

CITY OF MONTROSE, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

For the Year Ended
December 31, 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, 2018.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2018 by \$149,341,208. Of this amount, \$50,657,044 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 2018 was \$17,861,369; which is an increase of 7.2% over 2017 collections.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,228,157, a decrease of \$6,486,693 over the prior year. Approximately 56% of this total amount, \$11,393,725 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 \$11,393,725 which exceeds the fund balance policy which requires six months of reserves.
- Resolution 2006-24 was approved by the City Council in August that recommended transferring 1/4% of the sales & use tax to the Capital Improvement Fund for street repairs and improvements throughout the City. In 2018, \$1,951,816 was transferred to the Capital Improvement Fund.
- The City's total long-term liabilities increased by \$12,285,526 during the current fiscal year or by approximately 200%. This is attributable to the amount borrowed for public infrastructure improvements and projects in progress at the end of the year.
- 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 2018, the City collected \$267,688 in water capacity fees and \$628,718 in sewer capacity fees. These fees represent an approximate increase of 46.9% over the previous year collections.
- Water Fund capital projects included Valve replacements, Hydrant replacements, Sunset Mesa Storage Design, PRV Upgrade/Monitoring, Water main replacement for Street Rehab projects, Cerro Discharge Upstream control, Hillcrest Extension, and 24" 6800 Rd Miami to Sunnyside,
- Sewer Fund capital projects for sewer collection included Sewer Lining, Manhole Rehabilitation & H2S Lining, Master Plan CIP #1 & #2 - Hillcrest relief line, and Sewer Rehabilitation For Street Repairs. WWTP capital projects included three rotor gear boxes and a portion of the Headworks building upgrade.

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, Information Services, and Facilities fund.

The government-wide financial statements can be found on pages 4 and 5 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 18 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, and capital improvement fund because they are considered to be major funds for the 2017 fiscal year. Data from the other 15 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 6-9 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, facilities maintenance 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 10 through 12 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 13 through 37 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 38 and 39 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 40 through 76 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 62.8% of the City's net position reflect its investment in capital assets (e.g., 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

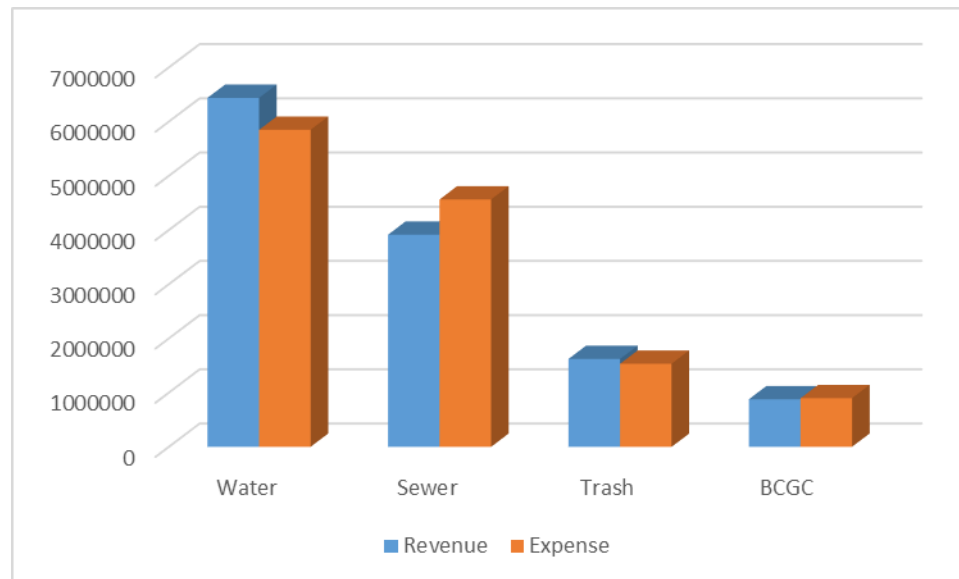
	Governmental activities		Business-type activities		Total		Amount of Change	% Change
	2018	2017	2018	2017	2018	2017		
Current assets	\$ 34,956,005	\$ 32,845,199	\$ 18,104,973	\$ 18,252,912	\$ 53,060,978	\$ 51,098,111	\$ 1,962,867	3.7%
Noncurrent assets	\$ 65,581,931	\$ 63,104,517	\$ 54,711,603	\$ 54,415,803	\$ 120,293,534	\$ 117,520,320	\$ 2,773,214	2.3%
Total assets	\$ 100,537,936	\$ 95,949,716	\$ 72,816,576	\$ 72,668,715	\$ 173,354,512	\$ 168,618,431	\$ 4,736,081	2.7%
Current liabilities	\$ 11,423,309	\$ 2,994,589	\$ 1,417,189	\$ 1,082,580	\$ 12,840,498	\$ 4,077,169	\$ 8,763,329	68.2%
Noncurrent liabilities	\$ 20,664,997	\$ 9,598,857	\$ 1,815,578	\$ 2,010,000	\$ 22,480,575	\$ 11,608,857	\$ 10,871,718	48.4%
Total liabilities	\$ 32,088,306	\$ 12,593,446	\$ 3,232,767	\$ 3,092,580	\$ 35,321,073	\$ 15,686,026	\$ 19,635,047	55.6%
Deferred Inflows								
Property Taxes	\$ 115,540	\$ 115,540			\$ 115,540	\$ 115,540	\$ -	0.0%
Net Position:								
Net Investment in								
Capital Assets	\$ 43,875,211	\$ 41,418,766	\$ 50,018,930	\$ 49,537,294	\$ 93,894,141	\$ 90,956,060	\$ 2,938,081	3.1%
Restricted	\$ 4,790,023	\$ 5,174,316			\$ 4,790,023	\$ 5,174,316	\$ (384,293)	-8.0%
Unrestricted	\$ 31,092,165	\$ 36,645,648	\$ 19,564,879	\$ 20,038,841	\$ 50,657,044	\$ 56,684,489	\$ (6,027,445)	-11.9%
Total Net Position	\$ 79,757,399	\$ 83,238,730	\$ 69,583,809	\$ 69,576,135	\$ 149,341,208	\$ 152,814,865	\$ (3,473,657)	-2.3%

At the end of the current fiscal year, the City's net position government-wide has decreased over the net position reported in 2017. Under GASB 34 the audit shows the City's net position decreased by \$3,790,172 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 \$3,790,172 and business type activities increased the City's net position by \$7,674.

City of Montrose Changes in Net Position									
	Governmental activities		Business-type activities		Total		Amount of Change		
	2018	2017	2018	2017	2018	2017			
Revenues:									
Program revenues:									
Charges for services	\$ 1,265,876	\$ 1,286,994	\$ 11,220,677	\$ 10,541,131	\$ 12,486,553	\$ 11,828,125	\$ 658,428		
Operating grants and contributions	\$ 2,164,739	\$ 2,074,952			\$ -	\$ -	\$ -		
Capital Grants and contributions	\$ 857,068	\$ 1,192,727	\$ 896,256	\$ 620,398	\$ 1,753,324	\$ 1,813,125	\$ (59,801)		
General revenues:					\$ -	\$ -	\$ -		
Taxes					\$ -	\$ -	\$ -		
Sales Tax	\$ 18,604,978	\$ 17,451,496			\$ 18,604,978	\$ 17,451,496	\$ 1,153,482		
Franchise Fees	\$ 1,107,562	\$ 1,070,617			\$ 1,107,562	\$ 1,070,617	\$ 36,945		
Cigarette Tax	\$ 59,427	\$ 51,504			\$ 59,427	\$ 51,504	\$ 7,923		
Earnings on Investments	\$ 574,978	\$ 172,666	\$ 303,145	\$ 125,048	\$ 878,123	\$ 297,714	\$ 580,409		
Miscellaneous	\$ 202,980	\$ 10,072,210	\$ (83,602)	\$ 13,402	\$ 119,378	\$ 10,085,612	\$ (9,966,234)		
Administrative Charges	\$ 591,324	\$ 607,678	\$ (591,324)	\$ (607,678)	\$ -	\$ -	\$ -		
Other	\$ 1,760	\$ 1,920			\$ 1,760	\$ 1,920	\$ (160)		
Capital Cont.-Infrastructure					\$ -	\$ -	\$ -		
Total revenues	\$ 25,430,692	\$ 33,982,764	\$ 11,745,152	\$ 10,692,301	\$ 37,175,844	\$ 44,675,065	\$ (7,499,221)		
Expenses:									
General government	\$ 5,560,486	\$ 8,065,063			\$ 5,560,486	\$ 8,065,063	\$ (2,504,577)		
Community Development	\$ 2,131,606	\$ 2,034,920			\$ 2,131,606	\$ 2,034,920	\$ 96,686		
Public Safety	\$ 9,054,020	\$ 7,048,631			\$ 9,054,020	\$ 7,048,631	\$ 2,005,389		
Engineering & Inspection	\$ 336,371	\$ 198,597			\$ 336,371	\$ 198,597	\$ 137,774		
Public Works	\$ 8,948,622	\$ 8,606,878			\$ 8,948,622	\$ 8,606,878	\$ 341,744		
Parks & Cemetery	\$ 2,389,321	\$ 8,842,230			\$ 2,389,321	\$ 8,842,230	\$ (6,452,909)		
Administration	\$ (226,992)	\$ (382,894)			\$ (226,992)	\$ (382,894)	\$ 155,902		
Interest	\$ 557,850	\$ 28,979			\$ 557,850	\$ 28,979	\$ 528,871		
Water			\$ 5,545,976	\$ 4,699,743	\$ 5,545,976	\$ 4,699,743	\$ 846,233		
Sewer			\$ 4,342,962	\$ 3,980,356	\$ 4,342,962	\$ 3,980,356	\$ 362,606		
Sanitation			\$ 1,420,700	\$ 1,108,577	\$ 1,420,700	\$ 1,108,577	\$ 312,123		
Black Canyon Golf Course			\$ 897,422	\$ 840,359	\$ 897,422	\$ 840,359	\$ 57,063		
Total expenses	\$ 28,751,284	\$ 34,442,404	\$ 12,207,060	\$ 10,629,035	\$ 40,958,344	\$ 45,071,439	\$ (4,113,095)		
Increase in net assets before transfers	\$ (3,320,592)	\$ (459,640)	\$ (461,908)	\$ 63,266	\$ (3,782,500)	\$ (396,374)	\$ (3,386,126)		
Transfers	\$ (469,580)	\$ (506,116)	\$ 469,581	\$ 506,116	\$ 1	\$ -	\$ 1		
Change in Net Position	\$ (3,790,172)	\$ (965,756)	\$ 7,673	\$ 569,382	\$ (3,782,499)	\$ (396,374)	\$ (3,386,125)		
Net assets - 1/1	\$ 83,440,142	\$ 84,204,486	\$ 69,576,135	\$ 69,006,753	\$ 153,016,277	\$ 153,211,239	\$ (194,962)		
Prior Period restatement	\$ 107,427	\$ 201,412			\$ 107,427	\$ 201,412			
Net Assets, 1/1 (as restated)	\$ 83,547,569	\$ 84,405,898				\$ 153,412,651			
Net assets - 12/31	\$ 79,757,397	\$ 83,440,142	\$ 69,583,808	\$ 69,576,135	\$ 149,341,205	\$ 153,016,277	\$ (3,675,072)		

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 \$20,228,157 a decrease of \$6,486,693 over the prior year. Approximately 56% 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 (\$108,311) and permanent funds or other corpus (\$442,512). *Restricted fund balance* is for emergencies per TABOR (\$806,000), economic development (\$581,348) pay debt service (\$268,818), beautification – Expendable (\$20,066), Capital Projects (\$2,876,055) and parks and open space (\$237,736). *Committed fund balance* consists of economic development (-\$6,593,914), community development (\$123,293), capital project (\$9,434,043), public safety (\$30,000), parks improvements (\$235,778) and animal benefit (\$40,087). *Assigned fund balance* for pavilion improvements (\$15,850), parks and recreation (\$76,010) and public education (\$90,707).

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 \$11,393,725, while total fund balance reached \$12,562,545. 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 is more than adequate to meet the City's reserve policy of six months of operating expenditures or 62% of the unassigned fund balance.

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 \$13,260,829, the Sewer Fund amounted to \$2,605,649, the Trash and Recycling Fund amounted to \$1,061,241 and the Black Canyon Golf Course amounted to \$75,065.

General Fund Budgetary Highlights

The Final Budget for the General Fund was \$20,499,137. Actual expenditures totaled \$20,775,601 which is a decrease of \$2,679,914 from 2017 actual expenditures. The budget was completed in accordance with the City's Charter. The City has a six-year Capital Improvement Plan that is updated every two years and is a helpful budgetary planning tool. Unfortunately, the City has been limited in actually budgeting for these prioritized projects because of the lack of funding sources.

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, 2018, amounts to \$93,894,141. 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
	2018	2017	2018	2017	2018	2017		
Land	\$ 11,986,241	\$ 11,620,252	\$ 2,553,120	\$ 2,553,120	\$ 14,539,361	\$ 14,173,372	365,989	3%
Improvements other than buildings	\$ 3,081,601	\$ 2,830,775	\$ 6,925,228	\$ 6,925,228	\$ 10,006,829	\$ 9,756,003	250,826	3%
Infrastructure	\$ 125,325,666	\$ 118,651,901			\$ 125,325,666	\$ 118,651,901	6,673,765	6%
Buildings & System	\$ 14,369,859	\$ 13,667,353	\$ 81,598,641	\$ 81,598,641	\$ 95,968,500	\$ 95,265,994	702,506	1%
Machinery & Equipment	\$ 6,121,396	\$ 6,094,801	\$ 2,486,977	\$ 2,486,977	\$ 8,608,373	\$ 8,581,778	26,595	0%
Total	\$ 160,884,763	\$ 152,865,082	\$ 93,563,966	\$ 93,563,966	\$ 254,448,729	\$ 246,429,048	\$ 8,019,681	3%

Additional information on the City's capital assets can be found in note 3 on pages 23 through 25 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		
	2018	2017	2018	2017	2018	2017	
General obligation bonds							
Special assessment debt with governmental commitment							
Revenue bonds	\$ -	\$ -			\$ -	\$ -	
Capital Lease Payable	\$ 9,650,039	\$ 10,008,137	\$ -	\$ -	\$ 9,650,039	\$ 10,008,137	
Notes Payable	\$ 11,064	\$ 22,396	\$ 2,315,000	\$ 2,315,000	\$ 2,326,064	\$ 2,337,396	
Total	\$ 9,661,103	\$ 10,030,533	\$ 2,315,000	\$ 2,315,000	\$ 11,976,103	\$ 12,345,533	

The City's bonded debt decreased by \$333,648 during 2018.

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 \$280,139,256 the current general obligation debt limitation for the City is \$14,006,963. 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 32 through 34 of this report.

Economic Factors and Next Year's Budgets and Rates

- According to the USDA website (<https://data.ers.usda.gov/>), the 2018 unemployment rate for Montrose County was 3.7%. Montrose County had a slightly higher unemployment rate than the state's average rate of 3.3% and the national average rate of 3.3%.
- The City is 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 42% over 2018 and non-residential construction remains consistent with the previous two years.
- Rates for Water, Sewer and Trash and Recycling were not increased in 2018.

