten fiscal years

**CITY OF COLORADO SPRINGS
COLORADO**
Table 4

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$189,921,630	\$183,003,947	\$176,388,909	\$173,181,802	\$179,790,693	\$190,409,468	\$184,419,011	\$178,378,079	\$173,436,945	\$162,876,843
Licenses and permits	1,761,529	870,688	798,583	557,884	650,977	701,441	980,916	667,337	642,912	620,800
Intergovernmental	51,689,187	62,487,615	85,204,897	57,833,164	53,351,302	60,601,329	54,367,954	43,158,722	40,183,425	43,689,688
Charges for services	20,532,487	21,739,662	24,779,523	25,266,767	29,323,793	29,058,970	33,375,567	32,821,512	31,856,403	29,909,498
Endowments and donations	1,584,805	1,315,079	1,680,204	1,614,763	1,699,147	1,326,375	2,636,147	3,634,011	1,488,187	1,103,146
Other revenue	4,742,492	4,468,747	2,989,985	2,311,184	4,415,975	3,601,664	2,321,482	2,725,085	3,011,634	5,055,993
Investment earnings	1,752,286	1,327,990	1,822,435	2,902,795	3,331,460	6,960,170	5,572,923	3,111,062	2,581,807	3,711,689
Rental income	570,703	605,115	723,937	773,764	767,989	697,917	746,082	660,478	343,776	282,034
Total revenues	272,555,119	275,818,843	294,388,473	264,442,133	273,331,336	293,357,334	284,420,082	265,156,286	253,546,089	247,249,691
Expenditures										
General government	48,772,398	47,390,554	42,203,955	50,559,017	82,353,801	72,231,643	66,991,217	57,177,292	51,961,932	37,678,420
Public safety	145,044,874	141,877,121	141,338,332	135,143,416	113,724,157	116,345,694	119,126,698	110,140,218	101,792,209	99,908,503
Public works	32,353,857	31,816,336	33,423,255	50,726,314	37,188,794	41,998,578	40,554,899	38,190,123	36,948,686	42,067,993
Health and welfare	1,270,179	1,209,861	1,214,390	1,227,493	1,173,833	1,134,100	1,061,100	896,675	1,025,059	964,844
Culture and recreation	18,718,313	18,216,191	21,079,762	22,621,993	21,611,217	22,303,042	20,390,415	20,104,499	17,434,214	18,350,978
Urban redevelopment and housing	6,531,559	4,877,732	6,082,959	4,922,150	5,957,329	5,670,270	6,840,243	5,787,915	8,157,828	10,116,217
Economic development	2,702,372	2,610,152	2,056,965	3,161,992	2,797,534	2,863,231	2,830,396	2,557,373	2,377,006	2,390,999
Economic opportunities	-	-	-	-	3,222	72,952	23,775	12,067	10,668	12,569
Miscellaneous	1,160,787	3,374,694	1,077,315	581,673	815,688	602,960	514,049	660,481	744,467	536,577
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	13,352,897	12,225,107	12,435,183	9,894,252	10,051,894	8,772,742	10,904,822	13,769,724	11,292,768	11,116,285
Interest	5,079,904	5,258,816	5,811,077	4,782,865	4,909,523	5,080,129	6,127,357	6,381,097	6,122,759	5,785,070
Issuance Expense	-	188,001	77,358	1,028,220	-	-	-	-	-	-
Capital outlay	16,958,479	29,006,978	41,390,901	56,397,757	46,673,145	41,240,465	33,440,043	42,296,100	50,576,149	67,229,786
Total expenditures	291,945,619	298,051,543	308,191,452	341,047,072	327,260,137	318,315,826	308,805,014	297,973,564	288,443,745	296,162,241
Deficiency of revenues under expenditures	(19,390,500)	(22,232,700)	(13,802,979)	(76,604,939)	(53,928,801)	(24,958,492)	(24,384,932)	(32,817,278)	(34,897,656)	(48,912,550)
Other financing sources (uses)										
Transfers - in	40,886,014	39,793,341	46,854,998	34,325,645	39,019,942	39,631,621	42,599,569	45,172,685	37,353,535	29,808,563
Transfers - out	(6,740,752)	(7,877,337)	(16,127,837)	(9,666,071)	(11,720,525)	(16,897,772)	(18,040,709)	(20,490,444)	(14,701,582)	(7,541,718)
Issuance of debt	-	13,485,000	3,900,000	65,930,000	2,790,000	10,476,900	-	2,695,000	25,915,000	15,070,000
Payment on refunding bonds	-	(16,262,864)	(4,221,551)	(38,707,635)	-	(11,161,225)	-	-	(17,398,900)	-
Premium on bonds issued	-	563,751	201,552	2,370,180	-	953,410	-	-	430,447	-
Debt issuance cost	2,402,394	-	1,337,000	(752,657)	5,158,766	(256,106)	-	1,218,293	561,191	3,276,269
Capital lease financing	169,107	748,075	572,919	13,059,230	8,540,289	8,540,289	369,085	646,863	280,374	525,138
Sale of capital assets	-	-	-	1,519,819	277,672	213,641	-	-	-	-
Total other financing sources (uses)	36,716,763	30,449,966	32,517,081	68,078,511	35,525,855	31,500,758	24,927,945	29,242,397	32,440,065	41,138,252
Net change in fund balances	\$17,326,263	\$8,217,266	\$18,714,102	(\$8,526,428)	(\$18,402,946)	\$6,542,266	\$543,013	(\$3,574,881)	(\$2,457,591)	(\$7,774,298)
Debt service as a percentage of noncapital expenditures	6.6%	6.3%	6.9%	4.9%	5.1%	4.8%	6.1%	7.5%	6.8%	7.3%

