

CITY OF MONTROSE, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

For the Year Ended
December 31, 2017



RECEIVED

Office of the State Auditor

August 3, 2018

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Management's Discussion and Analysis

As management of the City of Montrose (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Montrose for the fiscal year ended December 31, 2017.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2017 by \$153,016,277. Of this amount, \$56,885,900 is unrestricted to meet the City's ongoing obligations to its citizens and creditors.
- The General Fund's largest revenue source is Sales and Use tax that is collected by retail businesses that conduct business within the City's boundaries whether by the delivery method or place of business. The Sales & Use tax revenue collected at 3% on tangible personal property in 2017 was \$16,466,872; which is an increase of 5.3% over 2016 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,714,849, an increase of \$10,635,632 over the prior year. Approximately 31% of this total amount, \$8,432,436 is available for spending at the City Council's discretion (unassigned fund balance) for general government functions such as streets, parks and public safety. The City borrowed \$10,000,000 in the fall of 2017 to fund the public infrastructure of the Colorado Outdoors project as well as street improvements throughout the City.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,432,436 or 50% of the total general fund operating expenditures which meets the fund balance policy.
- Resolution 2006-24 was approved by the City Council in August that recommended transferring ¼% of the sales & use tax to the Capital Improvement Fund for street repairs and improvements throughout the City. In 2017, an additional \$1,111,660 was transferred to the Capital Improvement Fund for a total transfer of \$1,911,660.
- The City's total long-term liabilities increased by \$9,242,454 during the current fiscal year or by approximately 398%. This is attributable to the amount borrowed for public infrastructure improvements.
- The City collects a capacity fee when a water and/or sewer tap is issued. This fee is to recover the cost of new connector's proportionate share of capacity in the infrastructure and to fund growth related capital improvements. In 2017, the City collected \$182,189 in water capacity fees and \$427,909 in sewer capacity fees. These fees represent an 80% and 110% increase respectively over the previous year collections.
- Water Fund capital projects included studies for the Cerro Reservoir dam replacement and replacing water lines on Lot and Water streets.
- In 2017, the Sewer Fund capital projects included work to eliminate lift stations; design of WWTP Headworks building; manhole rehabilitation; Hillcrest relief line and replacing the HVAC at the WWTP.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Montrose that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type-activities*). The governmental activities of the City include general government, public safety, Pavilion operations, parks maintenance and street maintenance. The business-type activities of the City of Montrose include Water, Sewer, Trash and Recycling, Black Canyon Golf Course, Fleet Management, and Information Services.

The government-wide financial statements can be found on pages 3 and 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Montrose, 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 of Montrose can be divided into two categories: governmental funds and proprietary 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 City'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 City'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 of Montrose maintains 20 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, Montrose urban renewal authority, capital improvement fund and special improvements revolving fund because they are considered to be major funds for the 2017 fiscal year. Data from the other 16 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The City of Montrose adopts an annual appropriated budget for all funds at the fund level. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary funds. The City of Montrose maintains two (2) different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Montrose uses enterprise funds to account for its Water, Sewer, Trash and Recycling services and Black Canyon Golf Course. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Montrose uses internal service funds to account for its fleet of vehicles, information services, and employee health and dental insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sewer, Trash & Recycling services and the Black Canyon Golf Course which are considered to be major funds of the City of Montrose. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 9 through 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 31 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary comparisons. Required supplementary information can be found on page 32 and 34 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 35 through 67 of the report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. Approximately 59% of the City's net position reflect its investment in capital assets (land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Montrose Statement of Net Position

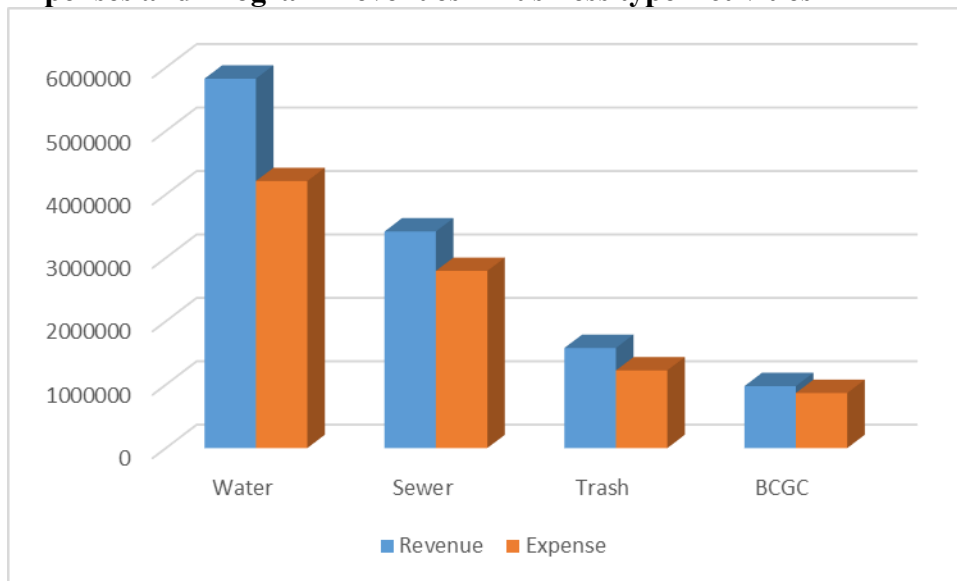
	Governmental activities		Business-type activities		Total		Amount of Change	% Change
	2017	2016	2017	2016	2017	2016		
Current assets	\$ 32,845,199	\$ 22,750,262	\$ 18,252,912	\$ 15,750,896	\$ 51,098,111	\$ 38,501,158	\$ 12,596,953	24.7%
Noncurrent assets	\$ 63,102,517	\$ 64,620,067	\$ 54,415,803	\$ 56,581,235	\$ 117,518,320	\$ 121,201,302	\$ (3,682,982)	-3.1%
Total assets	\$ 95,947,716	\$ 87,370,329	\$ 72,668,715	\$ 72,332,131	\$ 168,616,431	\$ 159,702,460	\$ 8,913,971	5.3%
Current liabilities	\$ 2,789,796	\$ 3,017,936	\$ 1,082,580	\$ 986,388	\$ 3,872,376	\$ 4,004,324	\$ (131,948)	-3.4%
Noncurrent liabilities	\$ 9,602,238	\$ 30,794	\$ 2,010,000	\$ 2,338,990	\$ 11,612,238	\$ 2,369,784	\$ 9,242,454	79.6%
Total liabilities	\$ 12,392,034	\$ 3,048,730	\$ 3,092,580	\$ 3,325,378	\$ 15,484,614	\$ 6,374,108	\$ 9,110,506	58.8%
Deferred Inflows								
Property Taxes	\$ 115,540	\$ 115,540			\$ 115,540	\$ 115,540	\$ -	0.0%
Net Position:								
Net Investment in								
Capital Assets	\$ 41,418,766	\$ 53,049,981	\$ 49,537,294	\$ 51,758,681	\$ 90,956,060	\$ 104,808,662	\$ (13,852,602)	-15.2%
Restricted	\$ 5,174,316	\$ 4,500,585			\$ 5,174,316	\$ 4,500,585	\$ 673,731	13.0%
Unrestricted	\$ 36,847,059	\$ 26,655,492	\$ 20,038,841	\$ 17,248,072	\$ 56,885,900	\$ 43,903,564	\$ 12,982,336	22.8%
Total Net Position	\$ 83,440,141	\$ 84,206,058	\$ 69,576,135	\$ 69,006,753	\$ 153,016,276	\$ 153,212,811	\$ (196,535)	-0.1%

At the end of the current fiscal year, the City's net position government-wide has decreased over the net position reported in 2016. Under GASB 34 the audit shows the City's net position decreased by \$1964,962 during the current fiscal year. This decrease is partially due to timing of payables as well as the increase in accrual of salaries and accrued compensated absences liability.

Governmental activities decreased the City's net position by \$764,344 and business type activities increased the City's net position by \$569,382.

City of Montrose Changes in Net Position									
	Governmental activities		Business-type activities		Total		Amount of Change		
	2017	2016	2017	2016	2017	2016			
Revenues:									
Program revenues:									
Charges for services	\$ 1,286,994	\$ 1,460,479	\$ 10,541,131	\$ 10,296,719	\$ 11,828,125	\$ 11,757,198	\$ 70,927		
Operating grants and contributions	\$ 2,074,952	\$ 2,466,644			\$ -	\$ -	\$ -		
Capital Grants and contributions	\$ 1,192,727	\$ 76,272	\$ 620,398	\$ 318,233	\$ 1,813,125	\$ 394,505	\$ 1,418,620		
General revenues:					\$ -	\$ -	\$ -		
Taxes					\$ -	\$ -	\$ -		
Sales Tax	\$ 17,451,496	\$ 16,646,728			\$ 17,451,496	\$ 16,646,728	\$ 804,768		
Franchise Fees	\$ 1,070,617	\$ 1,045,878			\$ 1,070,617	\$ 1,045,878	\$ 24,739		
Cigarette Tax	\$ 51,504	\$ 59,321			\$ 51,504	\$ 59,321	\$ (7,817)		
Earnings on Investments	\$ 172,666	\$ 79,894	\$ 125,048	\$ 72,486	\$ 297,714	\$ 152,380	\$ 145,334		
Miscellaneous	\$ 10,072,210	\$ 81,843	\$ 13,402	\$ 13,261	\$ 10,085,612	\$ 95,104	\$ 9,990,508		
Administrative Charges	\$ 607,678	\$ 641,468	\$ (607,678)	\$ (641,468)	\$ -	\$ -	\$ -		
Other	\$ 1,920	\$ 1,600			\$ 1,920	\$ 1,600	\$ 320		
Capital Cont.-Infrastructure					\$ -	\$ -	\$ -		
Total revenues	\$ 33,982,764	\$ 22,560,127	\$ 10,692,301	\$ 10,059,231	\$ 44,675,065	\$ 32,619,358	\$ 12,055,707		
Expenses:									
General government	\$ 8,065,063	\$ 4,885,472			\$ 8,065,063	\$ 4,885,472	\$ 3,179,591		
Community Development	\$ 2,034,920	\$ 1,248,855			\$ 2,034,920	\$ 1,248,855	\$ 786,065		
Public Safety	\$ 7,048,631	\$ 8,349,204			\$ 7,048,631	\$ 8,349,204	\$ (1,300,573)		
Engineering & Inspection	\$ 198,597	\$ 160,773			\$ 198,597	\$ 160,773	\$ 37,824		
Public Works	\$ 8,606,878	\$ 8,331,703			\$ 8,606,878	\$ 8,331,703	\$ 275,175		
Parks & Cemetery	\$ 8,842,230	\$ 1,775,032			\$ 8,842,230	\$ 1,775,032	\$ 7,067,198		
Administration	\$ (382,894)	\$ 194,818			\$ (382,894)	\$ 194,818	\$ (577,712)		
Interest	\$ 28,979	\$ 11,830			\$ 28,979	\$ 11,830	\$ 17,149		
Water			\$ 4,699,743	\$ 4,315,637	\$ 4,699,743	\$ 4,315,637	\$ 384,106		
Sewer			\$ 3,980,356	\$ 3,772,608	\$ 3,980,356	\$ 3,772,608	\$ 207,748		
Sanitation			\$ 1,108,577	\$ 1,064,721	\$ 1,108,577	\$ 1,064,721	\$ 43,856		
Black Canyon Golf Course			\$ 840,359	\$ 826,913	\$ 840,359	\$ 826,913	\$ 13,446		
Total expenses	\$ 34,442,404	\$ 24,957,687	\$ 10,629,035	\$ 9,979,879	\$ 45,071,439	\$ 34,937,566	\$ 10,133,873		
Increase in net assets before transfers	\$ (459,640)	\$ (2,397,560)	\$ 63,266	\$ 79,352	\$ (396,374)	\$ (2,318,208)	\$ 1,921,834		
Transfers	\$ (506,116)	\$ (125,002)	\$ 506,116	\$ 125,002	\$ -	\$ -	\$ -		
Change in Net Position	\$ (965,756)	\$ (2,522,562)	\$ 569,382	\$ 204,354	\$ (396,374)	\$ (2,318,208)	\$ 1,921,834		
Net assets - 1/1	\$ 84,204,486	\$ 86,727,048	\$ 69,006,753	\$ 68,802,399	\$ 153,211,239	\$ 155,529,447	\$ (2,318,208)		
Prior Period restatement	\$ 201,412				\$ 201,412				
Net assets - 12/31	\$ 83,440,142	\$ 84,204,486	\$ 69,576,135	\$ 69,006,753	\$ 153,016,277	\$ 153,211,239	\$ (194,962)		

Expenses and Program Revenues – Business type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Montrose 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* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,714,849 an increase of \$10,635,632 over the prior year. Approximately 31% of the governmental fund balance constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance falls into one of four categories in accordance with GASB 54 to indicate that it is not available for new spending. *Unspendable fund balance* is made up of prepaid expenses and inventory (\$96,694) and permanent funds or other corpus (\$440,752). *Restricted fund balance* is for emergencies per TABOR (\$1,081,000), economic development (\$569,485) pay debt service (\$193,505), beautification – Expendable (\$18,442), Capital Projects (\$2,905,547) and parks and open space (\$406,337). *Committed fund balance* consists of economic development (\$5,122,049), community development (\$130,000), capital project (\$6,742,109), capital improvements (\$30,000), parks improvements (\$197,978) and animal benefit (\$40,087). *Assigned fund balance* for pavilion improvements (\$13,629), parks and recreation (\$186,439) and public education (\$108,360).

The general fund is the chief operating fund of the City of Montrose. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,432,436, while total fund balance reached \$9,876,041. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51% of total operating general fund expenditures, while total fund balance represents 60% of that same amount.

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 of the Water Fund at the end of the year amounted to \$13,502,828, the Sewer Fund amounted to \$2,900,593, the Trash and Recycling Fund amounted to \$973,759 and the Black Canyon Golf Course amounted to \$98,152.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$23,357,262. Actual expenditures totaled \$23,455,515 which is an increase of \$2,173,530 from 2016 actual expenditures. The budget was completed in accordance with the City's Charter. The City has a Capital Improvement Plan which is a helpful budgetary planning tool. As the City has financing available these projects are bid out and completed. In 2017, the City completed a roundabout at the intersection of Sunnyside and Hillcrest.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$247,429,048. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, bridges and water and sewer infrastructure.

City of Montrose Capital Assets (does not include internal service funds or depreciation)									
	Governmental Activities		Business-type Activities		Total		Amount of Change		% Change
	2017	2016	2017	2016	2017	2016			
Land	\$ 11,620,252	\$ 11,137,459	\$ 2,553,120	\$ 2,506,180	\$ 14,173,372	\$ 13,643,639	529,733		4%
Improvements other than buildings	\$ 2,830,775	\$ 2,746,662	\$ 6,925,228	\$ 6,925,228	\$ 9,756,003	\$ 9,671,890	84,113		1%
Infrastructure	\$ 118,651,901	\$ 115,593,253			\$ 118,651,901	\$ 115,593,253	3,058,648		3%
Buildings & System	\$ 13,667,353	\$ 13,534,843	\$ 81,598,641	\$ 80,919,590	\$ 95,265,994	\$ 94,454,433	811,561		1%
Machinery & Equipment	\$ 6,094,801	\$ 5,933,716	\$ 2,486,977	\$ 2,344,122	\$ 8,581,778	\$ 8,277,838	303,940		4%
Total	\$ 152,865,082	\$ 148,945,933	\$ 93,563,966	\$ 92,695,120	\$ 246,429,048	\$ 241,641,053	\$ 4,787,995		2%

Additional information on the City's capital assets can be found in note 3 on pages 21 through 23 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,345,533 that is backed by the full faith and credit of the City. The remainder of the City's debt represents loans due to the State's Energy Impact Assistance program.

City of Montrose Outstanding Debt
General Obligation Bonds, Revenue Bonds, Capital Lease Payable and Notes Payable

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds						
Special assessment debt with governmental commitment						
Revenue bonds	\$ -	\$ 360,000	\$ -	\$ -	\$ -	\$ 360,000
Capital Lease Payable	\$ 10,008,137	\$ -	\$ -	\$ -	\$ 10,008,137	\$ -
Notes Payable	\$ 22,396	\$ 33,188	\$ 2,315,000	\$ 2,620,000	\$ 2,337,396	\$ 2,653,188
Total	\$ 10,030,533	\$ 393,188	\$ 2,315,000	\$ 2,620,000	\$ 12,345,533	\$ 3,013,188

The City's bonded debt decreased by \$360,000 during 2017 with the payoff of the Sales & Use Tax Revenue Bonds.