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.

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, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2017 financial statements have been restated to reflect a reclassification of MURA Phase I transfers as advances between funds in the General Fund, Capital Improvement Fund and Montrose Urban Renewal Authority. The City also increased net position in the Fleet Management internal service fund and Governmental Activities for capital expenditures that should have been recorded as capital assets as of December 31, 2017. 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 and pension schedules on pages 38-39 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

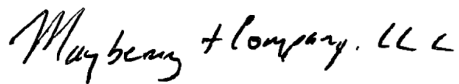
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule shown on page 40-42 be presented to supplement the basic financial statements. 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 43 - 76 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 July 9, 2019 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 77 - 81 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.

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Englewood, Colorado
July 9, 2019

BASIC FINANCIAL STATEMENTS

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CITY OF MONTROSE, COLORADO

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 17,392,619	\$ 9,232,787	\$ 26,625,406
Certificates of deposit	7,822,720	5,899,232	13,721,952
Accounts receivable - net	500,882	851,241	1,352,123
Due from other funds	6,350,789	1,768,000	8,118,789
Franchise fees receivable	204,766	-	204,766
Due from other governments	154,380	-	154,380
Sales tax receivable	2,030,245	-	2,030,245
Special assessments receivable	112,061	-	112,061
Prepaid Expenses	294,299	7,048	301,347
Inventory of supplies	93,244	346,665	439,909
Total Current Assets	<u>34,956,005</u>	<u>18,104,973</u>	<u>53,060,978</u>
Noncurrent Assets			
Capital assets, not being depreciated	11,986,241	2,553,120	14,539,361
Capital assets	162,734,879	91,359,259	254,094,138
Accumulated depreciation	<u>(109,139,189)</u>	<u>(39,200,776)</u>	<u>(148,339,965)</u>
Total Noncurrent Assets	<u>65,581,931</u>	<u>54,711,603</u>	<u>120,293,534</u>
Total Assets	<u>100,537,936</u>	<u>72,816,576</u>	<u>173,354,512</u>
LIABILITIES			
Current Liabilities			
Accounts payable	1,222,108	623,793	1,845,901
Customer deposits and deposits in escrow	324,554	209,010	533,564
Accrued salaries and benefits	392,108	81,130	473,238
Unearned Revenue	-	75,825	75,825
Due to other funds	8,118,789	-	8,118,789
Accrued compensated absences	525,135	103,456	628,591
Accrued interest payable	59,376	8,975	68,351
Claims payable	361,825	-	361,825
Long-term debt due in one year	<u>419,415</u>	<u>315,000</u>	<u>734,415</u>
Total Current Liabilities	<u>11,423,310</u>	<u>1,417,189</u>	<u>12,840,499</u>
Noncurrent Liabilities			
Revenue bonds - net of premium	-	1,685,000	1,685,000
Capital lease payable	<u>9,241,688</u>	<u>130,578</u>	<u>9,372,266</u>
Total Noncurrent Liabilities	<u>9,241,688</u>	<u>1,815,578</u>	<u>11,057,266</u>
Total Liabilities	<u>20,664,998</u>	<u>3,232,767</u>	<u>23,897,765</u>
DEFERRED INFLOWS			
Deferred Infows - Property Taxes	<u>115,540</u>	<u>-</u>	<u>115,540</u>
NET POSITION			
Net Investment in Capital Assets	43,875,211	50,018,930	93,894,141
Restricted	4,790,022	-	4,790,022
Unrestricted	<u>31,092,165</u>	<u>19,564,879</u>	<u>50,657,044</u>
Total Net Position	<u>\$ 79,757,398</u>	<u>\$ 69,583,809</u>	<u>\$ 149,341,207</u>

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

CITY OF MONTROSE, COLORADO

Statement of Activities

For the Year Ended December 31, 2018

	Expenses	Program Revenues		
		Charges for	Operating	Capital Grants
		Services	Grants and	and
			Contributions	Contributions
<u>Governmental Activities</u>				
General government	\$ 5,560,486	\$ 316,502	\$ 176,908	\$ 727,774
Community development	2,131,606	72,504	137,521	-
Public safety	9,054,020	262,872	827,374	-
Engineering and inspection	336,371	460,353	-	-
Public works	8,948,622	-	921,542	91,494
Parks and cemetery	2,389,321	153,645	101,394	37,800
Insurance	(226,992)	-	-	-
Interest Expense	557,849	-	-	-
Total governmental activities	<u>28,751,283</u>	<u>1,265,876</u>	<u>2,164,739</u>	<u>857,068</u>
<u>Business-type Activities</u>				
Water	5,545,976	5,893,035	-	267,688
Sewer	4,342,962	3,242,721	-	628,718
Trash/Recycling	1,420,700	1,608,945	-	-
Black Canyon Golf Course	897,422	475,826	-	-
Total business-type activities	<u>12,207,060</u>	<u>11,220,527</u>	<u>-</u>	<u>896,406</u>
Total	<u>\$ 40,958,343</u>	<u>\$ 12,486,403</u>	<u>\$ 2,164,739</u>	<u>\$ 1,753,474</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
\$ (4,339,302)	\$ -	\$ (4,339,302)
(1,921,581)	-	(1,921,581)
(7,963,774)	-	(7,963,774)
123,982	-	123,982
(7,935,586)	-	(7,935,586)
(2,096,482)	-	(2,096,482)
226,992	-	226,992
(557,849)	-	(557,849)
<u>(24,463,600)</u>	<u>-</u>	<u>(24,463,600)</u>
-	614,747	614,747
-	(471,523)	(471,523)
-	188,245	188,245
-	(421,596)	(421,596)
-	(90,127)	(90,127)
<u>(24,463,600)</u>	<u>(90,127)</u>	<u>(24,553,727)</u>
18,604,978	-	18,604,978
1,107,562	-	1,107,562
59,427	-	59,427
574,978	303,145	878,123
202,982	(83,602)	119,380
591,324	(591,324)	-
1,760	-	1,760
<u>(469,581)</u>	<u>469,581</u>	<u>-</u>
<u>20,673,430</u>	<u>97,800</u>	<u>20,771,230</u>
<u>(3,790,170)</u>	<u>7,673</u>	<u>(3,782,497)</u>
83,440,141	69,576,136	153,016,277
107,427	-	107,427
<u>83,547,568</u>	<u>69,576,136</u>	<u>153,123,704</u>
<u>\$ 79,757,398</u>	<u>\$ 69,583,809</u>	<u>\$ 149,341,207</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Governmental Funds

December 31, 2018

(With Comparative Totals for December 31, 2017)

	General	Montrose Urban Renewal Authority	Capital Improvement
ASSETS			
Cash and cash equivalents	\$ 5,038,331	\$ 1,438,083	\$ 4,263,788
Certificates of deposit	5,028,088	-	148,247
Accounts receivable - net	338,297	-	-
Due from other funds	1,223,543	-	5,127,246
Franchise fees receivable	200,547	-	-
Due from other governments	49,655	-	-
Sales tax receivable	1,947,836	-	-
Special assessments receivable	-	-	-
Interest receivable	-	-	-
Inventory of supplies	26,227	-	-
Prepaid Expenses	15,505	-	-
Total Assets	\$ 13,868,029	\$ 1,438,083	\$ 9,539,281
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 605,888	\$ 184,449	\$ 101,246
Customer deposits and deposits in escrow	318,395	-	3,992
Accrued salaries and benefits	344,788	-	-
Unearned Revenue	36,413	-	-
Due to other funds	-	8,118,789	-
Total Liabilities	1,305,484	8,303,238	105,238
DEFERRED INFOWS - Property Taxes	-	-	-
FUND BALANCE			
Unspendable:			
Prepays and Inventory	41,732	-	-
Permanent funds or other corpus	-	-	-
Restricted:			
For emergencies	806,000	-	-
For economic development	-	-	-
For debt service	-	-	-
For beautification - expendable	-	-	-
For capital projects	321,088	-	-
For parks	-	-	-
Committed:			
For economic development	-	(6,865,155)	-
For community development	-	-	-
For capital projects	-	-	9,434,043
For public safety	-	-	-
For parks improvements	-	-	-
For animal shelter	-	-	-
Assigned:			
For parks and recreation	-	-	-
For pavilion improvements	-	-	-
For public education	-	-	-
Unassigned	11,393,725	-	-
Total Fund Balance	12,562,545	(6,865,155)	9,434,043
Total Liabilities, Deferred Inflow and Fund Balances	\$ 13,868,029	\$ 1,438,083	\$ 9,539,281

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

Totals		
Nonmajor Funds	2018	2017
\$ 2,919,035	\$ 13,659,237	\$ 18,801,265
2,127,452	7,303,787	5,877,137
109,499	447,796	490,130
-	6,350,789	-
4,219	204,766	263,067
104,725	154,380	930,019
82,409	2,030,245	1,921,363
112,061	112,061	201,998
-	-	3,489
45,313	71,540	68,287
62,998	78,503	28,407
<u>\$ 5,567,711</u>	<u>\$ 30,413,104</u>	<u>\$ 28,585,162</u>
\$ 206,989	\$ 1,098,572	\$ 1,034,484
2,167	324,554	94,863
11,825	356,613	369,278
134,467	170,880	256,150
-	8,118,789	-
355,448	10,069,408	1,754,775
115,540	115,540	115,540
108,311	150,043	96,694
442,512	442,512	440,752
-	806,000	1,081,000
581,348	581,348	569,485
268,818	268,818	193,505
20,066	20,066	18,442
2,554,966	2,876,054	2,905,547
237,736	237,736	406,337
271,241	(6,593,914)	5,122,049
123,293	123,293	130,000
-	9,434,043	6,742,107
30,000	30,000	30,000
235,778	235,778	197,978
40,087	40,087	40,087
76,010	76,010	186,439
15,850	15,850	13,629
90,707	90,707	108,360
-	11,393,725	8,432,436
5,096,723	20,228,156	26,714,847
<u>\$ 5,567,711</u>	<u>\$ 30,413,104</u>	<u>\$ 28,585,162</u>

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CITY OF MONTROSE, COLORADO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2018

	2018
Total Fund Balances for the Governmental Funds	\$ 20,228,156
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	11,986,241
Land Improvements	3,081,601
Infrastructure	125,325,666
Buildings and systems	14,369,859
Equipment	6,121,396
Accumulated Depreciation	(100,370,325)
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	
	9,061,498
Special assessments receivable that are not currently available are deferred in the funds	
	170,880
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	(59,376)
Notes payable	(11,064)
Capital leases payable	(9,649,225)
Compensated absences	(497,909)
Total Net Position for Governmental Activities	<u>\$ 79,757,398</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Montrose Urban		
	General	Renewal Authority	Capital Improvement
REVENUES			
Taxes	\$ 18,830,034	-	\$ -
Licenses and permits	525,293	-	-
Intergovernmental	1,437,248	16,227	525,473
Charges for services	284,176	-	-
Fines and forfeits	175,197	-	-
Special assessments	-	-	-
Miscellaneous	271,508	-	206,300
Administrative reimbursement	591,324	-	-
Contributions to permanent endowment	-	-	-
Investment earnings	167,620	72,967	310,582
Total revenues	<u>22,282,400</u>	<u>89,194</u>	<u>1,042,355</u>
EXPENDITURES			
Current			
General government	4,396,181	-	-
Community Development	223,857	508,429	-
Public safety	7,221,983	-	-
Engineering and inspection	269,910	-	-
Public works	2,672,367	-	-
Parks, recreation and cemetery	1,637,897	-	-
Insurance	192,338	-	-
Capital outlay	670,527	4,909,312	5,403,184
Debt service	-	309,491	-
Total expenditures	<u>17,285,060</u>	<u>5,727,232</u>	<u>5,403,184</u>
Revenues in excess of expenditures	<u>4,997,340</u>	<u>(5,638,038)</u>	<u>(4,360,829)</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers in	2,212	-	2,120,959
Transfers out	(3,490,540)	-	-
Net other financing sources (uses)	<u>(3,488,328)</u>	<u>-</u>	<u>2,120,959</u>
Change in fund balance	<u>1,509,012</u>	<u>(5,638,038)</u>	<u>(2,239,870)</u>
FUND BALANCE, Beginning	9,876,041	4,882,179	6,742,109
Prior Period Restatement	1,177,492	(6,109,296)	4,931,804
FUND BALANCE, Beginning (As Restated)	<u>11,053,533</u>	<u>(1,227,117)</u>	<u>11,673,913</u>
FUND BALANCE, Ending	<u>\$ 12,562,545</u>	<u>(6,865,155)</u>	<u>\$ 9,434,043</u>

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

Totals		
Nonmajor Funds	2018	2017
\$ 1,034,822	\$ 19,864,856	\$ 18,658,536
-	525,293	408,163
805,005	2,783,953	3,118,763
48,410	332,586	402,903
-	175,197	163,024
59,111	59,111	87,454
129,102	606,910	10,422,535
-	591,324	607,678
1,760	1,760	1,920
23,806	574,975	172,857
<u>2,102,016</u>	<u>25,515,965</u>	<u>34,043,833</u>
60,957	4,457,138	4,388,299
978,153	1,710,439	2,352,809
-	7,221,983	6,855,367
-	269,910	195,028
-	2,672,367	2,979,840
26,499	1,664,396	1,436,422
-	192,338	236,743
1,467,934	12,450,957	4,272,402
656,076	965,567	386,589
<u>3,189,619</u>	<u>31,605,095</u>	<u>23,103,499</u>
<u>(1,087,603)</u>	<u>(6,089,130)</u>	<u>10,940,334</u>
72,020	72,020	-
900,000	3,023,171	8,564,508
<u>(2,212)</u>	<u>(3,492,752)</u>	<u>(9,070,624)</u>
<u>969,808</u>	<u>(397,561)</u>	<u>(506,116)</u>
<u>(117,795)</u>	<u>(6,486,691)</u>	<u>10,434,218</u>
5,214,518	26,714,847	16,280,629
-	-	-
<u>5,214,518</u>	<u>26,714,847</u>	<u>16,280,629</u>
<u>\$ 5,096,723</u>	<u>\$ 20,228,156</u>	<u>\$ 26,714,847</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, 2018

	<u>2018</u>
Net change in fund balances - governmental funds	\$ (6,486,691)
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	8,019,681
Depreciation expense	(6,375,340)
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	
	828,482
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	(85,271)
Change in accrued interest payable	(26,409)
Change in accrued compensated absences	(26,729)
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	434,127
Proceeds from issuance of debt	<u>(72,020)</u>
Change in net position of governmental activities	<u>\$ (3,790,170)</u>