SALES AND USE TAX REVENUE

Last ten fiscal years

Fiscal Year	City Sales and Use Tax	Public Safety Sales and Use Tax	Trails, Open Space and Parks Sales and Use Tax	Total Direct Tax Rate
2003	\$106,150,250	\$21,041,083	\$5,307,512	2.50%
2004	116,471,513	23,000,535	5,823,575	2.50%
2005	118,648,568	23,660,221	5,932,430	2.50%
2006	122,626,114	24,478,592	6,131,306	2.50%
2007	125,661,571	25,131,496	6,283,079	2.50%
2008	115,961,702	23,190,497	5,798,084	2.50%
2009	111,023,593	22,195,799	5,551,180	2.50%
2010	117,428,817	23,485,755	5,871,441	2.50%
2011	121,845,027	24,369,005	6,092,251	2.50%
2012	128,711,178	25,742,236	6,435,558	2.50%

Source: City Sales Tax Division Reports

**DIRECT AND OVERLAPPING
SALES AND USE TAX RATES**
Last ten fiscal years

**CITY OF COLORADO SPRINGS
COLORADO**
Table 6

Fiscal Year	City Direct Rates				Overlapping Rates		Total Direct and Overlapping Rates
	City Sales and Use Tax	Public Safety Sales and Use Tax	Trails, Open Space and Parks Sales and Use Tax	Total Direct	El Paso County Sales Tax	Pikes Peak Rural Transportation Authority Tax	
2003	2.00%	0.40%	0.10%	2.50%	1.00%	-	3.50%
2004	2.00%	0.40%	0.10%	2.50%	1.00%	-	3.50%
2005	2.00%	0.40%	0.10%	2.50%	1.00%	1.00% ¹	4.50%
2006	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2007	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2008	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2009	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2010	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2011	2.00%	0.40%	0.10%	2.50%	1.00%	1.00%	4.50%
2012	2.00%	0.40%	0.10%	2.50%	1.00%	1.00% ²	3.50%

Note: In April 1991, voters approved City Charter Amendment #3, entitled the "Taxpayers Bill of Rights." A similar statewide constitutional amendment was passed in November 1992. One of the provisions of this amendment is that advance voter approval is necessary for any new tax or tax increase.

¹In November 2004, voters in El Paso County, Colorado Springs, Manitou Springs, and Green Mountain Falls approved the new Pikes Peak Rural Transportation Authority (PPRTA) 1% sales and use tax. The new tax was effective as of January 1, 2005.

²In November 2012, voters in El Paso County, Colorado Springs, Manitou Springs, Green Mountain Falls, and Ramah approved an extension of the capital portion of PPRTA, which is 55% of the 1-cent sales and use tax. This extends the PPRTA tax through 2024.

PRINCIPAL TAXPAYERS

SALES AND USE TAXPAYERS BY INDUSTRY
 Current year and seven years ago

Industry	Fiscal Year 2012			Fiscal Year 2005		
	Sales and Use Tax Amount	Rank	Percentage of Total City Sales and Use Tax	Sales and Use Tax Amount	Rank	Percentage of Total City Sales and Use Tax
Miscellaneous retail	\$21,002,208	1	13.05%	\$24,284,180	1	13.66%
Restaurants	20,856,123	2	12.96%	19,963,444	5	11.23%
Department and discount stores	19,328,803	3	12.01%	20,810,428	4	11.70%
Auto Dealers	18,895,822	4	11.74%	-	-	-
Miscellaneous retail	18,798,665	5	11.68%	21,236,850	3	11.94%
Building materials	-	-	-	21,899,790	2	12.32%
	<u>\$98,881,621</u>		<u>61.44%</u>	<u>\$108,194,692</u>		<u>60.85%</u>

Source: Sales Tax Division

Note: Due to requirements under the City Charter, the names of the ten largest revenue payers are confidential. The industry categories listed provide alternative information regarding the sources of the City's revenue.