The City of Montrose's Charter limits general obligation debt issuance to 5% of its total assessed valuation. Using the assessed valuation from the County of \$277,959,177 the current general obligation debt limitation for the City is \$13,897,959. Currently the City does not have any General Obligation debt.

Additional information on the City's long-term debt can be found in note 7 on pages 26 through 28 of this report.

Economic Factors and Next Year's Budgets and Rates

- According to the USDA website (<https://data.ers.usda.gov/>), the 2017 unemployment rate for Montrose County was 3.3%. Montrose County had a slightly higher unemployment rate than the state's average rate of 2.8% and slightly lower than the national average rate of 4.4%.
- The City will continue to be a regional retail center for Montrose, San Miguel, Ouray and Gunnison counties with expansion of current businesses and the addition of retail and restaurant building permits
- Residential building permits increased 35% over 2016 and non-residential construction consistent with the previous two years.
- Rates for Water, Sewer and Trash and Recycling were not increased in 2017.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the City of Montrose, Office of the Finance Director, P. O. Box 790, 433 S. First Street, Montrose, Colorado, 81402.

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

To the City Council
City of Montrose, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of and for the year ended December 31, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montrose, Colorado, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Montrose's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note to the financial statements, the 2016 financial statements have been restated to reflect a reclassification of grant funds and to recognize developer escrow funds that should have been recorded as revenues as of December 31, 2016 in the General Fund, Capital Improvement Fund and Governmental Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information – Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule shown on page 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The combining and budgetary comparison statements and schedules presented on pages 35 - 67 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2018 on our consideration of the City of Montrose's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Montrose's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Local Highway Finance Report* on pages 68-72 is presented for purposes of legal compliance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Holscher, Maybury + Company, LLC

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BASIC FINANCIAL STATEMENTS

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CITY OF MONTROSE, COLORADO

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 22,313,837	\$ 11,136,076	\$ 33,449,913
Certificates of deposit	6,391,161	5,411,445	11,802,606
Accounts receivable - net	538,027	1,342,513	1,880,540
Franchise fees receivable	263,067	-	263,067
Due from other governments	930,019	9,900	939,919
Sales tax receivable	1,921,363	-	1,921,363
Special assessments receivable	201,998	-	201,998
Interest receivable	3,489	-	3,489
Prepaid Expenses	159,722	16,803	176,525
Inventory of supplies	122,516	336,175	458,691
Total Current Assets	32,845,199	18,252,912	51,098,111
Noncurrent Assets			
Capital assets, not being depreciated	11,620,252	2,553,120	14,173,372
Capital assets	153,797,100	91,063,459	244,860,559
Accumulated depreciation	(102,314,835)	(39,200,776)	(141,515,611)
Total Noncurrent Assets	63,102,517	54,415,803	117,518,320
Total Assets	95,947,716	72,668,715	168,616,431
LIABILITIES			
Current Liabilities			
Accounts payable	1,094,299	403,190	1,497,489
Due to other governments	-	-	-
Customer deposits and deposits in escrow	94,862	191,269	286,131
Accrued salaries and benefits	390,021	80,669	470,690
Unearned Revenue	-	7,531	7,531
Accrued compensated absences	489,353	84,532	573,885
Accrued interest payable	32,967	10,389	43,356
Claims payable	260,000	-	260,000
Long-term debt due in one year	428,293	305,000	733,293
Total Current Liabilities	2,789,795	1,082,580	3,872,375
Noncurrent Liabilities			
Revenue bonds - net of premium	-	2,010,000	2,010,000
Notes payable	11,341	-	11,341
Capital lease payable	9,590,897	-	9,590,897
Total Noncurrent Liabilities	9,602,238	2,010,000	11,612,238
Total Liabilities	12,392,033	3,092,580	15,484,613
Deferred Infows - Property Taxes	115,540	-	115,540
NET POSITION			
Net Investment in Capital Assets	41,418,767	49,537,294	90,956,061
Restricted	5,174,316	-	5,174,316
Unrestricted	36,847,059	20,038,841	56,885,900
Total Net Position	\$ 83,440,142	\$ 69,576,135	\$ 153,016,277

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

CITY OF MONTROSE, COLORADO

Statement of Activities

For the Year Ended December 31, 2017

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<u>Governmental Activities</u>				
General government	\$ 8,065,063	\$ 325,132	\$ 270,802	\$ 187,659
Community development	2,034,920	169,727	154,649	-
Public safety	7,048,631	237,059	807,427	-
Engineering and inspection	198,597	350,145	-	-
Public works	8,606,878	25,104	745,830	984,593
Parks and cemetery	8,842,230	179,827	96,244	20,475
Insurance	(382,894)	-	-	-
Interest Expense	28,979	-	-	-
Total governmental activities	<u>34,442,404</u>	<u>1,286,994</u>	<u>2,074,952</u>	<u>1,192,727</u>
<u>Business-type Activities</u>				
Water	4,699,743	5,553,563	-	192,089
Sewer	3,980,356	2,952,076	-	427,909
Trash/Recycling	1,108,577	1,578,138	-	-
Black Canyon Golf Course	840,359	457,354	-	400
Total business-type activities	<u>10,629,035</u>	<u>10,541,131</u>	<u>-</u>	<u>620,398</u>
Total	<u>\$ 45,071,439</u>	<u>\$ 11,828,125</u>	<u>\$ 2,074,952</u>	<u>\$ 1,813,125</u>

General Revenues

Taxes:

Sales and use taxes

Franchise and occupational tax

Cigarette tax

Earnings on investments

Miscellaneous

Administrative charges

Contributions to permanent endowment

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning

Prior Period Restatement

Net Assets, Beginning (As Restated)

Net Position, Ending

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

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-type Activities	Total
\$ (7,281,470)	\$ -	\$ (7,281,470)
(1,710,544)	-	(1,710,544)
(6,004,145)	-	(6,004,145)
151,548	-	151,548
(6,851,351)	-	(6,851,351)
(8,545,684)	-	(8,545,684)
382,894	-	382,894
(28,979)	-	(28,979)
<u>(29,887,731)</u>	<u>-</u>	<u>(29,887,731)</u>
-	1,045,909	1,045,909
-	(600,371)	(600,371)
-	469,561	469,561
-	(382,605)	(382,605)
<u>-</u>	<u>532,494</u>	<u>532,494</u>
<u>(29,887,731)</u>	<u>532,494</u>	<u>(29,355,237)</u>
17,451,496	-	17,451,496
1,070,617	-	1,070,617
51,504	-	51,504
172,666	125,048	297,714
10,072,210	13,402	10,085,612
607,678	(607,678)	-
1,920	-	1,920
(506,116)	506,116	-
<u>28,921,975</u>	<u>36,888</u>	<u>28,958,863</u>
<u>(965,756)</u>	<u>569,382</u>	<u>(396,374)</u>
84,204,486	69,006,753	153,211,239
201,412	-	201,412
<u>84,405,898</u>	<u>69,006,753</u>	<u>153,412,651</u>
<u>\$ 83,440,142</u>	<u>\$ 69,576,135</u>	<u>\$ 153,016,277</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Governmental Funds

December 31, 2017

(With Comparative Totals for December 31, 2016)

	General	Montrose Urban Renewal Authority	Capital Improvement	Special Improvements Revolving
ASSETS				
Cash and cash equivalents	\$ 4,815,064	4,895,567	\$ 6,655,576	\$ 565,698
Certificates of deposit	3,883,031	-	147,738	251,169
Accounts receivable - net	248,415	-	-	(710)
Franchise fees receivable	258,434	-	-	-
Due from other governments	61,485	-	-	-
Sales tax receivable	1,848,289	-	-	-
Special assessments receivable	-	-	-	201,998
Interest receivable	-	-	-	-
Inventory of supplies	22,358	-	-	-
Prepaid Expenses	19,159	-	-	-
Total Assets	\$ 11,156,235	4,895,567	\$ 6,803,314	\$ 1,018,155
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 805,607	13,386	\$ 57,213	\$ -
Customer deposits and deposits in escrow	89,352	-	3,992	-
Accrued salaries and benefits	360,786	-	-	-
Unearned Revenue	24,449	-	-	175,725
Total Liabilities	1,280,194	13,386	61,205	175,725
DEFERRED INFOWS - Property Taxes				
	-	-	-	-
FUND BALANCE				
Unspendable:				
Prepays and Inventory	41,517	-	-	-
Permanent funds or other corpus	-	-	-	-
Restricted:				
For emergencies	1,081,000	-	-	-
For economic development	-	-	-	-
For debt service	-	-	-	-
For beautification - expendable	-	-	-	-
For capital projects	321,088	-	-	842,430
For parks	-	-	-	-
Committed:				
For economic development	-	4,882,181	-	-
For community development	-	-	-	-
For capital projects	-	-	6,742,109	-
For public safety	-	-	-	-
For parks improvements	-	-	-	-
For animal shelter	-	-	-	-
Assigned:				
For parks and recreation	-	-	-	-
For pavilion improvements	-	-	-	-
For public education	-	-	-	-
Unassigned	8,432,436	-	-	-
Total Fund Balance	9,876,041	4,882,181	6,742,109	842,430
Total Liabilities, Deferred Inflow and Fund Balances	\$ 11,156,235	4,895,567	\$ 6,803,314	\$ 1,018,155

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

Totals			
Nonmajor Funds	2017	2016	
\$ 1,869,362	\$ 18,801,267	\$ 9,347,797	
1,595,197	5,877,135	5,930,876	
242,425	490,130	354,819	
4,633	263,067	168,636	
868,534	930,019	97,984	
73,074	1,921,363	1,874,250	
-	201,998	246,676	
3,489	3,489	-	
45,929	68,287	43,574	
9,248	28,407	14,366	
<u>\$ 4,711,891</u>	<u>\$ 28,585,162</u>	<u>\$ 18,078,978</u>	
\$ 158,276	\$ 1,034,482	\$ 1,035,121	
1,518	94,862	324,072	
8,492	369,278	227,809	
55,977	256,151	297,219	
<u>224,263</u>	<u>1,754,773</u>	<u>1,884,221</u>	
<u>115,540</u>	<u>115,540</u>	<u>115,540</u>	
55,177	96,694	57,940	
440,752	440,752	438,832	
-	1,081,000	730,000	
569,485	569,485	422,406	
193,505	193,505	214,810	
18,442	18,442	12,061	
1,742,029	2,905,547	2,730,014	
406,337	406,337	345,294	
239,868	5,122,049	210,567	
130,000	130,000	130,000	
-	6,742,109	182,465	
30,000	30,000	-	
197,978	197,978	169,969	
40,087	40,087	40,087	
186,439	186,439	62,210	
13,629	13,629	15,695	
108,360	108,360	90,719	
-	8,432,436	10,226,148	
<u>4,372,088</u>	<u>26,714,849</u>	<u>16,079,217</u>	
<u>\$ 4,711,891</u>	<u>\$ 28,585,162</u>	<u>\$ 18,078,978</u>	

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CITY OF MONTROSE, COLORADO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2017

	<u>2017</u>
Total Fund Balances for the Governmental Funds	\$ 26,714,849
Total net position for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	
Land	11,620,252
Land Improvements	2,830,775
Infrastructure	118,651,901
Buildings and systems	13,667,353
Equipment	6,094,801
Accumulated Depreciation	(93,994,985)
Internal service funds are used by the City to charge the costs of vehicles and employee health and dental costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	
	8,125,588
Special assessments receivable that are not currently available are deferred in the funds	256,151
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position.	
Accrued interest on long-term debt	(32,967)
Notes payable	(22,396)
Capital leases payable	(10,000,000)
Compensated absences	(471,180)
Total Net Position for Governmental Activities	<u>\$ 83,440,142</u>

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

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Capital Projects			
	General	Montrose Urban Renewal Authority	Capital Improvement	Special Improvements Revolving
REVENUES				
Taxes	\$ 17,683,482	-	\$ -	\$ -
Licenses and permits	408,163	-	-	-
Intergovernmental	1,195,209	5,073	178,659	-
Charges for services	316,640	-	-	-
Fines and forfeits	159,604	-	-	-
Special assessments	-	-	-	87,454
Miscellaneous	119,036	-	10,009,000	-
Administrative reimbursement	607,678	-	-	-
Contributions to permanent endowment	-	-	-	-
Investment earnings	80,689	9,527	26,557	5,936
Total revenues	<u>20,570,501</u>	<u>14,600</u>	<u>10,214,216</u>	<u>93,390</u>
EXPENDITURES				
Current				
General government	4,281,450	354,454	-	519
Community Development	389,437	-	-	-
Public safety	6,855,367	-	-	-
Engineering and inspection	195,028	-	-	-
Public works	2,979,840	-	-	-
Parks, recreation and cemetery	1,435,971	-	-	-
Insurance	236,743	-	-	-
Capital outlay	1,240,398	815,248	931,395	-
Debt service	-	-	-	-
Total expenditures	<u>17,614,234</u>	<u>1,169,702</u>	<u>931,395</u>	<u>519</u>
Revenues in excess of expenditures	<u>2,956,267</u>	<u>(1,155,102)</u>	<u>9,282,821</u>	<u>92,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,254	6,037,283	1,926,378	-
Transfers out	(4,166,199)	-	(4,886,040)	-
Net other financing sources (uses)	<u>(4,162,945)</u>	<u>6,037,283</u>	<u>(2,959,662)</u>	<u>-</u>
Change in fund balance	(1,206,678)	4,882,181	6,323,159	92,871
FUND BALANCE, Beginning	<u>11,117,792</u>	<u>-</u>	<u>182,465</u>	<u>749,559</u>
Prior Period Restatement	<u>(35,073)</u>	<u>-</u>	<u>236,485</u>	<u>-</u>
FUND BALANCE, Beginning (As Restated)	<u>11,082,719</u>	<u>-</u>	<u>418,950</u>	<u>749,559</u>
FUND BALANCE, Ending	<u>\$ 9,876,041</u>	<u>4,882,181</u>	<u>\$ 6,742,109</u>	<u>\$ 842,430</u>

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

Totals

Nonmajor Funds	2017	2016
\$ 975,053	\$ 18,658,535	\$ 17,824,652
-	408,163	335,952
1,739,821	3,118,762	2,728,071
99,329	415,969	536,015
-	159,604	223,645
-	87,454	74,609
284,855	10,412,891	333,108
-	607,678	641,468
1,920	1,920	1,600
50,147	172,856	79,925
<u>3,151,125</u>	<u>34,043,832</u>	<u>22,779,045</u>
106,329	4,742,752	4,053,266
1,608,916	1,998,353	2,341,640
-	6,855,367	6,597,832
-	195,028	150,833
71	2,979,911	2,790,310
450	1,436,421	1,331,465
-	236,743	286,782
1,285,289	4,272,330	4,010,061
<u>386,589</u>	<u>386,589</u>	<u>380,189</u>
<u>3,387,644</u>	<u>23,103,494</u>	<u>21,942,378</u>
<u>(236,519)</u>	<u>10,940,338</u>	<u>836,667</u>
597,592	8,564,507	2,246,906
<u>(18,386)</u>	<u>(9,070,625)</u>	<u>(2,814,577)</u>
<u>579,206</u>	<u>(506,118)</u>	<u>(567,671)</u>
342,687	10,434,220	268,996
<u>4,029,401</u>	<u>16,079,217</u>	<u>15,810,221</u>
-	201,412	-
<u>4,029,401</u>	<u>16,280,629</u>	<u>15,810,221</u>
<u>\$ 4,372,088</u>	<u>\$ 26,714,849</u>	<u>\$ 16,079,217</u>