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

CITY OF MONTROSE, COLORADO

Statement of Net Position

Proprietary Funds

December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Enterprise Funds				
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	Total Enterprise Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 7,636,332	\$ 518,552	\$ 951,981	\$ 125,922	\$ 9,232,787
Certificates of deposit	3,924,094	1,975,138	-	-	5,899,232
Accounts receivable - net	453,193	245,228	142,438	10,382	851,241
Due from other funds	1,768,000	-	-	-	1,768,000
Due from other governments	-	-	-	-	-
Inventory of supplies	202,957	62,876	41,743	39,089	346,665
Prepaid Expenses	6,134	549	-	365	7,048
Total Current Assets	13,990,710	2,802,343	1,136,162	175,758	18,104,973
Noncurrent Assets					
Capital assets, net of depreciation	23,362,482	30,305,232	-	1,043,889	54,711,603
Total Assets	37,353,192	33,107,575	1,136,162	1,219,647	72,816,576
LIABILITIES					
Current Liabilities					
Accounts payable	440,238	143,612	35,566	4,377	623,793
Customer deposits and deposits in escrow	208,810	200	-	-	209,010
Accrued salaries and benefits	23,528	30,919	16,285	10,398	81,130
Unearned Revenue	-	4,800	-	71,025	75,825
Accrued compensated absences	52,369	13,124	23,070	14,893	103,456
Accrued interest payable	4,936	4,039	-	-	8,975
Claims payable	-	-	-	-	-
Long-term debt due in one year	173,250	141,750	-	-	315,000
Total Current Liabilities	903,131	338,444	74,921	100,693	1,417,189
Noncurrent Liabilities					
Revenue bonds - net of premium	926,750	758,250	-	-	1,685,000
Capital lease payable	-	-	-	130,578	130,578
Total Liabilities	1,829,881	1,096,694	74,921	231,271	3,232,767
NET POSITION					
Net Investment in Capital Assets	22,262,482	29,405,232	-	913,311	52,581,025
Unrestricted	13,260,829	2,605,649	1,061,241	75,065	17,002,784
Total Net Position	\$ 35,523,311	\$ 32,010,881	\$ 1,061,241	\$ 988,376	\$ 69,583,809

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

	<u>Totals</u>	
Internal		
<u>Service Funds</u>	<u>2018</u>	<u>2017</u>
\$ 3,733,382	\$ 12,966,169	\$ 14,598,413
518,933	6,418,165	5,975,705
53,086	904,327	1,390,411
-	1,768,000	-
-	-	9,900
21,704	368,369	390,403
215,796	222,844	148,118
<u>4,542,901</u>	<u>22,647,874</u>	<u>22,512,950</u>
 5,067,493	 59,779,096	 58,648,222
<u>9,610,394</u>	<u>82,426,970</u>	<u>81,161,172</u>
 123,536	 747,329	 463,005
-	209,010	191,269
35,495	116,625	101,412
-	75,825	7,530
27,226	130,682	102,706
-	8,975	10,389
361,825	361,825	260,000
814	315,814	313,136
<u>548,896</u>	<u>1,966,085</u>	<u>1,449,447</u>
 -	 1,685,000	 2,010,000
-	130,578	-
<u>548,896</u>	<u>3,781,663</u>	<u>3,459,447</u>
 5,066,679	 57,647,704	 56,325,086
<u>3,994,819</u>	<u>20,997,603</u>	<u>21,376,639</u>
<u>\$ 9,061,498</u>	<u>\$ 78,645,307</u>	<u>\$ 77,701,725</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Enterprise Funds			
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course
OPERATING REVENUES				
Water sales	\$ 5,738,130	\$ -	\$ -	\$ -
Sewer charges	-	2,937,841	-	-
Tap fees unpledged	154,905	290,586	-	-
Sanitation charges	-	-	1,607,899	-
Golf charges	-	-	-	475,826
Interfund charges	-	-	-	-
Other charges	-	14,294	1,046	-
Total Operating Revenues	5,893,035	3,242,721	1,608,945	475,826
OPERATING EXPENSES				
Enterprise administration	258,298	220,648	112,378	-
Operations and maintenance	4,440,423	2,166,980	1,420,700	812,004
Medical claims	-	-	-	-
Insurance premiums	-	-	-	-
Depreciation	1,083,412	2,016,045	-	49,309
Capital outlay	-	141,822	-	31,599
Total Operating Expenses	5,782,133	4,545,495	1,533,078	892,912
Net Operating Income	110,902	(1,302,774)	75,867	(417,086)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenues	-	-	-	-
Investment earnings	262,376	37,134	3,635	-
Gain (loss) on sale of assets	(44,764)	-	-	(70,462)
Other miscellaneous revenues	15,327	5,597	7,980	2,720
Interest expense	(22,141)	(18,115)	-	(4,510)
Net Nonoperating Revenues (Expenses)	210,798	24,616	11,615	(72,252)
Income Before Contributions and Transfers	321,700	(1,278,158)	87,482	(489,338)
Contributions and Transfers				
Capacity fees	267,688	628,718	-	-
Dedicated & contributed capital assets	-	-	-	-
Transfers in	-	-	-	469,581
Transfers out	-	-	-	-
Net Contributions and Transfers	267,688	628,718	-	469,581
Change in Net Position	589,388	(649,440)	87,482	(19,757)
NET POSITION, Beginning	34,933,923	32,660,321	973,759	1,008,133
Prior Period Restatement	-	-	-	-
NET POSITION, Beginning (as Restated)	34,933,923	32,660,321	973,759	1,008,133
NET POSITION, ENDING	\$ 35,523,311	\$ 32,010,881	\$ 1,061,241	\$ 988,376

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

		Totals	
Total Enterprise	Internal Service		
Funds	Funds	2018	2017
\$ 5,738,130	\$ -	\$ 5,738,130	\$ 5,461,217
2,937,841	-	2,937,841	2,872,591
445,491	-	445,491	133,984
1,607,899	-	1,607,899	1,577,974
475,826	-	475,826	468,670
-	6,660,492	6,660,492	5,110,004
15,340	285,252	300,592	144,528
<u>11,220,527</u>	<u>6,945,744</u>	<u>18,166,271</u>	<u>15,768,968</u>
591,324	94,867	686,191	710,002
8,840,107	3,274,525	12,114,632	9,463,106
-	1,618,115	1,618,115	1,343,630
-	452,129	452,129	417,392
3,148,766	915,606	4,064,372	3,821,108
173,421	96,287	269,708	39,719
<u>12,753,618</u>	<u>6,451,529</u>	<u>19,205,147</u>	<u>15,794,957</u>
<u>(1,533,091)</u>	<u>494,215</u>	<u>(1,038,876)</u>	<u>(25,989)</u>
-	13,769	13,769	27,238
303,145	61,210	364,355	167,333
(115,226)	(68,294)	(183,520)	(19,740)
31,624	327,724	359,348	78,146
<u>(44,766)</u>	<u>(142)</u>	<u>(44,908)</u>	<u>(17,388)</u>
<u>174,777</u>	<u>334,267</u>	<u>509,044</u>	<u>235,589</u>
<u>(1,358,314)</u>	<u>828,482</u>	<u>(529,832)</u>	<u>209,600</u>
896,406	-	896,406	610,098
-	-	-	400
469,581	36,457	506,038	506,116
-	(36,457)	(36,457)	-
<u>1,365,987</u>	<u>-</u>	<u>1,365,987</u>	<u>1,116,614</u>
<u>7,673</u>	<u>828,482</u>	<u>836,155</u>	<u>1,326,214</u>
69,576,136	8,125,589	77,701,725	76,375,511
-	107,427	107,427	-
<u>69,576,136</u>	<u>8,233,016</u>	<u>77,809,152</u>	<u>76,375,511</u>
<u>\$ 69,583,809</u>	<u>\$ 9,061,498</u>	<u>\$ 78,645,307</u>	<u>\$ 77,701,725</u>

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Enterprise Funds				
	Water	Sewer	Trash/Recycling	Black Canyon Golf Course	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,624,032	\$ 3,257,966	\$ 1,609,831	\$ 538,006	\$ 10,029,835
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(3,693,993)	(1,371,876)	(713,331)	(101,211)	(5,880,411)
Payments to employees	(465,819)	(656,213)	(326,812)	(327,502)	(1,776,346)
Payments for internal services used	(228,710)	(628,496)	(425,818)	(425,818)	(1,708,842)
Net cash provided (used) by operating activities	<u>235,510</u>	<u>601,381</u>	<u>143,870</u>	<u>(316,525)</u>	<u>664,236</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other Revenues	15,327	5,597	7,980	2,720	31,624
Transfers in	-	-	-	469,581	469,581
Transfers out	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>15,327</u>	<u>5,597</u>	<u>7,980</u>	<u>472,301</u>	<u>501,205</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions and tap fees	267,688	628,718	-	-	896,406
Capital grants	9,900	-	-	-	9,900
Proceeds from sale of assets	(44,764)	-	-	(70,462)	(115,226)
Acquisition and construction of capital assets	(1,741,550)	(1,519,799)	-	(183,218)	(3,444,567)
Principal paid on long-term debt	(173,250)	(141,750)	-	130,578	(184,422)
Interest paid on long-term debt	(22,919)	(18,751)	-	(4,510)	(46,180)
Net cash provided (used) by capital and related financing activities	<u>(1,704,895)</u>	<u>(1,051,582)</u>	<u>-</u>	<u>(127,612)</u>	<u>(2,884,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in certificates of deposits	(1,032,398)	544,611	50,234	-	(437,553)
Interest on investments	262,376	37,134	3,635	-	303,145
Net cash provided (used) by investing activities	<u>(770,022)</u>	<u>581,745</u>	<u>53,869</u>	<u>-</u>	<u>(134,408)</u>
Net increase (decrease) in cash and cash equivalents	(2,224,080)	137,141	205,719	28,164	(1,853,056)
CASH AND CASH EQUIVALENTS, Beginning	<u>9,860,412</u>	<u>381,411</u>	<u>746,262</u>	<u>97,758</u>	<u>11,085,843</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 7,636,332</u>	<u>\$ 518,552</u>	<u>\$ 951,981</u>	<u>\$ 125,922</u>	<u>\$ 9,232,787</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 110,902	\$ (1,302,774)	\$ 75,867	\$ (417,086)	\$ (1,533,091)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,083,412	2,016,045	-	49,309	3,148,766
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	481,256	15,245	886	(6,115)	491,272
(Increase) decrease in inventory of supplies	(21,673)	(35,213)	48,954	(2,558)	(10,490)
(Increase) decrease in prepaid expenses	4,415	5,705	-	(365)	9,755
Increase (decrease) in accounts payable	317,121	(86,593)	7,777	(17,701)	220,604
Increase (decrease) in customer deposits and deposits in escrow	17,741	-	-	-	17,741
Increase (decrease) in accrued salaries and benefits	1,138	(6,589)	5,006	906	461
Increase (decrease) in due to other funds	(1,768,000)	-	-	-	(1,768,000)
Increase (decrease) in deferred revenues	-	-	-	68,295	68,295
Increase (decrease) in accrued compensated absences	9,198	(4,445)	5,380	8,790	18,923
Increase (decrease) in claims payable	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 235,510</u>	<u>\$ 601,381</u>	<u>\$ 143,870</u>	<u>\$ (316,525)</u>	<u>\$ 664,236</u>

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

Totals		
Internal Service		
Funds	2018	2017
\$ 280,064	\$ 10,309,899	\$ 10,019,762
6,660,492	6,660,492	5,110,004
(4,758,961)	(10,639,372)	(11,306,654)
(493,727)	(2,270,073)	(311,571)
(145,842)	(1,854,684)	(425,818)
<u>1,542,026</u>	<u>2,206,262</u>	<u>3,085,723</u>
327,724	359,348	78,146
36,457	506,038	506,116
(36,457)	(36,457)	-
<u>327,724</u>	<u>828,929</u>	<u>584,262</u>
-	896,406	610,498
13,769	23,669	17,338
(68,294)	(183,520)	(19,740)
(1,643,252)	(5,087,819)	(2,617,100)
(7,322)	(191,744)	(340,508)
(142)	(46,322)	(51,072)
<u>(1,705,241)</u>	<u>(4,589,330)</u>	<u>(2,400,584)</u>
(4,907)	(442,460)	(96,320)
<u>61,210</u>	<u>364,355</u>	<u>167,335</u>
<u>56,303</u>	<u>(78,105)</u>	<u>71,015</u>
220,812	(1,632,244)	1,340,416
<u>3,512,570</u>	<u>14,598,413</u>	<u>13,257,997</u>
<u>\$ 3,733,382</u>	<u>\$ 12,966,169</u>	<u>\$ 14,598,413</u>
\$ 494,215	\$ (1,038,876)	\$ (25,989)
915,606	4,064,372	3,821,108
(5,188)	486,084	(623,647)
32,524	22,034	28,245
(84,481)	(74,726)	(48,730)
63,720	284,324	104,664
-	17,741	(13,662)
14,752	15,213	28,893
-	(1,768,000)	-
-	68,295	(1,893)
9,053	27,976	(3,266)
<u>101,825</u>	<u>101,825</u>	<u>(180,000)</u>
<u>\$ 1,542,026</u>	<u>\$ 2,206,262</u>	<u>\$ 3,085,723</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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 facilities, 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, 2018

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, 2018, 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, 2018

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, 2018

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, 2018

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Trash/Recycling Fund, Fleet Management Fund, Information Technologies Fund and , Employee Insurance 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, 2018 are as follows:

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

<u>Fund Name</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Final Budget</u>
General Fund	\$ 19,917,408	\$ 396,000	\$ 20,313,408
Retail Sales Enhancement Fund	360,926	-	360,926
CDBG	-	600,000	600,000
Downtown Development Authority	179,949	-	179,949
Downtown Opportunity Fund	20,000	-	20,000
Greater Montrose Loan Fund	-	20,000	20,000
Public/Education/Government Fund	56,178	-	56,178
Capital Improvements Fund	5,850,000	412,653	6,262,653
Conservation Trust Fund	326,500	-	326,500
Pavilion Improvement Fund	15,000	-	15,000
Montrose Urban Renewal Authority Fund	6,750,000	-	6,750,000
Special Benefit Fund	107,300	41,058	148,358
Tourism Promotional Fund	565,849	-	565,849
Excise Tax Revenue Bond Fund	700,000	-	700,000
EIA Fireflow Loan Fund	12,189	-	12,189
Cemetery Perpetual Care Fund	500	2,000	2,500
Special Improvements Revolving Fund	700	-	700
Grand/Rio Grande Project Fund	-	65,912	65,912
Building Renovations Fund	283,500	62,791	346,291
Water Fund	7,396,162	931,076	8,327,238
Sewer Fund	4,432,788	-	4,432,788
Trash/Recycling Fund	1,391,517	119,058	1,510,575
Golf Course Fund	932,431	36,997	969,428
Fleet Management Fund	2,466,428	-	2,466,428
Information Technologies Fund	1,229,883	60,000	1,289,883
Employee Benefit Fund	2,025,500	-	2,025,500
Facility Fund	1,225,021	-	1,225,021
	<u>\$ 55,020,708</u>	<u>\$2,747,545</u>	<u>\$ 57,768,253</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

A summary of the City's cash and investment balances as of December 31, 2018 and how they are displayed in the financial statements is shown below:

Petty Cash	\$	4,520
Cash Accounts		20,675,844
Investments		<u>19,666,992</u>
Total Cash and Investments	\$	<u>40,347,356</u>