Will compare 2005 to future years until nine years of data is available.

PROPERTY TAXPAYERS

Current year

Taxpayer	Type of Business	Fiscal Year 2012	
		Assessed Valuation	Percentage of Total City Assessed Value
Qwest Corporation	Utility	\$50,009,610	1.09%
Broadmoor Hotel Inc.	Resort hotel	29,306,760	0.64%
DPIX	Imaging solutions manufacturer	28,341,720	0.62%
Wal-Mart Real Estate	Discount retail	23,803,570	0.52%
Cellco Partnership (f/k/a Verizon Wireless)	Utility	21,632,750	0.47%
Federal Express Corp	Mail and Shipping	14,809,200	0.32%
Palmer Center Ltd.	Real estate company	13,689,410	0.30%
Chapel Hills Mall LLC	Retail	13,346,530	0.29%
Citadel Drive Holdings LLC	Retail	12,632,680	0.27%
Progressive Direct Insurance Co.	Insurance	12,296,710	0.27%
		<u>\$219,868,940</u>	<u>4.79%</u>

Source: El Paso County Treasurer's office.

Note: See Table 19 for the City's assessed value information.

Property taxpayer information is included for continuing disclosure requirements on bonds. As such, only current year data is presented.

Fiscal Year	Governmental Activities (in 000's)					Business-Type Activities (in 000's)				Total	
	General Obligation Bonds	Sales Tax Revenue Bonds	Certificates of Participation	Special Assessment Bonds & Notes	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases	Primary Government (in 000's)	Percentage of Personal Income ¹	Per Capita ¹
2003	\$27,345	\$69,115	\$26,590	\$784	\$5,304	\$1,487,635	\$20,483	\$1,465	\$1,638,721	9.16%	\$4,368
2004	32,445	64,490	25,305	644	4,399	1,664,306	19,807	679	1,812,075	9.60%	4,784
2005	29,195	59,670	23,915	536	3,808	1,775,026	19,101	676	1,911,927	9.49%	4,991
2006	25,935	54,645	22,475	405	2,656	1,833,365	19,651	637	1,959,769	9.12%	5,001
2007	22,490	50,830	20,995	364	9,928	1,881,485	23,277	463	2,009,832	8.81%	5,090
2008	21,725	47,370	19,450	222	13,633	1,960,981	22,687	2,380	2,088,448	8.76%	5,206
2009	18,050	43,615	49,135	111	23,590	2,044,188	98,022	2,683	2,279,394	9.71%	5,590
2010	16,980	37,280	47,575	-	21,316	2,550,918	100,979	2,360	2,777,408	11.23%	6,655
2011	16,145	30,750	43,440	-	17,913	2,501,884	94,979	1,391	2,706,502	10.25%	6,340
2012	15,270	24,030	41,805	-	16,190	2,285,310	30,558	1,208	2,414,371	8.56%	5,619

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹Personal income and population data was updated for prior years and can be found on Table 13.

**RATIOS OF GENERAL BONDED
DEBT OUTSTANDING**
Last ten fiscal years

**CITY OF COLORADO SPRINGS
COLORADO**
Table 9

Fiscal Year	General Obligation Bonds (in 000's)	Less: Non-City Obligations (in 000's) ²	City General Obligation Bonds (in 000's)	Assessed Value of Property (in 000's)	Percentage of Assessed Value of Property	Per Capita ¹
2003	\$27,345	\$10,375	\$16,970	\$3,734,731	0.45%	\$45.23
2004	32,445	18,450	13,995	3,783,803	0.37%	36.95
2005	29,195	17,885	11,310	4,103,863	0.28%	29.52
2006	25,935	17,360	8,575	4,215,419	0.20%	21.88
2007	22,490	16,705	5,785	4,738,226	0.12%	14.65
2008	21,725	18,790	2,935	4,773,750	0.06%	7.32
2009	18,050	18,050	-	4,948,368	-	-
2010	16,980	16,980	-	4,938,341	-	-
2011	16,145	16,145	-	4,601,619	-	-
2012	15,270	15,270	-	4,600,222	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹Population data can be found on Table 13.

²Non-City Obligations represent general obligation bonds of the City's blended component units. These bonds are to be repaid solely by funds provided by the property owners within the geographical boundaries of the component units.

**DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Table 10**

Governmental Unit	Estimated Percentage Applicable	Debt Outstanding	Estimated Share of Overlapping Debt	Debt Outstanding (Excluding COPs)	Estimated Share of Overlapping Debt (Excluding COPs)
El Paso County	72.30%	\$174,462,490	\$126,140,705	\$2,567,490	\$1,856,359
Harrison School District #2	86.10%	60,841,729	52,383,356	60,841,729	52,383,356
Widefield School District #3	3.82%	12,705,000	485,824	12,705,000	485,824
Fountain/Fort Carson School District #8	0.03%	9,700,000	2,451	-	-
Colorado Springs School District #11	85.34%	202,870,003	173,123,246	178,910,003	152,676,492
Cheyenne Mountain School District #12	92.02%	20,422,503	18,793,048	20,422,503	18,793,048
Manitou School District #14	9.03%	5,285,000	477,293	5,285,000	477,293
Air Academy School District #20	77.78%	141,729,508	110,236,153	139,104,508	108,194,448
Ellicott School District #22	0.34%	5,078,191	17,501	4,253,191	14,658
Falcon School District #49	45.30%	129,009,002	58,442,740	44,794,002	20,292,260
Barnes & Powers North BID	100.00%	3,820,000	3,820,000	3,820,000	3,820,000
Barnes & Powers South BID	100.00%	725,000	725,000	725,000	725,000
Briargate Center BID	100.00%	4,220,000	4,220,000	4,220,000	4,220,000
First & Main BID	100.00%	1,555,000	1,555,000	1,555,000	1,555,000
First & Main #2 BID	100.00%	2,350,000	2,350,000	2,350,000	2,350,000
First & Main North BID	100.00%	1,814,251	1,814,251	1,814,251	1,814,251
Interquest North BID	100.00%	6,475,000	6,475,000	6,475,000	6,475,000
Powers and Woodmen BID	100.00%	1,815,000	1,815,000	1,815,000	1,815,000
Colorado Springs Urban Renewal Authority	100.00%	52,675,000	52,675,000	52,675,000	52,675,000
Subtotal, overlapping debt			615,551,568		430,622,989
City direct debt			97,295,000		55,490,000
Total direct and overlapping debt			<u>\$712,846,568</u>		<u>\$486,112,989</u>

Outstanding Debt values include General Obligation bonds, Certificates of Participation (COP), Capital Leases, and other types of debt.

Sources: Assessed value data used to estimate applicable percentages is provided by the El Paso County Assessor's office final certification letter dated November 21, 2011. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF COLORADO SPRINGS
 COLORADO
 Table 11

LEGAL DEBT MARGIN INFORMATION
 Last ten fiscal years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$373,473,130	\$378,380,271	\$410,386,307	\$421,541,959	\$473,822,587	\$477,374,953	\$494,836,820	\$493,834,140	\$460,161,902	\$460,022,289
Total net debt applicable to limit	16,970,000	13,995,000	11,310,000	8,575,000	5,785,000	2,935,000	-	-	-	-
Legal debt margin	\$356,503,130	\$364,385,271	\$399,076,307	\$412,966,959	\$468,037,587	\$474,439,953	\$494,836,820	\$493,834,140	\$460,161,902	\$460,022,289
Total net debt applicable to the limit as a percentage of debt limit	4.54%	3.70%	2.76%	2.03%	1.22%	0.61%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value - 2012 for 2013 taxes	\$4,600,222,890
Debt limit (10% of assessed value)	460,022,289
Debt applicable to limit: General obligation bonds	-
Total net debt applicable to limit	-
Legal debt margin	\$460,022,289

PLEGGED REVENUE COVERAGE
Last ten fiscal years

Fiscal Year	Utilities Revenue Bonds				MHS Revenue Bonds					
	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Coverage	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Coverage		
			Principal	Interest			Principal	Interest		
2003	\$545,620,366	\$427,414,052	\$118,206,314	\$14,233,525	\$427,373,003	\$356,865,392	\$70,507,611	\$14,070,000	\$4,860,688	3.72
2004	633,739,434	474,551,233	159,188,201	16,603,572	433,790,077	371,616,042	62,174,035	20,840,000	1,921,706	2.73
2005	716,218,779	516,369,158	199,849,621	17,256,540	435,369,989	375,481,034	59,888,955	20,840,000	1,921,706	2.63
2006	718,507,863	531,512,370	186,995,493	18,298,215	479,344,468	417,945,851	61,398,617	20,840,000	1,921,706	2.70
2007	763,754,405	565,046,685	198,707,720	17,905,225	575,864,553	514,228,163	61,636,390	20,840,000	1,921,706	2.71
2008	788,601,365	627,795,505	160,805,860	7,551,592	594,401,435	551,705,616	42,695,819	20,840,000	3,355,759	1.76
2009	769,135,361	593,636,333	175,499,028	9,681,357	589,191,456	527,057,252	62,134,204	7,652,250	17,429,644	2.48
2010	832,076,083	626,317,175	205,758,908	16,111,357	627,273,174	552,291,480	74,981,694	7,652,250	17,429,644	2.99
2011	871,787,767	602,713,246	269,074,521	27,597,493	616,377,763	566,986,955	49,390,808	8,152,250	16,983,655	1.96
2012	896,096,459	558,294,875	337,801,584	47,440,949	-	-	-	-	-	3