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CITY OF MONTROSE, COLORADO

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, 2017

	<u>2017</u>
Net change in fund balances - governmental funds	\$ 10,434,220
The change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capitalized assets	3,939,149
Gain (loss) on asset disposals	(20,000)
Depreciation expense	(6,398,123)
Internal service funds are used by the City to charge the costs of vehicles and employee health and dental costs to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities in the statement of activities	
	756,830
Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized unless they are both measurable and available and expenditures are not reported for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues are recognized when earned, and expenses and liabilities are recognized regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the related adjustments	
Change in special assessments receivable/deferred revenues	(41,068)
Change in accrued interest payable	(28,814)
Change in accrued compensated absences	5,626
Repayment of principal on long-term debt is reported as an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Principal repayments on long-term debt	370,792
Proceeds from issuance of debt	(10,000,000)
Amortization of bond premiums	<u>15,632</u>
Change in net position of governmental activities	<u>\$ (965,756)</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		Enterprise Funds				
		Water	Sewer	Trash/Recycling	Black Canyon Golf Course	Total Enterprise Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$	9,860,412	\$ 381,410	\$ 796,496	\$ 97,758	\$ 11,136,076
Certificates of deposit		2,891,696	2,519,749	-	-	5,411,445
Restricted cash and cash equivalents		-	-	-	-	-
Accounts receivable - net		934,449	260,473	143,324	4,267	1,342,513
Due from other governments		9,900	-	-	-	9,900
Inventory of supplies		181,284	27,663	90,697	36,531	336,175
Prepaid Expenses		10,549	6,254	-	-	16,803
Total Current Assets		13,888,290	3,195,549	1,030,517	138,556	18,252,912
Noncurrent Assets						
Capital assets, net of depreciation		22,704,345	30,801,478	-	909,980	54,415,803
Total Assets		36,592,635	33,997,027	1,030,517	1,048,536	72,668,715
LIABILITIES						
Current Liabilities						
Accounts payable		123,118	230,204	27,790	22,078	403,190
Customer deposits and deposits in escrow		191,069	200	-	-	191,269
Accrued salaries and benefits		22,390	37,508	11,279	9,492	80,669
Unearned Revenue		-	4,800	-	2,731	7,531
Accrued compensated absences		43,171	17,569	17,689	6,103	84,532
Accrued interest payable		5,714	4,675	-	-	10,389
Claims payable		-	-	-	-	-
Long-term debt due in one year		167,750	137,250	-	-	305,000
Total Current Liabilities		553,212	432,206	56,758	40,404	1,082,580
Noncurrent Liabilities						
Revenue bonds - net of premium		1,105,500	904,500	-	-	2,010,000
Capital lease payable		-	-	-	-	-
Total Liabilities		1,658,712	1,336,706	56,758	40,404	3,092,580
NET POSITION						
Net Investment in Capital Assets		21,431,095	29,759,728	-	909,980	52,100,803
Unrestricted		13,502,828	2,900,593	973,759	98,152	17,475,332
Total Net Position	\$	34,933,923	\$ 32,660,321	\$ 973,759	\$ 1,008,132	\$ 69,576,135

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

		Totals	
Internal Service			
Funds	2017	2016	
\$ 3,512,570	\$ 14,648,646	\$ 13,222,341	
514,026	5,925,471	5,879,383	
-	-	35,656	
47,897	1,390,410	766,763	
-	9,900	-	
54,229	390,404	418,650	
131,315	148,118	99,388	
4,260,037	22,512,949	20,422,181	
4,232,420	58,648,223	59,852,231	
8,492,457	81,161,172	80,274,412	
59,817	463,007	358,339	
-	191,269	204,931	
20,743	101,412	72,519	
-	7,531	9,424	
18,173	102,705	105,971	
-	10,389	44,073	
260,000	260,000	440,000	
7,035	312,035	312,035	
365,768	1,448,348	1,547,292	
-	2,010,000	2,311,762	
1,101	1,101	39,847	
366,869	3,459,449	3,898,901	
4,224,284	56,325,087	57,188,587	
3,901,304	21,376,636	19,186,924	
\$ 8,125,588	\$ 77,701,723	\$ 76,375,511	

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Enterprise Funds				
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	Total Enterprise Funds
OPERATING REVENUES					
Water sales	\$ 5,460,678	\$ -	\$ -	\$ -	\$ 5,460,678
Sewer charges	473	2,872,591	-	-	2,873,064
Tap fees unpledged	82,976	51,008	-	-	133,984
Sanitation charges	-	-	1,577,974	-	1,577,974
Golf charges	-	-	-	457,354	457,354
Interfund charges	-	-	-	-	-
Other Charges	7,420	5,788	-	-	13,208
Miscellaneous	2,016	22,689	164	-	24,869
Total Operating Revenues	5,553,563	2,952,076	1,578,138	457,354	10,541,131
OPERATING EXPENSES					
Enterprise administration	264,036	228,117	115,525	-	607,678
Operations and maintenance	3,639,951	2,019,958	1,108,578	769,260	7,537,747
Medical claims	-	-	-	-	-
Insurance premiums	-	-	-	-	-
Depreciation	1,071,936	1,917,947	-	66,582	3,056,465
Capital outlay	(21,337)	34,930	-	4,789	18,382
Total Operating Expenses	4,954,586	4,200,952	1,224,103	840,631	11,220,272
Net Operating Income	598,977	(1,248,876)	354,035	(383,277)	(679,141)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	9,900	-	-	-	9,900
Investment earnings	94,735	30,079	234	-	125,048
Gain (loss) on sale of assets	-	-	-	-	-
Other miscellaneous revenues	-	-	-	13,403	13,403
Interest expense	(9,193)	(7,521)	-	272	(16,442)
Net Nonoperating Revenues (Expenses)	95,442	22,558	234	13,675	131,909
Income Before Contributions and Transfers	694,419	(1,226,318)	354,269	(369,602)	(547,232)
Contributions and Transfers					
Capacity fees and Dedicated infrastructure	182,189	427,909	-	400	610,498
Transfers in	-	-	-	506,116	506,116
Net Contributions and Transfers	182,189	427,909	-	506,516	1,116,614
Change in Net Position	876,608	(798,409)	354,269	136,914	569,382
NET POSITION, Beginning	34,057,315	33,458,730	619,490	871,218	69,006,753
NET POSITION, ENDING	\$ 34,933,923	\$ 32,660,321	\$ 973,759	\$ 1,008,132	\$ 69,576,135

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

		Totals	
Internal Service			
Funds	2017	2016	
\$ -	\$ 5,460,678	\$ 5,232,105	
-	2,873,064	2,848,901	
-	133,984	97,994	
-	1,577,974	1,562,506	
-	457,354	452,018	
5,110,004	5,110,004	4,615,326	
67,005	80,213	121,579	
4,863	29,732	128,364	
<u>5,181,872</u>	<u>15,723,003</u>	<u>15,058,793</u>	
102,324	710,002	730,849	
1,945,272	9,483,019	8,553,897	
1,343,630	1,343,630	1,852,960	
417,392	417,392	411,070	
764,643	3,821,108	3,668,812	
1,426	19,808	145,031	
<u>4,574,687</u>	<u>15,794,959</u>	<u>15,362,619</u>	
<u>607,185</u>	<u>(71,956)</u>	<u>(303,826)</u>	
128,044	137,944	58,068	
42,287	167,335	95,132	
(19,740)	(19,740)	59,857	
-	13,403	13,261	
<u>(946)</u>	<u>(17,388)</u>	<u>(100,268)</u>	
<u>149,645</u>	<u>281,554</u>	<u>126,050</u>	
<u>756,830</u>	<u>209,598</u>	<u>(177,776)</u>	
-	610,498	318,233	
-	506,116	567,672	
-	1,116,614	885,905	
756,830	1,326,212	708,129	
<u>7,368,758</u>	<u>76,375,511</u>	<u>75,667,382</u>	
<u>\$ 8,125,588</u>	<u>\$ 77,701,723</u>	<u>\$ 76,375,511</u>	

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,939,848	\$ 2,954,884	\$ 1,577,973	\$ 454,539	\$ 9,927,244
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(3,124,763)	(1,325,130)	(729,060)	(223,976)	(5,402,929)
Payments to employees	(530,909)	(640,077)	(233,241)	(236,870)	(1,641,097)
Payments for internal services used	(174,813)	(186,758)	(294,913)	(294,913)	(951,397)
Net cash provided (used) by operating activities	1,109,363	802,919	320,759	(301,220)	1,931,821
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other Revenues	-	-	-	13,403	13,403
Transfers in	-	-	-	506,116	506,116
Net cash provided (used) by noncapital financing activities	-	-	-	519,519	519,519
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions and tap fees	182,189	427,909	-	400	610,498
Capital grants	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Acquisition and construction of capital assets	(304,708)	(491,620)	-	(94,705)	(891,033)
Principal paid on long-term debt	(165,969)	(135,793)	-	(27,228)	(328,990)
Interest paid on long-term debt	(27,719)	(22,679)	-	272	(50,126)
Net cash provided (used) by capital and related financing activities	(316,207)	(222,183)	-	(121,261)	(659,651)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(18,765)	(22,464)	-	-	(41,229)
Interest on investments	94,735	30,079	234	-	125,048
Net cash provided (used) by investing activities	75,970	7,615	234	-	83,819
Net increase (decrease) in cash and cash equivalents	869,126	588,351	320,993	97,038	1,875,508
CASH AND CASH EQUIVALENTS, Beginning	8,991,286	(206,941)	475,503	719	9,260,567
CASH AND CASH EQUIVALENTS, Ending	\$ 9,860,412	\$ 381,410	\$ 796,496	97,757	\$ 11,136,075
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 598,977	\$ (1,248,876)	\$ 354,035	\$ (383,277)	\$ (679,141)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,071,936	1,917,947	-	66,582	3,056,465
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	(599,853)	2,608	(165)	(922)	(598,332)
(Increase) decrease in inventory of supplies	50,890	8,584	(23,833)	(1,589)	34,052
(Increase) decrease in prepaid expenses	(10,549)	(549)	-	-	(11,098)
Increase (decrease) in accounts payable	2,207	112,556	(18,276)	14,510	110,997
Increase (decrease) in customer deposits and deposits in escrow	(13,862)	200	-	-	(13,662)
Increase (decrease) in accrued salaries and benefits	2,237	17,387	2,934	3,529	26,087
Increase (decrease) in deferred revenues	-	-	-	(1,893)	(1,893)
Increase (decrease) in accrued compensated absences	7,380	(6,938)	6,064	1,840	8,346
Increase (decrease) in claims payable	-	-	-	-	-
Net cash provided (used) by operating activities	\$ 1,109,363	\$ 802,919	\$ 320,759	\$ (301,220)	\$ 1,931,821

SCHEDULE OF NON-CASH ACTIVITIES

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

Totals		
Internal		
Service Funds	2017	2016
\$ 46,553	\$ 9,973,797	\$ 10,528,795
5,110,004	5,110,004	4,615,326
(3,490,539)	(8,893,468)	(8,776,955)
(512,731)	(2,153,828)	(2,068,365)
(45,348)	(996,745)	(896,588)
<u>1,107,939</u>	<u>3,039,760</u>	<u>3,402,213</u>
	13,403	13,261
-	<u>506,116</u>	<u>567,672</u>
-	<u>519,519</u>	<u>580,933</u>
-	610,498	318,233
128,044	128,044	58,068
(19,740)	(19,740)	59,857
(1,726,067)	(2,617,100)	(2,964,370)
(11,518)	(340,508)	(677,940)
(946)	<u>(51,072)</u>	<u>(91,089)</u>
<u>(1,630,227)</u>	<u>(2,289,878)</u>	<u>(3,297,241)</u>
(4,859)	(46,088)	(1,604,626)
<u>42,287</u>	<u>167,335</u>	<u>95,132</u>
<u>37,428</u>	<u>121,247</u>	<u>(1,509,494)</u>
(484,860)	1,390,648	(823,589)
<u>3,997,430</u>	<u>13,257,997</u>	<u>14,081,586</u>
<u>\$ 3,512,570</u>	<u>\$ 14,648,645</u>	<u>\$ 13,257,997</u>
\$ 607,185	\$ (71,956)	\$ (303,826)
764,643	3,821,108	3,668,812
(25,315)	(623,647)	86,112
(5,807)	28,245	(119,543)
(37,632)	(48,730)	(91,609)
(6,329)	104,668	(9,334)
-	(13,662)	1,436
2,806	28,893	14,889
-	(1,893)	(2,220)
(11,612)	(3,266)	2,496
<u>(180,000)</u>	<u>(180,000)</u>	<u>155,000</u>
<u>\$ 1,107,939</u>	<u>\$ 3,039,760</u>	<u>\$ 3,402,213</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The City of Montrose, Colorado (referred to hereafter as the "City") is incorporated as a home-rule City under the laws of the State of Colorado with a Council-Manager form of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As required by generally accepted accounting principles, these financial statements present the City of Montrose, a primary government. Based on criteria set forth in GASB, there are no component units for which the City is financially accountable.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have, been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Trash\Recycling, Black Canyon Golf Course, and the City's internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)

Fund Financial Statements- The fund financial statements provide information about the City's funds. Separate statements for each fund category governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The City does not have fiduciary fund types.

The City reports the following major governmental funds:

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

Montrose Urban Renewal Authority - The Montrose Urban Renewal Authority (MURA) was formed in late 2016 by a resolution of the Montrose City Council. MURA encompasses approximately 150 acres along the Uncompahgre River northwest of the downtown Montrose

Capital Improvement Fund – This fund accounts for the City's major Capital Improvements not accounted for in a dedicated fund.

Special Improvements District Construction Fund – This fund accounts for large infrastructure capital improvements funded through special improvement assessments.

The City reports the following major enterprise funds:

Water Fund - This fund accounts for the operation, maintenance, and development of water services.

Sewer Fund - This fund accounts for the operation, maintenance, and development of sewer services.

Trash\Recycling Fund - This fund accounts for the operation and maintenance of the Trash\Recycling collection system.

Black Canyon Golf Course Fund – This fund accounts for the operation and maintenance of the City owned golf course. This fund was established in 2014 upon the acquisition of an existing facility.

The City reports the following fund type:

Internal Service Funds - These funds account for equipment purchased and medical insurance coverage provided to other departments on a cost-reimbursement basis.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide and Proprietary Fund Financial Statements -The government wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchanges, include sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period for which the taxes are collected by vendors. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues or fund transfers. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues or fund transfers.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Deposits and investments - The cash balances of substantially all funds are pooled for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at December 31, 2017, based on market prices. The individual funds' portions of the pool's fair value are presented as cash and cash equivalents or short-term investments. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average monthly balance of each participating fund.

Cash and cash equivalents - The City considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property taxes - Property taxes are levied for the Downtown Development Authority on December 22 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31, net of an estimated uncollectible portion.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE
(Continued)

Inventories - Inventories of supplies in the proprietary fund types are stated at the lower of cost or market. Cost is determined by using last invoice cost.

Capital assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City generally capitalizes assets with an original value of \$5,000 or greater with a useful life in excess of one year.

Enterprise Fund construction costs are increased by interest incurred on bonds during the construction period and reduced by earnings from investment of the unexpended bond proceeds.

Depreciation is calculated using the straight-line method over the estimated useful lives, and no depreciation is recorded in the year of acquisition or construction of such assets. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense in the appropriate fund. The estimated useful lives are as follows:

Infrastructure	10-25 years
Equipment	3-20 years
Transmission and distribution lines and meters	12-30 years
Treatment and filtration plants	20-40 years
Buildings	30 years
Reservoirs & storage facilities	50-100 years

Long-term debt - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long - term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts and deferred amounts on refunding associated with issuing bonds of proprietary-type funds or bonds issued or refunded after December 31, 2002 for governmental activities are deferred and amortized over the life of the bond issues.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE
(Continued)

Compensated absences - The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises both under the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the governmental activities statement of net position and in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Since property tax revenues are collected for the Downtown Development Authority in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Net Position/Fund Balance - In the government-wide financial statements and for the proprietary fund statements, net position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council, are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE
(Continued)

Net Position/Fund Balance Flow Assumptions - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Comparative Data - Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

E. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing budgets:

- a. Budgets are required by state law for all governmental and proprietary funds.
- b. By October 15th the proposed budget is submitted to the City Council for the fiscal year commencing the following January 1.
- c. Prior to November 30, the budget is adopted and appropriations are authorized by ordinance at the fund level for all funds. The legal level of budgetary control is at the individual fund level for all funds.
- d. Budgets are adopted on a basis consistent with the accounting basis of all funds except for proprietary-type funds. In the proprietary funds, the City budgets for capital outlays, transfers to and from reserve funds (restricted funds of the Utility Fund) and bond principal and interest payments and does not budget for depreciation.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class and in total by each fund. The total fund level constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to approval by ordinance from the City Council. Within the fund level control basis, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. Budget amounts included in the budgetary comparison schedules are based on the final legally amended budget.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

E. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Appropriations lapse at the end of each year, and the City Council may adopt supplemental appropriations during the year. The City Council may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by the City Council when adopting supplemental appropriations.