Cash and Equivalents	\$	26,120,229
Certificates of Deposit		13,685,237
Investments		<u>541,890</u>
Total Cash and Investments	\$	<u>40,347,356</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, 2018, 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	\$ 1,927,197	\$ 1,927,197
PDPA Collateralized (Not held in City's name)	<u>19,463,114</u>	<u>18,748,647</u>
Total Cash Deposits	<u>\$ 21,390,311</u>	<u>\$ 20,675,844</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018 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	-	540,234	-	540,234	0.89	AAA
Money Market Mutual Funds	-	19	-	19	-	N/A
Total Investments	\$ -	\$ 540,253	\$ -	\$ 540,253	0.89	

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 2018, 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, 2018, 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, 2018

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, 2018, were in a single financial institution, Colotrust.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year follows:

	Balance			Balance
	As Restated			
	<u>01/01/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/18</u>
Capital assets not being depreciated:				
Land	<u>\$ 11,620,252</u>	<u>\$ 365,989</u>	<u>\$ -</u>	<u>\$ 11,986,241</u>
Capital assets being depreciated:				
Land improvement	2,830,775	250,826	-	3,081,601
Infrastructure - road network	118,651,901	6,673,765	-	125,325,666
Buildings	13,667,353	702,506	-	14,369,859
Equipment	6,094,801	26,595	-	6,121,396
Internal service vehicles	11,580,288	1,503,811	525,184	12,558,915
Internal service equipment	<u>1,078,855</u>	<u>235,887</u>	<u>37,300</u>	<u>1,277,442</u>
Total capital assets being depreciated	<u>153,903,973</u>	<u>9,393,390</u>	<u>562,484</u>	<u>162,734,879</u>
Less accumulated depreciation for:				
Land improvements	1,291,568	124,034	-	1,415,602
Infrastructure - road network	77,404,970	5,620,135	-	83,025,105
Buildings	9,828,591	522,543	-	10,351,134
Equipment	5,469,856	108,628	-	5,578,484
Internal service vehicles	7,652,977	816,892	428,738	8,041,131
Internal service equipment	<u>666,319</u>	<u>98,714</u>	<u>37,300</u>	<u>727,733</u>
Total accumulated depreciation	<u>102,314,281</u>	<u>7,290,946</u>	<u>466,038</u>	<u>109,139,189</u>
Total capital assets being depreciated, net	<u>51,589,692</u>	<u>2,102,444</u>	<u>96,446</u>	<u>53,595,690</u>
Governmental activity capital assets, net	<u>\$ 63,209,944</u>	<u>\$ 2,468,433</u>	<u>\$ 96,446</u>	<u>\$ 65,581,931</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - CAPITAL ASSETS (Continued)

	Business-Type Activities			
	Balance			Balance
	<u>01/01/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/18</u>
Capital assets not being depreciated:				
Land and Easements	\$ 2,553,120	\$ -	\$ -	\$ 2,553,120
Capital assets being depreciated:				
Reservoirs	6,925,228	47,711	91,522	6,881,417
Buildings	491,008	11,597	-	502,605
Land improvements	52,613	49,608	23,003	79,218
Transmission, collection and distribution lines	60,784,509	2,668,012	-	63,452,521
Treatment Plant	20,323,124	567,354	3,864,935	17,025,543
Equipment	<u>2,486,977</u>	<u>215,512</u>	<u>85,717</u>	<u>2,616,772</u>
Total capital assets being depreciated	<u>91,063,459</u>	<u>3,559,794</u>	<u>4,065,177</u>	<u>90,558,076</u>
Less accumulated depreciation for:				
Reservoirs	1,105,875	135,531	46,758	1,194,648
Buildings	94,894	32,518	-	127,412
Land improvements	9,696	5,934	9,201	6,429
Transmission, collection and distribution lines	22,104,114	2,049,277	-	24,153,391
Treatment Plant	15,156,411	812,827	3,864,935	12,104,303
Equipment	<u>729,786</u>	<u>126,481</u>	<u>42,859</u>	<u>813,408</u>
Total accumulated depreciation	<u>39,200,776</u>	<u>3,162,568</u>	<u>3,963,753</u>	<u>38,399,591</u>
Total capital assets being depreciated, net	<u>51,862,683</u>	<u>397,226</u>	<u>101,424</u>	<u>52,158,485</u>
Business-type activities capital assets, net	<u>\$ 54,415,803</u>	<u>\$ 397,226</u>	<u>\$ 101,424</u>	<u>\$ 54,711,605</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - CAPITAL ASSETS (Continued)

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

<u>Governmental Activities</u>	
General government	\$ 385,260
Public safety	53,743
Public works, including depreciation of general infrastructure assets	5,621,242
Parks and cemetery, including Pavillion	315,095
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>915,606</u>
Total depreciation expense	
Governmental activities	<u>\$ 7,290,946</u>
<u>Business-Type Activities</u>	
Water	\$ 1,083,412
Sewer	2,016,045
Black Canyon Golf Course	<u>63,111</u>
Total depreciation expense	
Business-Type activities	<u>\$ 3,162,568</u>

NOTE 4 - EMPLOYEE RETIREMENT PLANS

A. ICMA

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's contributions were calculated using the base salary of \$7,201,718. Contributions of up to 8% for employees and amounted to \$638,547 for 2018.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - EMPLOYEE RETIREMENT PLANS (Continued)

B. Police

STATEWIDE DEFINED BENEFIT PLAN

Summary of Significant Accounting Policies

Pensions. The City participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension fund administered by the Fire & Police Pension Association of Colorado ("FPPA"). The net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB have been determined using the accrual basis of accounting as required by the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the City are provided with pensions through the Statewide Defined Benefit Plan (SWDB) - a cost-sharing multiple-employer defined benefit pension plan administered by FPPA. Plan benefits are specified in Title 31, Articles 30, 30.5 and 31 of the Colorado Revised Statutes (C.R.S.), rules and regulations codified by the Fire and Police Pension Association, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. FPPA issues a publicly available comprehensive annual financial report, the most recent of which is for the fiscal year ended December 31, 2014, that can be obtained at:

http://fppaco.org/pdfs/annual_audit_actuarial_reports/annual%20reports/2014%20FPPA%20CAFR.pdf.

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

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

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - RETIREMENT COMMITMENTS (Continued)

STATEWIDE DEFINED BENEFIT PLAN (FPPA) (Continued)

General Information about the Pension Plan (Contributed)

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

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

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

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

Employer contributions are recognized by FPPA in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to FPPA. Employer contributions recognized by the FPPA from the City were \$185,339 for the plan year ended December 31, 2018. The current year contributions will be expensed in 2018 for FPPA purposes and are a timing difference at year end.

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

At December 31, 2018, the City reported an asset of \$569,811 for its proportionate share of the SWDB's net pension asset. The net pension asset or liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The City's proportion of the net pension asset was based on City's contributions to the SWDB for the calendar year 2017 relative to the total contributions of participating employers to the SWDB.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - RETIREMENT COMMITMENTS (Continued)

STATEWIDE DEFINED BENEFIT PLAN (FPPA) (Continued)

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

At December 31, 2017, the City's proportion was .39607%.

For the year ended December 31, 2018, the City recognized pension expense of \$537,914. At December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 298,109	\$ -
Changes of assumptions or other inputs	\$ -	\$ -
Net difference between projected and actual earnings on pension plan	\$ -	\$ (458,232)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 128,226	\$ -
Contributions subsequent to the measurement date	\$ 78,259	\$ -
Total	\$ 504,594	\$ (458,232)

\$78,259 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an adjustment of the net pension asset in the year ended December 31, 2018.

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - RETIREMENT COMMITMENTS (Continued)

STATEWIDE DEFINED BENEFIT PLAN (FPPA) (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions** (Continued)

Year Ended December 31:	Fiscal year Total
2019	\$ (65,052)
2020	(65,052)
2021	(65,052)
2022	(65,052)
2023	49,506
2024-2028	178,806
Total	\$ (31,897)

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial method	Entry Age Normal
Amortization method	Level % of Payroll, Open
Amortization period	30 Years
Long-term investment rate of return, net of	7.50%
Salary increase, including wage inflation	4.00-14.00%
Cost of Living Adjustments (COLA)	0.00%
* Includes inflation at	2.50%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB is used in the projection of post-retirement benefits for members under 55. For post-retirement members 65 and older, the RP-2014 Mortality Tables for Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55-64, a blend of the previous tables is used.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study adopted by FPPA's Board in July 2015. The assumption changes were effective for actuarial valuations beginning January 1, 2016. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - RETIREMENT COMMITMENTS (Continued)

STATEWIDE DEFINED BENEFIT PLAN (FPPA) (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are summarized in the following table:

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

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - RETIREMENT COMMITMENTS (Continued)

STATEWIDE DEFINED BENEFIT PLAN (FPPA) (Continued)

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

Sensitivity of the proportionate share of the net pension asset (liability) to changes in the discount rate. The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset (liability)	\$ (620,354)	\$ 569,811	\$ 1,558,090

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 \$1,753,158, exclusive of dental benefits, based on approximately 153 employees and dependents covered in 2018. 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, 2018 are as follows:

	Current Year			
	<u>Beginning Balance</u>	<u>Claims & Changes in Estimates</u>	<u>Claim Balance Payment</u>	<u>Ending Balance</u>
2017	\$260,000	\$1,749,800	\$1,750,697	\$259,103
2018	\$259,103	\$1,978,576	\$1,875,854	\$361,825

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

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 – COMMITMENTS (Continued)

Raw Water Purchase (Continued)

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 2018, the rate for operations and maintenance was \$8.00 per acre-foot.

NOTE 7 -LONG-TERM DEBT

A. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Payments	Balance 12/31/18	Current Portion	Accrued Interest	Interest Expense
Governmental activities:							
Note payable	22,396	-	11,332	11,064	11,064	193	673
Obligations under capital leases	10,008,137	72,020	430,118	9,650,039	408,351	59,183	247,579
Compensated absences	<u>489,353</u>	<u>35,782</u>	<u>-</u>	<u>525,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental activities	<u>\$ 10,519,886</u>	<u>\$ 107,802</u>	<u>\$ 441,450</u>	<u>\$ 10,186,238</u>	<u>\$ 419,415</u>	<u>\$ 59,376</u>	<u>\$ 248,252</u>
Business-type activities							
Note payable	\$ 2,315,000	\$ -	\$ 315,000	\$ 2,000,000	\$ 320,000	\$ 8,975	\$ 40,256
Obligations under capital leases	-	161,312	30,734	130,578	30,862	-	4,510
Compensated absences	<u>84,532</u>	<u>18,925</u>	<u>-</u>	<u>103,457</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type activities	<u>\$ 2,399,532</u>	<u>\$ 180,237</u>	<u>\$ 345,734</u>	<u>\$ 2,234,035</u>	<u>\$ 350,862</u>	<u>\$ 8,975</u>	<u>\$ 44,766</u>

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, \$27,226 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. NOTES PAYABLE FROM GOVERNMENTAL ACTIVITIES:

\$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.

11,064

Total payable from governmental activities

\$ 11,064

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

\$2,000,000

\$2,000,000

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
2019	11,064	1,125	12,189	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	-	-	-	340,000	12,330	352,330
2024	-	-	-	345,000	6,210	351,210
	\$ 11,064	\$ 1,125	\$ 12,189	\$ 2,000,000	\$ 127,620	\$ 2,127,620

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.

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.

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - LONG-TERM DEBT (Continued)

E. CAPITAL LEASE AGREEMENTS (Continued)

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.

During 2018, the City assumed two separate lease agreements for equipment for the Black Canyon Golf Course. The first lease is for \$161,262 of golf carts and requires six seasonal month payments of \$5,874 from May through October of each year for a period of five years and bears interest at 3.80%, maturing in October 2022. The second lease is for \$71,970 of golf cart Global Positioning Systems (GPS) and requires six seasonal month payments of \$2,630 from May through October of each year for a period of five years and bears interest at 3.80%, maturing in October 2022. Payments on these leases are made through the Black Canyon Golf Course Fund.

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

<u>Year</u>	<u>Copier Equipment Payment</u>	<u>Golf Cart Payment</u>	<u>Golf Cart GPS Payment</u>	<u>City Hall Payment</u>	<u>Pavilion Payment</u>	<u>Total Payment</u>
2019	\$ 820	\$ 35,244	\$ 15,780	\$ 56,928	\$ 570,930	\$ 679,702
2020	-	35,244	15,780	56,928	570,930	678,882
2021	-	35,244	15,780	56,928	570,930	678,882
2022	-	35,244	15,780	56,928	570,930	678,882
2023	-	-	-	56,928	570,930	627,858
2024-2028	-	-	-	284,640	2,854,650	3,139,290
2029-2033	-	-	-	877,894	2,283,716	3,161,614
2034-2037	-	-	-	<u>2,486,868</u>	-	<u>2,486,873</u>
Total Payments	820	140,976	63,120	3,934,042	7,993,016	12,131,983
Interest at Lease Rate	<u>(6)</u>	<u>(10,448)</u>	<u>(4,843)</u>	<u>(953,538)</u>	<u>(973,520)</u>	<u>(1,942,364)</u>
Present Value of Payments	\$ 814	\$ 130,528	\$ 58,277	\$ 2,980,504	\$ 7,019,496	\$ 10,189,619

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND TRANSFERS

	General Fund	Capital Improve. Fund	Nonmajor Govt Funds	Nonmajor Enterprise Funds
Transfers In (Out) - net	<u>\$ (3,488,328)</u>	<u>\$ 2,120,959</u>	<u>\$ 897,788</u>	<u>\$ 469,581</u>

The above amounts were transferred for operations.

B. INTERNAL CHARGES

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

	Internal Fleet Equip Leases	Info. Systems Charges	Facility Lease Charges	Admin Charges	Health Benefits
General Fund	\$ 962,200	\$ 923,054	\$ 596,061	\$ -	\$ 1,919,365
Nonmajor Govt Funds	-	64,741	35,606	-	30,022
Major Enterprise Funds	840,064	181,798	502,859	591,324	324,482
Internal Service Funds	<u>16,075</u>	<u>54,914</u>	<u>90,495</u>	<u>-</u>	<u>118,756</u>
Total	<u>\$ 1,818,339</u>	<u>\$ 1,224,507</u>	<u>\$ 1,225,021</u>	<u>\$ 591,324</u>	<u>\$ 2,392,625</u>

C. INTERNAL BALANCES

The following amounts represent internal balances for amounts advanced to the Montrose Urban Renewal Authority by the City as of December 31, 2018:

	Due From	Due To
General Fund	\$ 1,223,543	\$ -
Montrose Urban Renewal Authority	-	(8,118,789)
Capital Improvement Fund	5,127,246	-
Water Fund	<u>1,768,000</u>	<u>-</u>
Net Internal Balances	<u>\$ 8,118,789</u>	<u>\$ (8,118,789)</u>

CITY OF MONTROSE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 2018, the City purchased treatment of 1,358,968,000 gallons for \$1,223,071. At December 31, 2018, the City owed the Authority \$47,501 for 52,779,000 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, 2018

NOTE 13 – PRIOR PERIOD RESTATEMENTS

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	MURA Fund	Capital Improve. Fund	Fleet Management Int. Serv. Fund
Capital Asset Understatement	\$ 107,427	\$ -	\$ -	\$ -	\$ 107,427
MURA Advance(s) Restatement	-	1,177,493	(6,109,297)	4,931,804	-
Net Restatements	107,427	1,177,493	(6,109,297)	4,931,804	107,427
Ending Equity - Prior Year Audit	83,440,142	9,876,040	4,882,180	6,742,108	4,809,761
Beginning Equity - Restated	<u>\$ 83,547,569</u>	<u>\$ 11,053,533</u>	<u>\$ (1,227,117)</u>	<u>\$ 11,673,912</u>	<u>\$ 4,917,188</u>

General Fund

The City has increased the beginning fund balance in the General Fund by \$1,177,493 representing the reclassification of the MURA advance that was not recorded in the 2017 fiscal year end balances.