Fiscal Year	Airport Revenue Bonds				Parking Revenue Bonds					
	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Coverage	Applicable Revenues	Less: Operating Expenses	Net Available Revenue	Coverage		
			Principal	Interest			Principal	Interest		
2003	\$2,289,621	\$12,967,319	\$9,322,302	\$2,000,855	\$2,775,368	\$1,117,453	\$1,657,915	\$360,000	\$345,338	2.35
2004	22,571,575	13,039,813	9,531,762	2,169,586	2,790,574	1,168,642	1,621,932	375,000	330,938	2.30
2005	22,648,070	13,216,784	9,431,286	2,167,466	2,930,869	1,462,482	1,468,380	385,000	315,938	2.09
2006	23,602,795	13,804,532	9,798,263	2,175,370	3,445,591	1,224,171	2,221,420	400,000	549,684	2.34
2007	23,855,188	14,722,292	9,132,896	2,101,895	3,833,722	1,476,778	2,356,944	420,000	607,173	2.29
2008	24,147,143	14,537,476	9,609,667	3,525,250	4,020,690	1,388,731	2,631,959	435,000	590,373	2.57
2009	23,444,173	14,914,375	8,529,798	1,729,912	3,790,011	1,443,133	2,346,878	480,000	572,973	2.23
2010	21,065,961	15,380,368	5,685,593	1,295,000	3,780,270	1,719,442	2,060,828	505,000	553,929	1.95
2011	21,995,280	14,399,903	7,595,377	3,020,000	3,897,747	1,540,444	2,357,303	525,000	533,119	2.23
2012	21,305,660	14,342,230	6,963,430	3,180,000	3,868,184	1,518,912	2,349,272	545,000	510,979	2.22

Fiscal Year	Sales and Use Tax Revenue Bonds				Special Assessment Bonds			
	Use Tax Collections	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2003	\$108,235,624	\$4,435,000	\$3,412,821	13.79	\$221,888	\$178,932	\$78,423	0.86
2004	117,043,184	4,625,000	3,224,334	14.91	223,355	156,592	65,205	1.01
2005	120,215,439	4,820,000	3,027,771	15.32	193,015	138,769	53,707	1.00
2006	123,813,924	5,025,000	2,822,921	15.78	192,999	143,432	43,155	1.03
2007	127,794,303	3,465,000	2,354,133	21.96	147,986	125,895	32,566	0.93
2008	116,933,775	3,460,000	2,501,993	19.61	186,850	154,600	27,704	1.02
2009	111,942,192	1,250,000	1,047,208	48.73 ¹	134,318	122,912	17,296	0.96
2010	115,684,401	6,335,000	1,511,650	14.74	112,351	120,833	8,302	0.87
2011	121,249,546	6,530,000	1,321,000	15.44	-	-	-	-
2012	128,018,959	6,720,000	1,124,350	16.32	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹In 2009, the City refunded the remaining 1999 Sales and Use Tax Revenue Bonds. The refunding resulted in a one-time decrease in current year debt service and increase in the coverage rate.

²Restated

³MHS revenue bonds defeased in 2012.

**DEMOGRAPHIC AND
ECONOMIC STATISTICS**
Last ten fiscal years

**CITY OF COLORADO SPRINGS
COLORADO**
Table 13

Fiscal Year	Population¹	Personal Income (in 000's)²	Per Capita Personal Income²	Unemployment Rate³
2003	375,189	\$17,888,571	\$31,426	6.1%
2004	378,793	18,879,052	32,643	5.6%
2005	383,071	20,147,935	34,278	5.2%
2006	391,846	21,479,738	35,649	4.5%
2007	394,858	22,803,097	37,413	4.2%
2008	401,186	23,827,202	38,391	5.5%
2009	407,733	23,486,546	37,221	8.5%
2010	417,335 **	24,722,493	37,999	9.6%
2011	426,881	26,408,772	39,994	9.4%
2012	429,679 *	28,210,069 *	42,094 *	9.2%

Sources:

¹Colorado Department of Local Affairs, Demography section.

²U.S. Department of Commerce, Bureau of Economic Analysis for Colorado Springs Metropolitan Statistical Area (MSA) with new estimates for 2011 and revised estimates for 2009-2010. Prior years adjusted to reflect November 2012 report.