The City's expenditures exceeded appropriations in the Cemetery Perpetual Care Fund, employee Insurance Fund, and Capital Improvement Fund, which may be a violation of Colorado statutes.

Originally adopted budgeted expenditures and the final, amended year budgeted expenditures for the ended December 31, 2017 are as follows:

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

Fund Name	Original Budget	Amendment	Final Budget
General Fund	\$ 21,367,262	\$1,990,000	\$ 23,357,262
Retail Sales Enhancement Fund	371,773	-	371,773
CDBG	-	630,000	630,000
Downtown Development Authority	166,102	-	166,102
Downtown Opportunity Fund	20,000	57,282	77,282
Greater Montrose Loan Fund	-	-	-
Public/Education/Government Fund	30,000	-	30,000
Capital Improvements Fund	745,000	420,000	1,165,000
Conservation Trust Fund	69,500	-	69,500
Pavilion Improvement Fund	16,200	5,900	22,100
Montrose Urban Renewal Authority Fund	-	1,250,000	1,250,000
Special Benefit Fund	96,205	-	96,205
Tourism Promotional Fund	579,585	-	579,585
Excise Tax Revenue Bond Fund	352,460	141,990	494,450
EIA Fireflow Loan Fund	12,190	-	12,190
Demoret Trust Fund	-	-	-
Cemetery Perpetual Care Fund	500	500	1,000
Special Improvements Revolving Fund	1,000	-	1,000
Grand/Rio Grande Project Fund	800,000	350,000	1,150,000
Building Renovations Fund	412,000	-	412,000
Water Fund	5,278,948	-	5,278,948
Sewer Fund	3,634,891	-	3,634,891
Trash/Recycling Fund	1,247,789	-	1,247,789
Golf Course Fund	920,716	-	920,716
Fleet Management Fund	2,781,961	-	2,781,961
Information Technologies Fund	1,162,934	10,000	1,172,934
Employee Benefit Fund	1,877,500	30,514	1,908,014
	<u>\$ 41,944,516</u>	<u>\$4,886,186</u>	<u>\$ 46,830,702</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2017 and how they are displayed in the financial statements is shown below:

Petty Cash	\$ 3,400
Cash Accounts	20,720,759
Investments	<u>24,528,361</u>
Total Cash and Investments	<u>\$ 45,252,520</u>
Cash and Equivalents	\$ 33,399,678
Certificates of Deposit	11,313,665
Investments	<u>539,177</u>
Total Cash and Investments	<u>\$ 45,252,520</u>

A. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must at least equal to 102% the aggregate uninsured deposits.

Custodial credit risk- Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits allows funds to be placed in any account that is guaranteed by the Federal Deposit Insurance Corporation with remaining amounts collateralized by securities pledged by the financial institution. As of December 31, 2017, none of the City's bank balances were exposed to custodial credit risk as all deposits were either insured or collateralized by securities pledged by financial institutions. A summary of this coverage is as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 2,228,854	\$ 2,228,854
PDPA Collateralized (Not held in City's name)	18,032,668	18,491,905
Uncollateralized	<u>-</u>	<u>-</u>
Total Cash Deposits	<u>\$ 20,261,522</u>	<u>\$ 20,720,759</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

B. INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2017 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Weighted Avg Mat In Years</u>	<u>Rating</u>
U.S. Agency Securities	-	539,158	-	539,158	2.45	AAA
Money Market Mutual Funds	-	19	-	19	-	N/A
Total Investments	<u><u>\$ -</u></u>	<u><u>\$ 539,177</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 539,177</u></u>	<u><u>2.45</u></u>	

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- **Money Market Mutual Funds:** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

The City recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2017, there were no changes in the methods or assumptions utilized to derive the fair value of the City's assets and liabilities.

Interest rate risk - The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments may not exceed a maturity date from purchase in excess of five years unless they are for reserve funds. The City has not experienced fair value losses for the past five years.

Credit risk - Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U S government agency securities, certain international agency securities, general obligation and revenue bonds of U S local government entities, bankers' acceptances of certain banks; commercial paper, local government investment pools, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts. The City's general investment policy is to apply the prudent-person rule. Prudence and protection of City funds are the primary criteria.

All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2017, the City is invested in the Colorado Surplus Asset Fund (CSAFE) and Colotrust Plus, both are 2a7-like investment pools, rated AAAM by Standard & Poor's.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk - Investments must be in accordance with Colorado statutes and, pursuant to the City's regulations, no more than 35% of the total portfolio may be invested in any single banking or savings and loan institution. Including certificates of deposit and other investments, approximately 35% of the City's total investments for the year ended December 31, 2017, were in a single financial institution, Colotrust.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Governmental Activities			
	Balance			Balance
	<u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/17</u>
Capital assets not being depreciated:				
Land	<u>\$ 11,137,459</u>	<u>\$ 502,793</u>	<u>\$ 20,000</u>	<u>\$ 11,620,252</u>
Capital assets being depreciated:				
Land improvement	2,746,662	84,113	-	2,830,775
Infrastructure - road network	115,593,253	3,058,648	-	118,651,901
Buildings	13,534,843	132,510	-	13,667,353
Equipment	5,933,716	171,125	10,040	6,094,801
Internal service vehicles	9,832,055	1,719,040	78,234	11,472,861
Internal service equipment	<u>1,065,278</u>	<u>38,863</u>	<u>25,286</u>	<u>1,078,855</u>
Total capital assets being depreciated	<u>148,705,807</u>	<u>5,204,299</u>	<u>113,560</u>	<u>153,796,546</u>
Less accumulated depreciation for:				
Land improvements	1,170,930	120,638	-	1,291,568
Infrastructure - road network	71,882,712	5,522,258	-	77,404,970
Buildings	9,195,212	633,379	-	9,828,591
Equipment	5,348,008	121,848	-	5,469,856
Internal service vehicles	7,031,956	667,420	46,399	7,652,977
Internal service equipment	<u>594,380</u>	<u>97,225</u>	<u>25,286</u>	<u>666,319</u>
Total accumulated depreciation	<u>95,223,198</u>	<u>7,162,768</u>	<u>71,685</u>	<u>102,314,281</u>
Total capital assets being depreciated, net	<u>53,482,609</u>	<u>(1,958,469)</u>	<u>41,875</u>	<u>51,482,265</u>
Governmental activity capital assets, net	<u>\$ 64,620,068</u>	<u>\$ (1,455,676)</u>	<u>\$ 61,875</u>	<u>\$ 63,102,517</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CAPITAL ASSETS (Continued)

	Business-Type Activities			
	Balance			Balance
	<u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/17</u>
Capital assets not being depreciated:				
Land and Easements	\$ 2,506,180	\$ 46,940	\$ -	\$ 2,553,120
Capital assets being depreciated:				
Reservoirs	6,925,228	-	-	6,925,228
Buildings	489,826	1,182	-	491,008
Land improvements	30,428	22,185	-	52,613
Transmission, collection and distribution lines	60,203,790	580,719	-	60,784,509
Treatment Plant	20,225,974	97,150	-	20,323,124
Equipment	<u>2,344,122</u>	<u>142,855</u>	<u>-</u>	<u>2,486,977</u>
Total capital assets being depreciated	<u>90,219,368</u>	<u>844,091</u>	<u>-</u>	<u>91,063,459</u>
Less accumulated depreciation for:				
Reservoirs	970,383	135,492	-	1,105,875
Buildings	62,494	32,400	-	94,894
Land improvements	4,848	4,848	-	9,696
Transmission, collection and distribution lines	20,083,408	2,020,706	-	22,104,114
Treatment Plant	14,424,086	732,325	-	15,156,411
Equipment	<u>598,593</u>	<u>131,193</u>	<u>-</u>	<u>729,786</u>
Total accumulated depreciation	<u>36,143,812</u>	<u>3,056,964</u>	<u>-</u>	<u>39,200,776</u>
Total capital assets being depreciated, net	<u>54,075,556</u>	<u>(2,212,873)</u>	<u>-</u>	<u>51,862,683</u>
Business-type activities capital assets, net	<u>\$ 56,581,736</u>	<u>\$ (2,165,933)</u>	<u>\$ -</u>	<u>\$ 54,415,803</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was allocated to the different government functions as follows:

<u>Governmental Activities</u>	
General government	\$ 446,911
Public safety	67,819
Public works, including depreciation of general infrastructure assets	5,523,365
Parks and cemetery, including Pavillion	360,028
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>764,645</u>
Total depreciation expense	
Governmental activities	<u>\$7,162,768</u>
<u>Business-Type Activities</u>	
Water	\$1,071,936
Sewer	1,918,446
Black Canyon Golf Course	<u>66,582</u>
Total depreciation expense	
Business-Type activities	<u>\$3,056,964</u>

NOTE 4 - EMPLOYEE RETIREMENT PLANS

The City provides benefits for all of its full time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The International City Managers Association (ICMA) Retirement Corporation Prototype Money Purchase Plan, known as the City of Montrose Pension Plan, covers all full time city employees including certified police officers. Employees are eligible to participate on the first day of employment. The City agrees to match contributions for each full time employee up to 8% of the employee's gross salary. The City is also required to contribute for each sworn police officer an amount (not to exceed 8.00%) equivalent to the Social Security and Medicare taxes paid for non-police employees less any Medicare taxes paid for sworn officers hired after March 31, 1986. For those officers hired before and after March 31, 1986, the total percentage is 15.65% and 14.20%, respectively, during 2017. The City's contributions for each employee hired prior to January 1, 2013 is fully vested. Employees hired after January 1, 2013 are vested 20% each year.

The City's contributions were calculated using the base salary of \$8,523,308. Contributions of up to 8% for employees and an additional required percentage based on Social Security and Medicare taxes for each sworn police officer amounted to \$683,292.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - EMPLOYEE MEDICAL BENEFIT PLAN

The City adopted an employee medical benefit plan whereby the City self-insures the first \$75,000 per individual of covered medical claims, with a maximum annual City self-insurance liability of approximately \$2,151,729, exclusive of dental benefits, based on approximately 131 employees and dependents covered in 2017. The City estimates and records incurred but not reported medical claims liability in the Employee Medical Benefit Fund based on historical experience of outstanding medical claims. Changes in the reported medical claims liability since January 1, 2017 are as follows:

	Current Year			
	<u>Beginning Balance</u>	<u>Claims & Changes in Estimates</u>	<u>Claim Balance Payment</u>	<u>Ending Balance</u>
2016	\$285,000	\$1,918,610	\$1,943,610	\$260,000
2017	\$260,000	\$1,749,800	\$1,750,697	\$259,103

NOTE 6 - COMMITMENTS

Raw Water Purchase

The City has entered into a contract with the Tri-County Conservancy District to purchase water from the Dallas Creek Project as follows:

<u>ANNUAL PURCHASE AND OPERATION AND MAINTENANCE COMMITMENT</u>	<u>CALENDAR YEARS</u>	<u>ANNUAL PAYMENTS</u>
Block One, Two and Three 10,000 acre feet annually	2008 - 2049	\$841,135

The purchase price per acre-foot shall not exceed the average cost of all municipal and industrial water for which the Tri-County Water Conservancy District is obligated to pay the United States for such water, which is limited to \$38,000,000. The purchase price is currently \$77.61 per acre-foot, with potential cost adjustments at no longer than five year intervals. Such annual payments are subject to adjustment as a result of rate adjustments. In addition, the City pays the District a proportionate amount of the operations, maintenance and replacement costs of the project attributable to municipal and industrial uses which we reset at \$4.00 per acre-foot subject to annual adjustment. In 2017, the rate for operations and maintenance was \$7.50 per acre-foot.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 -LONG-TERM DEBT

A. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Payments	Balance 12/31/17	Current Portion	Accrued Interest	Interest Expense
Governmental activities:							
Excise bonds	\$ 360,000	\$ -	\$ 360,000	\$ -	\$ -	\$ -	\$ 10,800
Unamortized bond premium	15,632	-	15,632	-	-	-	-
Note payable	33,188	-	10,792	22,396	11,055	378	1,221
Obligations under capital leases	19,655	10,000,000	11,518	10,008,137	417,238	32,589	33,101
Compensated absences	<u>506,591</u>	<u>-</u>	<u>17,238</u>	<u>489,353</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental activities	\$ 935,066	\$ 10,000,000	\$ 415,180	\$ 10,519,886	\$ 428,293	\$ 32,967	\$ 45,122
Note payable	\$ 2,620,000	\$ -	\$ 305,000	\$ 2,315,000	\$ 315,000	\$ 10,389	\$ 45,791
Obligations under capital leases	27,228	-	27,228	-	-	-	(272)
Compensated absences	<u>76,185</u>	<u>8,347</u>	<u>-</u>	<u>84,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type activities	\$ 2,723,413	\$ 8,347	\$ 332,228	\$ 2,399,532	\$ 315,000	\$ 10,389	\$ 45,519

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$18,173 of accrued costs of employees' future compensated absences payable of internal service funds are included in the above amounts. Also, for the governmental activities, accrued costs of employees' future compensated absences are generally liquidated by the general fund.

B. CITY OF MONTROSE SALES AND USE TAX REVENUE BONDS AND NOTES

PAYABLE FROM GOVENMENTAL ACTIVITES:

\$2,570,000 Sales and Use Tax Revenue Refunding Bonds of June 2, 2010 due in installments of \$285,000 in 2010, increasing to \$340,000 in 2016, with a final payment of \$360,000 in 2017, plus interest at 2.50 to 4.00% per annum.
Plus unamortized premium. This loan was fully repaid in 2017.

\$ -
-

\$151,500 Energy Impact Assistance Loan of November 24, 1999 due in annual installments of \$12,189 from 2006 to 2019, including interest at 5% per annum.

22,396

Total payable from governmental activities

\$ 22,396

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM DEBT (Continued)

**C. CITY OF MONTROSE REVENUE BONDS PAYABLE
FROM BUSINESS-TYPE ACTIVITIES**

The 2016 Refunding Note was in the amount of \$2,844,000 with an interest yield of 1.80%. The annual payments will be due on October 1 beginning with 2016 at \$235,000 and increasing to \$345,000 in 2024 as the final payment of the note.

Total payable from business-type activities

\$2,315,000

\$2,315,000

D. PRINCIPAL AND INTEREST PAYMENT REQUIREMENTS

Principal and interest payment requirements on the City's revenue bonds and notes payable from governmental and business – type activities are as follows:

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 11,055	\$ 1,135	\$ 12,190	\$ 315,000	\$ 41,670	\$ 356,670
2019	11,341	849	12,190	320,000	36,000	356,000
2020	-	-	-	325,000	30,240	355,240
2021	-	-	-	330,000	24,390	354,390
2022	-	-	-	340,000	18,450	358,450
2023-2024	-	-	-	685,000	18,540	703,540
	\$ 22,396	\$ 1,984	\$ 24,380	\$ 2,315,000	\$ 169,290	\$ 2,484,290

E. CAPITAL LEASE AGREEMENTS

During 2014, the City entered into three lease agreements for the purchase of copiers totaling \$38,635. The leases bear interest at rates between 3.5% and 3.7%. One of the leases requires monthly payments for a period of thirty-six months, with the remaining leases requiring forty-eight monthly payments. All of the leases mature by August 2018. Payments range from \$170 per month to \$499 per month. Payments are made through the City's Information Technology internal service fund.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM DEBT (Continued)

E. CAPITAL LEASE AGREEMENTS (Continued)

During 2014, the City assumed two separate lease agreements for equipment for the Black Canyon Golf Course. The first lease is for \$19,536 of equipment and requires six seasonal month payments of \$1,149 from May through October of each year for a period of three years and bears interest at 7.55%, matured in October 2016. The second lease is for \$85,717 of equipment and also requires six seasonal monthly payments from May to October of each year in the amount of \$4,493. The lease bears interest at 5.5%. The City assumed the three required payments remaining for 2014 as well as an additional three years through October 2017. Payments on these leases are made through the Black Canyon Golf Course Fund. This lease was paid off during the 2017 fiscal year.

During 2015, the City entered into a lease agreement for the purchase of a copier and related equipment totaling \$9,133. The lease bears interest at an estimated rate of 3.7%. The lease requires monthly payments for a period of forty-eight months. The lease matures in April 2019. Payments are \$205 per month. Payments are made through the City's Information Technology internal service fund.