Capital Improvement Fund

The City has increased the beginning fund balance in the Capital Improvement Fund by \$4,931,804 representing the reclassification of the MURA advance that was not recorded in the 2017 fiscal year end balances.

Montrose Urban Renewal Authority

The City has decreased the beginning fund balance in the Montrose Urban Renewal Authority (MURA) Fund by \$6,109,297 representing interfund payables related to the construction of MURA Phase I public infrastructure. MURA issued a loan from General Fund, Water and Sewer Fund and a direct bank loan was issued by the Capital Improvement Fund on behalf of MURA.

Fleet Management Fund

The City has increased the beginning fund balance in the Fleet Management Fund by \$107,427 representing assets that were not capitalized in 2017, therefore, understating the balance in the Fleet Management Funds capital asset account.

Governmental Activities

The City has increased the beginning fund balance in Governmental Activities by \$107,427 related to the Fleet Management Fund restatement. The MURA advance restatement did not affect Governmental Activities as the fund balance that existed in the MURA Fund was reclassified to the General Fund and the Capital Improvement Fund.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension Schedules Unaudited)

CITY OF MONTROSE

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>12/31/18</u>
City's proportion of the net pension asset (liability)	0.396071%
City's proportionate share of the net pension asset (liability)	\$ 569,811
City's covered payroll	\$ 2,316,738
City's proportionate share of the net pension asset (liability) as a percentage of covered payroll	24.60%
Plan fiduciary net position as a percentage of the total pension liability	106.34%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

CITY OF MONTROSE

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERA Pension Plan

Last 10 Fiscal Years⁽¹⁾

	<u>12/31/18</u>
Contractually required contributions	\$ 185,339
Actual contributions	<u>(185,339)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll	\$ 2,316,738
Contributions as a percentage of covered payroll	8.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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Required Supplementary Information

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

General Fund

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES					
Taxes	\$ 17,180,752	\$ 16,995,023	\$ 18,830,034	\$ 1,835,011	\$ 17,683,483
Licenses and permits	360,600	360,600	525,293	164,693	408,163
Intergovernmental	1,147,108	1,147,108	1,437,248	290,140	1,195,209
Charges for services	280,100	280,100	284,176	4,076	313,220
Fines and forfeits	220,750	220,750	175,197	(45,553)	163,024
Miscellaneous	96,175	96,175	271,508	175,333	119,035
Administrative reimbursement	591,323	591,323	591,324	1	607,678
Investment earnings	40,100	40,100	167,620	127,520	80,689
Total revenues	<u>19,916,908</u>	<u>19,731,179</u>	<u>22,282,400</u>	<u>2,551,221</u>	<u>20,570,501</u>
EXPENDITURES					
Current					
General government					
City council	153,609	153,609	166,157	(12,548)	158,865
Youth Council	4,950	4,950	3,322	1,628	5,971
Community program support	114,808	114,808	113,675	1,133	4,167
Economic development	321,000	321,000	493,931	(172,931)	302,544
Website/Communications	128,414	128,414	115,547	12,867	122,489
City attorney	414,352	414,352	420,468	(6,116)	384,205
City manager	311,646	311,646	355,270	(43,624)	337,382
Human resources	355,915	355,915	354,518	1,397	345,650
GIS	301,736	301,736	298,281	3,455	303,695
Finance	722,956	722,956	716,525	6,431	654,702
Municipal court	230,571	230,571	216,524	14,047	196,959
Teen court	9,459	9,459	7,922	1,537	3,278
Innovation and citizen engagement	233,902	233,902	277,117	(43,215)	158,308
City clerk	264,920	264,920	252,738	12,182	229,979
Facility management	-	-	264	(264)	491,130
Montrose Pavilion	552,470	552,470	578,415	(25,945)	557,333
Clearing account	25,260	25,260	25,507	(247)	24,793
Total general government	<u>4,145,968</u>	<u>4,145,968</u>	<u>4,396,181</u>	<u>(250,213)</u>	<u>4,281,450</u>
Community Development					
Planning services	<u>239,044</u>	<u>239,044</u>	<u>223,857</u>	<u>15,187</u>	<u>389,437</u>
Public safety					
Police	4,420,122	4,420,122	4,714,111	(293,989)	4,295,604
Administration	1,647,847	1,647,847	1,618,421	29,426	1,623,194
Animal control	537,777	537,777	555,454	(17,677)	530,590
7th Judicial Drug Task Force	356,921	356,921	246,290	110,631	319,503
Code enforcement	92,701	92,701	87,707	4,994	86,476
Total public safety	<u>7,055,368</u>	<u>7,055,368</u>	<u>7,221,983</u>	<u>(166,615)</u>	<u>6,855,367</u>
Engineering and inspection					
Building services	<u>267,883</u>	<u>267,883</u>	<u>269,910</u>	<u>(2,027)</u>	<u>195,028</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
(Continued)					
Public works					
Engineer	342,565	342,565	302,603	39,962	216,204
Public works administration	188,979	188,979	181,318	7,661	226,466
Street maintenance	2,065,917	2,065,917	1,833,860	232,057	2,209,685
Street cleaning	284,134	284,134	348,806	(64,672)	327,485
Green waste removal	-	-	5,780	(5,780)	-
Total public works	<u>2,881,595</u>	<u>2,881,595</u>	<u>2,672,367</u>	<u>209,228</u>	<u>2,979,840</u>
Parks, recreation and cemetery					
Parks maintenance	1,353,492	1,353,492	1,377,417	(23,925)	1,186,634
Tree program	15,000	15,000	14,727	273	14,725
Cemetery	74,075	74,075	60,195	13,880	55,008
Competitive Youth Sports	98,838	98,838	90,505	8,333	91,644
Sunset Mesa maintenance	118,581	118,581	95,053	23,528	87,961
Total parks and cemetery	<u>1,659,986</u>	<u>1,659,986</u>	<u>1,637,897</u>	<u>22,089</u>	<u>1,435,972</u>
Insurance	<u>320,000</u>	<u>320,000</u>	<u>192,338</u>	<u>127,662</u>	<u>236,743</u>
Capital outlay					
General government outlays	40,000	436,000	385,792	50,208	849,664
Public safety outlays	71,400	71,400	62,260	9,140	47,399
Public works outlays	47,000	47,000	22,800	24,200	111,706
Parks & recreation outlays	68,500	68,500	124,036	(55,536)	231,629
Community development outlays	-	-	75,639	(75,639)	-
Total capital outlay	<u>226,900</u>	<u>622,900</u>	<u>670,527</u>	<u>(47,627)</u>	<u>1,240,398</u>
Contingency	<u>1,118,437</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
Total expenditures	<u>17,915,181</u>	<u>18,692,744</u>	<u>17,285,060</u>	<u>1,407,684</u>	<u>17,614,235</u>
Revenues in excess of expenditures	<u>2,001,727</u>	<u>1,038,435</u>	<u>4,997,340</u>	<u>3,958,905</u>	<u>2,956,266</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	500	500	2,212	1,712	3,254
Transfers out	<u>(3,120,664)</u>	<u>(3,120,664)</u>	<u>(3,490,540)</u>	<u>(369,876)</u>	<u>(4,166,198)</u>
Net other financing sources (uses)	<u>(3,120,164)</u>	<u>(3,120,164)</u>	<u>(3,488,328)</u>	<u>(368,164)</u>	<u>(4,162,944)</u>
Change in fund balance	<u>(1,118,437)</u>	<u>(2,081,729)</u>	<u>1,509,012</u>	<u>3,590,741</u>	<u>(1,206,678)</u>
FUND BALANCE, Beginning	9,876,041	9,876,041	9,876,041	-	11,082,719
Prior Period Restatement	-	-	1,177,492	1,177,492	-
FUND BALANCE, Beginning (As Restated)	<u>9,876,041</u>	<u>9,876,041</u>	<u>11,053,533</u>	<u>1,177,492</u>	<u>11,082,719</u>
FUND BALANCE, Ending	<u>\$ 8,757,604</u>	<u>\$ 7,794,312</u>	<u>\$ 12,562,545</u>	<u>\$ 4,768,233</u>	<u>\$ 9,876,041</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018		Variance	
	Original & Final Budget	Actual	With Final Budget	2017 Actual
REVENUES				
Intergovernmental	\$ -	\$ 16,227	\$ 16,227	5,073
Investment earnings	-	72,967	72,967	9,527
Total revenues	-	89,194	89,194	14,600
EXPENDITURES				
Current				
Community Development				
Special benefit	-	508,429	(508,429)	354,456
Capital outlay				
General government outlays	6,400,000	4,909,312	1,490,688	815,249
Debt service				
Interest and fees	-	309,491	(309,491)	-
Total expenditures	6,400,000	5,727,232	672,768	1,169,705
Revenues in excess of expenditures	(6,400,000)	(5,638,038)	761,962	(1,155,105)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,700,000	-	(1,700,000)	6,037,284
Transfers out	(350,000)	-	350,000	-
Net other financing sources (uses)	1,350,000	-	(1,350,000)	6,037,284
Change in fund balance	(5,050,000)	(5,638,038)	(588,038)	4,882,179
FUND BALANCE, Beginning	4,882,179	4,882,179	-	-
Prior Period Restatement	-	(6,109,296)	(6,109,296)	-
FUND BALANCE, Beginning (As Restated)	4,882,179	(1,227,117)	(6,109,296)	-
FUND BALANCE, Ending	\$ (167,821)	\$ (6,865,155)	\$ (6,697,334)	\$ 4,882,179

See the accompanying independent auditors' report.

Other Supplementary Information

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	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	\$ 126,327	\$ 30,000	\$ 56,692	\$ 123,293	\$ 114,185	\$ 7,295
Certificates of deposit	-	-	-	-	100,169	151,927
Accounts receivable - net	-	-	91,907	6,721	1,502	-
Franchise fees receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	104,725	-
Sales tax receivable	36,807	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Inventory of supplies	-	-	-	-	-	-
Prepaid Expenses	17,820	-	-	-	3,688	-
Total Assets	<u>\$ 180,954</u>	<u>\$ 30,000</u>	<u>\$ 148,599</u>	<u>\$ 130,014</u>	<u>\$ 324,269</u>	<u>\$ 159,222</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 16,149	\$ -	\$ -	\$ -	\$ 4,641	\$ -
Customer deposits and deposits in escrow	-	-	-	-	-	-
Accrued salaries and benefits	3,202	-	-	-	1,089	-
Unearned Revenue	-	-	21,141	6,721	-	-
Total Liabilities	<u>19,351</u>	<u>-</u>	<u>21,141</u>	<u>6,721</u>	<u>5,730</u>	<u>-</u>
DEFERRED INFLOWS - Property Taxes	-	-	-	-	104,725	-
FUND BALANCE						
Nonspendable						
Prepays and inventory	17,820	-	-	-	3,688	-
Permanent fund or other corpus	-	-	-	-	-	-
Restricted:						
For economic development	-	-	-	-	210,126	-
For debt service	-	-	-	-	-	159,222
For beautification - expendable	-	-	-	-	-	-
For capital projects	-	-	-	-	-	-
For parks	-	-	-	-	-	-
Committed:						
For economic development	143,783	-	127,458	-	-	-
For community development	-	-	-	123,293	-	-
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	<u>161,603</u>	<u>30,000</u>	<u>127,458</u>	<u>123,293</u>	<u>213,814</u>	<u>159,222</u>
Total Liabilities and Fund Balances	<u>\$ 180,954</u>	<u>\$ 30,000</u>	<u>\$ 148,599</u>	<u>\$ 130,014</u>	<u>\$ 324,269</u>	<u>\$ 159,222</u>

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
\$ 334,972	\$ 15,850	\$ (21,452)	\$ 175,187	\$ 293,950
-	-	125,178	202,488	50,621
-	-	-	-	10,080
-	-	4,219	-	-
-	-	-	-	-
-	-	-	-	45,602
-	-	-	-	-
-	-	-	-	45,313
-	-	-	-	41,490
<u>\$ 334,972</u>	<u>\$ 15,850</u>	<u>\$ 107,945</u>	<u>\$ 377,675</u>	<u>\$ 487,056</u>
\$ 97,236	\$ -	\$ 17,238	\$ 23,633	\$ 21,497
-	-	-	2,167	-
-	-	-	-	7,534
-	-	-	-	-
<u>97,236</u>	<u>-</u>	<u>17,238</u>	<u>25,800</u>	<u>29,031</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	86,803
-	-	-	-	-
-	-	-	-	371,222
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
237,736	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	235,778	-
-	-	-	40,087	-
-	-	-	76,010	-
-	15,850	-	-	-
-	-	90,707	-	-
<u>237,736</u>	<u>15,850</u>	<u>90,707</u>	<u>351,875</u>	<u>458,025</u>
<u>\$ 334,972</u>	<u>\$ 15,850</u>	<u>\$ 107,945</u>	<u>\$ 377,675</u>	<u>\$ 487,056</u>

CITY OF MONTROSE, COLORADO

Balance Sheet

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Debt Service		
	Funds	Permanent Funds	
	1998 General		
	Fund Excise Tax		Cemetery
	Revenue Bonds	Demoret Trust	Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 109,596	\$ 15,742	\$ 121,131
Certificates of deposit	-	325,705	-
Accounts receivable - net	-	-	-
Franchise fees receivable	-	-	-
Due from other governments	-	-	-
Sales tax receivable	-	-	-
Interest receivable	-	-	-
Inventory of supplies	-	-	-
Prepaid Expenses	-	-	-
Total Assets	<u>\$ 109,596</u>	<u>\$ 341,447</u>	<u>\$ 121,131</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	121,131
Restricted:			
For economic development	-	-	-
For debt service	109,596	-	-
For beautification - expendable	-	20,066	-
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>109,596</u>	<u>341,447</u>	<u>121,131</u>
Total Liabilities and Fund Balances	<u>\$ 109,596</u>	<u>\$ 341,447</u>	<u>\$ 121,131</u>