³U.S. Department of Labor, Bureau of Labor Statistics for City of Colorado Springs

* estimate

** census

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2012		2003	
	Rank	Percentage of Total County Employment	Rank	Percentage of Total County Employment
Fort Carson Army Post	1	12.14%	1	6.52%
Peterson Air Force Base	2	4.89%	3	2.34%
Schriever Air Force Base ²	3	3.40%	9	0.91%
United States Air Force Academy	4	2.73%	2	2.76%
Memorial Health Services	5	1.97%	4	1.53%
Colorado Springs School District #11	6	1.67%	5	1.48%
Academy School District #20	7	1.15%	-	-
Penrose-St. Francis Health Services	8	1.10%	6	1.27%
City of Colorado Springs ¹	9	0.96%	7	1.04%
El Paso County	10	0.88%	-	-
Lockheed Martin Corporation	-	-	8	1.03%
Compaq Computer Corporation	-	-	10	0.95%
		<u>30.89%</u>		<u>19.83%</u>

Notes:

¹City of Colorado Springs includes the total of all full-time equivalent employees (FTE's) in all funds and enterprises except Colorado Springs Utilities and Memorial Health System.

²Schriever Air Force Base previously known as Falcon Air Force Base.

Sources: Employer and employee information from the Colorado Springs Economic Development Corporation as well as local businesses based on prior year reported data. Total El Paso County employment information used to calculate the percentage of total county employment from the Colorado Department of Labor & Employment.

**FULL-TIME EQUIVALENT
CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last eight fiscal years**

**CITY OF COLORADO SPRINGS
COLORADO
Table 15**

Function/Program	Fiscal year ended December 31							
	2012	2011	2010	2009	2008	2007	2006	2005
General government	285.08	239.80	263.80	263.30	314.55	278.25	270.50	271.00
Public safety	1,366.75	1,421.75	1,392.75	1,450.25	1,484.00	1,479.75	1,479.75	1,462.75
Public works	281.00	267.00	281.00	309.50	309.75	299.75	304.75	307.75
Culture and recreation	111.50	119.25	102.50	190.00	204.35	196.75	191.50	197.75
Urban redevelopment and housing	34.00	41.00	34.00	46.00	54.00	54.00	54.00	63.00
Utilities	1,859.00	1,856.00	1,856.00	1,911.00	1,848.00	1,929.75	1,956.75	1,930.00
MHS ¹	-	3,555.00	3,487.50	3,812.00	4,075.40	4,075.00	3,333.00	3,050.00
Airport	122.00	121.00	121.00	121.00	121.00	118.00	118.00	117.00
Parking	7.50	7.50	7.50	8.00	8.00	8.00	8.00	8.00
Other non-major enterprise funds	49.00	68.50	99.50	102.50	113.50	108.00	70.50	70.50
Total	4,115.83	7,696.80	7,645.55	8,213.55	8,532.55	8,547.25	7,786.75	7,477.75

Notes: Function/Program FTE count previously included all other non-Enterprise and non-General Fund positions in General Government. Historical full-time equivalent (FTE) count has been updated to reflect the department in which staff resides.

¹ Beginning in 2012, as a result of the MHS lease, MHS figures are no longer included.

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last ten fiscal years

Function/Program	2012	2011	2010	2009
General government				
Internal audits completed	26	26	23	22
Summons filed	34,499	36,678	42,761	41,900
Contractual transactions	2,897	2,636	3,350	4,900
Workers compensation claims	386	418	417	480
Public safety				
Emergency response time - Police	11.6	11.4	10.6	10.3
Percent of emergency incident arrival within 8 minutes - Fire	90	89.4	89.5	89.8
Violent and property crime rates (per 1,000 population) ³	40.0	42.0	40.7	45.0
Emergency incidents (per 10,000 population)	1,272	1,266	1,179	1,120
Public works				
Miles resurfaced	178	148	50	37
Fixed route transit revenue hours of service	112,877	124,011	121,700	176,354
Painted lane miles	914	1,449	1,288	1,659
Culture and recreation				
Museum/archive attendance	192,280	256,547	176,883	182,500
Street and park trees	218,000	126,602	127,000	123,600
Acres of parks maintained	16,184	16,143	15,428	13,804
Program participants	691,105	691,786	971,711	973,147
Urban redevelopment and housing				
Projects managed	17	2	4	8
Affordable housing developed and rehabilitated	135	188	334	305
Clients assisted ¹	288	188	334	91
Utilities				
Total metered customers ²	537,096	530,208	530,208	521,878
Annual natural gas moved through pipes (thousands of mcf)	23,376	24,020	24,026	29,200
Electric use (thousands of MWh)	4,600	4,630	4,630	4,400
Water use (millions of gallons)	27,800	23,700	23,700	24,100
Wastewater treatment (millions of gallons)	15,586	15,586	15,586	12,800
MHS				
Admissions	17,420	25,633	27,980	29,713
Outpatient visits	280,982	384,655	385,500	398,426
Emergency visits	101,550	135,517	132,175	130,513
Births	3,286	4,604	4,802	5,000
Airport				
Passenger boardings (in thousands)	822	814	869	892
Airline revenue per enplaned passengers	\$8.46	\$9.77	\$8.59	\$7.98
Parking				
Revenues collected per space - on-street	\$729	\$791	\$776	\$779
Revenues collected per space - off-street	\$767	\$793	\$727	\$722
Other				
Cemetery - burial services	601	698	615	624
Development Review - plans reviewed	10,535	9,645	8,802	8,957
Golf courses - rounds played	188,546	173,011	203,025	203,820
Pikes Peak Highway - number of visitors	265,332	265,124	255,000	267,500

Note:

Sources: City, MHS and Utilities staff reports and websites.