During 2017, the City entered into a lease agreement for City and Montrose Urban Renewal Authority infrastructure improvements totaling \$10,000,000. The lease was issued with City Hall and the Pavilion buildings used as collateral. The City Hall portion of the lease includes an original principal balance of \$2,980,504 and bears interest at a rate of 1.91%. The City Hall lease requires bi-annual payments on April and October 1st and does not begin principal payments until 2033. Principal payments of \$298,050 will be made until maturity in 2037. The lender will recalculate the interest component for each five-year period using the Index Rate established on each Rental Adjustment Date. The Pavilion portion of the lease includes an original principal balance of \$7,019,496 and bears interest at 2.72%. The Pavilion lease requires bi-annual payments on April and October 1st. Total debt service payments of \$285,465 will be made until maturity in 2032.

A summary of the maturity of the leases is as follows:

	Copier			
	Equipment	City Hall	Pavilion	Total
<u>Year</u>	<u>Payment</u>	<u>Payment</u>	<u>Payment</u>	<u>Payment</u>
2018	\$ 7,465	\$ 50,919	\$ 576,939	\$ 635,323
2019	820	56,928	570,930	628,678
2020	-	56,928	570,930	627,858
2021	-	56,928	570,930	627,858
2022	-	56,928	570,930	627,858
2023-2027	-	284,640	2,854,650	3,139,290
2028-2032	-	284,640	2,854,650	3,139,290
2033-2037	-	<u>3,137,055</u>	<u>-</u>	<u>3,137,055</u>
Total Payments	8,285	3,984,966	8,569,959	12,563,210
Interest at Lease Rate	<u>(148)</u>	<u>(1,004,462)</u>	<u>(1,550,463)</u>	<u>(2,555,073)</u>
Present Value of Payments	<u>\$ 8,137</u>	<u>\$2,980,504</u>	<u>\$ 7,019,496</u>	<u>\$ 10,008,137</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - LONG-TERM DEBT (Continued)

F. ADVANCE REFUNDING

Governmental Activities

During 2010, the City issued Sales and Use Tax Revenue Refunding Bonds in the amount of \$2,570,000 to advance refund the 1998 General Fund Excise Tax Revenue Bonds. This advance refunding was undertaken to obtain an economic savings of \$222,973. The 1998 bonds in the amount of \$1,100,000 outstanding as of December 31, 2014 are considered defeased. The remaining defeased bonds mature by October 31, 2017.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	General	Capital	MURA	<u>Transfers In (net)</u>	
				Nonmajor	Nonmajor
<u>Transfers Out (net)</u>	<u>Fund</u>	<u>Improve. Fund</u>	<u>Fund</u>	<u>Govt</u>	<u>Enterprise</u>
General Fund	\$ (4,162,943)	\$ (2,959,662)	\$ 6,037,283	\$ 579,206	\$ 506,116

The above amounts were transferred for operations.

B. INTERNAL CHARGES

The following amounts represent internal charges for services rendered to the other funds:

	Internal	Info.	Admin	Health
	Fleet Equip	Systems		
	<u>Leases</u>	<u>Charges</u>	<u>Charges</u>	<u>Benefits</u>
General Fund	\$ 784,415	\$ 886,283	\$ -	\$ 2,065,204
Nonmajor Govt Funds	-	55,956	-	31,067
Major Enterprise Funds	640,733	168,675	607,678	356,083
Internal Service Funds	<u>2,510</u>	<u>42,988</u>	<u>-</u>	<u>76,087</u>
Total	\$ 1,427,658	\$ 1,153,903	\$ 607,678	\$ 2,528,442

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 - JOINTLY GOVERNED ORGANIZATION

Project 7 Water Authority

In 1977, the City along with the City of Delta, the Town of Olathe, the Tri-County Water Conservancy District, Chipeta Water District and the Menoken Water District entered into a contract to create a separate governmental entity, the Project 7 Water Authority, which owns and operates a water treatment facility. The Authority is governed by a board consisting of appointed representatives from each of the contracting entities. The City is obligated by contract to purchase the treatment of 825 million gallons of water annually from the Authority so long as the Authority has any unpaid debt, other than from operating expenses. The rate for 2015 was 90 cents per thousand gallons, which results in a minimum annual purchase commitment of \$742,500, but the rate charged may be changed by action of the Authority. During 2017, the City purchased treatment of 1,265,403,000 gallons for \$1,138,860. At December 31, 2017, the City owed the Authority \$49,031 for 54,479,000 gallons of water. Separate financial statements of Project 7 Water Authority are available from the City or the Authority.

NOTE 10 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a participant in the Colorado Intergovernmental Risk Sharing Agency (CIRSA).

CIRSA operates as a common risk management and insurance program for 260 members participating in the Property & Casualty Pool and 128 members in the Workers' Compensation Pool. The City pays an annual premium to CIRSA for its general insurance coverage and workers' compensation insurance coverage. The agreement for formation of CIRSA provides that CIRSA will be financed by member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The City has other commercial insurance for other risks including employee health and accident insurance described in Note 5.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations regarding revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the Section. However, the City has made certain interpretations of the Section's language in order to determine its compliance. The emergency reserves required under the Section have been funded in the General Fund.

NOTE 12 - CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenses that could lead to reimbursement to the grantor agencies. City management is not aware of any such expenses that would not be allowed. The City is a defendant in several lawsuits. The City attorney is not able to make any conclusions as to material loss contingencies not covered by insurance resulting from such litigation. No adjustments to the financial statements have been made for such contingencies.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 – PRIOR PERIOD RESTATEMENT

The City has restated the beginning equity in the General Fund and Capital Improvement Fund and activities as summarized below:

Description	Governmental Activities	General Fund	Capital Improve. Fund
Grant Reclassification	\$ -	\$ (236,485)	\$ 236,485
Overstated Deposits	<u>201,412</u>	<u>\$ 201,412</u>	<u>-</u>
Net Restatements	201,412	(35,073)	236,485
Ending Equity - Prior Year Audit	<u>84,204,486</u>	<u>10,888,260</u>	<u>418,949</u>
Beginning Equity - Restated	<u><u>\$84,405,898</u></u>	<u><u>\$ 10,853,187</u></u>	<u><u>\$ 655,434</u></u>

General Fund

The City has decreased the beginning fund balance in the General Fund by \$236,485 representing the reclassification of a grant receipt that was improperly recorded in the General Fund. The beginning equity was also increased by \$201,412 for developer escrow receipts that were previously recorded as a liability instead of revenue through of December 31, 2016.

Capital Improvement Fund

The City has increased the beginning fund balance in the Capital Improvement Fund by \$236,485 representing the reclassification of a grant receipt that was improperly recorded in the General Fund that should have been in the Capital Fund.

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Required Supplementary Information

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

General Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

2017					
	Original Budget	Final Budget	Actual	Variance With Final Budget	2016 Actual
REVENUES					
Taxes	\$ 17,061,620	\$ 17,055,620	\$ 17,683,482	\$ 627,862	\$ 16,893,762
Licenses and permits	363,292	363,292	408,163	44,871	335,952
Intergovernmental	1,131,353	1,131,353	1,195,209	63,856	1,403,285
Charges for services	272,444	272,444	316,640	44,196	441,284
Fines and forfeits	245,300	245,300	159,604	(85,696)	223,645
Miscellaneous	105,975	110,975	119,036	8,061	229,580
Administrative reimbursement	607,678	607,678	607,678	-	641,468
Investment earnings	14,100	14,100	80,689	66,589	56,767
Total revenues	<u>19,801,762</u>	<u>19,800,762</u>	<u>20,570,501</u>	<u>769,739</u>	<u>20,225,743</u>
EXPENDITURES					
Current					
General government					
City council	148,417	166,417	158,865	7,552	130,391
Youth Council	6,900	6,900	5,971	929	850
Community program support	-	3,000	4,167	(1,167)	-
Economic development	324,750	324,750	302,544	22,206	258,408
Website/Communications	139,652	139,652	122,488	17,164	121,995
City attorney	380,264	380,264	384,205	(3,941)	346,318
City manager	304,019	304,019	337,384	(33,365)	293,229
Human resources	294,396	314,396	345,650	(31,254)	288,734
GIS	263,004	263,004	303,694	(40,690)	293,420
Finance	697,153	697,153	654,702	42,451	670,481
Municipal court	203,813	203,813	196,959	6,854	181,111
Teen court	8,500	8,500	3,278	5,222	-
Innovation and citizen engagement	143,985	143,985	158,308	(14,323)	141,558
City clerk	228,186	228,186	229,979	(1,793)	248,508
Facility management	468,381	468,381	491,130	(22,749)	521,752
Montrose Pavilion	550,821	550,821	557,333	(6,512)	486,538
Clearing account	27,500	27,500	24,793	2,707	25,082
Total general government	<u>4,189,741</u>	<u>4,230,741</u>	<u>4,281,450</u>	<u>(50,709)</u>	<u>4,008,375</u>
Community Development					
Planning services	<u>406,061</u>	<u>406,061</u>	<u>389,437</u>	<u>16,624</u>	<u>268,202</u>
Public safety					
Police	4,418,842	4,418,842	4,295,604	123,238	4,105,966
Administration	1,563,124	1,563,124	1,623,194	(60,070)	1,542,388
Animal control	568,051	568,051	530,590	37,461	522,367
7th Judicial Drug Task Force	359,679	359,679	319,503	40,176	341,486
Code enforcement	89,487	89,487	86,476	3,011	85,625
Total public safety	<u>6,999,183</u>	<u>6,999,183</u>	<u>6,855,367</u>	<u>143,816</u>	<u>6,597,832</u>
Engineering and inspection					
Building services	<u>194,155</u>	<u>194,155</u>	<u>195,028</u>	<u>(873)</u>	<u>150,833</u>

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

(Continued)

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

General Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
(Continued)					
Public works					
Engineer	220,694	220,694	216,204	4,490	219,911
Public works administration	239,874	239,874	226,466	13,408	203,099
Street maintenance	2,113,539	2,113,539	2,209,685	(96,146)	2,098,302
Street cleaning	322,843	322,843	327,485	(4,642)	268,956
Total public works	<u>2,896,950</u>	<u>2,896,950</u>	<u>2,979,840</u>	<u>(82,890)</u>	<u>2,790,268</u>
Parks, recreation and cemetery					
Parks maintenance	1,142,192	1,192,192	1,186,633	5,559	1,039,654
Tree program	15,000	15,000	14,725	275	11,852
Cemetery	67,973	67,973	55,008	12,965	45,070
Competitive Youth Sports	80,066	80,066	91,644	(11,578)	86,121
Sunset Mesa maintenance	118,644	118,644	87,961	30,683	93,768
Total parks and cemetery	<u>1,423,875</u>	<u>1,473,875</u>	<u>1,435,971</u>	<u>37,904</u>	<u>1,276,465</u>
Insurance	<u>237,000</u>	<u>237,000</u>	<u>236,743</u>	<u>257</u>	<u>286,782</u>
Capital outlay					
General government outlays	130,500	780,500	849,665	(69,165)	1,452,542
Public safety outlays	57,000	47,000	47,398	(398)	27,881
Public works outlays	95,000	95,000	111,706	(16,706)	32,435
Parks & recreation outlays	172,100	217,100	231,629	(14,529)	39,991
Total capital outlay	<u>454,600</u>	<u>1,139,600</u>	<u>1,240,398</u>	<u>(100,798)</u>	<u>1,552,849</u>
Contingency	<u>1,118,437</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
Total expenditures	<u>17,920,002</u>	<u>19,077,565</u>	<u>17,614,234</u>	<u>1,463,331</u>	<u>16,931,606</u>
Revenues in excess of expenditures	<u>1,881,760</u>	<u>723,197</u>	<u>2,956,267</u>	<u>2,233,070</u>	<u>3,294,137</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	500	500	3,254	2,754	672
Transfers out	<u>(3,005,697)</u>	<u>(4,213,697)</u>	<u>(4,166,199)</u>	<u>47,498</u>	<u>(2,783,405)</u>
Net other financing sources (uses)	<u>(3,005,197)</u>	<u>(4,213,197)</u>	<u>(4,162,945)</u>	<u>50,252</u>	<u>(2,782,733)</u>
Change in fund balance	<u>(1,123,437)</u>	<u>(3,490,000)</u>	<u>(1,206,678)</u>	<u>2,283,322</u>	<u>511,404</u>
FUND BALANCE, Beginning	11,117,792	11,117,792	11,117,792	-	10,606,388
Prior Period Restatement	<u>-</u>	<u>-</u>	<u>(35,073)</u>	<u>(35,073)</u>	<u>-</u>
FUND BALANCE, Beginning (As Restated)	<u>11,082,719</u>	<u>11,082,719</u>	<u>11,082,719</u>	<u>(35,073)</u>	<u>10,606,388</u>
FUND BALANCE, Ending	<u>\$ 9,959,282</u>	<u>\$ 7,592,719</u>	<u>\$ 9,876,041</u>	<u>\$ 2,248,249</u>	<u>\$ 11,117,792</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the
Montrose Urban Renewal Authority Fund
For the Year Ended December 31, 2017

2017			
	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Intergovernmental	\$ -	\$ 5,073	\$ 5,073
Investment earnings	-	9,527	9,527
Total revenues	-	14,600	14,600
EXPENDITURES			
Current			
Community Development			
Special benefit	354,456	354,454	2
Capital outlay			
General government outlays	895,544	815,248	80,296
Total expenditures	1,250,000	1,169,702	80,298
Revenues in excess of expenditures	(1,250,000)	(1,155,102)	94,898
Transfers in	-	6,037,283	6,037,283
Change in fund balance	(1,250,000)	4,882,181	6,132,181
FUND BALANCE, Beginning	-	-	-
FUND BALANCE, Ending	\$ (1,250,000)	4,882,181	6,132,181

See the accompanying independent auditors' report.

Other Supplementary Information

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Special Revenue Funds					
	Retail Sales Enhancement	CDBG Passthrough Grant	Downtown Opportunity Fund	Greater Montrose Loan	Downtown Development Authority	Surplus & Deficiency
ASSETS						
Cash and cash equivalents	\$ 134,976	\$ -	\$ 45,435	\$ 130,000	\$ 136,949	\$ 4,818
Certificates of deposit	-	-	-	-	49,737	151,234
Accounts receivable - net	-	-	113,194	-	113,247	-
Franchise fees receivable	-	-	-	-	-	-
Due from other governments	-	30,000	-	-	-	-
Sales tax receivable	34,824	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Inventory of supplies	-	-	-	-	-	-
Prepaid Expenses	1,475	-	-	-	-	-
Total Assets	171,275	30,000	158,629	130,000	299,933	156,052
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	22,899	-	-	-	2,478	-
Customer deposits and deposits in escrow	-	-	-	-	-	-
Accrued salaries and benefits	3,521	-	-	-	1,450	-
Unearned Revenue	-	-	62,141	-	(1,708)	-
Total Liabilities	26,420	-	62,141	-	2,220	-
DEFERRED INFLOWS - Property Taxes	-	-	-	-	111,084	-
FUND BALANCE						
Nonspendable						
Prepays and inventory	1,475	-	-	-	-	-
Permanent fund or other corpus	-	-	-	-	-	-
Restricted:						
For economic development	-	-	-	-	186,629	-
For debt service	-	-	-	-	-	156,052
For beautification - expendable	-	-	-	-	-	-
For capital projects	-	-	-	-	-	-
For parks	-	-	-	-	-	-
Committed:						
For economic development	143,380	-	96,488	-	-	-
For community development	-	-	-	130,000	-	-
For public safety	-	30,000	-	-	-	-
For parks improvements	-	-	-	-	-	-
For animal shelter	-	-	-	-	-	-
Assigned:						
For parks and recreation	-	-	-	-	-	-
For pavilion improvements	-	-	-	-	-	-
For public education	-	-	-	-	-	-
Total Fund Balance	144,855	30,000	96,488	130,000	186,629	156,052
Total Liabilities and Fund Balances	\$ 171,275	\$ 30,000	\$ 158,629	\$ 130,000	\$ 299,933	\$ 156,052