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

Capital Project Fund			Total Nonmajor Funds	
Special Improvements Revolving	Grand/Rio Grande Project	Building Renovation	2018	2017
715,700	\$ 410,207	\$ 290,360	\$ 2,919,035	\$ 2,435,058
202,488	968,876	-	2,127,452	1,846,368
(711)	-	-	109,499	241,715
-	-	-	4,219	4,633
-	-	-	104,725	868,534
-	-	-	82,409	73,074
-	-	-	-	3,489
-	-	-	45,313	45,929
-	-	-	62,998	9,248
<u>\$ 1,029,538</u>	<u>\$ 1,379,083</u>	<u>\$ 290,360</u>	<u>\$ 5,567,711</u>	<u>\$ 5,730,046</u>
\$ -	\$ -	\$ 26,595	\$ 206,989	\$ 158,276
-	-	-	2,167	1,518
-	-	-	11,825	8,492
<u>117,420</u>	<u>-</u>	<u>-</u>	<u>145,282</u>	<u>236,158</u>
<u>117,420</u>	<u>-</u>	<u>26,595</u>	<u>366,263</u>	<u>404,444</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>104,725</u>	<u>111,084</u>
-	-	-	108,311	55,177
-	-	-	442,512	440,752
-	-	-	581,348	569,485
-	-	-	268,818	193,505
-	-	-	20,066	18,442
912,118	1,379,083	263,765	2,554,966	2,584,459
-	-	-	237,736	406,337
-	-	-	271,241	239,868
-	-	-	123,293	130,000
-	-	-	30,000	30,000
-	-	-	235,778	197,978
-	-	-	40,087	40,087
-	-	-	76,010	186,439
-	-	-	15,850	13,629
-	-	-	90,707	108,360
<u>912,118</u>	<u>1,379,083</u>	<u>263,765</u>	<u>5,096,723</u>	<u>5,214,518</u>
<u>1,029,538</u>	<u>\$ 1,379,083</u>	<u>\$ 290,360</u>	<u>\$ 5,567,711</u>	<u>\$ 5,730,046</u>

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		Special Revenue Funds			
		Retail Sales	CDBG	Downtown	Greater
		Enhancement	Passthrough	Opportunity	Montrose
			Grant	Fund	Loan
REVENUES					
Taxes		\$ 354,397	\$ -	\$ -	\$ -
Intergovernmental		-	600,000	-	-
Charges for services		100	-	-	-
Special assessments		-	-	-	-
Miscellaneous		6,325	-	43,755	199
Contributions to permanent endowment		-	-	-	-
Investment earnings		-	-	-	-
Total revenues		<u>360,822</u>	<u>600,000</u>	<u>43,755</u>	<u>199</u>
EXPENDITURES					
Current					
General government		-	-	-	-
Community Development		291,899	-	12,785	6,906
Parks, recreation and cemetery		-	-	-	-
Capital outlay		108,165	600,000	-	-
Debt service		16,030	-	-	-
Total expenditures		<u>416,094</u>	<u>600,000</u>	<u>12,785</u>	<u>6,906</u>
Revenues in excess of expenditures		<u>(55,272)</u>	<u>-</u>	<u>30,970</u>	<u>(6,707)</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds		72,020	-	-	-
Transfers in		-	-	-	-
Transfers out		-	-	-	-
Net other financing sources (uses)		<u>72,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance		16,748	-	30,970	(6,707)
FUND BALANCE (DEFICIT), Beginning		<u>144,855</u>	<u>30,000</u>	<u>96,488</u>	<u>130,000</u>
FUND BALANCE, Ending		<u>\$ 161,603</u>	<u>\$ 30,000</u>	<u>\$ 127,458</u>	<u>\$ 123,293</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/Gov ernment Fund	Special Benefits	Tourism Promotional
\$ 109,401	\$ -	\$ -	\$ -	\$ 17,241	\$ -	\$ 553,783
16,206	-	97,305	-	-	-	-
3,915	-	-	9,835	-	-	22,371
-	-	-	-	-	-	-
24,915	-	-	2,221	-	58,059	(6,372)
-	-	-	-	-	-	-
1,056	3,170	9,740	-	3,004	2,488	1,348
155,493	3,170	107,045	12,056	20,245	60,547	571,130
-	-	-	-	37,898	-	-
128,308	-	-	9,835	-	38,902	489,518
-	-	26,499	-	-	-	-
-	-	249,147	-	-	94,274	60,145
-	-	-	-	-	-	-
128,308	-	275,646	9,835	37,898	133,176	549,663
27,185	3,170	(168,601)	2,221	(17,653)	(72,629)	21,467
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
27,185	3,170	(168,601)	2,221	(17,653)	(72,629)	21,467
186,629	156,052	406,337	13,629	108,360	424,504	436,558
\$ 213,814	\$ 159,222	\$ 237,736	\$ 15,850	\$ 90,707	\$ 351,875	\$ 458,025

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	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	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Contributions to permanent endowment	-	-	-	1,760
Investment earnings	-	-	1,624	2,212
Total revenues	-	12,189	1,624	3,972
EXPENDITURES				
Current				
General government	-	-	-	-
Community Development	-	-	-	-
Parks, recreation and cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service	627,857	12,189	-	-
Total expenditures	627,857	12,189	-	-
Revenues in excess of expenditures	(627,857)	-	1,624	3,972
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	-	-
Transfers in	700,000	-	-	-
Transfers out	-	-	-	(2,212)
Net other financing sources (uses)	700,000	-	-	(2,212)
Change in fund balance	72,143	-	1,624	1,760
FUND BALANCE, Beginning	37,453	-	339,823	119,371
FUND BALANCE, Ending	\$ 109,596	\$ -	\$ 341,447	\$ 121,131

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

Capital Project Funds			Total Nonmajor Funds	
Special Improvements Revolving	Grand/Rio Grande Project	Building Renovation	2018	2017
\$ -	\$ -	\$ -	\$ 1,034,822	\$ 975,053
-	91,494	-	805,005	1,739,821
-	-	-	48,410	89,683
59,111	-	-	59,111	87,454
-	-	-	129,102	294,500
-	-	-	1,760	1,920
11,042	(15,161)	3,283	23,806	56,084
70,153	76,333	3,283	2,102,016	3,244,515
465	-	22,594	60,957	106,849
-	-	-	978,153	1,608,916
-	-	-	26,499	450
-	65,912	290,291	1,467,934	1,285,360
-	-	-	656,076	386,589
465	65,912	312,885	3,189,619	3,388,164
69,688	10,421	(309,602)	(1,087,603)	(143,649)
-	-	-	72,020	-
-	-	200,000	900,000	597,592
-	-	-	(2,212)	(18,386)
-	-	200,000	969,808	579,206
69,688	10,421	(109,602)	(117,795)	435,557
842,430	1,368,662	373,367	5,214,518	4,778,961
\$ 912,118	\$ 1,379,083	\$ 263,765	\$ 5,096,723	\$ 5,214,518

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Retail Sales Enhancement Fund

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018		
		Original & Final Budget	Actual	Variance With Final Budget
				2017 Actual
REVENUES				
Taxes		\$ 331,109	\$ 354,397	\$ 23,288
Charges for services		-	100	100
Miscellaneous		-	6,325	6,325
	Total revenues	<u>331,109</u>	<u>360,822</u>	<u>29,713</u>
EXPENDITURES				
Current				
Community Development				
Retail Sales Enhancement		344,926	291,899	53,027
Capital outlay				
Community development outlays		-	36,145	(36,145)
Debt service				
Principal		16,000	16,030	(30)
	Total expenditures	<u>360,926</u>	<u>344,074</u>	<u>16,852</u>
	Revenues in excess of expenditures	(29,817)	16,748	46,565
OTHER FINANCING SOURCES (USES)				
Transfers out		-	-	-
	Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
	Change in fund balance	(29,817)	16,748	46,565
	FUND BALANCE, Beginning	<u>144,855</u>	<u>144,855</u>	<u>-</u>
	FUND BALANCE, Ending	<u>\$ 115,038</u>	<u>\$ 161,603</u>	<u>\$ 46,565</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 600,000	\$ 600,000	\$ 630,000
EXPENDITURES					
Current					
Community Development					
Special benefit	-	-	-	-	630,000
Capital outlay					
Highways & streets outlays	-	600,000	600,000	-	-
Revenues in excess of expenditures	-	(600,000)	-	600,000	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	30,000
Change in fund balance	-	(600,000)	-	600,000	30,000
FUND BALANCE, Beginning	30,000	30,000	30,000	-	-
FUND BALANCE, Ending	<u>\$ 30,000</u>	<u>\$ (570,000)</u>	<u>\$ 30,000</u>	<u>\$ 600,000</u>	<u>\$ 30,000</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018				
		Original	Final		Variance	2017
		Budget	Budget	Actual	With Final	Actual
					Budget	
REVENUES						
Taxes	\$	112,000	\$ 112,000	\$ 109,401	\$ (2,599)	\$ 110,970
Intergovernmental		10,000	10,000	16,206	6,206	15,794
Charges for services		-	-	3,915	3,915	360
Miscellaneous		14,500	14,500	24,915	10,415	14,321
Investment earnings		50	50	1,056	1,006	61
Total revenues		<u>136,550</u>	<u>136,550</u>	<u>155,493</u>	<u>18,943</u>	<u>141,506</u>
EXPENDITURES						
Current						
Community Development						
Downtown Development		177,949	177,949	128,308	49,641	98,740
Capital outlay						
Community development outlays		<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total expenditures		<u>179,949</u>	<u>179,949</u>	<u>128,308</u>	<u>51,641</u>	<u>98,740</u>
Change in fund balance		(43,399)	(43,399)	27,185	70,584	42,766
FUND BALANCE, Beginning		<u>186,629</u>	<u>186,629</u>	<u>186,629</u>	<u>-</u>	<u>143,863</u>
FUND BALANCE, Ending	\$	<u><u>143,230</u></u>	<u><u>143,230</u></u>	<u><u>213,814</u></u>	<u><u>70,584</u></u>	<u><u>186,629</u></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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018		Variance With Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Miscellaneous	\$ 10,500	\$ 43,755	\$ 33,255	\$ 61,812
EXPENDITURES				
Current				
Community Development				
Downtown Development	20,000	12,785	7,215	66,638
Change in fund balance	(9,500)	30,970	40,470	(4,826)
FUND BALANCE, Beginning	96,488	96,488	-	101,314
FUND BALANCE, Ending	<u>\$ 86,988</u>	<u>\$ 127,458</u>	<u>\$ 40,470</u>	<u>\$ 96,488</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Original & Final		Variance With Final	2017
		Budget	Actual	Budget	Actual
REVENUES					
Miscellaneous		\$ -	\$ 199	\$ 199	\$ -
EXPENDITURES					
Current					
Community Development					
Planning services		20,000	6,906	13,094	-
Revenues in excess of expenditures		(20,000)	(6,707)	13,293	-
FUND BALANCE, Beginning		130,000	130,000	-	130,000
FUND BALANCE, Ending		\$ 110,000	\$ 123,293	\$ 13,293	\$ 130,000

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018		
		Original & Final Budget	Actual	Variance With Final Budget
				2017 Actual
REVENUES				
Taxes		\$ 20,000	\$ 17,241	\$ (2,759)
Investment earnings		<u>1,000</u>	<u>3,004</u>	<u>2,004</u>
Total revenues		21,000	20,245	(755)
EXPENDITURES				
Current				
Community Development				
Special benefit		<u>56,178</u>	<u>37,898</u>	<u>18,280</u>
Change in fund balance		(35,178)	(17,653)	17,525
FUND BALANCE, Beginning		<u>108,360</u>	<u>108,360</u>	-
FUND BALANCE, Ending		<u>\$ 73,182</u>	<u>\$ 90,707</u>	<u>\$ 17,525</u>
				<u>\$ 108,360</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Original &		Variance	
	Final		With Final	
	Budget	Actual	Budget	Actual
REVENUES				
Investment earnings	\$ -	\$ 3,170	\$ 3,170	\$ 685
FUND BALANCE, Beginning	<u>156,052</u>	<u>156,052</u>	<u>-</u>	<u>155,367</u>
FUND BALANCE, Ending	<u>\$ 156,052</u>	<u>\$ 159,222</u>	<u>\$ 3,170</u>	<u>\$ 156,052</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 525,473	\$ 425,473	\$ 178,660
Miscellaneous	-	-	206,300	206,300	10,009,000
Investment earnings	10,000	10,000	310,582	300,582	26,557
Total revenues	110,000	110,000	1,042,355	932,355	10,214,217
EXPENDITURES					
Capital outlay					
Public works outlays	250,000	250,000	290,167	(40,167)	5,673
Highways & streets outlays	5,600,000	6,012,653	5,113,017	899,636	925,722
Total capital outlay	5,850,000	6,262,653	5,403,184	859,469	931,395
Revenues in excess of expenditures	(5,740,000)	(6,152,653)	(4,360,829)	1,791,824	9,282,822
OTHER FINANCING SOURCES (USES)					
Transfers in	2,032,917	2,032,917	2,120,959	88,042	1,926,378
Transfers out	-	-	-	-	(4,886,040)
Net other financing sources (uses)	2,032,917	2,032,917	2,120,959	88,042	(2,959,662)
Change in fund balance	(3,707,083)	(4,119,736)	(2,239,870)	1,879,866	6,323,160
FUND BALANCE, Beginning	6,742,110	6,742,110	6,742,110	-	418,950
Prior Period Restatement	-	-	4,931,803	4,931,803	-
FUND BALANCE, Beginning (As Restated)	6,742,110	6,742,110	11,673,913	4,931,803	418,950
FUND BALANCE, Ending	\$ 3,035,027	\$ 2,622,374	\$ 9,434,043	\$ 6,811,669	\$ 6,742,110

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Original	Final	Variance	2017
		Budget	Budget	With Final	Actual
				Budget	
			Actual		
REVENUES					
Intergovernmental		\$ 90,000	\$ 90,000	\$ 97,305	\$ 94,184
Investment earnings		2,500	2,500	9,740	5,808
	Total revenues	<u>92,500</u>	<u>92,500</u>	<u>107,045</u>	<u>99,992</u>
EXPENDITURES					
Current					
Parks, recreation and cemetery					
Parks maintenance		26,500	26,500	26,499	450
Capital outlay					
Parks & recreation outlays		<u>300,000</u>	<u>300,000</u>	<u>249,147</u>	<u>38,499</u>
	Total expenditures	<u>326,500</u>	<u>326,500</u>	<u>275,646</u>	<u>38,949</u>
	Change in fund balance	(234,000)	(234,000)	(168,601)	61,043
	FUND BALANCE, Beginning	<u>406,337</u>	<u>406,337</u>	<u>406,337</u>	<u>345,294</u>
	FUND BALANCE, Ending	<u>\$ 172,337</u>	<u>\$ 172,337</u>	<u>\$ 237,736</u>	<u>\$ 406,337</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Original	Final	Variance	2017
		Budget	Budget	With Final	Actual
				Budget	
REVENUES					
Charges for services		\$ 15,000	\$ 15,000	\$ (5,165)	\$ 19,276
Miscellaneous		-	-	2,221	482
	Total revenues	15,000	15,000	(2,944)	19,758
EXPENDITURES					
Current					
Community Development					
Pavilions Senior Center		15,000	15,000	5,165	21,824
	Change in fund balance	-	-	2,221	(2,066)
	FUND BALANCE, Beginning	13,629	13,629	-	15,695
	FUND BALANCE, Ending	\$ 13,629	\$ 13,629	\$ 2,221	\$ 13,629