¹ For 2009, number reported is the total households assisted rather than total individual clients.

² Some customers have multiple services and may be counted more than once.

³ For 2012, the Violent and Property crime rate reported is an estimate based on 2013 Budget.

**CITY OF COLORADO SPRINGS
COLORADO
Table 16**

Fiscal Year					
2008	2007	2006	2005	2004	2003
24	25	14	96	61	56
51,745	56,840	63,636	70,805	72,135	59,537
4,900	4,208	3,727	5,082	4,756	3,767
493	530	539	565	521	582
9.9	11.6	11.2	11.8	11.3	11.2
90.6	89.9	90.0	90.0	88.8	89.0
44.3	46.5	51.9	55.5	58.0	55.5
1,129	1,133	1,155	1,160	1,131	1,092
55	112	144	144	95	80
216,732	214,145	211,166	135,808	134,736	139,229
1,822	2,153	1,350	1,313	1,300	1,800
191,400	124,911	138,646	85,939	73,841	72,090
123,600	123,600	122,514	118,500	118,500	119,000
13,539	12,895	12,884	12,562	12,562	11,724
1,111,000	1,106,296	1,012,360	1,110,609	1,017,471	1,041,601
7	9	9	7	5	6
152	230	332	250	282	445
401	180	192	401	662	N/A
526,421	524,000	517,884	508,655	617,981	603,081
24,301	24,895	22,755	22,910	23,309	23,416
5,213	4,827	4,548	4,593	4,558	4,493
28,002	25,680	26,410	26,975	23,816	24,819
13,550	12,902	12,810	13,262	12,703	12,876
30,357	30,096	27,805	27,774	25,552	25,643
393,251	360,528	322,983	309,173	295,979	268,996
126,224	113,492	101,797	98,167	93,261	97,761
4,876	4,884	4,546	4,430	4,150	4,505
998	1,034	1,017	1,031	1,035	1,010
\$7.48	\$6.71	\$6.51	\$6.98	\$7.54	\$7.87
\$873	\$879	\$816	\$619	\$560	\$565
\$779	\$893	\$879	\$714	\$693	\$737
664	661	674	704	647	661
11,594	14,451	13,625	15,630	17,927	7,091
202,305	201,070	203,530	201,909	205,970	220,264
254,419	270,528	256,560	257,309	241,688	252,552

**CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM
Last eight fiscal years**

**CITY OF COLORADO SPRINGS
COLORADO
Table 17**

Function/Program	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Public safety								
Police								
Area commands (stations)	4	4	4	4	4	4	4	4
Patrol units	185	205	228	200	241	294	285	330
Fire								
Stations	20	20	20	20	20	20	20	20
Emergency units	75	73	74	75	69	90	73	69
Public works								
Streets (centerline miles)	NA	NA	NA	NA	1,576	1,576	1,542	1,450
Streets (lane miles) ¹	7,431	7,431	7,431	7,431	NA	NA	NA	NA
Major bridges	215	212	206	209	205	170	83	83
Signalized intersections	565	563	564	565	564	545	515	500
Transit buses	43	57	57	58	94	128	102	86
Culture and recreation								
Parks and open space locations	201	200	199	199	198	198	184	178
Sports complexes	5	5	5	5	7	7	6	6
Community centers	4	4	6	8	7	7	7	5
Utilities								
Electric distribution lines (miles)	3,316	3,451	3,451	3,451	3,451	3,432	3,319	2,892
Natural gas pipe (miles)	2,408	2,400	2,400	2,320	2,320	2,278	2,160	2,104
Water distribution lines (miles)	2,015	2,010	2,010	1,892	1,892	1,780	1,738	1,800
MHS ²								
Number of hospital beds	-	671	671	671	717	717	477	477
Health care facilities	-	16	17	16	15	15	15	15
Airport								
Number of runways	3	3	3	3	3	3	3	3
Parking								
Number of parking spaces - on-street	2,400	2,389	2,360	2,360	2,389	2,404	2,360	2,360
Number of parking spaces - off-street	2,703	2,703	2,703	2,703	2,703	2,136	2,136	2,136

Sources: City, MHS and Utilities staff reports and websites.

¹ Streets Division began recording street miles as lane miles rather than centerline miles in 2008/2009.

² Beginning in 2012, as a result of the MHS lease, MHS figures are no longer included.