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

Special Revenue Funds

Conservation Trust	Pavilion Improvement	Public/Education/Go vernment Fund	Special Benefits	Tourism Promotional
\$ 406,337	\$ 16,009	\$ 54,680	\$ 443,866	\$ 306,221
-	-	49,047	-	50,234
-	-	-	-	15,984
-	-	4,633	-	-
-	-	-	-	-
-	-	-	-	38,250
-	-	-	-	-
-	-	-	-	45,929
-	-	-	-	7,773
<u>406,337</u>	<u>16,009</u>	<u>108,360</u>	<u>443,866</u>	<u>464,391</u>
-	2,380	-	17,844	24,312
-	-	-	1,518	-
-	-	-	-	3,521
-	-	-	-	-
-	<u>2,380</u>	-	<u>19,362</u>	<u>27,833</u>
-	-	-	-	-
-	-	-	-	53,702
-	-	-	-	-
-	-	-	-	382,856
-	-	-	-	-
-	-	-	-	-
406,337	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	197,978	-
-	-	-	40,087	-
-	-	-	186,439	-
-	13,629	-	-	-
-	-	108,360	-	-
<u>406,337</u>	<u>13,629</u>	<u>108,360</u>	<u>424,504</u>	<u>436,558</u>
<u>\$ 406,337</u>	<u>\$ 16,009</u>	<u>\$ 108,360</u>	<u>\$ 443,866</u>	<u>\$ 464,391</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Debt Service		
	Funds	Permanent Funds	
	1998 General		
	Fund Excise Tax		Cemetery
	Revenue Bonds	Demoret Trust	Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 37,453	\$ 12,061	\$ 119,371
Certificates of deposit	-	324,273	-
Accounts receivable - net	-	-	-
Franchise fees receivable	-	-	-
Due from other governments	-	-	-
Sales tax receivable	-	-	-
Interest receivable	-	3,489	-
Inventory of supplies	-	-	-
Prepaid Expenses	-	-	-
Total Assets	<u>37,453</u>	<u>339,823</u>	<u>119,371</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	-	-	-
Customer deposits and deposits in escrow	-	-	-
Accrued salaries and benefits	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS - Property Taxes	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable			
Prepays and inventory	-	-	-
Permanent fund or other corpus	-	321,381	119,371
Restricted:			
For economic development	-	-	-
For debt service	37,453	-	-
For beautification - expendable	-	18,442	-
For capital projects	-	-	-
For parks	-	-	-
Committed:			
For economic development	-	-	-
For community development	-	-	-
For public safety	-	-	-
For parks improvements	-	-	-
For animal shelter	-	-	-
Assigned:			
For parks and recreation	-	-	-
For pavilion Improvements	-	-	-
For public education	-	-	-
Total Fund Balance	<u>37,453</u>	<u>339,823</u>	<u>119,371</u>
Total Liabilities and Fund Balances	<u>\$ 37,453</u>	<u>\$ 339,823</u>	<u>\$ 119,371</u>

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

Capital Project Fund		Total Nonmajor Funds	
Grand/Rio Grande Project	Building Renovation	2017	2016
\$ (377,967)	\$ 399,153	\$ 1,869,362	\$ 2,278,717
970,672	-	1,595,197	1,758,564
-	-	242,425	170,867
-	-	4,633	4,700
838,534	-	868,534	30,000
-	-	73,074	74,300
-	-	3,489	-
-	-	45,929	22,300
-	-	9,248	3,400
<u>1,431,239</u>	<u>399,153</u>	<u>4,711,891</u>	<u>4,342,848</u>
62,577	25,786	158,276	154,425
-	-	1,518	906
-	-	8,492	8,168
-	-	60,433	37,999
<u>62,577</u>	<u>25,786</u>	<u>228,719</u>	<u>201,498</u>
-	-	111,084	111,949
-	-	55,177	25,700
-	-	440,752	438,832
-	-	569,485	422,406
-	-	193,505	214,810
-	-	18,442	12,061
1,368,662	373,367	1,742,029	1,860,779
-	-	406,337	345,294
-	-	239,868	211,367
-	-	130,000	130,000
-	-	30,000	-
-	-	197,978	169,969
-	-	40,087	40,087
-	-	186,439	52,482
-	-	13,629	14,895
-	-	108,360	90,719
<u>1,368,662</u>	<u>373,367</u>	<u>4,372,088</u>	<u>4,029,401</u>
<u>\$ 1,431,239</u>	<u>\$ 399,153</u>	<u>\$ 4,711,891</u>	<u>\$ 4,342,848</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Special Revenue Funds			
	Retail Sales Enhancement	CDBG Passthrough Grant	Downtown Opportunity Fund	Greater Montrose Loan
REVENUES				
Taxes	\$ 326,180	\$ -	\$ -	\$ -
Intergovernmental	-	630,000	-	-
Charges for services	-	-	-	-
Miscellaneous	3,000	-	61,812	-
Contributions to permanent endowment	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>329,180</u>	<u>630,000</u>	<u>61,812</u>	<u>-</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Community Development	279,246	630,000	66,638	-
Public works	-	-	-	-
Parks, recreation and cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>279,246</u>	<u>630,000</u>	<u>66,638</u>	<u>-</u>
Revenues in excess of expenditures	<u>49,934</u>	<u>-</u>	<u>(4,826)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	30,000	-	-
Transfers out	(15,132)	-	-	-
Net other financing sources (uses)	<u>(15,132)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Change in fund balance	34,802	30,000	(4,826)	-
FUND BALANCE (DEFICIT), Beginning	<u>110,053</u>	<u>-</u>	<u>101,314</u>	<u>130,000</u>
FUND BALANCE, Ending	<u>\$ 144,855</u>	<u>\$ 30,000</u>	<u>\$ 96,488</u>	<u>\$ 130,000</u>

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

Special Revenue Funds

Downtown Development Authority	Surplus & Deficiency	Conservation Trust	Pavilion Improvement	Public/Education/ Government Fund	Special Benefits	Tourism Promotional
\$ 110,970	\$ -	\$ -	\$ -	\$ 18,640	\$ -	\$ 519,263
15,794	-	94,184	-	-	-	15,250
10,006	-	-	19,276	-	-	57,858
4,675	-	-	482	-	202,824	12,062
-	-	-	-	-	-	-
61	685	5,808	-	(74)	1,474	234
<u>141,506</u>	<u>685</u>	<u>99,992</u>	<u>19,758</u>	<u>18,566</u>	<u>204,298</u>	<u>604,667</u>
-	-	-	-	925	-	-
98,740	-	-	21,824	-	27,867	484,601
-	-	-	-	-	-	-
-	-	450	-	-	-	-
-	-	38,499	-	-	14,465	-
-	-	-	-	-	-	-
<u>98,740</u>	<u>-</u>	<u>38,949</u>	<u>21,824</u>	<u>925</u>	<u>42,332</u>	<u>484,601</u>
<u>42,766</u>	<u>685</u>	<u>61,043</u>	<u>(2,066)</u>	<u>17,641</u>	<u>161,966</u>	<u>120,066</u>
-	-	-	-	-	-	15,132
-	-	-	-	-	-	(2,083)
-	-	-	-	-	-	13,049
42,766	685	61,043	(2,066)	17,641	161,966	133,115
<u>143,863</u>	<u>155,367</u>	<u>345,294</u>	<u>15,695</u>	<u>90,719</u>	<u>262,538</u>	<u>303,443</u>
<u>\$ 186,629</u>	<u>\$ 156,052</u>	<u>\$ 406,337</u>	<u>\$ 13,629</u>	<u>\$ 108,360</u>	<u>\$ 424,504</u>	<u>\$ 436,558</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Debt Service Funds		Permanent Funds	
	1998 General Fund			
	Excise Tax Revenue		Cemetery	
	Bonds	EIA Fireflow Loan	Demoret Trust	Perpetual Care
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	12,189	-	-
Miscellaneous	-	-	-	-
Contributions to permanent endowment	-	-	-	1,920
Investment earnings	-	-	6,381	1,171
Total revenues	-	12,189	6,381	3,091
EXPENDITURES				
Current				
General government	50	-	-	-
Community Development	-	-	-	-
Public works	-	-	-	-
Parks, recreation and cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service	374,400	12,189	-	-
Total expenditures	374,450	12,189	-	-
Revenues in excess of expenditures	(374,450)	-	6,381	3,091
OTHER FINANCING SOURCES (USES)				
Transfers in	352,460	-	-	-
Transfers out	-	-	-	(1,171)
Net other financing sources (uses)	352,460	-	-	(1,171)
Change in fund balance	(21,990)	-	6,381	1,920
FUND BALANCE, Beginning	59,443	-	333,442	117,451
FUND BALANCE, Ending	\$ 37,453	\$ -	\$ 339,823	\$ 119,371

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

Capital Project Funds		Total Nonmajor Funds	
Grand/Rio Grande			
Project	Building Renovation	2017	2016
\$ -	\$ -	\$ 975,053	\$ 930,890
984,593	-	1,739,821	1,324,786
-	-	99,329	94,731
-	-	284,855	102,160
-	-	1,920	1,600
31,642	2,765	50,147	3,889
<u>1,016,235</u>	<u>2,765</u>	<u>3,151,125</u>	<u>2,458,056</u>
-	105,354	106,329	44,311
-	-	1,608,916	2,073,438
71	-	71	42
-	-	450	55,000
1,147,858	84,467	1,285,289	325,782
-	-	386,589	380,189
<u>1,147,929</u>	<u>189,821</u>	<u>3,387,644</u>	<u>2,878,762</u>
<u>(131,694)</u>	<u>(187,056)</u>	<u>(236,519)</u>	<u>(420,706)</u>
-	200,000	597,592	528,700
-	-	(18,386)	(31,172)
-	200,000	579,206	497,528
<u>(131,694)</u>	<u>12,944</u>	<u>342,687</u>	<u>76,822</u>
<u>1,500,356</u>	<u>360,423</u>	<u>4,029,401</u>	<u>3,952,579</u>
<u>\$ 1,368,662</u>	<u>\$ 373,367</u>	<u>\$ 4,372,088</u>	<u>\$ 4,029,401</u>

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Retail Sales Enhancement Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Original	Original &	Variance	2016
		Budget	Final	With Final	2016
			Budget	Budget	Actual
			Actual		
REVENUES					
Taxes		\$ 323,033	\$ 323,033	\$ 326,180	\$ 313,210
Charges for services		36,210	36,210	-	273
Miscellaneous		-	-	3,000	-
Total revenues		359,243	359,243	(30,063)	313,483
EXPENDITURES					
Current					
Community Development					
Retail Sales Enhancement		354,141	354,141	279,246	245,459
Community development outlays		2,500	2,500	-	-
Total expenditures		356,641	356,641	279,246	245,459
Revenues in excess of expenditures		2,602	2,602	49,934	68,024
OTHER FINANCING SOURCES (USES)					
Transfers out		(15,132)	(15,132)	(15,132)	(30,500)
Change in fund balance		(12,530)	(12,530)	34,802	37,524
FUND BALANCE, Beginning		110,053	110,053	110,053	72,529
FUND BALANCE, Ending		<u>\$ 97,523</u>	<u>\$ 97,523</u>	<u>\$ 144,855</u>	<u>\$ 110,053</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

CDBG Passthrough Grant Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES					
Intergovernmental	\$ -	\$ 600,000	\$ 630,000	\$ 30,000	\$ 1,170,000
EXPENDITURES					
Current					
Community Development					
Special benefit	-	630,000	630,000	-	1,170,000
Revenues in excess of expenditures	-	(30,000)	-	30,000	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	30,000	30,000	-	-
Change in fund balance	-	-	30,000	30,000	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Downtown Development Authority Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Original	Final	Variance	2016
		Budget	Budget	With Final	Actual
				Budget	
REVENUES					
Taxes		\$ 110,000	\$ 110,000	\$ 110,970	\$ 970
Intergovernmental		17,500	17,500	15,794	(1,706)
Charges for services		-	-	10,006	10,006
Miscellaneous		10,000	10,000	4,675	(5,325)
Investment earnings		50	50	61	11
					(217)
Total revenues		<u>137,550</u>	<u>137,550</u>	<u>141,506</u>	<u>3,956</u>
					<u>152,720</u>
EXPENDITURES					
Current					
Community Development					
Downtown Development		164,102	164,102	98,740	65,362
					146,377
Capital outlay					
Community development outlays		<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
					<u>-</u>
Total expenditures		<u>166,102</u>	<u>166,102</u>	<u>98,740</u>	<u>67,362</u>
					<u>146,377</u>
Change in fund balance		(28,552)	(28,552)	42,766	71,318
FUND BALANCE, Beginning		<u>143,863</u>	<u>143,863</u>	<u>143,863</u>	<u>-</u>
					<u>137,520</u>
FUND BALANCE, Ending		<u>\$ 115,311</u>	<u>\$ 115,311</u>	<u>\$ 186,629</u>	<u>\$ 71,318</u>
					<u>\$ 143,863</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Downtown Opportunity Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Final		Variance	2016
		Budget	Actual	With Final	Actual
		Budget		Budget	
REVENUES					
Miscellaneous		\$ 7,900	\$ 61,812	\$ 53,912	\$ 26,599
EXPENDITURES					
Current					
Planning services		77,282	66,638	10,644	-
Change in fund balance		(69,382)	(4,826)	64,556	26,599
FUND BALANCE, Beginning		101,314	101,314	-	74,715
FUND BALANCE, Ending		<u>\$ 31,932</u>	<u>\$ 96,488</u>	<u>\$ 64,556</u>	<u>\$ 101,314</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Greater Montrose Loan

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

2017				2016	
Original & Final Budget	Actual	Variance With Final Budget		Actual	
EXPENDITURES					
Community Development					
Planning services	\$ 30,000	\$ -	\$ 30,000	\$ -	
FUND BALANCE, Beginning	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>	
FUND BALANCE, Ending	<u>\$ 100,000</u>	<u>\$ 130,000</u>	<u>\$ 30,000</u>	<u>\$ 130,000</u>	

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Public/Education/Government Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017		Variance With Final Budget	2016 Actual
	Original & Final	Actual		
	Budget		Budget	
REVENUES				
Taxes	\$ 20,000	\$ 18,640	\$ (1,360)	\$ 18,909
Investment earnings	1,000	(74)	(1,074)	(811)
Total revenues	<u>21,000</u>	<u>18,566</u>	<u>(2,434)</u>	<u>18,098</u>
EXPENDITURES				
Current				
Community Development				
Special benefit	30,000	925	29,075	8,193
Change in fund balance	(9,000)	17,641	26,641	9,905
FUND BALANCE, Beginning	<u>90,719</u>	<u>90,719</u>	-	<u>80,814</u>
FUND BALANCE, Ending	<u>\$ 81,719</u>	<u>\$ 108,360</u>	<u>\$ 26,641</u>	<u>\$ 90,719</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Surplus & Deficiency Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

2017				
	Original & Final Budget	Actual	Variance With Final Budget	2016 Actual
REVENUES				
Investment earnings	\$ 184	\$ 685	\$ 501	\$ (100)
FUND BALANCE, Beginning	155,367	155,367	-	155,467
FUND BALANCE, Ending	<u>\$ 155,551</u>	<u>\$ 156,052</u>	<u>\$ 501</u>	<u>\$ 155,367</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Capital Improvement Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017				
		Original Budget	Final Budget	Actual	Variance With Final Budget	2016 Actual
REVENUES						
Intergovernmental		\$ -	\$ -	\$ 178,659	\$ 178,659	\$ -
Miscellaneous		-	-	10,009,000	10,009,000	1,368
Investment earnings		5,701	5,701	26,557	20,856	10,033
Total revenues		5,701	5,701	10,214,216	10,208,515	11,401
EXPENDITURES						
Capital outlay						
Public works outlays		-	90,000	162,196	(72,196)	154,357
Highways & streets outlays		745,000	910,000	769,199	140,801	1,977,073
Total capital outlay		745,000	1,000,000	931,395	68,605	2,131,430
Revenues in excess of expenditures		(739,299)	(994,299)	9,282,821	10,277,120	(2,120,029)
OTHER FINANCING SOURCES (USES)						
Transfers in		1,830,820	1,911,660	1,926,378	14,718	1,717,534
Transfers out		-	-	(4,886,040)	(4,886,040)	-
Net other financing sources (uses)		1,830,820	1,911,660	(2,959,662)	(4,871,322)	1,717,534
Change in fund balance		1,091,521	917,361	6,323,159	5,405,798	(402,495)
FUND BALANCE, Beginning		182,465	182,465	182,465	-	584,960
Prior Period Restatement		-	-	236,485	236,485	-
FUND BALANCE, Beginning (As Restated)		418,950	418,950	418,950	236,485	584,960
FUND BALANCE, Ending		\$ 1,510,471	\$ 1,336,311	\$ 6,742,109	\$ 5,642,283	\$ 182,465