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES					
Miscellaneous	\$ 20,000	\$ 20,000	\$ 58,059	\$ 38,059	\$ 202,823
Investment earnings	2,500	2,500	2,488	(12)	1,474
Total revenues	<u>22,500</u>	<u>22,500</u>	<u>60,547</u>	<u>38,047</u>	<u>204,297</u>
EXPENDITURES					
Community Development					
Special benefit	<u>36,000</u>	<u>36,000</u>	<u>38,902</u>	<u>(2,902)</u>	<u>27,867</u>
Capital outlay					
General government outlays	28,900	28,900	17,275	11,625	12,626
Community development outlays	<u>83,458</u>	<u>83,458</u>	<u>76,999</u>	<u>6,459</u>	<u>1,839</u>
Total capital outlay	<u>112,358</u>	<u>112,358</u>	<u>94,274</u>	<u>18,084</u>	<u>14,465</u>
Total expenditures	<u>148,358</u>	<u>148,358</u>	<u>133,176</u>	<u>15,182</u>	<u>42,332</u>
Change in fund balance	(125,858)	(125,858)	(72,629)	53,229	161,965
FUND BALANCE, Beginning	<u>424,504</u>	<u>424,504</u>	<u>424,504</u>	-	<u>262,539</u>
FUND BALANCE, Ending	<u>\$ 298,646</u>	<u>\$ 298,646</u>	<u>\$ 351,875</u>	<u>\$ 53,229</u>	<u>\$ 424,504</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Original	Final	Variance	2017
		Budget	Budget	With Final	Actual
				Budget	
REVENUES					
Taxes		\$ 493,156	\$ 493,156	\$ 60,627	\$ 519,263
Intergovernmental		-	-	-	15,250
Charges for services		75,000	75,000	(52,629)	57,858
Miscellaneous		11,600	11,600	(17,972)	12,062
Investment earnings		-	-	1,348	234
Total revenues		<u>579,756</u>	<u>579,756</u>	<u>(8,626)</u>	<u>604,667</u>
EXPENDITURES					
Current					
Community Development					
Tourism		565,849	615,849	126,331	484,601
Capital outlay					
Community development outlays		-	-	(60,145)	-
Total expenditures		<u>565,849</u>	<u>615,849</u>	<u>66,186</u>	<u>484,601</u>
Revenues in excess of expenditures		13,907	(36,093)	57,560	120,066
OTHER FINANCING SOURCES (USES)					
Transfers in		-	-	-	15,132
Transfers out		-	-	-	(2,083)
Net other financing sources (uses)		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,049</u>
Change in fund balance		13,907	(36,093)	57,560	133,115
FUND BALANCE (DEFICIT), Beginning		<u>436,558</u>	<u>436,558</u>	<u>-</u>	<u>303,443</u>
FUND BALANCE (DEFICIT), Ending		<u>\$ 450,465</u>	<u>\$ 400,465</u>	<u>\$ 57,560</u>	<u>\$ 436,558</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, 2018
 (With Comparative Totals for the Year Ended December 31, 2017)

	2018		2017
	Original & Final Budget	Variance With Final Budget	
	Actual	Budget	Actual
EXPENDITURES			
Current			
Community Development			
Special benefit	\$ -	\$ -	\$ 50
Debt service			
Principal	481,245	409,102	360,000
Interest and fees	218,755	218,755	14,400
Total expenditures	<u>700,000</u>	<u>627,857</u>	<u>374,450</u>
Revenues in excess of expenditures	(700,000)	72,143	(374,450)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>700,000</u>	<u>700,000</u>	<u>352,460</u>
Change in fund balance	-	72,143	(21,990)
FUND BALANCE, Beginning	<u>37,453</u>	<u>37,453</u>	<u>59,443</u>
FUND BALANCE, Ending	<u>\$ 37,453</u>	<u>\$ 109,596</u>	<u>\$ 37,453</u>

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			
	Original & Final Budget	Actual	Variance With Final Budget	2017 Actual
REVENUES				
Charges for services	\$ 12,189	\$ 12,189	\$ -	\$ 12,189
EXPENDITURES				
Debt service				
Principal	11,055	11,332	(277)	10,792
Interest and fees	1,134	857	277	1,397
Total expenditures	12,189	12,189	-	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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018		
		Original & Final Budget	Actual	Variance With Final Budget
				2017 Actual
REVENUES				
Investment earnings		\$ 3,000	\$ 1,624	\$ (1,376) \$ 6,381
	Change in fund balance	3,000	1,624	(1,376) 6,381
	FUND BALANCE, Beginning	339,823	339,823	- 333,442
	FUND BALANCE, Ending	<u>\$ 342,823</u>	<u>\$ 341,447</u>	<u>\$ (1,376) \$ 339,823</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Original &		Variance	
	Final		With Final	
	Budget	Actual	Budget	Actual
REVENUES				
Contributions to permanent endowment	\$ 2,000	\$ 1,760	\$ (240)	\$ 1,920
Investment earnings	<u>750</u>	<u>2,212</u>	<u>1,462</u>	<u>1,171</u>
Total revenues	2,750	3,972	1,222	3,091
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,500)</u>	<u>(2,212)</u>	<u>288</u>	<u>(1,171)</u>
Change in fund balance	250	1,760	1,510	1,920
FUND BALANCE, Beginning	<u>119,371</u>	<u>119,371</u>	<u>-</u>	<u>117,451</u>
FUND BALANCE, Ending	<u>\$ 119,621</u>	<u>\$ 121,131</u>	<u>\$ 1,510</u>	<u>\$ 119,371</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Original & Final Budget	Actual	Variance With Final Budget	
				Actual
REVENUES				
Special assessments	\$ 75,000	\$ 59,111	\$ (15,889)	\$ 87,454
Investment earnings	<u>10,000</u>	<u>11,042</u>	<u>1,042</u>	<u>5,936</u>
Total revenues	85,000	70,153	(14,847)	93,390
EXPENDITURES				
Current				
General government				
Innovation and citizen engagement	<u>700</u>	<u>465</u>	<u>235</u>	<u>519</u>
Change in fund balance	84,300	69,688	(14,612)	92,871
FUND BALANCE, Beginning	<u>842,430</u>	<u>842,430</u>	<u>-</u>	<u>749,559</u>
FUND BALANCE, Ending	<u>\$ 926,730</u>	<u>\$ 912,118</u>	<u>\$ (14,612)</u>	<u>\$ 842,430</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018				
		Original	Final		Variance	2017
		Budget	Budget	Actual	With Final	Actual
					Budget	
REVENUES						
Intergovernmental		\$ -	\$ -	\$ 91,494	\$ 91,494	\$ 984,593
Investment earnings		-	-	(15,161)	(15,161)	31,642
Total revenues		-	-	76,333	76,333	1,016,235
EXPENDITURES						
Capital outlay						
Highways & streets outlays		-	65,912	65,912	-	1,147,929
Change in fund balance		-	(65,912)	10,421	76,333	(131,694)
FUND BALANCE, Beginning		1,368,662	1,368,662	1,368,662	-	1,500,356
FUND BALANCE, Ending		<u>\$ 1,368,662</u>	<u>\$ 1,302,750</u>	<u>\$ 1,379,083</u>	<u>\$ 76,333</u>	<u>\$ 1,368,662</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Variance With Final Budget	
REVENUES					
Investment earnings	\$ 2,500	\$ 2,500	\$ 3,283	\$ 783	\$ 2,766
EXPENDITURES					
Current					
Community Development					
Special benefit	-	12,500	22,594	(10,094)	105,355
Capital outlay					
General government outlays	283,500	333,791	290,291	43,500	84,467
Total expenditures	283,500	346,291	312,885	33,406	189,822
Revenues in excess of expenditures	(281,000)	(343,791)	(309,602)	34,189	(187,056)
OTHER FINANCING SOURCES (USES)					
Transfers in	200,000	200,000	200,000	-	200,000
Change in fund balance	(81,000)	(143,791)	(109,602)	34,189	12,944
FUND BALANCE, Beginning	373,367	373,367	373,367	-	360,423
FUND BALANCE, Ending	\$ 292,367	\$ 229,576	\$ 263,765	\$ 34,189	\$ 373,367

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the
Water Fund

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018		
		Final	Variance	2017
		Budget	With Final	Actual
			Budget	
		Actual		
REVENUES				
Water sales	\$	5,071,500	\$	5,738,130
Tap fees unpledged		55,000		99,905
Other miscellaneous revenues		500		14,827
Intergovernmental revenues		-		-
Investment earnings		30,000		232,376
Gain (loss) on sale of assets		-		(44,764)
Capacity fees		125,000		142,688
Total revenues		<u>5,282,000</u>		<u>6,393,662</u>
EXPENDITURES				
Enterprise administration		258,298		-
Operations and maintenance		4,529,840		70,240
Capital outlay		1,642,931		(79,442)
Principal		173,250		-
Interest expense		22,919		778
Transfers out		1,700,000		-
Total expenditures		<u>8,327,238</u>		<u>1,691,576</u>
Change in net position - budgetary basis	\$	<u>(3,045,238)</u>	\$	<u>2,803,238</u>
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		1,741,550		304,708
Depreciation		(1,083,412)		(1,071,936)
Debt principal payments		173,250		165,969
Change in net position - GAAP basis		589,388		876,608
NET POSITION, Beginning		<u>34,933,923</u>		<u>34,057,315</u>
NET POSITION, Ending	\$	<u>35,523,311</u>	\$	<u>34,933,923</u>

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

CITY OF MONTROSE, COLORADOBudgetary Comparison Schedule for the
Sewer Fund

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance With Final Budget	Actual
REVENUES				
Sewer charges	\$ 2,870,000	\$ 2,937,841	\$ 67,841	\$ 2,872,591
Tap fees unpledged	45,000	290,586	245,586	51,008
Other charges	42,600	14,294	(28,306)	22,689
Other miscellaneous revenues	-	5,597	5,597	5,788
Investment earnings	10,000	37,134	27,134	30,079
Capacity fees	400,000	628,718	228,718	427,909
Total revenues	<u>3,367,600</u>	<u>3,914,170</u>	<u>546,570</u>	<u>3,410,064</u>
EXPENDITURES				
Enterprise administration	220,648	220,648	-	228,117
Operations and maintenance	2,120,138	2,166,980	(46,842)	2,019,958
Capital outlay	1,931,500	1,661,621	269,879	526,550
Principal	141,750	141,750	-	135,793
Interest expense	18,752	18,115	637	7,521
Total expenditures	<u>4,432,788</u>	<u>4,209,114</u>	<u>223,674</u>	<u>2,917,939</u>
Change in net position - budgetary basis	<u>\$ (1,065,188)</u>	<u>(294,944)</u>	<u>\$ 770,244</u>	<u>492,125</u>
Reconciliation of budgetary to GAAP basis:				
Capitalized assets		1,519,799		491,620
Depreciation		(2,016,045)		(1,917,947)
Debt principal payments		141,750		135,793
Change in net position - GAAP basis		(649,440)		(798,409)
NET POSITION, Beginning		<u>32,660,321</u>		<u>33,458,730</u>
NET POSITION, Ending		<u>\$ 32,010,881</u>		<u>\$ 32,660,321</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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Final		Variance	2017
		Budget	Actual	With Final	Actual
				Budget	
REVENUES					
Sanitation charges		\$ 1,571,000	\$ 1,607,899	\$ 36,899	\$ 1,577,974
Other charges		500	1,046	546	164
Investment earnings		-	3,635	3,635	234
Other miscellaneous revenues		-	7,980	7,980	-
	Total revenues	1,571,500	1,620,560	49,060	1,578,372
EXPENDITURES					
Enterprise administration		112,378	112,378	-	115,525
Operations and maintenance		1,398,197	1,420,700	(22,503)	1,108,577
	Total expenditures	1,510,575	1,533,078	(22,503)	1,224,102
Change in net position - budgetary basis		\$ 60,925	87,482	\$ 26,557	354,270
	NET POSITION, Beginning		973,760		619,490
	NET POSITION, Ending		\$ 1,061,242		\$ 973,760

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018		
		Final	Variance	2017
		Budget	With Final	
			Budget	Actual
		Actual		
REVENUES				
Golf charges	\$	452,850	\$	475,826
Other miscellaneous revenues		-		2,976
Gain (loss) on sale of assets		-		(70,995)
Dedicated & contributed capital assets		10,000		(70,462)
Transfers in		469,581		(10,000)
		<u>469,581</u>		<u>-</u>
Total revenues		<u>932,431</u>		<u>506,116</u>
EXPENDITURES				
Operations and maintenance		833,294		812,003
Capital outlay		96,847		21,291
Principal		37,087		(117,970)
Interest expense		2,200		99,494
		<u>2,200</u>		<u>(130,578)</u>
Total expenditures		<u>969,428</u>		<u>167,665</u>
Change in net position - budgetary basis	\$	<u>(36,997)</u>		<u>(2,310)</u>
Reconciliation of budgetary to GAAP basis:				
Capital outlay				183,218
Depreciation				(49,309)
Debt principal payments				(130,578)
Change in net position - GAAP basis				<u>27,228</u>
NET POSITION, Beginning				(19,756)
NET POSITION, Ending				<u>136,914</u>
				<u>1,008,132</u>
				<u>871,218</u>
	\$			<u>988,376</u>
				<u>\$ 1,008,132</u>

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

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CITY OF MONTROSE, COLORADO

Statement of Net Position

Internal Service Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		Internal Service Funds			
		Fleet Management Fund	Information Technologies	Employee Insurance	Facilities
ASSETS					
Current Assets					
Cash and cash equivalents	\$	(72,359)	\$ 912,550	\$ 2,750,085	\$ 143,106
Certificates of deposit		518,933	-	-	-
Accounts receivable - net		7,259	45,509	-	318
Inventory of supplies		20,131	1,573	-	-
Prepaid Expenses		-	177,894	37,902	-
Total Current Assets		473,964	1,137,526	2,787,987	143,424
Noncurrent Assets					
Capital assets		4,517,783	549,710	-	-
Total Assets		4,991,747	1,687,236	2,787,987	143,424
LIABILITIES					
Current Liabilities					
Accounts payable		50,731	46,408	25	26,372
Accrued salaries and benefits		10,064	17,053	-	8,378
Accrued compensated absences		10,751	13,176	-	3,299
Claims payable		-	-	361,825	-
Long-term debt due in one year		-	814	-	-
Total Liabilities		71,546	77,451	361,850	38,049
NET POSITION					
Invested in capital assets net of related debt		4,517,783	548,896	-	-
Unrestricted		402,418	1,060,889	2,426,137	105,375
Total Net Position	\$	4,920,201	\$ 1,609,785	\$ 2,426,137	\$ 105,375

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

Total	
2018	2017
\$ 3,733,382	\$ 3,512,570
518,933	514,026
53,086	47,898
21,704	54,228
215,796	131,315
4,542,901	4,260,037
5,067,493	4,232,420
9,610,394	8,492,457
123,536	59,816
35,495	20,743
27,226	18,173
361,825	260,000
814	8,136
548,896	366,868
5,066,679	4,224,284
3,994,819	3,901,305
\$ 9,061,498	\$ 8,125,589