**SALES AND USE TAX REVENUE
COLLECTION COSTS AND REQUIRED REFUNDS
Last ten fiscal years**

**CITY OF COLORADO SPRINGS
COLORADO
Table 18**

Fiscal Year	Collection Cost	Required Refunds
2003	\$2,837,599	\$562,868
2004	2,238,376	590,059
2005	2,102,833	1,476,970
2006	2,138,951	797,409
2007	2,382,311	297,007
2008	2,266,785	1,359,304
2009	1,317,980	633,732
2010	197,192 *	1,866,153
2011	- *	518,744
2012	- *	564,879

Note: This table reflects values for the General Fund only.

* Retailer fee was eliminated in 2010.

**ASSESSED VALUATIONS, PROPERTY TAX
LEVIES AND COLLECTIONS**
Last ten fiscal years

**CITY OF COLORADO SPRINGS
COLORADO**
Table 19

Fiscal Year	Assessed Valuation (in 000's)	Total Tax Levy	Total Current Collections	Collections as a Percent of Levy	Current Year Outstanding Delinquent Taxes	All Years Outstanding Delinquent Taxes	All Years Delinquent Taxes as a Percent of Levy
2003	\$3,875,111	\$19,499,562	\$18,276,035	93.7%	\$225,021	\$398,269	2.0%
2004	3,734,731	18,793,169	17,873,516	95.1%	61,249	206,715	1.1%
2005	3,783,803	18,707,124	18,172,673	97.1%	64,741	204,446	1.1%
2006	4,103,863	20,289,499	19,543,229	96.3%	64,551	214,833	1.1%
2007	4,215,420	20,841,035	20,022,230	96.1%	30,970	175,434	0.8%
2008	4,738,226	23,425,810	22,750,839	97.1%	56,121	138,455	0.6%
2009	4,773,750	23,601,422	23,007,963	97.5%	77,498	146,802	0.6%
2010	4,948,368	21,174,070	20,666,136	97.6%	49,593	97,882	0.5%
2011	4,938,341	21,131,161	20,617,424	97.6%	50,327	105,906	0.5%
2012	4,601,619	19,690,330	19,208,455	97.6%	52,186	132,999	0.7%

Notes: Collections are net of positive and negative abatements.
Fiscal year is the year of collection.
Certification of assessed valuation and mill levies is done in the year prior to the year of collection.

**DIRECT AND OVERLAPPING MILL LEVY
RATES - WITHIN CITY LIMITS
Last ten fiscal years**

**CITY OF COLORADO SPRINGS
COLORADO
Table 20**

Fiscal Year	City	County Government	School District No 11	Library District	Water Conservancy District	Total
2003	5.032	7.880	39.812	3.271	0.897	56.892
2004	5.032	7.947	41.698	3.434	0.947	59.058
2005	4.944	8.012	42.094	3.495	0.947	59.492
2006	4.944	7.673	43.813	3.296	0.943	60.669
2007	4.944	7.710	44.045	3.515	0.941	61.155
2008	4.944	7.514	44.045	3.325	0.915	60.743
2009	4.944	7.748	44.054	3.540	0.943	61.229
2010	4.279	7.531	42.183	3.468	0.940	58.401
2011	4.279	7.717	42.493	3.556	0.947	58.992
2012	4.279	7.597	44.004	3.999	0.947	60.826

Notes: Fiscal year is the year of collection.
 Certification of assessed valuation and mill levies is done in the year prior to the year of collection.
 Rates include levies for operations and debt service.
 Representative sample of overlapping districts, other overlapping district mill levies vary.

**MUNICIPAL SOLID WASTE LANDFILL
CLOSURE AND POSTCLOSURE CARE COSTS
December 31, 2012**

**CITY OF COLORADO SPRINGS
COLORADO
Table 21**

Facility	Closure Costs	Postclosure Costs	Total Cost	Percentage of Capacity Used
Hancock	\$256,913	\$4,258	\$261,171	n/a
Clear Spring Gravel Pit 1	75,412	854,200	929,612	
Clear Spring Gravel Pit 1 C&D Solids				100.00%
Clear Spring Gravel Pit 1 Monofill				70.71%
Clear Spring Gravel Pit 2 C&D Solids	133,945	34,279	168,224	50.25%
Clear Spring - Ash Disposal	1,712,384	1,027,993	2,740,377	66.30%
Clear Spring - Biosolids	2,593,991	1,041,761	3,635,752	38.60%
Total Cost	<u>\$4,772,645</u>	<u>\$2,962,491</u>	<u>\$7,735,136</u>	

Notes:

Percentage of capacity used does not apply to the Hancock facility. The entire liability for this facility is recognized on the Government-wide Statement of Net Position.

Liabilities for the Clear Spring (formerly Hanna Ranch) facilities are recognized on a capacity used basis in the Utilities fund; total costs for the Clear Spring facilities based on capacity used are estimated at \$7,473,965. The total costs from the above table are based on the last independent assessment performed in 2012.