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Conservation Trust Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017				
		Original	Final		Variance	2016
		Budget	Budget	Actual	With Final	Actual
					Budget	
REVENUES						
Intergovernmental		\$ 80,000	\$ 80,000	\$ 94,184	\$ 14,184	\$ 105,887
Investment earnings		<u>1,000</u>	<u>1,000</u>	<u>5,808</u>	<u>4,808</u>	<u>2,686</u>
Total revenues		<u>81,000</u>	<u>81,000</u>	<u>99,992</u>	<u>18,992</u>	<u>108,573</u>
EXPENDITURES						
Current						
Parks maintenance		-	-	450	(450)	55,000
Parks & recreation outlays		<u>69,500</u>	<u>69,500</u>	<u>38,499</u>	<u>31,001</u>	<u>34,652</u>
Total expenditures		<u>69,500</u>	<u>69,500</u>	<u>38,949</u>	<u>30,551</u>	<u>89,652</u>
Change in fund balance		11,500	11,500	61,043	49,543	18,921
FUND BALANCE, Beginning		<u>345,294</u>	<u>345,294</u>	<u>345,294</u>	-	<u>326,373</u>
FUND BALANCE, Ending		<u>\$ 356,794</u>	<u>\$ 356,794</u>	<u>\$ 406,337</u>	<u>\$ 49,543</u>	<u>\$ 345,294</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Pavilion Improvement Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017				
		Original	Final		Variance	2016
		Budget	Budget	Actual	With Final	Actual
					Budget	
REVENUES						
Charges for services		\$ 14,000	\$ 14,000	\$ 19,276	\$ 5,276	\$ 23,022
Miscellaneous		<u>2,200</u>	<u>2,200</u>	<u>482</u>	<u>(1,718)</u>	<u>2,600</u>
Total revenues		16,200	16,200	19,758	3,558	25,622
EXPENDITURES						
Current						
Community Development						
Pavilions Senior Center		<u>16,200</u>	<u>22,100</u>	<u>21,824</u>	<u>276</u>	<u>24,822</u>
Change in fund balance		-	(5,900)	(2,066)	3,834	800
FUND BALANCE, Beginning		<u>15,695</u>	<u>15,695</u>	<u>15,695</u>	-	<u>14,895</u>
FUND BALANCE, Ending		<u>\$ 15,695</u>	<u>\$ 9,795</u>	<u>\$ 13,629</u>	<u>\$ 3,834</u>	<u>\$ 15,695</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Special Benefits Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			
	Original & Final		Variance With Final	2016
	Budget	Actual	Budget	Actual
REVENUES				
Miscellaneous	\$ 22,000	\$ 202,824	\$ 180,824	\$ 60,452
Investment earnings	2,000	1,474	(526)	2,209
Total revenues	<u>24,000</u>	<u>204,298</u>	<u>180,298</u>	<u>62,661</u>
EXPENDITURES				
Community Development				
Special benefit	31,325	27,867	3,458	10,650
Capital outlay				
General government outlays	<u>64,880</u>	<u>14,465</u>	<u>50,415</u>	<u>55,017</u>
Total expenditures	<u>96,205</u>	<u>42,332</u>	<u>53,873</u>	<u>65,667</u>
Change in fund balance	(72,205)	161,966	234,171	(3,006)
FUND BALANCE, Beginning	<u>262,538</u>	<u>262,538</u>	<u>-</u>	<u>265,544</u>
FUND BALANCE, Ending	<u>\$ 190,333</u>	<u>\$ 424,504</u>	<u>\$ 234,171</u>	<u>\$ 262,538</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Tourism Promotional Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Original	Final	Variance	2016
		Budget	Budget	With Final	Actual
				Budget	
REVENUES					
Taxes		\$ 478,332	\$ 478,332	\$ 40,931	\$ 487,494
Intergovernmental		-	-	15,250	25,000
Charges for services		39,045	39,045	18,813	48,143
Miscellaneous		13,434	13,434	(1,372)	5,852
Investment earnings		-	-	234	-
Total revenues		<u>530,811</u>	<u>530,811</u>	<u>73,856</u>	<u>566,489</u>
EXPENDITURES					
Current					
Community Development					
Tourism		575,585	625,585	140,984	476,130
Capital outlay					
Community development outlays		<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>7,710</u>
Total expenditures		<u>579,585</u>	<u>629,585</u>	<u>144,984</u>	<u>483,840</u>
Revenues in excess of expenditures		(48,774)	(98,774)	218,840	82,649
OTHER FINANCING SOURCES (USES)					
Transfers in		15,132	15,132	-	80,500
Transfers out		<u>-</u>	<u>-</u>	<u>(2,083)</u>	<u>-</u>
Net other financing sources (uses)		<u>15,132</u>	<u>15,132</u>	<u>(2,083)</u>	<u>80,500</u>
Change in fund balance		(33,642)	(83,642)	216,757	163,149
FUND BALANCE (DEFICIT), Beginning		<u>303,443</u>	<u>303,443</u>	<u>-</u>	<u>140,294</u>
FUND BALANCE (DEFICIT), Ending		<u>\$ 269,801</u>	<u>\$ 219,801</u>	<u>\$ 216,757</u>	<u>\$ 303,443</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

1998 General Fund Excise Tax Revenue Bonds Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017				
		Original Budget	Original & Final Budget	Actual	Variance With Final Budget	2016 Actual
EXPENDITURES						
Current						
Finance		\$ -	\$ 118,729	\$ -	\$ 118,729	\$ -
Community Development						
Special benefit		300	300	50	250	200
Debt service						
Principal		360,000	360,000	360,000	-	340,000
Interest and fees		15,421	15,421	14,400	1,021	28,000
Total debt service		375,421	375,421	374,400	1,021	368,000
Total expenditures		375,721	494,450	374,450	120,000	368,200
Revenues in excess of expenditures		(375,721)	(494,450)	(374,450)	120,000	(368,200)
OTHER FINANCING SOURCES (USES)						
Transfers in		352,460	352,460	352,460	-	368,200
Change in fund balance		(23,261)	(141,990)	(21,990)	120,000	-
FUND BALANCE, Beginning		59,443	59,443	59,443	-	59,443
FUND BALANCE, Ending		\$ 36,182	\$ (82,547)	\$ 37,453	\$ 120,000	\$ 59,443

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

EIA Fireflow Loan Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			2016
	Original & Final Budget	Actual	Variance With Final Budget	
				Actual
REVENUES				
Charges for services	\$ 12,190	\$ 12,189	\$ (1)	\$ 12,189
EXPENDITURES				
Debt service				
Principal	10,530	10,792	(262)	10,028
Interest and fees	1,660	1,397	263	2,161
Total expenditures	12,190	12,189	1	12,189
Change in fund balance	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Demoret Trust Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017		
		Original & Final Budget	Actual	Variance With Final Budget
				2016 Actual
REVENUES				
Investment earnings		\$ 2,000	\$ 6,381	\$ 4,381
				\$ 3,362
	FUND BALANCE, Beginning	333,442	333,442	-
				330,080
	FUND BALANCE, Ending	<u>\$ 335,442</u>	<u>\$ 339,823</u>	<u>\$ 4,381</u>
				<u>\$ 333,442</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Cemetery Perpetual Care Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			
	Original & Final		Variance With Final	2016
	Budget	Actual	Budget	Actual
REVENUES				
Contributions to permanent endowment	\$ 2,000	\$ 1,920	\$ (80)	\$ 1,600
Investment earnings	300	1,171	871	672
Total revenues	2,300	3,091	791	2,272
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(1,171)	(171)	(672)
Change in fund balance	1,300	1,920	620	1,600
FUND BALANCE, Beginning	117,451	117,451	-	115,851
FUND BALANCE, Ending	<u>\$ 118,751</u>	<u>\$ 119,371</u>	<u>\$ 620</u>	<u>\$ 117,451</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Special Improvements Revolving Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			
	Original & Final	Actual	Variance With Final	2016
	Budget		Budget	Actual
REVENUES				
Special assessments	\$ 38,000	\$ 87,454	\$ 49,454	\$ 74,609
Investment earnings	5,000	5,936	936	9,236
Total revenues	43,000	93,390	50,390	83,845
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	1,000	519	481	580
Change in fund balance	42,000	92,871	50,871	83,265
FUND BALANCE, Beginning	749,559	749,559	-	666,294
FUND BALANCE, Ending	<u>\$ 791,559</u>	<u>\$ 842,430</u>	<u>\$ 50,871</u>	<u>\$ 749,559</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Grand/Rio Grande Project Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Intergovernmental	\$ 600,000	\$ 600,000	\$ 984,593	\$ 384,593	\$ -
Investment earnings	9,591	9,591	31,642	22,051	(5,586)
Total revenues	<u>609,591</u>	<u>609,591</u>	<u>1,016,235</u>	<u>406,644</u>	<u>(5,586)</u>
EXPENDITURES					
Public works administration	-	-	71	(71)	42
Highways & streets outlays	<u>800,000</u>	<u>1,150,000</u>	<u>1,147,858</u>	<u>2,142</u>	<u>172,363</u>
Total expenditures	<u>800,000</u>	<u>1,150,000</u>	<u>1,147,929</u>	<u>2,071</u>	<u>172,405</u>
Change in fund balance	(190,409)	(540,409)	(131,694)	408,715	(177,991)
FUND BALANCE, Beginning	<u>1,500,356</u>	<u>1,500,356</u>	<u>1,500,356</u>	-	<u>1,678,347</u>
FUND BALANCE, Ending	<u>\$ 1,309,947</u>	<u>\$ 959,947</u>	<u>\$ 1,368,662</u>	<u>\$ 408,715</u>	<u>\$ 1,500,356</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Building Renovation Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

2017					
	Original Budget	Final Budget	Actual	Variance With Final Budget	2016 Actual
REVENUES					
Intergovernmental	\$ 144,683	\$ 144,683	\$ -	\$ (144,683)	\$ -
Investment earnings	1,000	1,000	2,765	1,765	1,674
Total revenues	<u>145,683</u>	<u>145,683</u>	<u>2,765</u>	<u>(142,918)</u>	<u>1,674</u>
EXPENDITURES					
Current					
General government					
Innovation and citizen engagement	20,000	20,000	29,143	(9,143)	14,594
Community Development					
Special benefit	124,000	124,000	76,211	47,789	21,324
Capital outlay					
General government outlays	<u>268,000</u>	<u>268,000</u>	<u>84,467</u>	<u>183,533</u>	<u>56,040</u>
Total expenditures	<u>412,000</u>	<u>412,000</u>	<u>189,821</u>	<u>222,179</u>	<u>91,958</u>
Revenues in excess of expenditures	(266,317)	(266,317)	(187,056)	79,261	(90,284)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>80,000</u>
Change in fund balance	(66,317)	(66,317)	12,944	79,261	(10,284)
FUND BALANCE, Beginning	<u>360,423</u>	<u>360,423</u>	<u>360,423</u>	<u>-</u>	<u>370,707</u>
FUND BALANCE, Ending	<u>\$ 294,106</u>	<u>\$ 294,106</u>	<u>\$ 373,367</u>	<u>\$ 79,261</u>	<u>\$ 360,423</u>

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

CITY OF MONTROSE, COLORADOBudgetary Comparison Schedule for the
Water Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance With Final Budget	
REVENUES				
Water sales	\$ 4,764,500	\$ 5,460,678	\$ 696,178	\$ 5,232,105
Sewer charges	-	473	473	-
Tap fees unpledged	36,000	82,976	46,976	50,093
Other Charges	-	7,420	7,420	4,573
Miscellaneous	500	2,016	1,516	(409)
Intergovernmental revenues	-	9,900	9,900	-
Investment earnings	20,000	94,735	74,735	54,053
Capacity fees and Dedicated infrastructure	100,000	182,189	82,189	101,425
Total revenues	<u>4,921,000</u>	<u>5,840,387</u>	<u>919,387</u>	<u>5,441,840</u>
EXPENDITURES				
Enterprise administration	264,036	264,036	-	276,079
Operations and maintenance	3,773,817	3,763,812	10,005	3,348,959
Capital outlay	999,700	159,510	840,190	1,300,824
Principal	173,250	165,969	7,281	160,893
Interest expense	68,145	9,193	58,952	53,403
Total expenditures	<u>5,278,948</u>	<u>4,362,520</u>	<u>916,428</u>	<u>5,140,158</u>
Change in net position - budgetary basis	<u>\$ (357,948)</u>	<u>1,477,867</u>	<u>\$ 1,835,815</u>	<u>301,682</u>
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		304,708		1,424,685
Depreciation		(1,071,936)		(1,037,136)
Debt principal payments		165,969		160,893
Change in net position - GAAP basis		876,608		850,124
NET POSITION, Beginning		<u>34,057,315</u>		<u>33,207,191</u>
NET POSITION, Ending		<u>\$ 34,933,923</u>		<u>\$ 34,057,315</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Sewer Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Final		Variance	2016
		Budget	Actual	With Final	Actual
		Budget		Budget	
REVENUES					
Sewer charges	\$	2,838,000	\$ 2,872,591	\$ 34,591	\$ 2,848,901
Tap fees unpledged		20,000	51,008	31,008	47,901
Other Charges		23,000	5,788	(17,212)	75,685
Miscellaneous		22,000	22,689	689	22,509
Investment earnings		8,000	30,079	22,079	18,433
Capacity fees and Dedicated infrastructure		456,941	427,909	(29,032)	203,193
Total revenues		<u>3,367,941</u>	<u>3,410,064</u>	<u>42,123</u>	<u>3,216,622</u>
EXPENDITURES					
Enterprise administration		228,117	228,117	-	241,223
Operations and maintenance		2,042,419	2,019,958	22,461	1,724,132
Capital outlay		1,166,850	526,550	640,300	932,469
Principal		141,750	135,793	5,957	131,640
Interest expense		55,755	7,521	48,234	43,694
Total expenditures		<u>3,634,891</u>	<u>2,917,939</u>	<u>716,952</u>	<u>3,073,158</u>
Change in net position - budgetary basis	\$	<u>(266,950)</u>	492,125	<u>\$ 759,075</u>	143,464
Reconciliation of budgetary to GAAP basis:					
Capitalized assets			491,620		819,867
Depreciation			(1,917,947)		(1,892,180)
Debt principal payments			135,793		131,640
Change in net position - GAAP basis			(798,409)		(797,209)
NET POSITION, Beginning			33,458,730		34,255,939
NET POSITION, Ending	\$		<u>32,660,321</u>		<u>\$ 33,458,730</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Trash/Recycling Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Final		Variance	2016
		Budget	Actual	With Final	Actual
		Budget		Budget	
REVENUES					
Sanitation charges		\$ 1,552,000	\$ 1,577,974	\$ 25,974	\$ 1,562,506
Miscellaneous		1,000	164	(836)	837
Investment earnings		-	234	234	-
Total revenues		<u>1,553,000</u>	<u>1,578,372</u>	<u>25,372</u>	<u>1,563,343</u>
EXPENDITURES					
Enterprise administration		115,525	115,525	-	124,166
Operations and maintenance		<u>1,132,264</u>	<u>1,108,577</u>	<u>23,687</u>	<u>1,064,721</u>
Total expenditures		<u>1,247,789</u>	<u>1,224,102</u>	<u>23,687</u>	<u>1,188,887</u>
Change in net position - budgetary basis		<u>\$ 305,211</u>	354,270	<u>\$ 49,059</u>	374,456
NET POSITION, Beginning			619,490		245,034
NET POSITION, Ending			<u>\$ 973,760</u>		<u>\$ 619,490</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Black Canyon Golf Course Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017						
		Final		Variance	2016			
		Budget	Actual	With Final	Actual			
		Budget		Budget	Actual			
REVENUES								
Golf charges	\$	389,600	\$	457,354	\$	67,754	\$	452,018
Other miscellaneous revenues		15,000		13,402		(1,598)		13,261
Capacity fees and Dedicated infrastructure		10,000		400		(9,600)		13,615
Transfers in		506,116		506,116		-		567,672
	Total revenues	920,716		977,272		56,556		1,046,566
EXPENDITURES								
Operations and maintenance		736,760		769,260		(32,500)		764,676
Capital outlay		157,000		99,494		57,506		41,727
Principal		25,810		27,228		(1,418)		32,487
Interest expense		1,146		(272)		1,418		2,458
	Total expenditures	920,716		895,710		25,006		841,348
	Change in net position - budgetary basis	\$	-	81,562	\$	81,562		205,218
Reconciliation of budgetary to GAAP basis:								
Capital outlay				94,705				41,727
Depreciation				(66,582)				(59,779)
Debt principal payments				27,228				32,487
	Change in net position - GAAP basis			136,913				219,653
	NET POSITION, Beginning			871,218				651,565
	NET POSITION, Ending			\$ 1,008,131				\$ 871,218