CITY OF MONTROSE, COLORADO

Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		Internal Service Funds			
		Fleet	Information	Employee	
		Management	Technologies	Insurance	Facilities
		Fund			
OPERATING REVENUES					
Interfund charges		\$ 1,818,339	\$ 1,224,507	\$ 2,392,625	\$ 1,225,021
Other charges		16,673	71,758	196,821	-
Total Operating Revenues		<u>1,835,012</u>	<u>1,296,265</u>	<u>2,589,446</u>	<u>1,225,021</u>
OPERATING EXPENSES					
Enterprise administration		-	-	94,867	-
Operations and maintenance		1,120,504	1,058,928	35,637	1,091,885
Medical claims		-	-	1,618,115	-
Insurance premiums		-	-	452,129	-
Depreciation		816,892	98,714	-	-
Capital outlay		(21,139)	20,779	-	64,218
Total Operating Expenses		<u>1,916,257</u>	<u>1,178,421</u>	<u>2,200,748</u>	<u>1,156,103</u>
Net Operating Income		<u>(81,245)</u>	<u>117,844</u>	<u>388,698</u>	<u>68,918</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues		-	13,769	-	-
Investment earnings		18,771	13,133	29,306	-
Gain (loss) on sale of assets		(69,188)	894	-	-
Other miscellaneous revenues		134,675	191,723	1,326	-
Interest expense		-	(142)	-	-
Net Nonoperating Revenues (Expenses)		<u>84,258</u>	<u>219,377</u>	<u>30,632</u>	<u>-</u>
Income Before Contributions and Transfers		<u>3,013</u>	<u>337,221</u>	<u>419,330</u>	<u>68,918</u>
Contributions and Transfers					
Transfers in		-	-	-	36,457
Transfers out		-	(36,457)	-	-
Change in Net Position		<u>3,013</u>	<u>300,764</u>	<u>419,330</u>	<u>105,375</u>
NET POSITION, Beginning		4,809,761	1,309,021	2,006,807	-
Prior Period Restatement		107,427	-	-	-
NET ASSETS, Beginning (as Restated)		<u>4,917,188</u>	<u>1,309,021</u>	<u>2,006,807</u>	<u>-</u>
NET POSITION, Ending		<u>\$ 4,920,201</u>	<u>\$ 1,609,785</u>	<u>\$ 2,426,137</u>	<u>\$ 105,375</u>

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

Totals	
2018	2017
\$ 6,660,492	\$ 5,110,004
285,252	121,675
<u>6,945,744</u>	<u>5,231,679</u>
94,867	102,324
3,306,954	1,963,863
1,618,115	1,343,630
452,129	417,392
915,606	764,643
63,858	(17,166)
<u>6,451,529</u>	<u>4,574,686</u>
<u>494,215</u>	<u>656,993</u>
13,769	17,338
61,210	42,286
(68,294)	(19,740)
327,724	60,900
(142)	(946)
<u>334,267</u>	<u>99,838</u>
<u>828,482</u>	<u>756,831</u>
36,457	-
(36,457)	-
<u>828,482</u>	<u>756,831</u>
8,125,589	7,368,758
107,427	-
<u>8,233,016</u>	<u>7,368,758</u>
<u>\$ 9,061,498</u>	<u>\$ 8,125,589</u>

CITY OF MONTROSE, COLORADO

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Internal Service Funds		
	Fleet Management Fund	Information Technologies	Employee Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From customers and users	\$ 13,470	\$ 65,462	\$ 201,450
Receipts from interfund services provided	1,818,339	1,224,507	2,392,625
Payments to suppliers	(725,043)	(767,387)	(2,136,800)
Payments to employees	(197,631)	(307,773)	-
Payments for internal services used	(116,967)	(28,875)	-
Net cash provided (used) by operating activities	792,168	185,934	457,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental Receipts	-	13,769	-
Other Receipts	134,675	191,723	1,326
Transfers in	-	-	-
Transfers out	-	(36,457)	-
Net cash provided (used) by noncapital financing activities	134,675	169,035	1,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of assets	(69,188)	894	-
Acquisition and construction of capital assets	(1,407,365)	(235,887)	-
Principal paid on long-term debt	-	(7,322)	-
Interest paid on long-term debt	-	(142)	-
Net cash provided (used) by capital and related financing activities	(1,476,553)	(242,457)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in certificates of deposits	(4,907)	-	-
Interest on investments	18,771	13,133	29,306
Net cash provided (used) by investing activities	13,864	13,133	29,306
Net increase (decrease) in cash and cash equivalents	(535,846)	125,645	487,907
CASH AND CASH EQUIVALENTS, Beginning	463,487	786,905	2,262,178
CASH AND CASH EQUIVALENTS, Ending	\$ (72,359)	\$ 912,550	\$ 2,750,085
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (81,245)	\$ 117,844	\$ 388,698
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	816,892	98,714	-
(Increase) decrease in accounts receivable	(3,203)	(6,296)	4,629
(Increase) decrease in inventory of supplies	32,587	(63)	-
(Increase) decrease in prepaid expenses	-	(46,579)	(37,902)
Increase (decrease) in accounts payable	17,070	20,253	25
Increase (decrease) in accrued salaries and benefits	2,741	3,633	-
Increase (decrease) in accrued compensated absences	7,326	(1,572)	-
Increase (decrease) in claims payable	-	-	101,825
Net cash provided (used) by operating activities	\$ 792,168	\$ 185,934	\$ 457,275

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

Totals		
Facilities	2018	2017
\$ (318)	\$ 280,064	\$ 46,553
1,225,021	6,660,492	5,049,104
(1,129,731)	(4,758,961)	(3,490,539)
11,677	(493,727)	(512,731)
-	(145,842)	(45,348)
106,649	1,542,026	1,047,039
-	13,769	128,044
-	327,724	60,900
36,457	36,457	-
-	(36,457)	-
36,457	341,493	188,944
-	(68,294)	(19,740)
-	(1,643,252)	(1,726,067)
-	(7,322)	(11,518)
-	(142)	(946)
-	(1,719,010)	(1,758,271)
-	(4,907)	(4,859)
-	61,210	42,287
-	56,303	37,428
143,106	220,812	(484,860)
-	3,512,570	3,997,430
\$ 143,106	\$ 3,733,382	\$ 3,512,570
\$ 68,918	\$ 494,215	\$ 607,185
-	915,606	764,643
(318)	(5,188)	(25,315)
-	32,524	(5,807)
-	(84,481)	(37,632)
26,372	63,720	(6,329)
8,378	14,752	2,806
3,299	9,053	(11,612)
-	101,825	(180,000)
\$ 106,649	\$ 1,542,026	\$ 1,107,939

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Fleet Management Fund

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Final		Variance	2017
		Budget	Actual	With Final	Actual
				Budget	
REVENUES					
Interfund charges		\$ 1,375,823	\$ 1,818,339	\$ 442,516	\$ 1,427,658
Other charges		12,500	16,673	4,173	16,207
Investment earnings		15,000	18,771	3,771	22,954
Gain (loss) on sale of assets		3,000	(69,188)	(72,188)	(20,990)
Other miscellaneous revenues		5,000	134,675	129,675	57,856
	Total revenues	1,411,323	1,919,270	507,947	1,503,685
EXPENDITURES					
Operations and maintenance		1,097,288	1,121,930	(24,642)	885,338
Capital outlay		1,369,140	1,492,227	(123,087)	1,687,204
	Total expenditures	2,466,428	2,614,157	(147,729)	2,572,542
	Change in net position - budgetary basis	\$ (1,055,105)	(694,887)	\$ 360,218	(1,068,857)
Reconciliation of budetary to GAAP basis:					
Capital outlay			1,514,792		1,687,204
Depreciation			(816,892)		(667,420)
	Change in net position - GAAP basis		3,013		(49,073)
	NET POSITION, Beginning		4,809,761		4,858,834
	Prior Period Restatement		107,427		-
	NET ASSETS, Beginning (As Restated)		4,917,188		4,858,834
	NET POSITION, Ending		\$ 4,920,201		\$ 4,809,761

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018			
	Final		Variance	2017
	Budget	Actual	With Final	Actual
	Budget		Budget	
REVENUES				
Interfund charges	\$ 1,240,619	\$ 1,224,507	\$ (16,112)	\$ 1,153,903
Other charges	50,120	71,758	21,638	103,648
Intergovernmental revenues	14,000	13,769	(231)	17,338
Investment earnings	5,000	13,133	8,133	8,693
Other miscellaneous revenues	-	191,723	191,723	276
Gain (loss) on sale of assets	500	894	394	1,250
Total revenues	1,310,239	1,515,784	205,545	1,285,108
EXPENDITURES				
Operations and maintenance	1,130,483	1,030,575	99,908	1,009,275
Capital outlay	154,400	289,095	(134,695)	38,863
Principal	4,000	-	4,000	-
Interest expense	1,000	7,465	(6,465)	12,465
Transfers out	-	36,457	(36,457)	-
Total expenditures	1,289,883	1,363,592	(73,709)	1,060,603
Change in net position - budgetary basis	\$ 20,356	152,192	\$ 131,836	224,505
Reconciliation of budgetary to GAAP basis:				
Capital outlay		235,887		38,863
Depreciation		(98,714)		(97,223)
Debt principal payments		7,323		11,519
Vacation payouts		4,076		8,603
Change in net position - GAAP basis		300,764		186,267
NET POSITION, Beginning		1,309,021		1,122,754
NET POSITION, Ending		\$ 1,609,785		\$ 1,309,021

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, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

		2018			
		Final		Variance	2017
		Budget	Actual	With Final	Actual
				Budget	
REVENUES					
Interfund charges		\$ 2,400,000	\$ 2,392,625	\$ (7,375)	\$ 2,528,443
Other charges		-	196,821	196,821	1,820
Investment earnings		3,000	29,306	26,306	10,639
Other miscellaneous revenues		-	1,326	1,326	2,768
	Total revenues	<u>2,403,000</u>	<u>2,620,078</u>	<u>217,078</u>	<u>2,543,670</u>
EXPENDITURES					
Enterprise administration		105,000	94,867	10,133	102,324
Operations and maintenance		130,000	35,637	94,363	60,687
Medical claims		1,368,500	1,618,115	(249,615)	1,343,630
Insurance premiums		422,000	452,129	(30,129)	417,392
	Total expenditures	<u>2,025,500</u>	<u>2,200,748</u>	<u>(175,248)</u>	<u>1,924,033</u>
Change in net position - budgetary basis		<u>\$ 377,500</u>	<u>419,330</u>	<u>\$ 41,830</u>	<u>619,637</u>
NET POSITION, Beginning			2,006,807		<u>1,387,170</u>
NET POSITION, Ending			<u>\$ 2,426,137</u>		<u>\$ 2,006,807</u>

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

CITY OF MONTROSE, COLORADO

Budgetary Comparison Schedule for the

Facilities Fund

For the Year Ended December 31, 2018

		2018		
		Original/ Final Budget	Actual	Variance With Final Budget
REVENUES				
Interfund charges		\$ 1,225,021	\$ 1,225,021	\$ -
Transfers in		-	36,457	36,457
	Total revenues	<u>1,225,021</u>	<u>1,261,478</u>	<u>36,457</u>
EXPENDITURES				
Operations and maintenance		1,178,421	1,091,885	86,536
Capital outlay		<u>46,600</u>	<u>64,218</u>	<u>(17,618)</u>
	Total expenditures	<u>1,225,021</u>	<u>1,156,103</u>	<u>68,918</u>
	Change in net position - budgetary basis	<u>\$ -</u>	<u>105,375</u>	<u>\$ 105,375</u>
	NET POSITION, Beginning		-	
	NET POSITION, Ending		<u>\$ 105,375</u>	

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

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6. Remember to click "Save" to save any changes.

ANNUAL HIGHWAY FINANCE REPORT - CY18

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:	\$	7,209,176.03
3. Other local imposts: <i>from A.3. 'Total' below</i>	\$	0.00
4. Miscellaneous local receipts: <i>from A.4. 'Total' below</i>	\$	265,530.82
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: \$ 7,474,706.85

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
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:	\$	108,781.69
b. Traffic fines & Penalties:	\$	156,749.13
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	\$	265,530.82

C. Receipts from State Government

Please no commas or dollar signs for the input

1. Highway User Taxes:	\$	921,542.25
3. Other State funds:		
c. Motor Vehicle Registrations:	\$	80,981.29
d. Other (Specify):		
Comments: Federal Earmark	\$	91,493.76
e. Other (Specify):		
Comments: undefined	\$	0.00
Total: (1+3c,d,e)	\$	1,094,017.30

D. Receipts from Federal Government

Please no commas or dollar signs for the input

2. Other Federal Agencies

See accompanying Independent Auditors' Report.

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: (from A.1.d. 'Total Capital Outlay' below)	\$	4,289,800.21
2. Maintenance:	\$	2,174,983.07
3. Road and street services		
a. Traffic control operations:	\$	0.00
b. Snow and ice removal:	\$	20,715.56
c. Other:	\$	0.00
4. General administration & miscellaneous	\$	180,036.36
5. Highway law enforcement and safety	\$	1,589,260.29
Total: (A.1-5)		\$ 8,254,795.49

Please no commas or dollar signs for the input

B. Debt service on local obligations

1. Bonds		
a. Interest	\$	0.00
b. Redemption	\$	0.00
2. Notes		
a. Interest	\$	109,377.66
b. Redemption	\$	204,551.00
SubTotal: (1+2)		\$ 313,928.66

Please no commas or dollar signs for the input

C. Payments to State for Highways: \$ 0.00 The

See accompanying Independent Auditors' Report.

79

answer you gave was not a correct number

D. Payments to Toll Facilities:

\$ 0.00

Total Disbursements: $(A+B+C+D)$ \$ 8,568,724.15

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	\$ 178,399.10	\$ 178,399.10
b. Engineering Costs:	\$ 0.00	\$ 184,522.60	\$ 184,522.60
c. Construction			
1. New Facilities:	\$ 0.00	\$ 0.00	\$ 0.00
	\$ 0.00		
	The answer you gave was not a correct number	\$ 1,431,694.34	\$ 1,431,694.34
2. Capacity Improvements:			
3. System Preservation:	\$ 0.00	\$ 2,437,333.89	\$ 2,437,333.89
4. System Enhancement:	\$ 0.00	\$ 57,850.28	\$ 57,850.28
5. Total Construction:			\$ 3,926,878.51
d. Total Capital Outlay: $(\text{Lines A.1.a.} + 1.b. + 1.c.5)$			\$ 4,289,800.21

IV. LOCAL HIGHWAY DEBT STATUS

Please no commas or dollar signs for the input

	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT
A. Bonds (Total)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1. Bonds (Refunding Portion)		\$ 0.00	\$ 0.00	\$ 0.00
B. Notes (Total):	\$ 5,000,000.00	\$ 0.00	\$ 204,551.01	\$ 4,795,448.99

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	\$ 8,568,724.15	\$ 8,568,724.15	\$ 0.00	\$ 0.00

Notes & Comments:

undefined

Please enter your name: Shani Wittenberg

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

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