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Internal Service Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		Internal Service Funds			Total	
		Fleet				
		Management	Information	Employee		
		Fund	Technologies	Insurance	2017	2016
ASSETS						
Current Assets						
Cash and cash equivalents		\$ 463,487	\$ 786,905	\$ 2,262,178	\$ 3,512,570	\$ 3,997,430
Certificates of deposit		514,026	-	-	514,026	509,167
Accounts receivable - net		4,056	39,212	4,629	47,897	22,582
Inventory of supplies		52,718	1,511	-	54,229	48,422
Prepaid Expenses		-	131,315	-	131,315	93,683
Total Current Assets		<u>1,034,287</u>	<u>958,943</u>	<u>2,266,807</u>	<u>4,260,037</u>	<u>4,671,284</u>
Noncurrent Assets						
Capital assets		<u>3,819,883</u>	<u>412,537</u>	<u>-</u>	<u>4,232,420</u>	<u>3,270,996</u>
Total Assets		<u>4,854,170</u>	<u>1,371,480</u>	<u>2,266,807</u>	<u>8,492,457</u>	<u>7,942,280</u>
LIABILITIES						
Current Liabilities						
Accounts payable		33,661	26,156	-	59,817	66,146
Accrued salaries and benefits		7,323	13,420	-	20,743	17,937
Accrued compensated absences		3,425	14,748	-	18,173	29,785
Claims payable		-	-	260,000	260,000	440,000
Long-term debt due in one year		-	11,518	-	11,518	12,619
Total Current Liabilities		<u>44,409</u>	<u>65,842</u>	<u>260,000</u>	<u>370,251</u>	<u>566,487</u>
Noncurrent Liabilities						
Capital lease payable		-	(3,382)	-	(3,382)	7,035
Total Liabilities		<u>44,409</u>	<u>62,460</u>	<u>260,000</u>	<u>366,869</u>	<u>573,522</u>
NET POSITION						
Invested in capital assets net of related debt		3,819,883	404,401	-	4,224,284	3,251,342
Unrestricted		<u>989,878</u>	<u>904,619</u>	<u>2,006,807</u>	<u>3,901,304</u>	<u>4,117,416</u>
Total Net Position		<u>\$ 4,809,761</u>	<u>\$ 1,309,020</u>	<u>\$ 2,006,807</u>	<u>\$ 8,125,588</u>	<u>\$ 7,368,758</u>

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

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Internal Service Funds			Totals	
	Fleet	Information	Employee		
	Management	Technologies	Insurance	2017	2016
	Fund				
OPERATING REVENUES					
Interfund charges	\$ 1,427,658	\$ 1,153,903	\$ 2,528,443	\$ 5,110,004	\$ 4,615,326
Other Charges	66,927	78	-	67,005	41,321
Miscellaneous	-	276	4,587	4,863	105,427
Total Operating Revenues	1,494,585	1,154,257	2,533,030	5,181,872	4,762,074
OPERATING EXPENSES					
Enterprise administration	-	-	102,324	102,324	89,381
Operations and maintenance	883,912	1,033,102	60,687	1,977,701	1,793,862
Medical claims	-	-	1,343,630	1,343,630	1,852,960
Insurance premiums	-	-	417,392	417,392	411,070
Depreciation	667,420	97,223	-	764,643	679,717
Capital outlay	1,426	(32,429)	-	(31,003)	13,837
Total Operating Expenses	1,552,758	1,097,896	1,924,033	4,574,687	4,840,827
Net Operating Income	(58,173)	56,361	608,997	607,185	(78,753)
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	7,136	120,908	-	128,044	58,068
Investment earnings	22,954	8,693	10,640	42,287	22,646
Gain (loss) on sale of assets	(20,990)	1,250	-	(19,740)	59,857
Interest expense	-	(946)	-	(946)	(713)
Net Nonoperating Revenues (Expenses)	9,100	129,905	10,640	149,645	139,858
Change in Net Position	(49,073)	186,266	619,637	756,830	61,105
NET POSITION, Beginning	4,858,834	1,122,754	1,387,170	7,368,758	7,307,653
NET POSITION, Ending	\$ 4,809,761	\$ 1,309,020	\$ 2,006,807	\$ 8,125,588	\$ 7,368,758

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

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Internal Service Funds			Totals	
	Fleet Management Fund	Information Technologies	Employee Insurance	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 64,841	\$ (18,246)	\$ (42)	\$ 46,553	\$ 264,802
Receipts from interfund services provided	1,427,658	1,153,903	2,528,443	5,110,004	4,615,326
Payments to suppliers	(644,065)	(742,441)	(2,104,033)	(3,490,539)	(3,567,572)
Payments to employees	(211,200)	(301,531)	-	(512,731)	(490,046)
Payments for internal services used	(43,372)	(1,976)	-	(45,348)	(20,548)
Net cash provided (used) by operating activities	593,862	89,709	424,368	1,107,939	801,962
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Receipts	7,136	120,908	-	128,044	58,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of assets	(20,990)	1,250	-	(19,740)	59,857
Acquisition and construction of capital assets	(1,687,204)	(38,863)	-	(1,726,067)	(1,192,070)
Principal paid on long-term debt	-	(11,518)	-	(11,518)	(12,619)
Interest paid on long-term debt	-	(946)	-	(946)	(713)
Net cash provided (used) by capital and related financing activities	(1,708,194)	(50,077)	-	(1,758,271)	(1,145,545)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(4,859)	-	-	(4,859)	(4,815)
Interest on investments	22,954	8,693	10,640	42,287	22,646
Net cash provided (used) by investing activities	18,095	8,693	10,640	37,428	17,831
Net increase (decrease) in cash and cash equivalents	(1,089,101)	169,233	435,008	(484,860)	(267,684)
CASH AND CASH EQUIVALENTS, Beginning	1,552,588	617,672	1,827,170	3,997,430	4,265,114
CASH AND CASH EQUIVALENTS, Ending	\$ 463,487	\$ 786,905	\$ 2,262,178	\$ 3,512,570	\$ 3,997,430
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (58,173)	\$ 56,361	\$ 608,997	\$ 607,185	\$ (78,753)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	667,420	97,223	-	764,643	679,717
(Increase) decrease in accounts receivable	(2,086)	(18,600)	(4,629)	(25,315)	118,054
(Increase) decrease in inventory of supplies	(5,845)	38	-	(5,807)	(71)
(Increase) decrease in prepaid expenses	-	(37,632)	-	(37,632)	(85,904)
Increase (decrease) in accounts payable	(2,425)	(3,904)	-	(6,329)	5,953
Increase (decrease) in accrued salaries and benefits	482	2,324	-	2,806	3,945
Increase (decrease) in accrued compensated absences	(5,511)	(6,101)	-	(11,612)	4,021
Increase (decrease) in claims payable	-	-	(180,000)	(180,000)	155,000
Net cash provided (used) by operating activities	\$ 593,862	\$ 89,709	\$ 424,368	\$ 1,107,939	\$ 801,962

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Fleet Management Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017		
		Final	Variance	2016
		Budget	With Final	Actual
			Budget	
		Actual		
REVENUES				
Interfund charges	\$	1,577,932	\$	1,427,658
Other Charges		2,000		66,927
Intergovernmental revenues		2,000		7,136
Investment earnings		7,500		22,954
Gain (loss) on sale of assets		5,000		(20,990)
Total revenues		<u>1,594,432</u>		<u>1,503,685</u>
EXPENDITURES				
Operations and maintenance		1,041,961		885,338
Capital outlay		<u>1,740,000</u>		<u>1,687,204</u>
Total expenditures		<u>2,781,961</u>		<u>2,572,542</u>
Change in net position - budgetary basis	\$	<u>(1,187,529)</u>	(1,068,857)	\$ <u>118,672</u>
Reconciliation of budgetary to GAAP basis:				
Capital outlay			1,687,204	892,734
Depreciation			<u>(667,420)</u>	<u>(587,931)</u>
Change in net position - GAAP basis			(49,073)	83,568
NET POSITION, Beginning			<u>4,858,834</u>	<u>4,775,266</u>
NET POSITION, Ending	\$	<u>4,809,761</u>		<u>\$ 4,858,834</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Information Technologies Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

		2017			
		Final		Variance	2016
		Budget	Actual	With Final	Actual
				Budget	
REVENUES					
Interfund charges		\$ 1,229,900	\$ 1,153,903	\$ (75,997)	\$ 866,365
Other Charges		120	78	(42)	132
Miscellaneous		-	276	276	105,014
Intergovernmental revenues		42,132	120,908	78,776	51,833
Investment earnings		2,000	8,693	6,693	3,892
Gain (loss) on sale of assets		332	1,250	918	610
	Total revenues	<u>1,274,484</u>	<u>1,285,108</u>	<u>10,624</u>	<u>1,027,846</u>
EXPENDITURES					
Operations and maintenance		1,057,934	1,009,276	48,658	1,015,772
Capital outlay		110,000	38,863	71,137	221,887
Principal		4,000	-	4,000	-
Interest expense		1,000	12,465	(11,465)	12,182
	Total expenditures	<u>1,172,934</u>	<u>1,060,604</u>	<u>112,330</u>	<u>1,249,841</u>
	Change in net position - budgetary basis	<u>\$ 101,550</u>	224,504	<u>\$ 122,954</u>	(221,995)
Reconciliation of budgetary to GAAP basis:					
Capital outlay			38,863		189,458
Depreciation			(97,223)		(91,786)
Debt principal payments			11,519		11,469
Vacation payouts			8,603		-
	Change in net position - GAAP basis		186,266		(112,854)
	NET POSITION, Beginning		<u>1,122,754</u>		<u>1,235,608</u>
	NET POSITION, Ending		<u>\$ 1,309,020</u>		<u>\$ 1,122,754</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Employee Insurance Fund

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017		Variance With Final	2016
	Final Budget	Actual	Budget	Actual
REVENUES				
Interfund charges	\$ 2,400,000	\$ 2,528,443	\$ 128,443	\$ 2,441,154
Miscellaneous	-	4,587	4,587	413
Investment earnings	1,000	10,640	9,640	2,235
Total revenues	<u>2,401,000</u>	<u>2,543,670</u>	<u>142,670</u>	<u>2,443,802</u>
EXPENDITURES				
Enterprise administration	99,000	102,324	(3,324)	89,381
Operations and maintenance	30,514	60,687	(30,173)	-
Medical claims	1,368,500	1,343,630	24,870	1,852,960
Insurance premiums	410,000	417,392	(7,392)	411,070
Total expenditures	<u>1,908,014</u>	<u>1,924,033</u>	<u>(16,019)</u>	<u>2,353,411</u>
Change in net position - budgetary basis	<u>\$ 492,986</u>	619,637	<u>\$ 126,651</u>	90,391
NET POSITION, Beginning		<u>1,387,170</u>		<u>1,296,779</u>
NET POSITION, Ending		<u>\$ 2,006,807</u>		<u>\$ 1,387,170</u>

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

State Compliance

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ANNUAL HIGHWAY FINANCE REPORT - CY17

Email address: swittenberg@ci.montrose.co.us

City/County: Montrose

II - RECEIPTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Receipts from local sources

2. General Fund Appropriations:	\$	3,463,286.71
3. Other local imposts: <i>from A.3. 'Total' below</i>	\$	0.00
4. Miscellaneous local receipts: <i>from A.4. 'Total' below</i>	\$	168,990.00
5. Transfers from toll facilities	\$	0.00
6. Proceeds of sale of bonds and notes		
a. Bonds - Original Issues:	\$	0.00
b. Bonds - Refunding Issues:	\$	0.00
c. Notes:	\$	0.00

SubTotal: \$ 3,632,276.71

B. Private Contributions

\$ 0.00

II - RECEIPTS FOR ROAD AND STREET PURPOSES (Detail)

Please no commas or dollar signs for the input

A.3. Other local imposts

a. Property Taxes and Assessments	\$	0.00
b. Other Local Imposts		
1. Sales Taxes:	\$	0.00
2. Infrastructure and Impact Fees:	\$	0.00

See accompanying Independent Auditors' Report

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3. Liens:	\$ 0.00
4. Licenses:	\$ 0.00
5. Specific Ownership and/or Other:	\$ 0.00
Total: (a + b) carried to 'Other local imposts' above	\$ 0.00

A.4. Miscellaneous local receipts**Please no commas or dollar signs for the input**

a. Interest on Investments:	\$ 33,663.00
b. Traffic fines & Penalties:	\$ 135,327.00
c. Parking Garage Fees:	\$ 0.00
d. Parking Meter Fees:	\$ 0.00
e. Sale of Surplus Property:	\$ 0.00
f. Charges for Services:	\$ 0.00
g. Other Misc. Receipts:	\$ 0.00
h. Other:	\$ 0.00
Total: (a through h) carried to 'Misc local receipts' above	\$ 168,990.00

C. Receipts from State Government**Please no commas or dollar signs for the input**

1. Highway User Taxes:	\$ 745,830.39
3. Other State funds:	
c. Motor Vehicle Registrations:	\$ 75,701.00
d. Other (Specify):	
Comments: Federal Earmark	\$ 984,592.89
e. Other (Specify):	
Comments: undefined	\$ 0.00
Total: (1+3c,d,e)	\$ 1,806,124.28

D. Receipts from Federal Government**Please no commas or dollar signs for the input**

2. Other Federal Agencies	
a. Forest Service:	\$ 0.00
b. FEMA:	\$ 0.00
c. HUD:	\$ 0.00
d. Federal Transit Administration:	\$ 0.00
e. U.S. Corp of Engineers	\$ 0.00
f. Other Federal:	\$ 0.00
Total: (2a-f)	\$ 0.00

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES

Please no commas or dollar signs for the input

A. Local highway disbursements

1. Capital outlay: <i>(from A.1.d. 'Total Capital Outlay' below)</i>	\$ 766,576.00
2. Maintenance:	\$ 2,560,169.11
3. Road and street services	
a. Traffic control operations:	\$ 0.00
b. Snow and ice removal:	\$ 31,164.57
c. Other:	\$ 0.00
4. General administration & miscellaneous	\$ 226,422.95
5. Highway law enforcement and safety	\$ 1,479,668.36

Total: *(A.1-5)* \$ 5,064,000.99

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds	
a. Interest	\$ 14,400.00
b. Redemption	\$ 360,000.00
2. Notes	
a. Interest	\$ 0.00
b. Redemption	\$ 0.00

SubTotal: *(1+2)* \$ 374,400.00

Please no commas or dollar signs for the input

C. Payments to State for Highways:	\$ 0.00
D. Payments to Toll Facilities:	\$ 0.00

Total Disbursements: *(A+B+C+D)* \$ 5,438,400.99

Please no commas or dollar signs for the input

III - DISBURSEMENTS FOR ROAD AND STREET PURPOSES - (Detail)

Please no commas or dollar signs for the input

	A. ON NATIONAL HIGHWAY SYSTEM	B. OFF NATIONAL HIGHWAY SYSTEM	C. TOTAL
A.1. Capital Outlay			
a. Right-Of-Way Costs:	\$ 0.00	\$ 0.00	\$ 0.00
b. Engineering Costs:	\$ 0.00	\$ 209,233.00	\$ 209,233.00
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
2. Capacity Improvements:	\$ 0.00	\$ 0.00	\$ 0.00
3. System Preservation:	\$ 0.00	\$ 327,128.00	\$ 327,128.00
4. System Enhancement:	\$ 0.00	\$ 230,215.00	\$ 230,215.00
5. Total Construction:			\$ 557,343.00
d. Total Capital Outlay: <i>(Lines A.1.a. + 1.b. + 1.c.5)</i>			\$ 766,576.00

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	\$ 360,000.00	\$ 0.00	\$ 360,000.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00
B. Notes (Total):	\$ 10,000,000.00	\$ 0.00	\$ 0.00	\$ 10,000,000.00

V - LOCAL ROAD AND STREET FUND BALANCE

Please no commas or dollar signs for the input

A. Beginning Balance	B. Total Receipts	C.Total Disbursements	D. Ending Balance	E. Reconciliation
\$ 0.00	\$ 5,438,400.99	\$ 5,438,400.99	\$ 0.00	\$ 0.00

Notes & Comments:

undefined

Please enter your name: Shani Wittenberg

Please provide a telephone number where you may be reached: 9702401462

Save

Print Mode

Edit Mode

Please click on the "Save" button before viewing the data in a print format.

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